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

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BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (11106-V)

ANNUAL REPORT 2014

Annual Report 2014

SURGING AHEAD

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

inside

FEATURES

at a glance

Revenue	Shareholders' Funds
RM 332.8 million	RM 300.6 million

Employees	Total Assets
1,787	RM 747.2 million

EBITDA	Profit After Tax
RM 47.0 million	RM 17.9 million

operational **highlights**

- RM532 million and EUR193 million submarine ISS contract formalised by BDNC.
- RM220 million BHICAS receives contract from RMAF.
- RM108 million Murphy Sarawak Oil contract for BP Shipyard.
- EUR 63 million and £3.9 million LCS combat system equipment and services LOAs received by CAD.
- EUR17 million LCS radar systems and services LOA received by CAD.
- RM15 million three year Malaysian Army contract for BDTS.
- RM3.7 million maintenance contract for RMN Oto Melara and Oto Breda weaponry received by BDTS.
- First in class two men operation tug "Marsden Bay" building in progress.
- Successfully delivered KD LEKIR under the Ship Life Extension Programme (SLEP).
- BHICAS MRO centre located at International Aerospace Centre, Subang, one of SEA's leading facilities.
- BHIC Bofors delivered guns and overhaul system trials for KD KASTURI and KD LEKIR.
- LCS basic design finalised with partner shipyard.
- Collaboration with international design houses grows stronger.
- Lumut shipyard infrastructure being upgraded.
- Transfer of technology programme implemented.

rationale

Synonymous with shipbuilding, ship repair, heavy engineering fabrication and defence related industries, Boustead Heavy Industries Corporation Berhad continues to make waves in the marketplace. Successfully completing a number of significant projects, we now have the capabilities to take on the full spectrum in the maritime sector and this is depicted by the dynamism of the lines, ready to move on into new unchartered waters to ensure our long term growth.

Resonating with unbridled commitment, we at Boustead Heavy Industries Corporation are Surging Ahead.

about us

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

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

vision

To Be A Leading Maritime and Defence Solutions Provider

mission

To Provide Excellence in Quality and Timely Delivery of Products and Services and to Maximise Stakeholder Returns

Belonging

- ownership
- loyalty
- pride
- teamwork

Honour

- professionalism
- courage
- sincerity
- dignity

Integrity

- conscience
- honesty
- confidentiality
- accountability

Commitment

- initiative
- innovation
- enthusiasm
- timeliness

our core business

shipbuilding & fabrication

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

integrated logistic support

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

maintenance, repair & overhaul

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

manufacturing & services

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

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting of the Company will be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 April 2015 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of Directors and Auditors thereon. **Resolution 1**

2. To re-elect Dato' Ishak Osman who retires in accordance with Article 77 of the Company's Articles of Association. **Resolution 2**

3. To re-elect Tan Sri Dato' Seri Lodin Wok Kamaruddin who retires in accordance with Article 77 of the Company's Articles of Association. **Resolution 3**

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

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

5. To consider and if thought fit, to pass the following Ordinary Resolution: **Resolution 5**

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

6. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2014. **Resolution 6**

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

SPECIAL BUSINESS

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

8. **AUTHORITY TO ISSUE SHARES** **Resolution 8**

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

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 9**

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 11 March 2015 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 earlier.

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

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

BY ORDER OF THE BOARD

LILYROHAYU AB. HAMID @ KASSIM
SUZANA SANUDIN
Secretaries

Kuala Lumpur
Date: 11 March 2015

notice of annual general meeting

Notes

1. Only depositors whose names appear in the Record of Depositors as at 25 March 2015 shall be regarded as members and entitled to attend, speak and vote at the meeting.

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

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

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

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

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

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

8. **Explanatory notes on Special Business:**

   Resolution 8
   The Proposed Resolution 8, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interests of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the 42nd Annual General Meeting held on 3 April 2014 and which will lapse at the conclusion of the 43rd Annual General Meeting.

   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 43rd annual general meeting

A. THE PROFILES OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION AS PER AGENDA 2 & 3 OF THE NOTICE OF 43RD AGM ARE SET OUT ON PAGE 60-62 OF THIS ANNUAL REPORT.

B. THE PROFILES OF THE DIRECTORS WHO ARE STANDING FOR RE-APPOINTMENT AS PER AGENDA 4 & 5 OF THE NOTICE OF 43RD AGM ARE SET OUT ON PAGE 60-62 OF THIS ANNUAL REPORT.

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

17 February 2015

The Shareholders
Boustead Heavy Industries Corporation Berhad

Dear Shareholders,

RE : NOMINATION FOR RE-ELECTION AS A DIRECTOR

The following directors are due for retirement by rotation and have offered themselves for re-election at the forthcoming Annual General Meeting of the Company to be held on 2 April 2015:-

a)	Dato' Ishak Bin Osman *	Pursuant to Article 77 of the Company's Articles of Association
b)	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin *	Pursuant to Article 77 of the Company's Articles of Association
c)	Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Hj Mohd Nor (B) *	Pursuant to Section 129 of the Companies Act, 1965
d)	Datuk Azzat Bin Kamaludin *	Pursuant to Section 129 of the Companies Act, 1965

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

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

Thank you.

Yours sincerely,

DATUK AZZAT BIN KAMALUDIN
Director/
Chairman of Nominating Committee

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BHIC in the News


BHIC terima kontrak bina kapal perang
BHIC bangunkan produk sistem C2 2017
tahun ini
Heavy eyes O&G
ion and extraction
BHIC to build first littoral combat ship in 20
Naval
oil job
Nor Sabrina baik pulih kapal
BHIC teroka aktiviti selenggaraan
» Pelbagaikan aktiviti O&G untuk kewangan lebih kukuh
SIGNING CEREMONY
Mindef contract to add RM3m to BHIC's bottom line
Boustead Heavy Industries Corp Bhd
(March 24, RM2.52)
Maintain hold with target price RM2.59: BHIC announced that its subsidiary, BHIC AeroServices
The contract value is RM220 million for a period of three years. With the assumption of a profit before tax margin of 10%, the three-year contract duration and BHIC's 51% stake in BHICAS, the contribution
activities with better margins.
To recap, BHIC's profit after tax for financial year 2013 ended Dec 31 (FY13) was barely in positive territory mainly due to its chemical tankers' impairment cost, losses from its associate given the revision

chairman's perspective

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

Dear Valued Stakeholders,

2014 was a year when tragedies challenged the resilience of the Nation. Three air disasters involving Malaysia Airlines and AirAsia saw the loss of 699 lives from many countries. Peninsular Malaysia experienced the worst floods since 1972, with over 250,000 displaced. Despite the unfortunate incidents, it is important to note the positive.

PEOPLE of all communities, races and ages united in sharing the grief of the families and friends of those lost. The sense of belonging and support will see Malaysia emerge stronger, which is something we will never forget.

With the global economy facing significant challenges too, 2015 is shaping up to be an extremely testing year, but the opportunities for BHIC are substantial, if we have the vision to see them and the drive to seize them.

ECONOMIC LANDSCAPE

Falling commodity prices impacted the Malaysian economy. Crude oil prices dropped in excess of 40% during the year and the value of the Ringgit depreciated from RM3.27 to RM3.49 to the US Dollar. Malaysia however, is well placed to weather the lower oil prices, given its current account surplus of approximately 5.5% of GDP. The oil imports bill will be reduced, resulting in a lower cost of doing business, higher production and a positive demand effect.

It is against this backdrop, I am presenting our Annual Report for the financial year ended 31 December 2014, on behalf of the Board of Directors.

At all times, the Group is committed to the highest standards in corporate governance, transparency and accountability

FINANCIAL PERFORMANCE

The Group made reasonable financial progress in 2014 with a profit after tax of RM17.9 million compared with RM3.2 million reported in the preceding year.

Net assets were RM1.21 per share and shareholders' funds stood at RM300.6 million as at year end.

DIVIDEND

The BHIC Board believes in delivering shareholder value while exercising appropriate stewardship over Group resources. In this regard, Directors decided it would be more prudent to retain distributable reserves for future needs and are not recommending the payment of a dividend in respect of the financial year ending 31 December 2014.

ENTRY POINT PROJECT

BHIC completed the basic design stages, and testing of its first Malaysian offshore support vessel (OSV), and the drawings are awaiting approval by the appointed Classification Society, Bureau Veritas.

Through continuous engagement with Malaysian Industry – Government Group for High Technology (MIGHT), Performance Management & Delivery Unit of the Prime Minister's Department (PEMANDU) and Malaysian Investment Development Authority (MIDA), we are looking to obtaining grants and incentives from the Government for the development of the design.

In January 2014, we secured a contract for the construction of a 17-Meter Harbour Tug for North Tugz of New Zealand in line with our strategic approach of building smaller vessels.

Our Transformation Steering Committee (TSC) has become a major catalyst in strategic planning and transformation initiatives. In collaboration with MIGHT-METEOR Advanced Manufacturing Sdn Bhd (MMAM), a subsidiary of MIGHT, and a Korea-based company Daewoo Shipbuilding & Marine Engineering Co. Ltd (DSME), a 14-month training programme was held locally to acquire the Korean best shipyard practices especially in ship repair. The focus of the programme was to obtain direct exposure through comprehensive in-house coaching from experts. Significant results were achieved with the on time delivery of KD LEKIR on 30 October 2014 after undergoing a Service Life Extension Programme (SLEP) and refit.

CORPORATE GOVERNANCE

At all times, the Group is committed to the highest standards in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our Group, and to protect the interests of our shareholders and other stakeholders.

In December 2014, BHIC Group organised an Induction Programme for Non-Executive Directors to be acquainted with the Group's vision, business, strategic direction, financial matters, values, codes of ethics and conduct, as well as best Corporate Governance practices and other key policies.

Our governance framework plays an integral role in supporting our business and helping us deliver on our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and risks are identified and managed.

Throughout the year, we continued to refine our risk management approach and the monitoring of the risk register. This acts as a central repository for all risks identified by the Group and, for each risk identified, includes detailed information.

SAILING AHEAD

The Group is looking to expand its shipbuilding activities both for military ships and commercial vessels. BHIC's associate company, BN Shipyard has finalised negotiations with the Government of Malaysia on a RM9 billion contract to deliver six Littoral Combatant Ships (LCS) for the Royal Malaysian Navy (RMN) after having received the letter of award in 2011. The project will involve a significant transfer of technology. The physical construction of the first of the six ships will start at the shipyard in Lumut in 2015, with an early 2019 delivery date. The remaining five ships will be delivered at regular intervals thereafter.

Besides shipbuilding, the Group also intends to cautiously expand further its oil and gas business. The current Belum (BE-SA) Topsides fabrication for Murphy's SK309/311 Phase 2 Sarawak Gas is on track and delivery is expected in 2015. Opportunities in support services and other fabrication work will be assessed for risk and return as they arise.

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere appreciation to all our valued shareholders, clients, bankers, management, employees and various Government entities including the Prime Minister's Office, Ministry of Finance, Ministry of Defence, Ministry of Transport, the Malaysian Army, the Royal Malaysian Navy, the Royal Malaysian Air Force and the Malaysian Maritime Enforcement Agency for their steadfast support. As we move forward, the important thing to remember is that growth will come if we continue raising our performance bar, improve productivity and deliver excellent service in pursuit of our goal of maximising our shareholders' value.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

managing director's statement

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

Dear Valued Stakeholders,

For the financial year ended 31 December 2014, the BHIC Group generated a profit after tax of RM17.9 million on the back of RM332.8 million in revenue compared with net profit of RM3.2 million on RM319.1 million revenue in the preceding year.

OVERVIEW

The operating landscape for the maritime industry in 2014 remained challenging, as our expressed optimism of a turnaround did not materialise due to the fragile global economy. Despite that, we were able to improve our performance as a result of enhanced productivity which was made possible through our ongoing transformation programme, plus investment in technology and human capital.

Year 2015 is expected to be just as challenging and, for BHIC to deliver results, the speed of our Passage to Excellence has to be accelerated.

managing **director's statement**

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, the BHIC Group generated a profit after tax of RM17.9 million on the back of RM332.8 million in revenue compared with net profit of RM3.2 million on RM319.1 million revenue in the preceding year.

The heavy engineering segment registered a profit in the current period from higher income generated by BP Shipyard's Oil and Gas project and defence related Maintenance, Repair & Overhaul (MRO) projects.

Manufacturing segment income was derived mainly from work undertaken by a joint venture company in respect of certain supplies and services for the Littoral Combat Ship (LCS) project. Despite higher charter rates and favourable foreign exchange rate fluctuations in the current year, the chartering segment continued to report a loss due to higher operating expenses and dry docking costs incurred by all its chemical tankers during the year.

Joint Venture Companies ("JV Cos") contributed a reduced share of profit for the period compared with the preceding year although BHIC AeroServices Sdn Bhd and BHIC Bofors Asia Sdn Bhd exceeded expectations. This was due to revision of profit recognition from Boustead DCNS Naval Corporation Sdn Bhd, which engages in the In-Service Support (ISS) contract for the two Malaysian Prime Minister Class Scorpene Submarines.

The contribution from our associate, Boustead Naval Shipyard Sdn Bhd (BN Shipyard) improved during the year due to higher revenue recognition arising from the LCS project achieving certain milestones. The associate recorded a profit of RM31.2 million for the year as a whole, compared with a loss of RM112.0 million in 2013, despite experiencing a reduced number of navy vessels undergoing MRO works at BN Shipyard.

GST Readiness

With the Goods and Services Tax (GST) becoming effective from 1 April 2015, the Group has set up a dedicated Task Force to oversee comprehensive implementation of this new requirement. Computing applications have been configured and customised and all our systems are compliant and GST ready. The implementation of GST is the first stage in our long term programme to broadly upgrade our systems and processes so that we evolve our process to the highest technical standards.


CENTRAL

shipbuilding & fabrication

BP Shipyard is presently marketing for several commercial new build projects and will also contribute to the LCS programme by fabricating panels and blocks

Following extensive negotiation, a RM9 billion contract was finalised by BN Shipyard with the Government of Malaysia (GoM) to Design, Construct, Equip, Install, Commission, Integrate, Trial test and Deliver six units of second-generation patrol vessels with Littoral Combatant Ship (LCS) capability to the Royal Malaysian Navy (RMN).

For the shipbuilding sector, BP Shipyard, BDTS and our JV Company, CAD are working hand-in-hand with BN Shipyard to make sure the delivery deadline of the 6 units of Second Generation Patrol Vessels will be met.

Boustead Penang Shipyard Sdn Bhd ("BP Shipyard") has undertaken a shipbuilding project for the Design, Supply, Construction, Testing, and Commissioning of 17-Metre Harbour Tug, "Marsden Bay", a first in class tugboat. Designed by award-winning Macduff Ship Design Ltd of Scotland, the boat is highly automated with a crew of just two (2). This project is in line with our strategic approach of building smaller vessels. The construction of the tug is progressing at **Boustead Langkawi Shipyard Sdn Bhd ("BL Shipyard")** and it is expected to be completed in the first quarter of 2015.

BP Shipyard is presently marketing for several commercial new build projects and will also contribute to the LCS programme by fabricating panels and blocks. Meanwhile, for Oil and Gas, our current Belum (BE-SA) Topsides fabrication for Murphy's SK309/311 Phase 2 Sarawak Gas Development Project is progressing well.



integrated logistics support

BDNC formalised the contract with GoM on 3 September 2014 in respect of the ongoing in-service support (ISS) for the government's submarines valued at EUR193.0 million and RM532.0 million

BHIC aims to develop world class capabilities to deliver cost effective support that will ensure optimal operational availability of critical assets.

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

BDNC formalised the contract with GoM on 3 September 2014 in respect of the ongoing in-service support (ISS) for the Government's submarines valued at EUR193.0 million and RM532.0 million.

BDNC has implemented a Transfer of Technology (ToT) and Transfer of Know How (ToKH) Programme in accordance with the Joint Venture Agreement. The objective is to secure the knowledge and skills needed in ensuring the RMN submarines achieve operational and technical availability which meets our In-Service Support (ISS) obligations. Every individual is measured on knowledge, competencies and skills related to their specific job. Upon full transfer of know-how from the French to Malaysian personnel, BDNC will have a team of local technicians to undertake the refit of the submarines which is planned to commence in late 2015.

On 3 November 2014, the Defence Minister of France (Mr. Jean-Yves Le Drian) and DCNS CEO (Mr. Hervé Guillou) accompanied by RMN Chief, YBhg. Admiral Tan Sri Abdul Aziz bin Haji Jaafar visited the Royal Malaysian Navy Submarine Force Headquarters (RMNSF HQ) and the BDNC submarine facilities in Teluk Sepanggar, Kota Kinabalu. The purpose of the visit was to obtain an update on the defence collaboration between the two countries. The French Defence Minister was impressed with BDNC capabilities in carrying out the ISS activities.

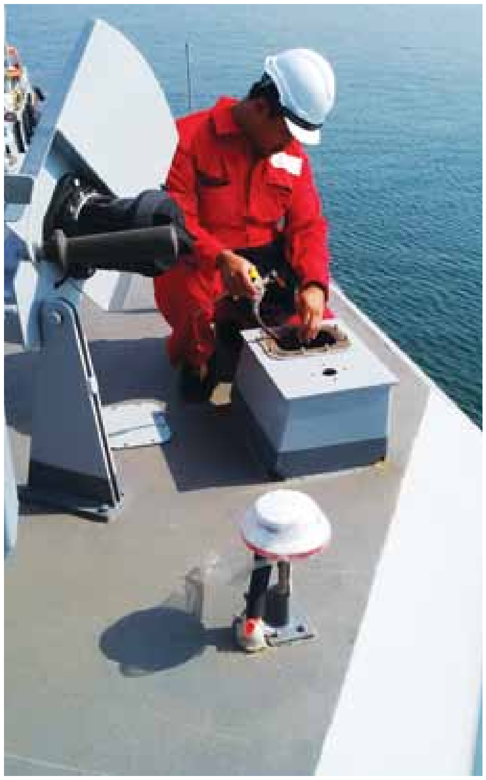
BHIC Navaltech Sdn Bhd (BNT) provides specialist ISS services to RMN surface ships and submarines. Its first contract to deliver Patrol Vessel In-Service Support (PV ISS) was successfully completed in June 2014. The company also contributed to the submarine maintenance for both KD TUNKU ABDUL RAHMAN and KD TUN RAZAK.



maintenance, repair & overhaul

managing **director's statement**

BHIC ADT successfully renewed its relationship with SAM Electronics GmbH for another two (2) years, and continues to provide ISS services for the KEDAH Class Offshore Patrol Vessel (OPV)



The expansion of maintenance, repair and overhaul (MRO) services at BHIC is part of our broader strategy to diversify our sources of income. Under MRO services, the assets currently supported range from ships, submarines and helicopters to combat management systems, defence electronics, electrical equipment and internal combustion engines.

BHIC Allied Defence Technology Sdn Bhd (BHIC ADT) received recognition during the year as one of the winners for the Enterprise 50 (E50) Award 2014 by SME Corporation Malaysia (SME Corp). BHIC ADT's main activity is in the area of planned maintenance services. The RMN has engaged BHIC ADT to perform the repair of hydrographic systems and equipment on-board KD PERANTAU.

During the year, BHIC ADT successfully renewed its relationship with SAM Electronics GmbH for another two (2) years, and continues to provide ISS services for the KEDAH Class Offshore Patrol Vessel (OPV). The company aims to be the RMN support centre for the Electrical Distribution System (EDS) for the new Malaysian Littoral Combatant Ship (LCS) programme.

Moving forward, the company intends to enhance existing engineering capabilities into a full-fledged system house and produce a home-grown Combat Management System (CMS) for the local and regional markets, in line with government aspirations to raise national self-reliance and reduce the dependency on foreign experts. To this end, a Collaboration Agreement was signed in December 2014 with International Islamic University Malaysia (IIUM) to pursue Research and Development and Commercialisation (R&D&C) on a command and control system (C2 System) for defence, security and enforcement purposes.

managing **director's statement**

BHIC Electronics and Technologies Sdn Bhd (BEAT) provides various MRO services in respect of electronic equipment and systems on board RMN ships, especially the first generation petrol vessels.

In addition, **BEAT**, supports **BHIC Defence Techservices Sdn Bhd (BDTS)** in its MRO services focused on radar systems, gauges and sensors used by RMN. In 2014, **BDTS** overhauled and delivered two (2) units of Skyguard Radar and repaired three (3) units of Oerlikon Guns for the Malaysian Army.

BDTS also focused on MRO solutions for weapons systems used by the Malaysian Maritime Enforcement Agency (MMEA) and the Royal Malaysian Navy (RMN). Services for RMN weaponry include 76MM and 30MM Oto Melara guns, 40MM OtoBrada guns, Decoy Launching Systems and Missile Launchers. Additionally, BDTS was retained to overhaul 20MM Oerlikon Guns for MMEA which will be delivered in early 2015.

Similarly, **BHIC Bofors Asia Sdn Bhd (BHIC Bofors)** is engaged in weaponry services and has an on-going contract for supply, maintenance and training of its 40mm and 57mm Bofors Naval guns. The company has successfully completed and delivered on time seventeen (17) 57mm and ten (10) 40mm guns and overhaul system trials and commissioning of the guns for KD KASTURI and KD LEKIR.

managing **director's statement**

BHIC MSM Sdn Bhd (BHIC MSM) undertakes MRO for MTU Classic engines at its workshop in BN Shipyard, Lumut. The company is presently exploring the expansion of its product coverage beyond MTU or to include non MTU products.

BHIC AeroServices Sdn Bhd (BHICAS) was established to support the Malaysian Governments' maintenance needs for its fleet of military helicopters. To date, BHICAS has secured contracts to provide In-Service Support for the EC 725 fleet with the Royal Malaysia Air Force (RMAF), a major ISS contract for the Fennec AS555SN fleet with RMN, as well as Integrated Maintenance and Logistic Support for the Dauphin AS365N3 with MMEA. BHICAS is establishing itself as the Helicopter MRO Centre for the Malaysian market.

The BHICAS MRO centre located at International Aerospace Centre, Subang is now one of South East Asia's leading facilities and the company has set up additional site offices in RMAF Kuantan, Labuan and Lumut. To maintain its high quality competency, three (3) BHICAS technicians have undergone Offset Programme training with Airbus Helicopter Training Services, Marignane, in France.

Boustead Naval Shipyard Sdn Bhd (BN Shipyard) successfully delivered KD LEKIR under the Ship Life Extension Programme (SLEP) to RMN on 30 October 2014. This project benefitted from collaboration with MIGHT-METEOR Advanced Manufacturing Sdn Bhd (MMAM) and Korean shipyard specialists who adopted a hands-on approach to the introduction of relevant best practices.

To meet the quality and requirements of the LCS project, BN Shipyard is still in the process of upgrading facilities in the shipyard to cater for the increased size and complexity of the new project.

In November 2014, the hydrographic survey vessel, KD PERANTAU, began listing and taking in water while tied up at BN Shipyard in Lumut. The vessel was undergoing preparatory works for its refit. An engineering survey is underway to establish the exact causes. Meanwhile, the vessel was refloated and raised "high and dry" in January, 2015.

BP Shipyard in Pulau Jerejak has ventured into providing maintenance, repair and overhaul (MRO) services for small-medium range vessels to commercial clients in the Northern region of Peninsular Malaysia. The company successfully completed eight (8) MRO projects during the year.

Meanwhile, shipbuilding and repair activities at BL Shipyard in Langkawi and MRO works for luxury yachts continue. A review of its future direction following the delivery of the tug boat for North Tugz Limited of New Zealand is underway.


1810
MARITIM MALAYSIA

manufacturing & services

BHIC MTA successfully conducted SLEP training courses as well as PV-ISS training courses for the RMN

The range of our activities in manufacturing and services is expected to be rationalised as part of our income diversification and sustainability strategy.

To better manage the costs associated with the Chulan Tankers, we have moved away from the previous time or spot charter arrangements to a bareboat charter arrangement for all 3 vessels with the existing ship manager. However, because of declining values and financially unrewarding results, BHIC will consider opportunities to rationalise its investment in this segment.

BHIC Marine Technology Academy Sdn Bhd (BHIC MTA) is the group's dedicated training centre, offering a range of courses relating to maritime defence, shipbuilding and MRO. BHIC MTA also runs courses for the Royal Navy of Oman (RNO) and, during 2014, completed a contract for the training of 33 technicians. Additionally, BHIC MTA successfully conducted SLEP training courses as well as PV-ISS training courses for the RMN, and a broader collaboration involving both RMN facilities and training needs is under active discussion.

To fulfil the requirement to train 100 skilled workers in Ship Building and Ship Repair (SBSR) per year under the Entry Point Project (EPP), BHIC MTA conducted an up-skilling programme for apprentices to prepare them for the LCS project, rather than focusing only on enhancing their marketability. To date, the company has successfully conducted and graduated three batches of SBSR Apprentice Development Programme (ADP) and is continuing with running the programme.

Contraves Advanced Devices Sdn Bhd (CAD) is a joint venture with Rheinmetall AG of Germany. Its core business is the manufacture and systems integration of advanced industrial, defence and aerospace electronics. The majority of revenue is generated from exports, and CAD is one of a very limited number of electronics companies in South East Asia certified to the international EN/AS9100 aerospace standard. CAD is also contributing to the LCS Programme as the Combat System Integrator and the supplier of selected combat system equipment.

In response to the national aspiration to achieve self-reliance in artillery propellants, **Pyrotechnical Ordnance Malaysia Sdn Bhd (POM)** was created as a joint venture with the Government of Malaysia. To date, the plant has successfully produced both rocket and artillery propellants using the KLP-100 machines run by the local staff. Minor improvements are required for the Rosette Propellant cutter which will be installed in 2015. Efforts are on-going to complete the training and produce the Bi-Modular Charges (BMCS), and are currently pending the signing of Factory Acceptance Certificate. Moving forward, POM plans to perform various ballistic tests for both the rocket and artillery propellants, and develop the firing table for the BMCS.

BYO Marine Sdn Bhd (BYOM) has concentrated mainly on providing MRO services for the MMEA's ONUK MRTP16 boats Fast Interceptor Craft (FIC). At the same time, the company is actively promoting the product to other Government agencies and several regional markets.

Dominion Defence & Industries Sdn Bhd (DDI) has embarked into procurement and trading activities supporting the Group's oil and gas projects. Going forward, husbandry for naval and commercial ships will become an additional and important part of the DDI business model and add value to the services of Boustead Cruise Center in Port Klang, which was acquired in 2014 by our parent company.

TRANSFORMATION

Following the establishment of the Transformation Steering Committee (TSC) in 2013, it has provided leadership and direction in strategic planning and development. TSC has successfully established our ongoing transformation programme and continues to monitor closely all activities and projects initiated across the Group.

One such initiative was a 14 month programme collaboration with Might Meteor Advance Manufacturing (MMAM), a subsidiary of Malaysian Industry-Government Group for High Technology (MIGHT) and Korean experts to acquire Korean best shipyards practices, especially in ship repair. Significant beneficial results from the collaboration can be seen on KD LEKIR as the ship was delivered in accordance with the agreed schedule. Further engagement with the Korean experts is planned.

Another initiative was, an extensive 9 day in-house training programme aimed to equip engineers with proven tools and techniques in recurring issues, enhance workshop capability and optimise efficiency and productivity output. In the Lean Six Sigma Green Belt Programme, a total of 25 personnel Green Belts from Lumut, Penang and Langkawi yards completed the course.

Cost Saving Initiative

During the year, the Group invested in a new system called Budgeting, Planning and Forecasting & Business Analytics System (BPFA) based on the IBM TM1 Cognos platform. BPFA creates efficiencies in the budgeting process by eliminating tedious manual work. Phase 1 of the project was successfully completed for use in the 2015 budget cycle. Phase 2 of the Project focuses on analytics and performance monitoring, and will be implemented in the near future.

Procurement Processes & Vendor Development

Supply chain management is constantly under review with an eye on improvement. To this end the Group has acquired Ariba Sourcing Pro, a system that specialises in sourcing competitiveness via the Ariba global vendor database. This system will complement our existing expertise and enhance our competency in supply chain management.

The development of a supporting community of world class local vendors is vitally important to sustain us for the future. BHIC takes the view that vendor development is not simple as a "CSR" initiative and works better when there is a tightly managed programme which focuses on the growth of specialist providers of products and services. Mutual reliance is preferable to mutual dependency and the best of our vendors should be able to survive independently of the BHIC Group. To this end, I am pleased to confirm that BHIC has graduated 5 more vendors in 2014 who can support us across our activity spectrum. The Group will continue to source more capable vendors to be considered under the Vendor Development Programme (VDP) scheme, which will be managed as an integral part of our Group Supply Chain.

Health, Safety and Environment

Health, Safety and Environment (HSE) is of paramount importance. We are committed to creating a culture of healthy living, work safety and environmental conservation across the Group.

During the year, 27 employees were trained in the Occupational Safety & Health Management System (OSHMS) MS1722:2011 & OHSAS 180001:2007 so that they are prepared to lead HSE internal audit activities across the Group. The Emergency Response Team (ERT) was formalised and will be trained to be the primary responders in case of emergency.

In August 2014, BHIC HSE Week was organised to expose the employees to the importance of public safety. It was held at a Fire Station in the Klang Valley and received excellent cooperation from the Kuala Lumpur Fire and Rescue Department in handling the activities throughout the day. Seven teams from 10 business units participated in the event which was won by BL Shipyard. A repeat event is planned for the coming year.

managing **director's statement**

Boustead Heavy Industries Corporation Berhad

MyCompass

MY PASSAGE TO KNOWLEDGE

"My Community and Passage to Knowledge" - MyCompass

In our effort to improve workforce collaboration and empowerment, knowledge sharing and document management, the Group is in the final phase of the development of its Intranet Portal, "MyCompass", which is the acronym for "My Community and Passage to Knowledge". The Intranet is designed to improve internal communication and enhance a sense of belonging among employees. MyCompass was officially launched in early 2015 and will have functionalities which include content management, searching, sharing, and employee self-service.

MOVING FORWARD

The local industry is facing strong headwinds, as signs of economic recovery in the United States are offset by slowdown and regression in some European, Asian and South American economies. Slow growth in global trade volumes and over-supply of various categories of existing vessels in the main shipping markets will suppress charter rates and demand for new vessels will remain weak. The sharp drop in oil prices has resulted in delays and cancellations of many offshore oil and gas projects as oil majors cut their capital expenditure budgets. The scenario means prospects for the Malaysian SBSR industry will remain challenging unless there is a dramatic recovery in the global economy and a rebound in oil prices.

In this environment, balancing our business portfolio will continue to be a strategic imperative for us to ensure financial buoyancy and an optimal asset mix. The Group's focus in 2015 will be to reposition ourselves for growth and to explore opportunities which create business sustainability for BHIC. Leveraging on our improved financial position, we will need to prudently allocate both our capital and human resources toward building value in our existing businesses, while broadening our reach in the services sector.

With a stable base of operations and a steady increase in new businesses, we are confident we will be able to weather the trials ahead, while continuing to be mindful of the risks we must address.

Indeed, coupled with aggressive cost control measures and backed by dynamic and focused leadership, I believe we are better positioned than ever to seize the growth opportunities within our industries. I am cautiously optimistic that the year 2015 will be a better year for the Group, and we will make steady progress to achieving our objectives despite the challenging environment.

ACKNOWLEDGEMENT

Finally, I would like to express my gratitude and appreciation to my colleagues on the **Board** and **Warga BHIC** for your guidance, dedication and perseverance.

To our **stakeholders**, the **Government of Malaysia** and the **various ministries and agencies, financiers , vendors** and all who played a part in supporting us to navigate our passage to excellence, **THANK YOU.**

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

corporate social responsibility

Corporate Social Responsibility (CSR) programmes embody the promise of better future. We have always believed that the way towards a sustainable business is to strike a balance between profitability and our social conscience. Whether it is employee welfare, fulfilling our responsibilities to our various constituencies in the commercial world, improving the quality of life in the community or ensuring that the benefits of our business activities are not negated by any adverse effects on the environment, these are the bedrock elements of the BHIC Group's road-map to sustainability.

At BHIC, we are committed to supporting Government initiatives for social and national development. We ensure that this commitment is in line with the "Silver Book – Achieving Value through Social Responsibility", which was developed by the Putrajaya Committee on GLC Transformation in 2007.

BHIC is dedicated in maintaining its effort in finding ways of rendering support and assistance towards the progress of these small and medium entrepreneurs (SMEs). We realise that capable vendors will strive with us for the success of a projects and at the end enhancing its value.

VENDOR DEVELOPMENT

In our effort to enhance vendors' capability and exposure to the global market, BHIC has 13 registered vendors to date under the Vendor Development Programme Scheme (VDP). VDP was established in July 2008 in line with the obligations of BNS to the government as stipulated in the Privatisation Agreement 1995.

BHIC is dedicated in maintaining its effort in finding ways of rendering support and assistance towards the progress of these small and medium entrepreneurs (SMEs). We realise that capable vendors will strive with us for the success of a projects and at the end enhancing its value. The VDP testifies our commitment to the national agenda, and aspiration of identifying, recruiting, nurturing innovative reliable competitive and competent Bumiputera vendors in our industry.

In 2014, 5 vendors graduated after 8 years registering with BNS. A total of RM1.45 million has been spent on the scheme based on the activities carried out from 2008 to 2014 by MITI, KPTC, TPM and BNS for training courses, seminars, site visits and international exhibitions.

Other initiatives undertaken throughout the year included a series of business matching to provide our vendors with wider business opportunity namely GLC Explorace 2014, SMIDEX 2014 and SME Partnership 2014. BNS will continue to identify, recruit and evaluate potential vendors to be appointed and absorbed into the scheme.

CONTRIBUTING TO THE COMMUNITY

BHIC is committed to support and engage communities through its various business divisions. This forms a fundamental pillar in its CSR initiative to engage key stakeholders such as local communities, charitable organisations and Non-Governmental Organisations (NGOs). As part of our commitment towards community, BHIC group made contributions in cash and equipments to selected organisations including orphanages, an old folks home, and schools.

During the month of Ramadhan, BHIC was part of the "Balik Kampung" Road Safety campaign organised by Grand Saga Sdn Bhd, the toll concessionaire of the Cheras-Kajang Highway. The campaign was held at Toll Plaza Batu 11, Wisma Grand Saga, with other sponsors such as the Road Safety Department of Malaysia (JKJR), POS Malaysia, IJM Land and Petronas. The objective of the programme was to create awareness among road users, especially during the festive season.

Technology continues to improve at such an alarming rate that better models of computers are released every few years. To conserve natural resources, BHIC has decided to recycle computers that are still in relatively decent working condition and are beneficial to local communities. All obsolete computers are to be refurbished and utilised by schools, low-income families, and charitable organisations who otherwise could not afford a new computer. Among the beneficiaries in 2014 were Pusat Pemulihan Orang-Orang Cacat Selangor and Wilayah Persekutuan and Rumah Insaniah Tun Dr. Siti Hasmah. By donating these old computers, we aim to help and provide technology to people in our community and, by averting waste, provide numerous benefits to the environment.

corporate **social responsibility**

While manufacturing new products drains our limited natural resources and disposing of unwanted materials pollutes our environment, one way to prevent waste, improve our communities, and increase the material well-being of our citizens is to take useful products discarded by those who no longer want or need them and provide them to those who do. Apart from our initiatives on going green, a "Recycle for Charity" drive was held intended to collect unused clothes, books and toys to be given to the needy. This recycle initiative was opened to all staffs working at Menara Boustead to donate their unused items. In addition to making a positive contribution to the reduction of solid waste, all items collected went through certain inspections and items received were given to low-income earners or disadvantaged people. All surplus items can also help furnish a non-profit's organisation, schools, or orphanage homes with needed supplies.

BHIC participated in the Bursa Bull Charge Charity Run organised by Bursa Malaysia Bhd, a run by capital market magnates to raise funds to support entrepreneurship growth in the community. Bursa Bull Charge, a five-kilometre run follows Kuala Lumpur's capital market trail through the central business district and passes the headquarters of many key players involved in the run. The aim of this participation is not just to raise money for charity, but also to raise the bar on sustainability and inclusiveness. Funds raised were handed over to eight organisations which included Sekolah Latihan Wanita Ipoh, Persatuan Rumah Amal Sabah (formerly Sabah Cheshire Home), My Performing Arts Agency, CADS Enhancement Centre, Kelab Belia Kalsom, Women International Network, Borneo Eco Film Festival and Persatuan Kebajikan An-Najjah Malaysia.

In line with Government aspirations, Boustead Holdings is embarking on a programme known as Skuad Operasi Sihat 1Malaysia (SOS1M), an extended version of Pharmaniaga Berhad's core CSR initiative. In support of this programme, BHIC commenced with promoting health awareness among the public by providing basic health checks like blood pressure, sugar level, BMI and health counseling. Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT) was the first selected organisation to receive a free health checks from the BHIC SOS1M team with some 200 visitors attending the event.

This year's floods were one of the worst in our nation's history. To support the hundreds of thousands flood victims in the East Coast and other affected states, BHIC launched a "Flood Relief Project" to collect donations from the all employees to be channeled to the most affected areas.

HUMAN CAPITAL DEVELOPMENT

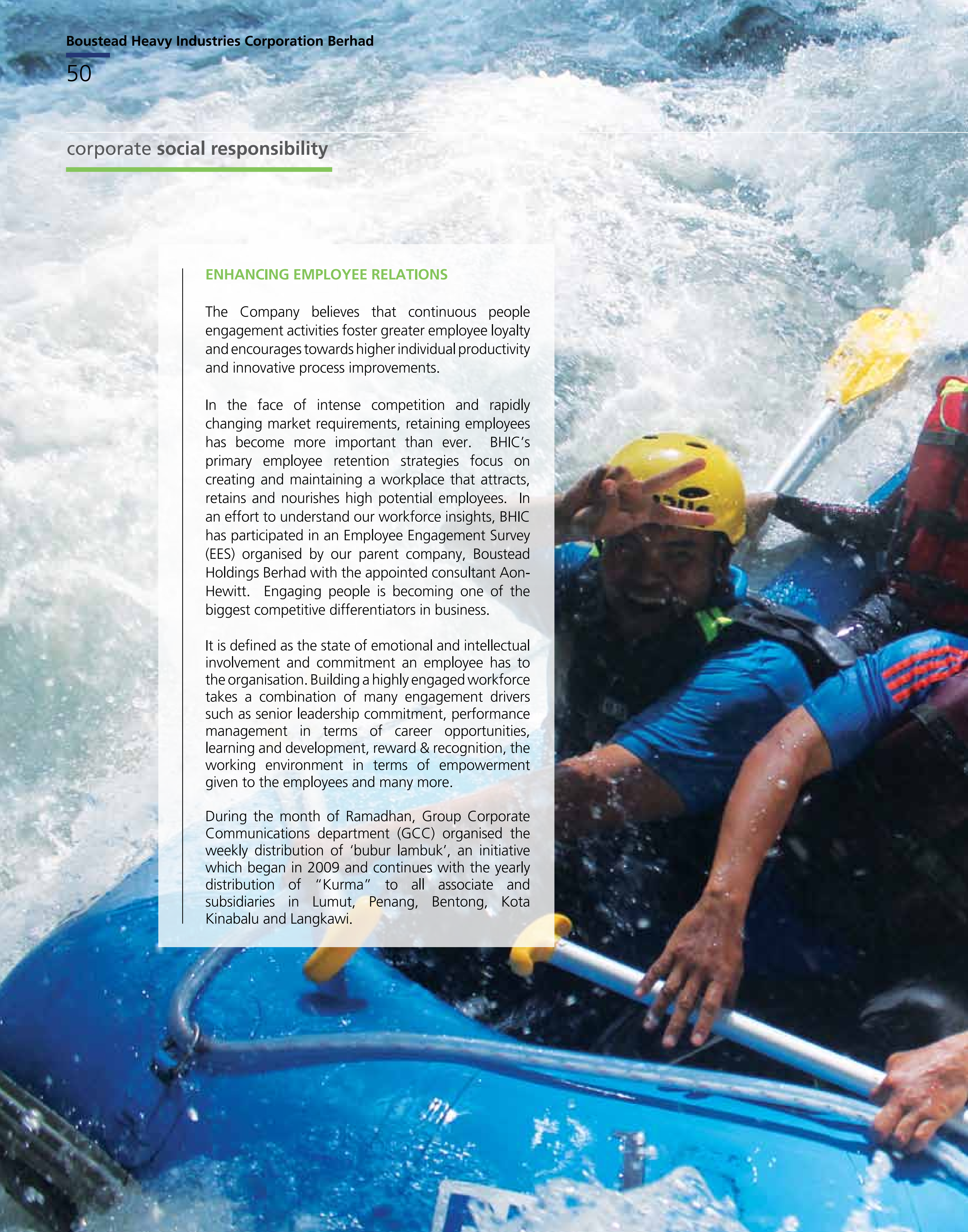
Skilled and experienced employees are a significant asset and contribute to our competitive edge. To stay ahead in a rapidly evolving technological industry, we need to develop and retain all talent, particularly our core skills areas, and build a strong leadership pipeline to take advantage of market opportunities now and in the future.

In 2014, numbers of training programmes were conducted throughout BHIC Group of Companies that focused on all the 3 categories of employees i.e. subordinate, supervisory and management level. Topics covered included Business English Classes, Supervisory Skills, Contract Management, Project Management, Health & Safety related, and Integrity.

Our signature talent pipeline programme, the Young Engineer Scheme (YES) continued. The uniqueness of this year's programme was working together with our own training academy, BHIC Marine Technology Academy (MTA) to develop an in-house training module focusing on Shipbuilding & Shiprepair. A total of 20 YES participants graduated in September 2014 and are currently attached at various locations including Lumut, Penang, Langkawi and Kuala Lumpur.

A successful collaboration with BHIC MTA has proven yet again the importance of investment in training services and talent management, and enhances our ability to produce tomorrow's leaders. Proper training and job placement has provided a wide-variety of knowledge and real-life learning experience for these young engineers and could develop them to be among the best in the maritime industry.

A related initiative is part of the collaboration between Boustead DCNS Corporation Sdn Bhd (BDNC) & DCNS France, which includes a Transfer of Technology (ToT) and Transfer of Know How (ToKH) programme. The objective of the programme is to secure the knowledge and skills needed in ensuring the RMN submarines achieve operational and technical availability in line with our In-Service Support (ISS) obligations. The learning process involves French experts and Malaysian counterparts in a comprehensive programme based on the Task Book approach, in which every individual is measured on knowledge, competencies and skills on the specific job description of the individuals. A total of 9 BDNC personnel have graduated to become 100% autonomous over the 3 years duration of on the job training, according to the required knowledge and capability standards applicable to this specialist activity.



corporate **social responsibility**

ENHANCING EMPLOYEE RELATIONS

The Company believes that continuous people engagement activities foster greater employee loyalty and encourages towards higher individual productivity and innovative process improvements.

In the face of intense competition and rapidly changing market requirements, retaining employees has become more important than ever. BHIC's primary employee retention strategies focus on creating and maintaining a workplace that attracts, retains and nourishes high potential employees. In an effort to understand our workforce insights, BHIC has participated in an Employee Engagement Survey (EES) organised by our parent company, Boustead Holdings Berhad with the appointed consultant Aon-Hewitt. Engaging people is becoming one of the biggest competitive differentiators in business.

It is defined as the state of emotional and intellectual involvement and commitment an employee has to the organisation. Building a highly engaged workforce takes a combination of many engagement drivers such as senior leadership commitment, performance management in terms of career opportunities, learning and development, reward & recognition, the working environment in terms of empowerment given to the employees and many more.

During the month of Ramadhan, Group Corporate Communications department (GCC) organised the weekly distribution of 'bubur lambuk', an initiative which began in 2009 and continues with the yearly distribution of "Kurma" to all associate and subsidiaries in Lumut, Penang, Bentong, Kota Kinabalu and Langkawi.

The Group recognises the importance of maintaining good employee relations to help increase overall productivity by organising a number of training and teambuilding programmes. The objective of teambuilding is to strengthen employees' bond with the company and inculcate BHIC core values – Belonging, Honour, Integrity and Commitment. Training on Goods & Services Tax (GST) was also provided due to the possible immense impact of GST on the Company's business.

Against the backdrop of changing business practices, it is essential to broaden the focus of internal communication. The Group's intranet is now in its final development stage. This platform will allow employees to share information and computing resources with each other, and is expected to have a positive impact on internal business processes as well as morale throughout the entire company.

corporate social responsibility

SUSTAINABILITY IN MARKETPLACE

BHIC is making ceaseless efforts to achieving the vision, "To be a leading maritime and defence solutions provider," and mission "To provide excellence in quality and timely delivery of products and services and to maximise stakeholder returns." We will continue to aggressively respond to the changing market, focusing heavily on completing the contracts received on time and to the highest standards.

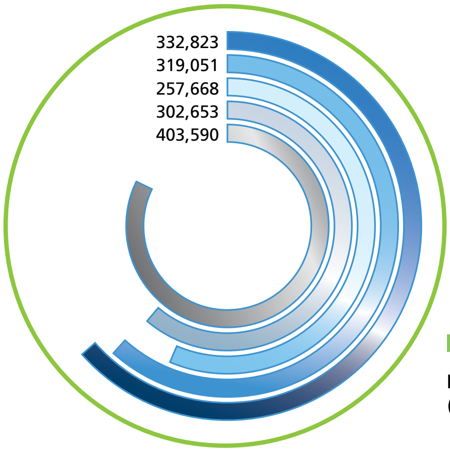
In 2014, BHIC participated in Defence Services Asia Exhibition and Conference (DSA 2014) held at Putra World Trade Centre (PWTC). The DSA is not only an ideal platform for players in the defence and security industry to promote their products, exchange ideas and technologies, and forge partnerships, it is also a premier example of how the defence industry can directly result in economic spin-offs for the country. Engaging positively with the other players in the industry is important in order for BHIC to communicate transparently with the stakeholders.

In line with the Government's aim to transform Malaysia into a regional oil and gas (O&G) hub by 2020, BHIC supported the Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2014), a platform for all O&G service providers to showcase their services and technology to global visitors. BHIC is eyeing to provide services to the exploration and extraction segment, especially MRO services for the assets engaged in this activity.

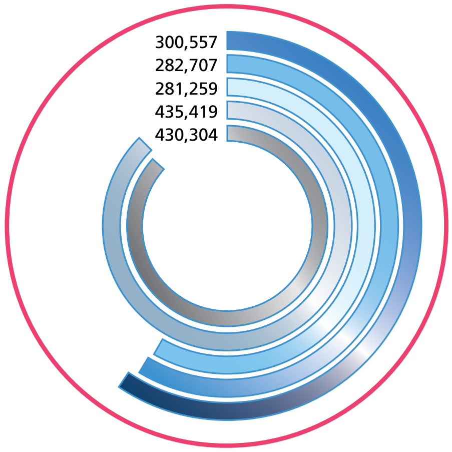
Ensuring high quality directors on the Boards of the Group's operating companies enhances its long term prospects. In December 2014, a full day programme was organised to refresh incumbent directors and explain to new appointees the scope of the Group's activities. Presentations were given to provide guidance on directors' roles and the expectations imposed on them in meeting their fiduciary duties.

five-year financial highlights

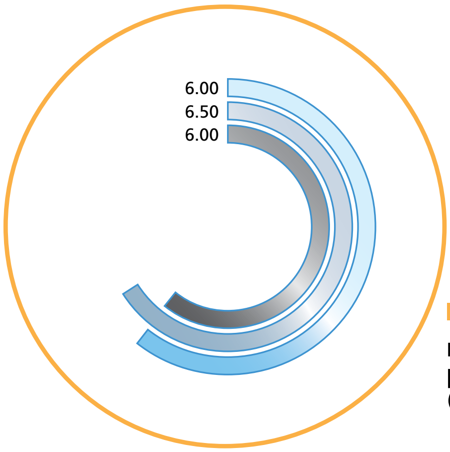
	2014	2013	Restated 2012	Restated 2011	Restated 2010
RM'000					
Revenue	332,823	319,051	257,668	302,653	403,590
Profit/(Loss) before taxation	20,218	7,395	(141,133)	6,230	78,443
Profit/(Loss) after taxation	17,850	3,161	(138,982)	22,236	69,740
Profit/(Loss) attributable to Shareholders	17,850	3,161	(139,132)	21,146	69,805
Shareholders' equity	300,557	282,707	281,259	435,419	430,304
Total equity	300,593	282,743	284,582	441,591	435,304
Total assets	747,232	733,176	875,259	958,701	682,717
SEN PER SHARE					
Earnings/(Loss) per share	7.18	1.27	(56.00)	8.51	28.10
Net dividend per share	–	–	6.00	6.50	6.00
Net assets per share	1.21	1.14	1.13	1.75	1.73



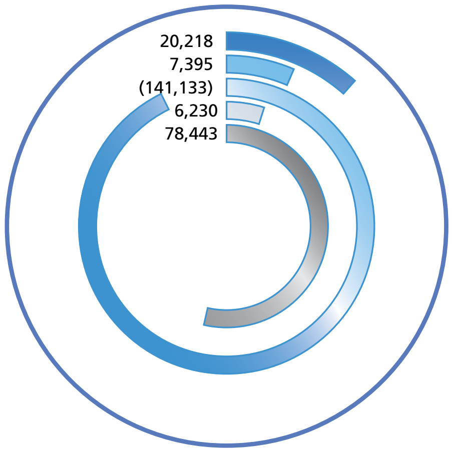
revenue
(RM million)



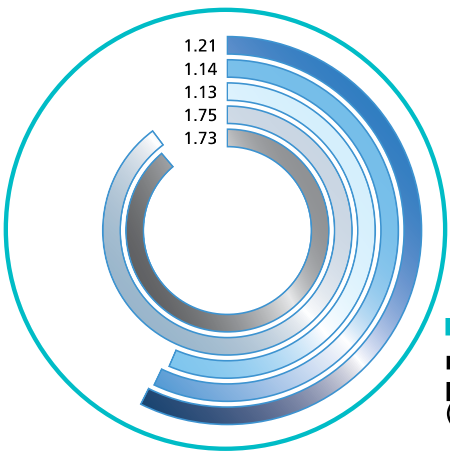
shareholders' equity
(RM million)



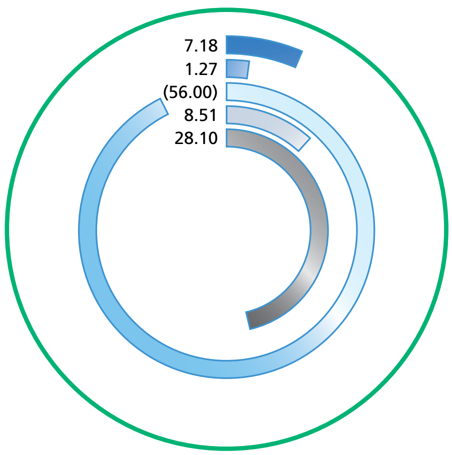
net dividend per share
(sen)



profit/(loss) before taxation
(RM million)



net assets per share
(sen)



earnings/(loss) per share
(sen)

■ 2014 ■ 2013 ■ 2012 ■ 2011 ■ 2010

corporate information

DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman

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

Datuk Azzat Kamaludin
Non-Independent Non-Executive Director

Dato' Ishak Osman
Independent Non-Executive Director

David William Berry
Non-Independent Executive Director

Abd Malik A Rahman
Independent Non-Executive Director

SECRETARIES

Lilyrohayu Ab. Hamid @ Kassim
Suzana Sanudin

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Fax. No: 03-2282 1886

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Am Islamic Bank Berhad
Asian Finance Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Maybank International (L) Ltd.

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WEBSITE

www.bhic.com.my

financial calendar

Financial Year

1 January to
31 December 2014

Results

First quarter

Announced
8 May 2014

Second quarter

Announced
13 August 2014

Third quarter

Announced
5 November 2014

Fourth quarter

Announced
26 February 2015

Annual Report

Issued
11 March 2015

Annual General Meeting

To be held
2 April 2015

board of directors

1 Tan Sri Dato' Seri Lodin Wok Kamaruddin

2 Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor

3 Datuk Azzat Kamaludin

4 David William Berry

5 Dato' Ishak Osman

6 Abd Malik A Rahman

profile of **directors**

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman
65 years of age, Malaysian

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

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

Currently, Tan Sri Dato' Seri Lodin is Chairman of Pharmaniaga Berhad and 1Malaysia Development Berhad. He is also Deputy Chairman of Affin Holdings Berhad and Vice Chairman of Boustead Plantations Berhad (BPB). BHB, Pharmaniaga Berhad, Affin Holdings Berhad and BPB are public listed companies in Malaysia. In addition, he holds directorships in UAC Berhad, MHS Aviation Berhad, FIDE Forum, Badan Pengawas Pemegang Saham Minority Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and AXA Affin Life Insurance Berhad.

Among the many awards Tan Sri Dato' Seri Lodin has received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award; the Degree of Doctor of Laws Honoris Causa from the University of Nottingham, United Kingdom; the UiTM Alumnus of The Year 2010 Award and The Brand Laureate Most Eminent Brand ICON Leadership Award 2012.

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

Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor
Executive Deputy Chairman/Managing Director
71 years of age, Malaysian

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

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

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

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

Datuk Azzat Kamaludin
Non-Independent Non-Executive Director
70 years of age, Malaysian

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

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

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

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

David William Berry
Non-Independent Executive Director
67 years of age,
New Zealander and Permanent Resident of Malaysia

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

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

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

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

profile of **directors**

Dato' Ishak Osman

Independent Non-Executive Director
66 years of age, Malaysian

Dato' Ishak was appointed to the Board on 22 January 1998. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

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

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

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

Abd Malik A Rahman

Independent Non-Executive Director
66 years of age, Malaysian

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

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

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

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

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


AERO
SERVICES

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

2 **David William Berry**
Executive Director

3 **Datuk Ir. Yahya Hashim**
Director of Operations, Boustead Naval Shipyard Sdn Bhd

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

senior management team

5 **Ahmad Nordin Mohammad**
Chief Financial Officer

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

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

audit committee report

COMPOSITION OF MEMBERS

Chairman

Abd Malik A Rahman
(Independent Non-Executive Director)

Members

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

Dato' Ishak Osman
(Independent Non-Executive Director)

MEMBERS AND MEETINGS

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

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

The Committee met four (4) times during the financial year ended 31 December 2014. Details of the attendance of each member at the Audit Committee Meeting held during the financial year ended 31 December 2014 are as follows:

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

TERMS OF REFERENCE

Primary Purposes

The Audit Committee ("Committee") shall:

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

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

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

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

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

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

Authority

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

Functions and Responsibilities

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

1. In relation to the internal audit function:

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

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

2. In relation to the external audit function:

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

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

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

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

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

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

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

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

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

Meetings

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

Procedures of Audit Committee

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

Secretary

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

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The activities undertaken by the Audit Committee during the financial year ended 31 December 2014 were as follows:

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

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

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

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

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

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

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

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

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

INTERNAL AUDIT FUNCTION

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

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

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

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

statement on corporate governance

THE CODE

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

Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance 2012 ("Code") and the Corporate Governance Guide ("CG Guide"). These principles and best practices have been applied and complied with throughout the year ended 31 December 2014.

1. BOARD OF DIRECTORS

Board Responsibilities

The Company is led by an experienced Board with a wide spectrum of skills and experience that provides the strength required to lead the Group towards its objectives and enable the Group to rely on the firm control of an accountable and competent Board. The Board is responsible for the Group's overall strategies and objectives, its acquisition and divestment policy, financial policy and major capital expenditure projects and the consideration of significant financial matters. The Board's key responsibilities reflect the recommendations prescribed by the Code. In performing its 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 is also assisted by several Board Committees namely, the Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee.

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

The Board has approved a board charter ("Board Charter") which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Duties and Responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board Balance;
- The roles of the Chairman and the Chief Executive Officer;
- Appointments;
- Re-election;
- Supply of information;
- Separation of Power;
- Board Committees;
- Remuneration;
- Financial Reporting;
- General meetings;
- Investor relations and shareholder communications;
- Relationship with other stakeholders (employees, environment, social responsibility).

The approval and adoption of the Board Charter and Directors' Code of Ethics formalises the standard of ethical values and behaviour that is expected of its directors at all times. The Board Charter and Directors' Code of Ethics are reviewed periodically to ensure their relevance and compliance.

The Group is also committed towards sustainable development. Employees' welfare, environment and community responsibilities are integral to the conduct of the Group's business. The corporate social responsibilities report is set out on pages 44 to 53 of this Annual Report.

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

Composition of the Board

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

A brief profile of each Director is presented on pages 60 to 62 of this Annual Report.

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

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

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

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

The Board believes that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interests of minority shareholders within the Group.

Board Meetings

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

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

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

The Board met for a total of four (4) times during the financial year ended 31 December 2014 and the attendance of each Director is as stated in the table below:

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

Information for the Board

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

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

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

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

Appointment and re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. At every subsequent Annual General Meeting, one third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

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

Board Appointments and Commitments

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

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

Board Independence

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

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

DIRECTORS' TRAINING

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

statement on corporate governance

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Tan Sri Dato' Seri Lodin Wok Kamaruddin	• Financial Services Act (FSA) & Islamic Financial Act 2013 (AFFIN Bank Berhad).	21 January 2014
	• FIDE Forum Dialogue with Governor – "Economic and Financial Services Sector: Trends and Challenges Moving Forward" (Financial Institutions Directors' Education (FIDE)).	24 March 2014
	• AFFIN Investment Conference Series 2014 - Look East Policy (AFFIN Investment Bank Berhad).	8 April 2014
	• High Level Roundtable on The Malaysian Code for Institutional Investors (Securities Commission and Minority Shareholder Watchdog Group (MSWG)).	27 June 2014
	• Half Day Talk on Corporate Governance (AFFIN Holdings Berhad): i. Anti-Money Laundering and Anti-Terrorism Financing Act 2001. ii. Using Risk Management as a Catalyst for Performance. iii. Best Practices in Ensuring Boardroom Effectiveness & Accountability.	18 August 2014
	• Business Leaders Dialogue with the Prime Minister - "Partnerships in Nurturing Human Capital" (Securities Commission and Prime Minister's Office).	26 August 2014
	• Perdana Leadership Foundation CEO Forum 2014 (Perdana Leadership Foundation).	24 September 2014
	• Directors Breakfast Series with Beverly Behan on "Great Companies Deserve Great Boards" (Bursa Malaysia).	10 October 2014
	• Nomination Committee Programme (ICLIF and Bursa Malaysia).	15 October 2014
	• Half Day Talk (AFFIN Holdings Berhad): i. Amendments to Companies Bill. ii. GST Implications to Non-Executive Directors. iii. Recovery and Resolution Planning. iv. Best Practices in Ensuring Boardroom Effectiveness Cybercriminals in the Financial Services Sector.	2 December 2014
Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor	• Financial Services Act (FSA) & Islamic Financial Act 2013 (Affin Bank Berhad)	6-8 September 2014
	• Global Economic Symposium 2014 (GES) (UiTM)	1-2 December 2014
	• Conference on Deep Seabed Mining 2014 (Maritime Institute of Malaysia)	29-30 September 2014
	• Khazanah Megatrends Forums 2014 'Scaling The Efficiency Frontier" (Khazanah Nasional)	20-21 October 2014
	• Closed door colloquium on Malaysia's Maritime Boundaries (Maritime Institute of Malaysia)	9 December 2014
	• Forum Anti Rasuah (Suruhanjaya Pencegah Rasuah Malaysia)	21 January 2014

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Datuk Azzat Kamaludin	• Company Directors Advance Programme 2014: Strategy & Risks (Malaysian Directors Academy (MINDA)	12 & 13 March 2014
	• Audit Committee Workshop Series (Malaysian Institute of Accountants (MIA)	17 July 2014 & 7 August 2014
	• Khazanah Megatrends Forum 2014 (Khazanah Nasional)	29-30 September 2014
David William Berry	• Corporate Liability Provision Seminar (MACC)	17 February 2014
	• 6th Corporate Governance Summit (ASLI)	4 March 2014
	• National Economic Summit & Dialogue (MICG)	7 March 2014
	• Directors Duties & Responsibilities – Moving Beyond Compliance (LIM KOK WING UNIVERSITY)	9 May 2014
	• FIDE Forum (FIDE)	9 May 2014
	• Crisis Management & Media Relations Seminar (MICG)	28 May 2014
	• ESG & ICB Seminar (BURSA MALAYSIA)	28 August 2014
	• Abuse Of Dominant Position (MICG)	20 August 2014
	• Directors Breakfast Forum (BURSA)	22 September 2014
	• 3rd National Maritime Industry Forum (AMIM/MIMA/ MIGHT)	10 October 2014
	• Women Directors Convention (Nam Institute For The Empowerment Of Women (NIEW))	9 December 2014
Abd Malik A Rahman	• Mergers & Acquisitions for Financial Institutions A Rahman Program (ICLIF/Bank Negara Malaysia)	17-18 March 2014
	• Audit Committee Conference 2014 – Stepping Up for Better Governance (MIA/IIAM)	20 March 2014
	• Affin Investment Conference Series 2014 – Look East Policy 2.0 (Affin Investment Bank Berhad)	08 April 2014
	• FIDE Forum: A comprehensive talent-based approach to Board Recruitment (ICLIF/Bank Negara Malaysia)	16 June 2014
	• Key Trends in Investment Banking & Equity Broking (A.T. Kearney, Inc.)	25 June 2014
	• Half Day Talk on Corporate Governance: - Anti-Money Laundering and Anti-Terrorism Financing Act 2001 Using Risk Management as a catalyst for Performance - Best practices in ensuring boardroom effectiveness & accountability (MICG/Affin Holdings)	18 August 2014
	• FIDE Forum: Risks: From Whereof? (ICLIF/Bank Negara Malaysia)	21 August 2014
	• Half Day Talk on : Great Companies Deserve Great Boards (Bursa Malaysia)	10 October 2014

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Abd Malik A Rahman	• 10th Tricor Tax & Corporate Seminar (Tricor Knowledge House Sdn Bhd) • Talk on: Amendments to Companies Bill; GST Implications to Non-Executive Directors; Recovery & Resolution Planning: Cybercriminals in the Financial Services Sector (Affin Holdings/Boardroom Corp. Svs/PwC)	29 October 2014 2 December 2014
Dato' Ishak Osman	• Audit Committee Workshop Series 1: The Functions of Audit Committee (MIA) • Audit Committee Workshop Series 1: Control Environmental in Managing Risk (MIA) • Audit Committee Workshop Series 1: Overnight of Financial Reports and Compliance (MIA) • Audit Committee Workshop Series 1: Enhancing Audit Quality: Role of Audit Committee (MIA)	30 September 2014 30 September 2014 1 October 2014 1 October 2014

BOARD COMMITTEES

Audit Committee

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

The detailed roles, functions and responsibilities of the Audit Committee are set out on pages 66 to 69 of this Annual Report.

Nominating Committee

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

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

The functions of the Nominating Committee are as follows:

(i) To recommend candidates for all directorships;

(ii) To recommend appointments to the Board committees;

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

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

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

Remuneration Committee

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

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

The terms of reference for the Committee are as follows:

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

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

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

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

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

A summary of the remuneration of the Directors for the financial year ended 31 December 2014, 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	180,000	300,000	480,000
Salary	1,199,000	–	1,199,000
Allowance	17,000	40,000	57,000
Employee Provident Fund Contribution	89,000	–	89,000
Bonus	286,000	–	286,000
Defined contribution plan	89,000	–	89,000
Benefit in kind	17,000	–	17,000
Total	1,877,000	340,000	2,217,000

Directors' Remuneration

	Executive Directors	Non-Executive Directors	Total
RM50,001 – RM100,000	1	2	3
RM100,000 – RM150,000	–	1	1
RM350,000 – RM400,000	1	–	1
RM1,300,001 – RM1,350,000	1	–	1
Total	3	3	6

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

INVESTOR AND SHAREHOLDER RELATIONS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The role of the Audit Committee in reviewing and reporting of the financial information of the Group is outlined in the Report of the Audit Committee which appears on pages 66 to 69 of this Annual Report.

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

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

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

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

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

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

RECOGNISE AND MANAGE RISKS

Sound framework to manage material business risks

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

Internal audit function

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

COMPLIANCE WITH THE CODE

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

directors' responsibility statement

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

In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

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

statement on risk management and internal control

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

RESPONSIBILITY

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

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

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

INTERNAL CONTROLS

Risk Management

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

The Group's Risk Management Framework provides a methodology to identify, evaluate, monitor and manage all key risks faced by the Group. The Framework is designed to achieve these objectives:

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

2. Identify, evaluate, monitor and control all key risks in an effective and efficient manner;

3. Enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and

4. Create a risk-aware culture and build the necessary knowledge for risk management at every level of management and staff.

Pursuant to the enhancement of the Risk Assessment Procedure in 2013, the enhancement has enabled a more robust and systematic risk assessment to be conducted by risk managers and risk owners within the BHIC Group. With usage of a common risk language this facilitates a more comprehensive risk review and monitoring by the respective Division Heads and Heads of Business Units and escalation of high and extreme risks to Senior Management of the BHIC Group.

statement on risk management and internal control

As continuous effort for continual improvement of the risk management framework, Key Risk Indicators (KRI) have been introduced to facilitate a proactive management of emerging risks at the divisional, business and functional unit level. The KRI complements the risk assessment process, provides an early warning signal to the management when there are critical risk areas within the entity with exposure levels potentially exceeding set tolerable risk limits.

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

The Risk Management Department provides monthly reports to the BHIC Group Core Management Committee and quarterly reports to the Board Audit Committee to highlight key risk areas for their deliberation and decision.

Regular engagement and training sessions were carried out by members of the Risk Management Department with both risk owners and risk managers, to further inculcate a risk awareness culture, improves the adequacy of the risk assessment, the completeness of the risk registers and the effectiveness of the action plans for continuous improvement of the risk framework.

Moving forward, the Risk Management Department has several initiatives to further enhance the Group's approach to risk management, including enhancing the Business Continuity Management for the Group and the Business Units. The Group will continue to develop and improve its risk management practices, which are consistent with good corporate governance, to achieve the above mentioned objectives.

Control Structure

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

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

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

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

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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. Reviewing internal audit reports and following up on their findings;

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

6. Submission of management reports, on a monthly basis, to the Managing Director;

7. Submission of annual operating plans, on a yearly basis, to be approved at the operating and Board level; and

8. The award of major contracts via a Tender Board which ensures transparency and integrity of the procurement and award of contracts.

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

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

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

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

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

Organisational Structure

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

statement on risk management and internal control

Whistle-Blowing

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

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

The processes adopted are based on the following framework:

- **Business Unit and Functional Unit:** Each Division, Business Unit and Functional unit are responsible in managing risk associated with the business and its functions. All risks identified will be assessed, analysed, treated and monitored according to the Group risk appetite.

- **Risk Management department:** Provides risk methodologies, framework, tools and consultancy to the businesses and functional areas pertaining to the risk control, effectiveness and reporting to the Group Core Management Committee and the Board Audit Committee on the risk profile of the Group.

- **Internal Audit:** Conducts an independent quality assurance of internal controls and risk management activities. Reports of internal controls reviews by the internal audit function are submitted to the Audit Committee on a quarterly basis. The Chairman of the Audit Committee provides the Board with a report of all meetings of the Audit Committee.

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

INTERNAL AUDIT FUNCTION

The internal audit function is provided by Group Internal Audit from Boustead Holdings Berhad to support the Audit Committee and the Board in evaluating and improving the risk management, control and governance processes of the Group. The Group, including its associates, has incurred approximately RM424,000 for internal audit activities in respect of the financial year ended 31 December 2014.

CONCLUSION

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 17 February 2015.

SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors and management by any regulatory bodies during the financial year ended 31 December 2014.

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 2014 and the unaudited results previously released for the financial quarter ended 31 December 2014.

PROFIT GUARANTEE

The Company did not make any arrangement during the financial year which requires a 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 3 April 2014, the Company obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

additional compliance information

In accordance with Section 3.1.5 of Practice Note 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2014 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Naval Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor Datuk Azzat Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of shipbuilding, ship repair works and provision of related services by Boustead Penang Shipyard Sdn. Bhd.	118,951
		Provision of ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	361
		Provision of ship repair works and related services by BHIC Allied Defence Technology Sdn. Bhd.	936
		Sale of equipment and machinery for ship related activities by Dominion Defence and Industries Sdn. Bhd.	663
		Provision of ship repair works and related services by BHIC Bofors Asia Sdn. Bhd.	292
		Provision of ship repair works and related services by BHIC Navaltech Sdn. Bhd.	21,248
		Provision of ship repair works and related services by BHIC Electronics and Technologies Sdn Bhd.	4,326
		Purchase of materials/ consumerables in relation to ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	(180)
		Purchase of materials/ consumerables in relation to ship repair works and related services by BHIC Electronics and Technologies Sdn. Bhd.	(2,163)

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
		Provision of ship repair works provision of related services from Contraves Advanced Devices Sdn. Bhd.	1,014
		Provision of subcontracting work on engineering of SETIS combat management system and integration of combat system equipment by Contraves Advance Devices Sdn. Bhd.	225,447
		Provision of oil and gas related works to Boustead Penang Shipyard Sdn. Bhd.	(1,000)
		Rental of premises by Boustead Penang Shipyards Sdn. Bhd.	(620)
		Rental of premises by BHIC Bofors Asia Sdn. Bhd.	(90)
		Rental of premises by BHIC MSM Sdn. Bhd.	(216)
		Provision of training services by BHIC Marine Technology Academy Sdn. Bhd.	1,091
		Rental of premises by Boustead Penang Shipyard Sdn Bhd.	(4,800)
		Rental of premises from Contraves Advanced Devices Sdn. Bhd.	1,280
Boustead Langkawi Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of services for construction of vessels to BYO Marine Sdn. Bhd.	(180)
	Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor Datuk Azzat Kamaludin	Provision of ship building, ship repair works and provision of related services to Boustead Penang Shipyard Sdn. Bhd.	(9,029)
	Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Rental of premises by BYO Marine Sdn. Bhd.	(527)

financial **statements**

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 13 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the year	17,850	(20,823)

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

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend any payment of dividend in respect of the current financial year ended 31 December 2014.

DIRECTORS

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

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

DIRECTORS' INTERESTS

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

	← Number of ordinary shares of RM1.00 each →			
	1.1.2014	**Bought**	**Sold**	**31.12.2014**
The Company				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	2,000,000	–	–	2,000,000
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	2,002,100	–	–	2,002,100
Datuk Azzat Bin Kamaludin	400,000	–	(50,000)	350,000
Abd Malik Bin A Rahman	3,000	–	–	3,000
Dato' Ishak Bin Osman	10,000	–	–	10,000
Indirect interest:				
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	11,200	–	–	11,200
Dato' Ishak Bin Osman	50,020	–	(50,000)	20
Abd Malik Bin A Rahman	1,000	–	–	1,000

Directors' Report

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares of RM0.50 each			
	1.1.2014	**Bought**	**Sold**	**31.12.2014**
Immediate holding company				
Boustead Holdings Berhad ("BHB")				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	28,192,758	–	–	28,192,758
Datuk Azzat Bin Kamaludin	44,000	–	–	44,000
Indirect interest:				
Abd Malik Bin A Rahman	1,000	–	–	1,000
Related corporations				
Pharmaniaga Berhad				
– a fellow subsidiary				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	12,500,148	–	–	12,500,148
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	121,000	–	–	121,000
Datuk Azzat Bin Kamaludin	226,260	–	–	226,260
Boustead Plantations Berhad				
– a fellow subsidiary				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	–	31,381,600*	–	31,381,600
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	–	1,150,000*	–	1,150,000
Datuk Azzat Bin Kamaludin	–	1,508,800*	–	1,508,800
Abd Malik Bin A Rahman	–	2,000*	–	2,000
Indirect interest:				
Abd Malik Bin A Rahman	–	2,000*	–	2,000

	Number of ordinary shares of RM1.00 each			
	1.1.2014	**Bought**	**Sold**	**31.12.2014**
Related corporations				
Boustead Petroleum Sdn. Bhd.				
– a fellow subsidiary				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	5,916,465	–	–	5,916,465
Affin Holdings Berhad				
– an associate of BHB				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	808,714	242,614**	–	1,051,328
Datuk Azzat Bin Kamaludin	110,000	33,000**	–	143,000

* Increase pursuant to initial public offering.
** Increase pursuant to rights issue.

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

OTHER STATUTORY INFORMATION

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

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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 in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

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

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

    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in Note 31 to the financial statements.

(f) In the opinion of the directors:

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

    (ii) the results of the operations of the Group and of the Company for the financial year ended 31 December 2014 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.

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 27 February 2015.

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

Statement by **Directors**

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

We, Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B) and Abd Malik Bin A Rahman, being two of the directors of Boustead Heavy Industries Corporation Berhad do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 97 to 176 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows of the year then ended.

The information set out in Note 34 on page 177 of the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2015.

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

ABD MALIK BIN A RAHMAN

Statutory **Declaration**

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

I, Ahmad Nordin Bin Mohammad, being the officer primarily responsible for the financial management of Boustead Heavy Industries Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 97 to 177 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Ahmad Nordin Bin Mohammad
at Kuala Lumpur in the Federal Territory on 27 February 2015.

AHMAD NORDIN BIN MOHAMMAD

Before me,

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

Independent **Auditors' Report**

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory information, as set out on pages 97 to 176.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent **Auditors' Report (Cont'd.)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 177 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

ONG CHEE WAI
No. 2857/07/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 February 2015

Income **Statements**

for the year ended 31 December 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	4	**332,823**	319,051	**9,488**	10,969
Operating costs	5	**(313,427)**	(289,596)	**(17,951)**	(25,846)
Results from operations		**19,396**	29,455	**(8,463)**	(14,877)
Interest income		**369**	341	–	–
Finance costs	8	**(16,927)**	(19,486)	**(12,360)**	(13,424)
Share of results of associates	14	**7,098**	(23,249)	**–**	–
Share of results of joint ventures	15	**10,282**	20,334	**–**	–
Profit/(loss) before taxation		**20,218**	7,395	**(20,823)**	(28,301)
Income tax expense	9	**(2,368)**	(4,234)	**–**	–
Profit/(loss) for the year		**17,850**	3,161	**(20,823)**	(28,301)
Attributable to:					
Shareholders of the Company		**17,850**	3,161	**(20,823)**	(28,301)
Non-controlling interests		**–**	–	**–**	–
Profit/(loss) for the year		**17,850**	3,161	**(20,823)**	(28,301)
Earnings per share attributable to shareholders of the Company (sen):					
Basic/diluted	10	**7.18**	1.27		

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

Statements of **Comprehensive Income**

For the year ended 31 December 2014

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year, net of tax	**17,850**	3,161	**(20,823)**	(28,301)
Attributable to:				
Shareholders of the Company	**17,850**	3,161	**(20,823)**	(28,301)
Non-controlling interests	**–**	–	**–**	–
Total comprehensive income/(loss) for the year, net of tax	**17,850**	3,161	**(20,823)**	(28,301)

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

Statements of **Financial Position**

As at 31 December 2014

	Note	2014 RM'000	2013 RM'000
Group			
Assets			
Non-current assets			
Property, plant and equipment	11	**170,885**	145,555
Intangible asset	12	**2,097**	390
Investments in associates	14	**183,700**	176,602
Investments in joint ventures	15	**70,543**	91,116
Deferred tax assets	24	**18,891**	18,891
		446,116	432,554
Current assets			
Inventories	16	**2,216**	3,001
Trade and other receivables	17	**179,828**	232,393
Amounts due from customers on contracts	18	**45,527**	13,852
Tax recoverable		**9,552**	9,227
Cash and bank balances	19	**63,993**	42,149
		301,116	300,622
Total assets		**747,232**	733,176

Statements of **Financial Position (Cont'd.)**

As at 31 December 2014

	Note	2014 RM'000	2013 RM'000
Group (cont'd.)			
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	20	**248,458**	248,458
Retained earnings		**52,099**	34,249
Total shareholders' funds		**300,557**	282,707
Non-controlling interests		**36**	36
Total equity		**300,593**	282,743
Non-current liabilities			
Loans and borrowings	22	**13,997**	15,942
Deferred tax liabilities	24	**76**	76
		14,073	16,018
Current liabilities			
Amounts due to customers on contracts	18	**19,068**	18,560
Provisions	21	**480**	637
Loans and borrowings	22	**342,170**	343,273
Trade and other payables	25	**69,822**	69,303
Tax payable		**1,026**	2,642
		432,566	434,415
Total liabilities		**446,639**	450,433
Total equity and liabilities		**747,232**	733,176

	Note	2014 RM'000	2013 RM'000
Company			
Assets			
Non-current assets			
Property, plant and equipment	11	**9,106**	371
Investments in subsidiaries	13	**280,000**	280,000
Investments in associate	14	–	–
		289,106	280,371
Current assets			
Trade and other receivables	17	**154,856**	188,554
Cash and bank balances	19	**111**	97
		154,967	188,651
Total assets		**444,073**	469,022
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	20	**248,458**	248,458
Accumulated losses		**(60,660)**	(39,837)
Total equity		**187,798**	208,621
Non-current liability			
Loans and borrowings	22	**5,372**	11,752
Current liabilities			
Provisions	21	**480**	360
Loans and borrowings	22	**247,124**	245,123
Trade and other payables	25	**3,299**	3,166
		250,903	248,649
Total liabilities		**256,275**	260,401
Total equity and liabilities		**444,073**	469,022

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

Statements of **Changes in Equity**

For the year ended 31 December 2014

	← Attributable to equity holders of the Company →				
	Share capital RM'000	**Distributable retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Group					
At 1 January 2013	248,458	32,801	281,259	3,323	284,582
Total comprehensive income for the year	–	3,161	3,161	–	3,161
Transactions with owners					
Dividend on ordinary shares to non-controlling interest	–	–	–	(1,500)	(1,500)
Additional investment in a subsidiary (Note 13 (a) (i))	–	(1,713)	(1,713)	(1,787)	(3,500)
Total transaction with owners	–	(1,713)	(1,713)	(3,287)	(5,000)
At 31 December 2013	**248,458**	**34,249**	**282,707**	**36**	**282,743**
At 1 January 2014	248,458	34,249	282,707	36	282,743
Total comprehensive income for the year	–	17,850	17,850	–	17,850
At 31 December 2014	**248,458**	**52,099**	**300,557**	**36**	**300,593**

	Attributable to equity holders of the Company		
	Share Capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
At 1 January 2013	248,458	(11,536)	236,922
Total comprehensive loss for the year	–	(28,301)	(28,301)
At 31 December 2013	248,458	(39,837)	208,621
Total comprehensive loss for the year	–	(20,823)	(20,823)
At 31 December 2014	248,458	(60,660)	187,798

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

Statements of Cash Flows

For the year ended 31 December 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities					
Cash receipts from customers		**198,836**	323,054	**–**	–
Cash paid to suppliers and employees		**(164,143)**	(218,826)	**(3,701)**	(3,621)
(Payments)/receipts with related companies		**(759)**	(1,250)	**11,072**	44,995
Net cash generated from operations		**33,934**	102,978	**7,371**	41,374
Interest paid		**(16,816)**	(18,425)	**(12,170)**	(12,962)
Income taxes paid		**(4,309)**	(1,372)	**–**	–
Net cash generated from/ (used in) operating activities		**12,809**	83,181	**(4,799)**	28,412
Cash flows from investing activities					
Interest received		**313**	341	**9,488**	10,969
Proceeds from disposal of property, plant and equipment		**3,861**	–	**–**	–
Purchase of property, plant and equipment	(a)	**(17,381)**	(3,889)	**(1,158)**	(493)
Additional investments in a joint venture		**–**	(255)	**–**	–
Additional investments in a subsidiary	13 (a)	**–**	(3,500)	**–**	–
Dividend received from joint venture		**30,855**	5,610	**–**	–
Dividend received from an associate		**–**	3,105	**–**	–
Purchase of intangible asset		**(1,707)**	(390)	**–**	–
Net cash generated from investing activities		**15,941**	1,022	**8,330**	10,476
Cash flows from financing activities					
Repayment of borrowings		**(30,794)**	(62,347)	**(3,517)**	(38,898)
Proceeds from drawdown of term loan/revolving credits/hire purchase		**23,566**	–	**–**	–
Dividends paid by a subsidiary to non-controlling interests		**–**	(1,500)	**–**	–
Net cash used in financing activities		**(7,228)**	(63,847)	**(3,517)**	(38,898)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Net increase/(decrease) in cash and cash equivalents		**21,522**	20,356	**14**	(10)
Effect of foreign exchange rate changes		**322**	441	**–**	–
Cash and cash equivalents at beginning of year		**42,149**	21,352	**97**	107
Cash and cash equivalents at end of year		**63,993**	42,149	**111**	97
Cash and cash equivalents at end of year comprise:					
Deposits with licensed banks	19	**41,892**	29,709	**–**	–
Cash and bank balances	19	**22,101**	12,440	**111**	97
		63,993	42,149	**111**	97

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

		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash	(a)	**17,381**	3,889	**1,158**	493
Hire purchase		**88**	–	**–**	–
Deposits paid		**19,717**	–	**7,786**	–
Total additions	11	**37,186**	3,889	**8,944**	493

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

Notes to the **Financial Statements**

31 December 2014

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

2.2 Changes in accounting policies

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

On 1 January 2014, the Group and the Company adopted the following new and amended MFRS and Interpretation Committee Interpretations (IC Interpretations) mandatory for annual financial periods beginning on or after 1 January 2014.

Descriptions	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

Adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group and the Company, except as discussed below:

MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

This standard affects disclosures only and has no impact on the Group and the Company's financial position and performance.

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

2.3 Standards issued but not yet effective

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

Descriptions	Effective annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2017
MFRS 9: Financial Instruments	1 January 2018

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

MFRS 15: Revenue from Contracts with Customers

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

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

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

MFRS 15: Revenue from Contracts with Customers (cont'd.)

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9: Financial Instruments

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

2.4 Basis of consolidation

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

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

Business Combinations

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

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

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

2.6 Subsidiaries

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

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

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

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

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

2.7 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

2.8 Fair value measurement

The fair values of financial instruments at amortised cost are disclosed in Note 26 (d).

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

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

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

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

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

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

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

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

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

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

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

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

2.9 Currency conversion

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

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the reporting period.

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

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

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2.11 Intangible assets

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

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

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

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

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units ("CGU").

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

2.12 Impairment of non-financial assets (cont'd.)

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

Impairment losses are recognised in profit or loss.

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

2.13 Financial assets

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

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

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

Loans and receivables

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

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

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

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

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

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

2.14 Impairment of financial assets

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

2.15 Construction contracts

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

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

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

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

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

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

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2.17 Inventories

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

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

2.18 Provisions

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

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

2.19 Financial liabilities

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

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

Other financial liabilities

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

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

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

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

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

2.20 Borrowing costs

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

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

2.21 Employee benefits

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

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

2.22 Leases

(a) Lessee

Finance lease

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

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

Operating lease

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

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

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

2.22 Leases (cont'd.)

(b) Lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as chartering and rental income. The accounting policy for chartering and rental income is set out in Note 2.23 (f) and Note 2.23 (g), respectively.

2.23 Revenue

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Construction contracts

Contract revenues and profits on long term construction contracts are accounted for under the accounting policy disclosed in Note 2.15.

(d) Interest income

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

(e) Dividend income

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

(f) Chartering income

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

(g) Rental income

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

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

2.24 Income taxes

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences,

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

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

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

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

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

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

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

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

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

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their activities, products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The respective segment managers report directly to the Group's Managing Director who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28.

2.26 Share capital and share issuance expenses

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Useful lives of property, plant and equipment

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

(ii) Construction contracts

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

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract costs. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists. Information on the Group's construction contract balances, revenue and cost is presented in Note 18.

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

(iii) Income taxes

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

(iv) Deferred tax assets

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

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

The total carrying value of the Group's recognised tax losses, tax credits and capital allowances and unrecognised tax losses, tax credits and capital allowances are as disclosed in Note 24.

(v) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 17.

Notes to the **Financial Statements**

4. REVENUE

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Heavy engineering contracts	**138,185**	136,980	**–**	–
Rendering of services	**154,190**	141,685	**–**	–
Sale of goods	**6,320**	782	**–**	–
Chartering income	**33,263**	39,604	**–**	–
Rental income	**865**	–	**–**	–
Interest income	**–**	–	**9,488**	10,969
	332,823	319,051	**9,488**	10,969

5. OPERATING COSTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Raw materials and consumables	**50,082**	36,139	**–**	–
Construction contract costs (Note 18)	**141,688**	124,094	**–**	–
Employee benefits expense (Note 6)	**87,536**	79,656	**2,696**	1,357
Non-executive directors' remuneration (Note 7)	**340**	221	**340**	221
Depreciation of property, plant and equipment (Note 11)	**9,851**	10,751	**209**	127
Impairment loss on property, plant and equipment (Note 11)	**–**	16,680	**–**	–
Gain on disposal of property, plant and equipment	**(2,240)**	–	**–**	–
Allowance for impairment of amount due from subsidiaries	**–**	–	**13,176**	22,332
Loss on dissolution of subsidiaries	**–**	59	**–**	–
Other operating costs	**26,170**	21,996	**1,530**	1,809
	313,427	289,596	**17,951**	25,846

5. OPERATING COSTS (CONT'D.)

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Other operating costs include:				
Auditors' remuneration:				
– Statutory audit	**397**	360	**120**	120
– Others	**12**	12	**7**	7
Inventories written down to net realisable value	**–**	1,075	**–**	–
Inventories written off	**189**	1,217	**–**	–
Net loss/(gain) on foreign exchange:				
– realised	**809**	2,881	**–**	–
– unrealised	**4,445**	2,602	**(174)**	–
Impairment/(reversal of impairment) of receivables	**4,847**	(513)	**–**	–
Operating leases:				
– minimum lease payments for land and buildings	**1,648**	1,366	**–**	–
– minimum lease payments for plant and equipment	**510**	399	**8**	–
Reversal of provision for warranties (Note 21)	**(277)**	(82)	**–**	–
Receivables written off	**–**	2,254	**–**	–

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Wages and salaries	**73,367**	64,762	**1,383**	980
Social security contribution	**222**	515	**16**	4
Defined contribution plan	**8,495**	7,607	**105**	69
Others	**5,452**	6,772	**1,192**	304
	87,536	79,656	**2,696**	1,357

Included in employee benefits expense of the Group and of the Company is executive directors' remuneration amounting to RM1,787,000 (2013: RM1,620,000) and RM507,000 (2013: RM553,000), respectively as further disclosed in Note 7.

Notes to the **Financial Statements**

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Executive directors' remuneration (Note 6):				
Fees	**180**	180	**180**	180
Salary	**1,199**	1,146	**222**	284
Allowances	**17**	27	**17**	27
Bonus	**286**	187	**63**	43
Defined contribution plan	**88**	80	**17**	19
Benefit in kind	**17**	–	**8**	–
	1,787	1,620	**507**	553
Non-executive directors' remuneration (Note 5):				
Fees	**300**	180	**300**	180
Allowances	**40**	41	**40**	41
	340	221	**340**	221
Total directors' remuneration (Note 32 (b))	**2,127**	1,841	**847**	774

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

	2014	**2013**
Executive directors:		
RM50,001 - RM100,000	1	1
RM300,001 - RM350,000	–	1
RM350,001 - RM400,000	1	–
RM1,200,001 - RM1,250,000	–	1
RM1,300,001 - RM1,350,000	1	–
Non-executive directors:		
RM50,001 - RM100,000	2	3
RM100,001 - RM150,000	1	–

8. FINANCE COSTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Interest expense on:				
Term loans	**1,190**	1,639	**454**	758
Hire purchase and finance lease liabilities	**7**	9	**–**	–
Revolving credits	**16,046**	17,553	**11,785**	12,544
Others	**—**	285	**121**	122
	17,243	19,486	**12,360**	13,424
Less: Interest capitalised in capital work-in-progress	**(316)**	-	**-**	-
Finance cost recognised in the income statements	**16,927**	19,486	**12,360**	13,424

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Statement of comprehensive income:				
Malaysian income tax:				
Current income tax	**2,591**	3,638	**–**	–
Overprovision in prior year	**(223)**	(24)	**–**	–
Total income tax	**2,368**	3,614	**–**	–
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	**–**	589	**–**	–
Underprovision in prior years	**–**	31	**–**	–
Total deferred tax	**–**	620	**–**	–
Income tax expense recognised in profit or loss	**2,368**	4,234	**–**	–

Notes to the **Financial Statements**

9. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit/(loss) before taxation	**20,218**	7,395	**(20,823)**	(28,301)
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**5,055**	1,849	**(5,206)**	(7,075)
Effects of changes in statutory tax rate	**(544)**	(266)	**–**	–
Expenses not deductible for tax purposes	**2,300**	8,447	**5,206**	7,075
Income not subject to tax	**(1,227)**	(5,964)		–
Utilisation of previously unrecognised tax losses and capital allowances	**(3,843)**	(1,529)	**–**	–
Share of results of associates	**(1,775)**	5,812	**–**	–
Share of results of joint ventures	**(2,571)**	(5,084)	**–**	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**5,196**	962	**–**	–
Overprovision of tax expense in prior years	**(223)**	(24)	**–**	–
Underprovision of deferred tax expense in prior years	**–**	31	**–**	–
Income tax expense recognised in profit or loss	**2,368**	4,234	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2014 has reflected these changes.

A subsidiary and a certain joint venture were granted tax exemption in respect of their statutory income derived from maintenance and in-service support activities of vessels.

10. EARNINGS PER SHARE

Basic and diluted 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	
	2014 **RM'000**	**2013** **RM'000**
Profit for the year attributable to shareholders of the Company	**17,850**	3,161
	'000	**'000**
Weighted average number of ordinary shares in issue	**248,458**	248,458
	sen	**sen**
Basic and diluted earnings per share for: Profit from operations attributable to shareholders of the Company	**7.18**	1.27

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others** RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost					
At 1 January 2013	73,959	19,041	165,943	624	259,567
Additions	524	14	2,635	716	3,889
Written off	–	–	(1)	–	(1)
Reclassification	–	–	626	(626)	–
At 31 December 2013	74,483	19,055	169,203	714	263,455
Additions	19,717	199	1,041	16,229	37,186
Written off	–	–	(316)	–	(316)
Disposals	(1,819)	–	(101)	–	(1,920)
Reclassification	14,282	–	–	(14,282)	–
At 31 December 2014	106,663	19,254	169,827	2,661	298,405
Accumulated depreciation and impairment					
At 1 January 2013	40,544	6,939	42,980	–	90,463
Impairment charge for the year (Note 5)	–	–	16,680	–	16,680
Depreciation charge for the year:	2,312	1,198	7,247	–	10,757
– Recognised in profit or loss (Note 5)	2,306	1,198	7,247	–	10,751
– Capitalised in construction costs (Note 18)	6	–	–	–	6
At 31 December 2013	42,856	8,137	66,907	–	117,900
Depreciation charge for the year:	2,131	1,396	6,708	–	10,235
– Recognised in profit or loss (Note 5)	2,128	1,059	6,664	–	9,851
– Capitalised in construction costs (Note 18)	3	337	44	–	384
Written off`	–	–	(316)	–	(316)
Disposals	(198)	–	(101)	–	(299)
At 31 December 2014	44,789	9,533	73,198	–	127,520

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

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others** RM'000	Capital work-in progress RM'000	Total RM'000
Group (cont'd.)					
Representing:					
Accumulated depreciation	29,273	9,533	35,178	–	73,984
Accumulated impairment	15,516	–	38,020	–	53,536
At 31 December 2014	44,789	9,533	73,198	–	127,520
Net carrying amount					
At 31 December 2014	61,874	9,721	96,629	2,661	170,885
At 31 December 2013	31,627	10,918	102,296	714	145,555

* Land and buildings of the Group comprise:

	Long term leasehold and reclaimed land RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group				
Cost				
At 1 January 2013	16,359	22,966	34,634	73,959
Additions	–	–	524	524
At 31 December 2013	16,359	22,966	35,158	74,483
Additions	19,717	–	–	19,717
Disposals	(1,819)	–	–	(1,819)
Reclassification	–	–	14,282	14,282
At 31 December 2014	34,257	22,966	49,440	106,663

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

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

	Long term leasehold and reclaimed land RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group (cont'd.)				
Accumulated depreciation and impairment				
At 1 January 2013	4,305	11,574	24,665	40,544
Depreciation charge for the year:	188	1,001	1,123	2,312
– Recognised in profit or loss	188	1,001	1,117	2,306
– Capitalised in construction costs	–	–	6	6
At 31 December 2013	4,493	12,575	25,788	42,856
Depreciation charge for the year:	182	808	1,141	2,131
– Recognised in profit or loss	179	808	1,141	2,128
– Capitalised in construction costs	3	–	–	3
Disposals	(198)	–	–	(198)
At 31 December 2014	4,477	13,383	26,929	44,789
Representing:				
Accumulated depreciation	3,509	6,433	19,331	29,273
Accumulated impairment	968	6,950	7,598	15,516
At 31 December 2014	4,477	13,383	26,929	44,789
Net carrying amount				
At 31 December 2014	29,780	9,583	22,511	61,874
At 31 December 2013	11,866	10,391	9,370	31,627

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

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

	Equipment, fittings, renovation, vehicles RM'000	Vessels RM'000	Total RM'000
Group			
Cost			
At 1 January 2013	25,093	140,850	165,943
Additions	2,635	–	2,635
Written off	(1)	–	(1)
Reclassification	626	–	626
At 31 December 2013	28,353	140,850	169,203
Additions	1,041	–	1,041
Written off	(316)	–	(316)
Disposals	(101)	–	(101)
At 31 December 2014	28,977	140,850	169,827
Accumulated depreciation and impairment			
At 1 January 2013	16,881	26,099	42,980
Impairment charge for the year	–	16,680	16,680
Depreciation charge for the year:			
– Recognised in profit or loss	2,657	4,590	7,247
At 31 December 2013	19,538	47,369	66,907
Depreciation charge for the year:	2,596	4,112	6,708
– Recognised in profit or loss	2,552	4,112	6,664
– Capitalised in construction costs	44	–	44
Written off	(316)	–	(316)
Disposals	(101)	–	(101)
At 31 December 2014	21,717	51,481	73,198

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

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

	Equipment, fittings, renovation, vehicles RM'000	Vessels RM'000	Total RM'000
Group (cont'd.)			
Representing:			
Accumulated depreciation	21,717	13,461	35,178
Accumulated impairment	–	38,020	38,020
At 31 December 2014	21,717	51,481	73,198
Net carrying amount			
At 31 December 2014	7,260	89,369	96,629
At 31 December 2013	8,815	93,481	102,296

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

	Long term leasehold land RM'000	Equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company				
Cost				
At 1 January 2013	–	6	–	6
Additions	–	493	–	493
At 31 December 2013	–	499	-	499
Additions	7,786	180	978	8,944
At 31 December 2014	7,786	679	978	9,443
Accumulated depreciation				
At 1 January 2013	–	1	–	1
Depreciation charge for the year (Note 5)	–	127	–	127
At 31 December 2013	–	128	–	128
Depreciation charge for the year (Note 5)	–	209	–	209
At 31 December 2014	–	337	–	337
Net carrying amount				
At 31 December 2014	7,786	342	978	9,106
At 31 December 2013	–	371	–	371

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

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

	Group	
	2014 RM'000	**2013 RM'000**
Motor vehicles	226	131

Details of the terms and conditions of the hire purchase and finance lease arrangements facility are disclosed in Note 23.

(b) Equipment with carrying value of RM6,500,000 (2013: RM7,200,000) are secured against the term loan as disclosed in Note 22 (a).

(c) Completed vessels with total carrying value of RM59,546,223 (2013: RM62,320,000) are secured against the revolving credit and term loan as disclosed in Note 22 (b).

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

12. INTANGIBLE ASSET

	Group RM'000
Ship design right, at cost	
At 1 January 2013	–
Additions	390
At 31 December 2013	390
Additions	1,707
At 31 December 2014	2,097

Intangible asset relates to the purchase of design rights. As at 31 December 2014, an amount of GBP335,800 or RM1,779,000 equivalent (2013: GBP81,900 or RM390,000 equivalent) and RM318,000 (2013: RM Nil) has been paid. The remaining GBP61,200 or RM324,200 (2013: GBP315,100 or RM1,508,000 equivalent) will be paid based on milestone billings.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	**2013 RM'000**
Unquoted shares, at cost	**581,867**	581,867
Less: Accumulated impairment losses	**(301,867)**	(301,867)
	280,000	280,000

The cost of shares in a subsidiary of RM2,636,000 (2013: RM2,636,000) is pledged to the financial institutions for banking facilities granted to a former corporate shareholder.

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

			Percentage of ownership interest held by the group	
Name of subsidiaries	**Principal activities**	**Paid-up capital**	**2014 %**	**2013 %**
BHIC Asset Holdings Sdn. Bhd. ("BHIC Asset")	Ceased operations	RM10,000,000	**100**	100
Boustead Penang Shipyard Sdn. Bhd. ("BP Shipyard")	Heavy engineering, ship repair and shipbuilding, fabrication of steel structures and platforms, marine engineering, oil and gas fabrication, hook up and commissioning	RM350,000,000	**100**	100
BHIC Development Sdn. Bhd.	Ceased operations	RM2	**100**	100
BHIC Trading Sdn. Bhd.	Property investment	RM8,000,002	**100**	100
BHIC Marine Carriers Sdn. Bhd.	Provision of engineering services for oil and gas industry and chartering ships and vessels	RM3,000,000	**100**	100
Held by BHIC Asset:				
Desa BHIC Sdn. Bhd.	Ceased operations	RM2	**100**	100

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group 2014 %	2013 %
Held by BP Shipyard:				
Dominion Defence & Industries Sdn. Bhd. ("Dominion Defence")	Supply and services of marine and naval defence related products	RM1,000,000	**100**	100
Perstim Industries Sdn. Bhd.	Investment holding	RM51,155,724	**99.93**	99.93
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	Investment holding	RM36,579,282	**100**	100
Malaysian Heavy Industry Group Sdn. Bhd.	Investment holding	RM25,000	**60**	60
BHIC Navaltech Sdn. Bhd.	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	**100**	100
UMC Engineering Sdn. Bhd. **	Dormant	RM996,234	**99.99**	99.99
Boustead Tugs and Transport Sdn. Bhd.	Dormant	RM1,000,000	**100**	100
BHIC Marine & Shipping Sdn. Bhd. ("BHIC Shipping")	Dormant	RM3,000,003	**100**	100
BHIC Shipbuilding and Engineering Sdn. Bhd.	Dormant	RM2	**100**	100
BHIC Marine Technology Academy Sdn. Bhd.	Provision of marine and defence business management training and similar educational projects	RM500,000	**100**	100
BHIC Marine Ventures Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	**100**	100
BHIC Marine Transport Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	**100**	100

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

			Percentage of ownership interest held by the group	
Name of subsidiaries	**Principal activities**	**Paid-up capital**	**2014 %**	**2013 %**
Held by Dominion Defence:				
Burlington Promotions & Publications Sdn. Bhd.	Dormant	RM100,000	**100**	100
Held by BHIC Defence:				
BHIC Defence Techservices Sdn. Bhd. ("BHIC Defence Techservices")	Provision of maintenance and services for arsenal, and other defence related products	RM1,000,000	**100**	100
BHIC Allied Defence Technology Sdn. Bhd.	Supply of electronics and system technology to defence related industry	RM510,000	**100**	100
Naval and Defence Communication System Sdn. Bhd.	Provision of maintenance and services for telecommunication	RM100,000	**100**	100
BHIC Electronics and Technologies Sdn. Bhd.	Provision of maintenance and services for defence weapons and related products	RM2,329,897	**100**	100
Integrated Navigation and Defence Systems Sdn. Bhd.	Ceased operations	RM2	**100**	100
Held by BHIC Shipping:				
Johor Riau Ferry Services Sdn. Bhd. *	Dormant	RM180,055	**100**	100

* Dissolved during the year
** In members' voluntary liquidation

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Additional investments in subsidiaries

(i) In prior year, the Company through its wholly-owned subsidiary, BHIC Defence subscribed for additional equity interest in the following company by way of cash:

	Number of shares	Amount
	2013	**2013**
	'000	**RM'000**
BHIC Allied Defence Technology Sdn. Bhd.	**153**	**3,500**

(ii) In prior year, the Company through its wholly-owned subsidiary, BHIC Defence subscribed for additional paid-up share capital in the following companies by way of cash:

	Number of shares	Amount
	2013	**2013**
	'000	**RM'000**
BHIC Marine Technology Academy Sdn. Bhd.	**500**	**500**
UMC Engineering Sdn. Bhd.	**17**	**17**
	517	**517**

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

There were no new additional investments in subsidiaries in the current financial year.

14. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	**2014 RM'000**	2013 RM'000
Unquoted shares, at cost	**54,840**	54,840	**1,250**	1,250
Cumulative share of post acquisition profits	**121,762**	148,116	**–**	–
Share of current year's post acquisition profit/(loss)	**7,098**	(23,249)	**–**	–
Dividend paid (Note 32 (a))	**–**	(3,105)	**–**	–
	183,700	176,602	**1,250**	1,250
Less: Accumulated impairment losses	**–**	–	**(1,250)**	(1,250)
	183,700	176,602	**–**	–

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

Name of associates	Principal activities	Percentage of ownership interest held by the group 2014 %	2013 %
Held by the Company:			
Tohwa-Sedap Food Industry Sdn. Bhd.	Under liquidation	**50.00**	50.00
Held by Perstim Industries Sdn. Bhd.:			
Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	**20.76**	20.76
Held through by BP Shipyard:			
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	**48.80**	48.80

14. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

Name of associates	Principal activities	Percentage of ownership interest held by the group 2014 %	2013 %
Held through by BN Shipyard:			
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	**20.76**	20.76
BN Shiprepair Sdn. Bhd.	Ceased operations	**20.76**	20.76
Boustead Yachts Sdn. Bhd.	Ceased operations	**20.76**	20.76

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

The summarised financial information of the associates are as follows:

	2014 RM'000	2013 RM'000
Assets and liabilities		
Current assets	**1,599,695**	1,600,506
Non-current assets	**366,083**	333,371
Total assets	**1,965,778**	1,933,877
Current liabilities	**1,382,312**	1,302,476
Non-current liabilities	**482,425**	564,551
Total liabilities	**1,864,737**	1,867,027
Net assets	**101,041**	66,850
Results		
Revenue	**1,314,751**	1,904,394
Profit/(loss) for the year	**34,191**	(111,987)

14. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	2014 RM'000	2013 RM'000
Net assets at 1 January	**66,850**	193,794
Profit/(loss) for the year	**34,191**	(111,987)
Dividend paid	**–**	(14,957)
Net assets at 31 December	**101,041**	66,850
Interest in associate	**20.76%**	20.76%
Goodwill	**162,724**	162,724
Carrying value of Group's investment in associates	**183,700**	176,602

15. INVESTMENT IN JOINT VENTURES

	Group	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	**33,941**	33,941
Cumulative share of post acquisition profits	**57,175**	42,451
Share of current year's post acquisition profits	**10,282**	20,334
	101,398	96,726
Less: Dividend paid (Note 32 (a))	**(30,855)**	(5,610)
	70,543	91,116

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

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

15. INVESTMENT IN JOINT VENTURES (CONT'D.)

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

		Percentage of ownership interest held by the group	
Name of joint ventures	**Principal activities**	**2014 %**	**2013 %**
Held by BHIC Defence:			
BHIC Bofors Asia Sdn. Bhd.	Providing, supplying and servicing BOFORS weapons systems	**51**	51
BHIC AeroServices Sdn. Bhd. ("BHICAS")	To carry on business of maintenance, repair and overhaul of rotary and fixed wing aircraft	**51**	51
Boustead DCNS Naval Corporation Sdn. Bhd. ("BDNC")	Vessel maintenance	**60**	60
BYO Marine Sdn. Bhd. *	Construction of vessels	**51**	51
Contraves Advanced Devices Sdn. Bhd. ("CAD") *	Manufacturing of electronic products	**51**	51
BHIC MSM Sdn. Bhd.	Provision of maintenance and repair of MTU products	**60**	60
Pyrotechnical Ordnance Malaysia Sdn. Bhd.	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	**50**	50
Held by CAD:			
Contraves Sdn. Bhd. *	Property rental	**51**	51
Contraves Electrodynamics Sdn. Bhd. *	Provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors,manufactures, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus	**51**	51

* Audited by firms other than Ernst & Young.

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

15. INVESTMENT IN JOINT VENTURES (CONT'D.)

(b) Summarised financial information

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

(i) Summarised statements of financial position

	2014				2013		
	BDNC RM'000	CAD RM'000	BHICAS* RM'000	Total RM'000	BDNC RM'000	CAD RM'000	Total RM'000
Group							
Non-current assets	10,991	179,690	4,317	194,998	4,651	92,358	97,009
Cash and cash equivalent	137,769	157,527	16,690	311,986	163,804	102,727	266,531
Other current assets	4,338	306,346	18,479	329,163	3,586	398,760	402,346
Total current assets	142,107	463,873	35,169	641,149	167,390	501,487	668,877
Total assets	153,098	643,563	39,486	836,147	172,041	593,845	765,886
Current financial liabilities (excluding trade and other payables and provisions)	–	2,186	5,287	7,473	–	3,454	3,454
Trade and other payables and provisions	107,397	12,684	6,208	126,289	114,063	8,386	122,449
Other financial liabilities	–	572,770	12,067	584,837	–	482,170	482,170
Total current liabilities	107,397	587,640	23,562	718,599	114,063	494,010	608,073
Non-current liabilities	–	12,706	89	12,795	–	15,382	15,382
Total liabilities	107,397	600,346	23,651	731,394	114,063	509,392	623,455
Net Assets	45,701	43,217	15,835	104,753	57,978	84,453	142,431

15. INVESTMENT IN JOINT VENTURES (CONT'D.)

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

(ii) Summarised statements of comprehensive income

	2014				2013		
	BDNC RM'000	**CAD RM'000**	**BHICAS* RM'000**	**Total RM'000**	**BDNC RM'000**	**CAD RM'000**	**Total RM'000**
Group							
Revenue	170,165	266,500	93,488	530,153	205,982	286,140	492,122
Depreciation	(583)	(7,127)	(253)	(7,963)	(1,497)	(4,403)	(5,900)
Interest income	2,448	1,153	15	3,616	2,359	3,201	5,560
Finance costs	–	(717)	(491)	(1,208)	–	(332)	(332)
(Loss)/profit before tax from continuing operations	(11,667)	20,358	20,671	29,362	15,202	29,547	44,749
Income tax expense	(610)	(1,594)	(4,960)	(7,164)	(589)	(7,492)	(8,081)
(Loss)/profit for the year representing total comprehensive (loss)/income for the year, net of tax	(12,277)	18,764	15,711	22,198	14,613	22,055	36,668
Dividend received from joint ventures during the year	–	30,600	–	30,600	–	–	–

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

	2014				2013		
	BDNC RM'000	**CAD RM'000**	**BHICAS* RM'000**	**Total RM'000**	**BDNC RM'000**	**CAD RM'000**	**Total RM'000**
Group							
Net assets at 1 January	57,978	84,453	124	142,555	43,365	62,398	105,763
(Loss) / Profit for the year	(12,277)	18,764	15,711	22,198	14,613	22,055	36,668
Dividend	–	(60,000)	–	(60,000)	–	–	–
Net assets at 31 December	45,701	43,217	15,835	104,753	57,978	84,453	142,431
Interest in joint ventures (%)	60	51	51	–	60	51	–
Goodwill	–	3,849	–	3,849	–	3,849	3,849
Carrying value of Group's interest in joint ventures	27,421	25,890	8,076	61,386	34,787	46,920	81,707

* Financial information of BHICAS for the financial year ended 31 December 2013 was not presented as its financial information was immaterial to the Group.

15. INVESTMENT IN JOINT VENTURES (CONT'D.)

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

	Group	
	2014 **RM'000**	**2013** **RM'000**
The Group's share of profit before tax	**1,111**	561
The Group's share of profit after tax, representing total comprehensive income	**78**	318

16. INVENTORIES

	Group	
	2014 **RM'000**	**2013** **RM'000**
Consumables		
At cost	**1,421**	2,067
At net realisable value	**795**	934
	2,216	3,001

Notes to the **Financial Statements**

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade receivables				
Third parties	**20,557**	9,043	**–**	–
Due from related parties:				
Associates	**74,419**	42,568	**–**	–
Joint ventures	**19,470**	69,003	**–**	–
	114,446	120,614	**–**	–
Less: Allowance for impairment				
– Third parties	**(1,907)**	(1,907)	**–**	–
Trade receivables, net	**112,539**	118,707	**–**	–
Other receivables				
Due from related parties:				
Subsidiaries	**–**	–	**196,520**	209,323
Joint ventures	**28,704**	36,107	**–**	–
Associates	**1,296**	29	**67**	–
	30,000	36,136	**196,587**	209,323
Deposits (Note 11 (d))	**10,141**	29,317	**–**	7,786
Prepayments	**996**	1,777	**–**	–
Sundry receivables	**3,024**	3,554	**–**	–
Advances to suppliers	**28,384**	43,311	**–**	–
	72,545	114,095	**196,587**	217,109

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Less: Allowance for impairment				
– Subsidiaries	**–**	–	**(41,731)**	(28,555)
– Joint ventures	**(4,847)**	–	**–**	–
– Associates	**(28)**	(28)	**–**	–
– Other receivables	**(381)**	(381)	**–**	–
	(5,256)	(409)	**(41,731)**	(28,555)
Other receivables, net	**67,289**	113,686	**154,856**	188,554
Total trade and other receivables	**179,828**	232,393	**154,856**	188,554
Total trade and other receivables	**179,828**	232,393	**154,856**	188,554
Add: Cash and bank balances (Note 19)	**63,993**	42,149	**111**	97
Less: Prepayment	**(996)**	(1,777)	**–**	–
Less: Advances to suppliers	**(28,384)**	(43,311)	**–**	–
Total loans and receivables	**214,441**	229,454	**154,967**	188,651

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

	Group	
	2014 RM'000	**2013 RM'000**
Neither past due nor impaired	**69,941**	40,935
1 to 30 days past due not impaired	**16,535**	3,655
31 to 60 days past due not impaired	**7,582**	322
61 to 90 days past due not impaired	**230**	398
91 to 120 days past due not impaired	**10,029**	494
More than 121 days past due not impaired	**8,222**	72,903
	42,598	77,772
Impaired	**1,907**	1,907
	114,446	120,614

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

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

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM42,598,000 (2013: RM77,772,000) that are past due at the reporting date but not impaired. The total amount that are past due but not impaired are unsecured in nature. Of the total, RM 3,960,000 (2013: RM68,991,000) is due from a joint venture and RM36,714,000 (2013: RM8,096,000) is due from an associated company which the Group believes are fully recoverable.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM92,659,000 (2013: RM 114,500,00) at the reporting date.

Receivables that are impaired

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

	Group	
	2014 RM'000	**2013 RM'000**
Trade receivables-nominal value	**1,907**	1,907
Less: Allowance for impairment	**(1,907)**	(1,907)
	–	–

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

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

Movement in allowance accounts:

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	**1,907**	2,420
Charge for the year	**–**	4
Reversal of impairment loss	**–**	(517)
At 31 December	**1,907**	1,907

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

(b) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's credit period is generally for a period of 30 days (2013: 30 days), extending up to 90 days (2013: 90 days) for major customers. The Group seeks to maintain strict control over its outstanding receivables and strives to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(c) Trade receivables

Trade receivables are non-interest bearing.

(d) Amounts due from related parties

The related parties' balances bear weighted average effective interest rate of 5.2% (2013: 5.2%) per annum and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

18. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2014 RM'000	**2013 RM'000**
Aggregate cost incurred and recognised profit (less recognised losses) to date	**1,248,228**	1,025,194
Less: Progress billings	**(1,221,769)**	(1,029,902)
	26,459	(4,708)
Amounts due from customers on contracts	**45,527**	13,852
Amounts due to customers on contracts	**(19,068)**	(18,560)
	26,459	(4,708)

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

	Group	
	2014 RM'000	**2013 RM'000**
Depreciation of property, plant and equipment (Note 11)	**384**	6
Operating lease:		
– minimum lease payment for plant and equipment	**319**	169
Employee benefits expense	**7,301**	2,909

No interest expenses were capitalised in the construction work-in-progress as the borrowings are drawdown for general purpose.

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

Amount of contract revenue and contract costs recognised in the financial year are as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Contract revenue *	**171,183**	167,451
Construction contract costs (Note 5)	**141,688**	124,094

* The contract revenue is derived from heavy engineering works and rendering of services.

19. CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deposits with licensed banks	**41,892**	29,709	**–**	–
Cash on hand and at banks	**22,101**	12,440	**111**	97
	63,993	42,149	**111**	97

Deposits with licensed banks amounting to RM463,138 (2013: RM449,227) are pledged for performance guarantee facilities granted to the Group.

The amount of deposits placed with the financial institutions which are Government-related entities amount to RM63,889,000 (2013: RM41,840,000).

Other information on financial risks of cash and bank balances are disclosed in Note 26.

20. SHARE CAPITAL

	Group and Company			
	Number of shares of RM1 each		Amount	
	2014 '000	**2013 '000**	**2014 RM'000**	**2013 RM'000**
Authorised:				
As at 1 January/31 December	**500,000**	500,000	**500,000**	500,000
Issued and fully paid ordinary shares:				
As at 1 January/31 December	**248,458**	248,458	**248,458**	248,458

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and ranked equally with regard to the Company's residual assets.

21. PROVISIONS

	Directors' fee RM'000	Warranties RM'000	Liquidated ascertained damages RM'000	Total RM'000
Group				
At 1 January 2013	360	359	5,201	5,920
Additional/(reversal) of provision	360	(82)	–	278
Utilisation of provision	(360)	–	(5,201)	(5,561)
At 31 December 2013	360	277	–	637
Additional/(reversal) of provision	480	(277)	–	203
Utilisation of provision	(360)	–	–	(360)
At 31 December 2014	**480**	**–**	–	**480**

21. PROVISIONS (CONT'D.)

	Directors' fee RM'000
Company	
At 1 January 2013	360
Additional provision	360
Utilisation of provision	(360)
At 31 December 2013	360
Additional provision	480
Utilisation of provision	(360)
At 31 December 2014	**480**

(a) Provision for liquidated ascertained damages

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

(b) Provision for warranties

The provision for warranties is made in respect of potential reworks or replacement of defective products sold to an end customer which arose from a batch of production or services rendered to them. The provision is made based on the management's best estimate on past experience of the expected level of defects and their associated remediation costs to the customer.

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22. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Short term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 23)	**90**	58	**–**	–
Term loans	**7,837**	9,378	**7,168**	6,717
Revolving credits	**39,956**	37,445	**39,956**	37,445
	47,883	46,881	**47,124**	44,162
Unsecured:				
Term loans	**4,287**	6,392	**–**	961
Revolving credits	**290,000**	290,000	**200,000**	200,000
	294,287	296,392	**200,000**	200,961
Total short term borrowings:				
Term loans	**12,124**	15,770	**7,168**	7,678
Hire purchase and finance lease liabilities (Note 23)	**90**	58	**–**	–
Revolving credits	**329,956**	327,445	**239,956**	237,445
	342,170	343,273	**247,124**	245,123
Long term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 23)	**60**	74	**–**	–
Term loans	**5,372**	12,421	**5,372**	11,752
	5,432	12,495	**5,372**	11,752
Unsecured:				
Term loans	**8,565**	3,447	**–**	–
Total long term borrowings:				
Term loans	**13,937**	15,868	**5,372**	11,752
Hire purchase and finance lease liabilities (Note 23)	**60**	74	**–**	–
	13,997	15,942	**5,372**	11,752

22. LOANS AND BORROWINGS (CONT'D.)

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total borrowings:				
Term loans	**26,061**	31,638	**12,540**	19,430
Hire purchase and finance lease liabilities (Note 23)	**150**	132	**–**	–
Revolving credits	**329,956**	327,445	**239,956**	237,445
	356,167	359,215	**252,496**	256,875

The remaining maturities of the term loans as at reporting date are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
On demand or within 1 year	**12,124**	15,770	**7,168**	7,678
More than 1 year and less than 2 years	**6,492**	10,833	**5,372**	6,717
More than 2 years and less than 5 years	**7,445**	5,035	**–**	5,035
	26,061	31,638	**12,540**	19,430

The maturity profile of hire purchase and finance lease liabilities is as disclosed in Note 23.

The term loans and revolving credit facilities granted to the Group and the Company are unsecured except for the following:

(a) A term loan of a subsidiary which is secured against equipment as disclosed in Note 11 (b); and

(b) A term loan and a revolving credit facility of the Company which is secured against vessels of certain subsidiaries as disclosed in Note 11 (c).

Other information on financial risks of loans and borrowings are disclosed in Note 26.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM176,017,000 (2013: RM174,967,000).

23. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2014 RM'000	**2013 RM'000**
Future minimum lease payments:		
Not later than 1 year	**96**	64
Later than 1 year but not later than 2 years	**44**	64
Later than 2 years but not later than 5 years	**18**	12
	158	140
Less: Future finance charges	**(8)**	(8)
	150	132
Analysis of present value of finance lease liabilities:		
Not later than 1 year	**90**	58
Later than 1 year but not later than 2 years	**42**	62
Later than 2 years but not later than 5 years	**18**	12
	150	132
Amount due within 12 months (Note 23)	**(90)**	(58)
Amount due after 12 months (Note 23)	**60**	74

The hire purchase liabilities are secured by a charge over the leased assets (Note 11 (a)). The average discount rate implicit in the leases is 2.75% per annum (2013: 2.90% per annum).

24. DEFERRED TAXATION

	Group 2014 RM'000	Group 2013 RM'000
At 1 January	**(18,815)**	(19,435)
Recognised in profit or loss (Note 9)	**–**	620
At 31 December	**(18,815)**	(18,815)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(18,891)**	(18,891)
Deferred tax liabilities	**76**	76
	(18,815)	(18,815)

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

	Unabsorbed capital allowances RM'000	Unused tax losses RM'000	Others RM'000	Total RM'000
Deferred tax assets				
At 1 January 2013	(5,134)	(17,461)	(23)	(22,618)
Recognised in profit or loss	5,134	(5,027)	23	130
At 31 December 2013	–	(22,488)	–	(22,488)
Recognised in profit or loss	–	1,220	–	1,220
At 31 December 2014	–	(21,268)	–	(21,268)

24. DEFERRED TAXATION (CONT'D.)

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2013	3,000	183	3,183
Recognised in profit or loss	348	142	490
At 31 December 2013	3,348	325	3,673
Recognised in profit or loss	(895)	(325)	(1,220)
At 31 December 2014	2,453	–	2,453

The estimated amount of deferred tax assets which have not been recognised in the Group's and the Company's financial statements as at reporting dates are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Temporary differences arising from:				
– unused tax losses	**(178,243)**	(187,779)	**(47)**	(47)
– unabsorbed capital allowances	**(1,070)**	(74)	**–**	–
– others	**(46,121)**	(34,346)	**–**	–
	(225,434)	(222,199)	**(47)**	(47)

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

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade payables				
Third parties	**46,200**	51,697	**–**	–
Due to related parties:				
Associates	**3,737**	2,426	**–**	–
Joint ventures	**1,626**	271	**–**	–
	51,563	54,394	**–**	–
Other payables				
Due to related parties:				
Subsidiaries	**–**	–	**2,315**	2,346
Holding company	**759**	1,285	**189**	131
Joint ventures	**2,471**	–	**–**	–
Associates	**600**	63	**–**	63
	3,830	1,348	**2,504**	2,540
Accruals	**6,611**	13,412	**774**	531
Sundry payables	**7,818**	149	**21**	95
	18,259	14,909	**3,299**	3,166
Total trade and other payables	**69,822**	69,303	**3,299**	3,166
Total trade and other payables	**69,822**	69,303	**3,299**	3,166
Add: Loans and borrowings (Note 22)	**356,167**	359,215	**252,496**	256,875
Total financial liabilities carried at amortised costs	**425,989**	428,518	**255,795**	260,041

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2013: 30 to 90 days).

(b) Non trade balances due to related parties

The related parties' balances bear weighted average effective interest rate of 5.2% (2013: 5.2%) per annum and are repayable on demand. All other related parties payable are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 32.

Other information on financial risks of trade and other payables are disclosed in Note 26.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, including interest rate, credit, liquidity, foreign exchange and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Company's Managing Director, Executive Director and Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and loans at floating rates given to related parties.

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

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date:

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	More Than 5 Years RM'000	Total RM'000
Group							
At 31 December 2014							
Fixed rate							
Term loans	22	**5.80%**	**(669)**	**–**	**–**	**–**	**(669)**
Hire purchase and finance lease liabilities	23	**2.75%**	**(90)**	**(42)**	**(18)**	**–**	**(150)**
Deposits with licensed banks	19	**1.10%**	**41,892**	**–**	**–**	**–**	**41,892**
Floating rate							
Term loans	22	**3.99%**	**(11,455)**	**(6,492)**	**(4,480)**	**(2,965)**	**(25,392)**
Revolving credits	22	**4.98%**	**(329,956)**	**–**	**–**		**(329,956)**

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

(a) Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date (cont'd.):

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	Total RM'000
Group						
At 31 December 2013						
Fixed rate						
Term loans	22	5.50%	(4,915)	(669)	–	(5,584)
Hire purchase and finance lease liabilities	23	2.90%	(58)	(62)	(12)	(132)
Deposits with licensed banks	19	2.16%	29,709	–	–	29,709
Floating rate						
Term loans	22	3.65%	(10,855)	(10,164)	(5,035)	(26,054)
Revolving credits	22	4.24%	(327,445)	–	–	(327,445)
Company						
At 31 December 2014						
Floating rate						
Term loan	22	**2.12%**	**(7,168)**	**(5,372)**	**–**	**(12,540)**
Revolving credits	22	**4.99%**	**(239,956)**	**–**	**–**	**(239,956)**

Notes to the **Financial Statements**

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

(a) Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date (cont'd.):

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	Total RM'000
Company						
At 31 December 2013						
Fixed rate						
Term loan	22	5.05%	(961)	–	–	(961)
Floating rate						
Term loan	22	3.04%	(6,717)	(6,717)	(5,035)	(18,469)
Revolving credits	22	4.37%	(237,445)	–	–	(237,445)

Interest on borrowings that are subject to floating rate is contractually repriced within a year. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group and the Company's profit net of tax would have been RM1,262,000 (2013: RM1,326,000) and RM947,000 (2013: RM960,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity and cash flow risks

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible that it will have sufficient liquidity to meet its liability as and when they fall due.

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

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2014			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables	**69,822**	**–**	**–**	**69,822**
Loans and borrowings	**342,964**	**12,600**	**3,734**	**359,298**
Total undiscounted financial liabilities	**412,786**	**12,600**	**3,734**	**429,120**
Company				
Financial liabilities				
Trade and other payables	**3,299**	**–**	**–**	**3,299**
Loans and borrowings	**247,394**	**5,445**	**–**	**252,839**
Total undiscounted financial liabilities	**250,693**	**5,445**	**–**	**256,138**

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

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

	2013		
	On demand or within one year RM'000	**One to five years RM'000**	**Total RM'000**
Group			
Financial liabilities			
Trade and other payables	69,303	–	69,303
Loans and borrowings	346,787	16,350	363,137
Total undiscounted financial liabilities	416,090	16,350	432,440
Company			
Financial liabilities			
Trade and other payables	3,166	–	3,166
Loans and borrowings	247,534	12,072	259,606
Total undiscounted financial liabilities	250,700	12,072	262,772

(c) Credit risk

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

As at 31 December 2014 and 31 December 2013, the maximum exposure to credit risk for the Group is presented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Deposits with licensed banks and other financial institutions and that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default. The credit risk information regarding trade and other receivables is disclosed in Note 17.

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

(c) Credit risk (cont'd.)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group			
	2014		2013	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	**111,771**	**99%**	116,784	98%
Others	**768**	**1%**	1,923	2%
	112,539	**100%**	118,707	100%
By industry sector:				
Heavy engineering contracts	**92,941**	**83%**	98,387	83%
Rendering of services	**11,049**	**10%**	14,853	12%
Sales of goods	**5,647**	**5%**	3,579	3%
Chartering	**2,902**	**2%**	1,888	2%
	112,539	**100%**	118,707	100%

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

(d) Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Trade and other receivables	17
Amounts due from subsidiaries, joint ventures and associates	17
Loans and borrowings (current)	22
Trade and other payables	25
Amounts due to subsidiaries, joint ventures, associates and holding company	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact on discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

Fair value hierarchy

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

	Group			
	Carrying amount		**Fair value**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Financial liabilities				
Interest bearing loans and borrowings				
Term loans	–	(643)	–	(643)
Hire purchase and finance lease liabilities	**(43)**	(74)	**(43)**	(74)
	(43)	(717)	**(43)**	(717)

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

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

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the Group's interest-bearing loans and borrowings are determined using DCF method at a discount rate of 5.5% (2013: 5.8%) for term loans and 2.6% (2013: 2.4%) for hire purchase and finance lease liabilities. This reflects the issuer's borrowing rate as at the end of the reporting period. The significant unobservable inputs (Level 3), are the constant prepayment rate and the own non-performance risk as at 31 December 2014 and 31 December 2013 which were assessed to be insignificant.

(e) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, RM. The Group's policy is to minimise the exposure of overseas operating subsidiaries/activities to transaction risk by matching local currency income against local currency costs. The currencies giving rise to this risk are primarily the United States Dollar ("USD") and Euro. Foreign exchange exposures are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM'000	Receivables RM'000	Payables RM'000	Borrowings RM'000	Total RM'000
At 31 December 2014					
USD	**319**	**5,264**	**(2,503)**	**(52,496)**	**(49,416)**
Euro	**28,918**	**–**	**(13,019)**	**–**	**15,899**
	29,237	**5,264**	**(15,522)**	**(52,496)**	**(33,517)**
At 31 December 2013					
USD	9,860	1,126	(3,392)	(55,914)	(48,320)
Euro	57	–	(25,614)	–	(25,557)
	9,917	1,126	(29,006)	(55,914)	(73,877)

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

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

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the USD and Euro exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group Profit/(loss) net of tax	
		2014 RM'000	**2013 RM'000**
USD/RM	- strengthened 5%	**(2,471)**	(2,416)
	- weakened 5%	**2,471**	2,416
Euro/RM	- strengthened 5%	**795**	(1,278)
	- weakened 5%	**(795)**	1,278

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 22) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 22) over the aggregate of the equity held by shareholders and non-controlling interests is 1.18 times (2013: 1.27 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times calculated by dividing the amount of borrowings over the aggregate of the equity held by shareholders is complied with at all times.

28. SEGMENTAL INFORMATION

For management purposes, the Group's business is organised on the activities, products and services. For each of the segments, the Managing Director reviews the internal management reports on a quarterly basis, at least. The following summary describes the operations of each of the Group's segments:

(i) Heavy engineering – The business units under this segment are principally engaged in shipbuilding and maintenance, repair and overhaul (MRO) of commercial vessels and Navy's patrol vessels;

(ii) Manufacturing – The business unit under this segment is principally engaged in the manufacturing of electronic products and provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors, manufacturers, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus; and

(iii) Chartering – The business units under this segment is principally engaged in the chartering of chemical tankers.

Included in the heavy engineering segment, the revenue of approximately RM 204,147,000 (2013: RM229,528,000) is derived from one major customer.

The Group operates fully in Malaysia. Transfer pricing between operating segments are on arm's length basis. Inter-segment revenues are eliminated at consolidation level. The Group practises central fund management where surplus funds within the Group are on-lent, and the interest charge arising from such arrangements is eliminated in full.

Management monitors the operating results of the three Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the following table:

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Total RM'000
As at 31 December 2014				
Revenue				
External revenue	**299,560**	**–**	**33,263**	**332,823**
Results				
Segment results-external	**32,184**	**–**	**(12,788)**	**19,398**
Interest income	**369**	**–**	**–**	**369**
Finance costs	**(16,927)**	**–**	**–**	**(16,927)**
Share of results of joint ventures	**712**	**9,570**	**–**	**10,282**
Share of results of associates	**7,098**	**–**	**–**	**7,098**
Profit/(loss) before taxation	**23,436**	**9,570**	**(12,788)**	**20,218**
Income tax expense				**(2,368)**
Profit for the year				**17,850**

28. SEGMENTAL INFORMATION (CONT'D.)

Management monitors the operating results of the three Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the following table: (cont'd.)

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Total RM'000
As at 31 December 2013				
Revenue				
External revenue	279,447	–	39,604	319,051
Results				
Segment results-external	49,066	–	(19,611)	29,455
Interest income	341	–	–	341
Finance costs	(19,267)	–	(219)	(19,486)
Share of results of joint venture	9,502	10,832	–	20,334
Share of results of associates	(23,249)	–	–	(23,249)
Profit/(loss) before taxation	16,393	10,832	(19,830)	7,395
Income tax expense				(4,234)
Profit for the year				3,161

In the current and previous financial year, no inter-segment sales was recorded.

The Group was principally engaged in the heavy engineering segment within Malaysia. The other segments are not reportable segments to be disclosed under the requirements of MFRS 8.

29. 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 options included in the contracts.

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

	Group	
	2014 RM'000	**2013 RM'000**
Future minimum rental payments:		
Not later than 1 year	**581**	925
Later than 1 year but not later than 5 years	**189**	441
	770	1,366

The lease payments recognised in profit or loss during the financial year are disclosed in Notes 5 and 18.

30. CAPITAL COMMITMENTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Approved but not contracted for:				
- Property, plant and equipment	**86,082**	28,155	**–**	464
Approved and contracted for:				
- Property, plant and equipment	**230**	15,473	**–**	–

31. CONTINGENT LIABILITY

A customer of the Group, issued a notice of arbitration dated 7 December 2012 against a subsidiary of the Group for alleged breach of contract. The subsidiary, in response, has initiated a counter-claim against the customer.

The customer is claiming for USD4,935,000 (RM17,272,500 equivalent) together with interest and costs. The subsidiary's counter-claim is for the sums of USD684,766 (RM2,396,681 equivalent) and RM55,760,483, together with interest and costs.

The case is currently pending further directions from the Arbitration Tribunal on exchange of witness statements and expert witness statements.

32. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income				
Subsidiaries	–	–	9,488	10,969
Government-related financial institutions	290	296	–	–
Joint venture	54	44	–	–
Dividend income				
Associate (Note 14)	–	3,105	–	–
Joint venture (Note 15)	30,855	5,610	–	–
Sales of goods/Rendering of services				
Associates	135,936	143,339	–	–
Joint venture	63,228	82,244	–	–
Purchases of goods/Rendering of services				
Immediate holding company	507	871	236	396
Related companies	2,630	3,773	126	86
Joint venture	(1,378)	–	–	–
Associates	17,471	14,437	–	–
Interest expense paid to:				
Subsidiaries	–	–	121	122
Joint venture	15	–	–	–
Government-related financial institutions	2,376	1,851	1,968	1,349

The directors are of the opinion that the above transactions are entered in the normal course of business and at standard commercial terms mutually agreed between the parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2014 are disclosed in Notes 17 and 25.

32. 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Wages and salaries	**5,462**	4,172	**483**	421
Defined contribution plan	**752**	450	**58**	39
Others	**1,592**	860	**607**	432
	7,806	5,482	**1,148**	892
Included in the total key management personnel are:				
Directors' remuneration (Note 7)	**2,127**	1,841	**847**	774

(c) Government-related entities

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera, the ultimate holding corporation of the Group.

The Group operates in an economic regime dominated by entities directly or indirectly controlled by the Government of Malaysia through its Government authorities, agencies, affiliations and other organisations, collectively referred to as Government-related entities. These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not Government related. The Group has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are Government-related entities or not.

(i) Individually significant transactions because of size of transactions

– BDNC, a joint venture of the Group, received a letter of award on 12 August 2010 from the Government of Malaysia to undertake In Service Support for 2 Royal Malaysian Navy's Prime Minister Class Scorpene Submarines for EUR193 million (RM870 million equivalent) and RM532 million and is effective until 30 November 2015. The contract was finalised on 3 September 2014.

– On 16 December 2011, BN Shipyard, an associate of the Group, received a letter of award from the Ministry of Defence (MINDEF) to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of "Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class)" (LCS) at a contract value of RM9.0 billion. The contract was finalised on 17 July 2014.

32. RELATED PARTY DISCLOSURES (CONT'D.)

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

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

- On 7 September 2012, BN Shipyard, an associate of the Group, received a letter of award from MINDEF to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70.0 million for a period of 3 years from the date of acceptance of the award.

- BHICAS, a joint venture of the Group, received a letter of award on 30 January 2013 from the Government of Malaysia to undertake In Service Support for 6 Royal Malaysian Navy helicopters (Fennec AS555SN) at a contract value of RM32.0 million for a period of 3 years from the date of acceptance of the award.

- BHIC Defence Techservices, a subsidiary of the Group, received a letter of award on 15 March 2013 from the Government of Malaysia to undertake the maintenance, repair and supply of spare parts for Oerlikon 35mm guns and Skyguard radar for the Malaysian Army at a ceiling contract value of RM15.0 million for a period of 3 years from the date of acceptance of the award. The contract was finalised on 9 December 2014.

- BHICAS, a joint venture of the Group, received a letter of award on 26 June 2013 from the Government of Malaysia for the Integrated Maintenance and Logistic Support Services for 3 Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters for a period of 3 years from the date of acceptance of the award at a ceiling contract value of RM65.0 million.

- BHICAS, a joint venture of the Group, received a letter of award on 20 March 2014 from the Government of Malaysia for the In Service Support contract for the maintenance and supply of spare parts for the Royal Malaysian Air Force EC725 Helicopters at a contract value of RM220.0 million for a period of 3 years from the date of acceptance of the award.

33. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 27 February 2015.

34. DISCLOSURE OF REALISED AND UNREALISED UNAPPROPRIATED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profit or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014 into realised and unrealised profits, pursuant to Bursa Malaysia Securities Berhad's Directive Ref: LD26/10 dated 20 December 2010 is tabulated below:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
Realised	**(310,297)**	(313,917)	**(60,660)**	(39,837)
Unrealised	**23,260**	15,722	**–**	–
Total share of retained profits from associates:				
Realised	**131,963**	127,566	**–**	–
Total share of retained profits from joint ventures:				
Realised	**71,256**	65,065	**–**	–
Unrealised	**2,832**	(547)	**–**	–
	(80,986)	(106,111)	**(60,660)**	(39,837)
Consolidated adjustments	**133,085**	140,360	**–**	–
Total Group retained profits/(accumulated losses) as per consolidated financial statements	**52,099**	34,249	**(60,660)**	(39,837)

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Statistics of **Shareholdings**

AS AT 10 FEBRUARY 2015

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of holders	%	No. of shares	%
1 – 99	1,004	27.19	17,219	0.01
100 – 1,000	948	25.67	561,413	0.23
1,001 – 10,000	1,308	35.42	5,611,714	2.26
10,001 – 100,000	370	10.02	11,084,120	4.46
100,001 – Less than 5% of issued shares	60	1.62	30,460,900	12.26
5% and above of issued shares	3	0.08	200,722,248	80.79
Total	**3,693**	**100.00**	**248,457,614**	**100.00**

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	No. of share direct	%	No. of shares indirect	%
Boustead Holdings Berhad	161,497,448	65.0	-	-
Lembaga Tabung Angkatan Tentera	20,250,000	8.15	161,497,448	65.0
Lembaga Tabung Haji	18,974,800	7.64	-	-

DIRECTORS SHAREHOLDING

Name of Directors	Direct	No. of share %	Indirect	Size of %
Tan Sri Dato' Seri Lodin Wok Kamarudin	2,000,000	0.80	-	-
Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor	2,000,000	0.80	11,200*1	#
Datuk Azzat Kamaludin	350,000	0.14	-	-
Dato' Ishak Osman	10,000	#	20*2	#
Encik Abd Malik A Rahman	3,000	#	1,000*3	#

NOTES :

*1 Deemed interest by virtue of shares held by his daughter.

*2 Deemed interest by virtue of shares held by his son.

*3 Deemed interest by virtue of shares held by his spouse.

Negligible

List of **Top 30 Holders**

30 LARGEST SHAREHOLDERS AS AT 10 FEBRUARY 2015

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD *ACCOUNT NON-TRADING*	**161,497,448**	**65.00**
2	LEMBAGA TABUNG ANGKATAN TENTERA	**20,250,000**	**8.15**
3	LEMBAGA TABUNG HAJI	**18,974,800**	**7.64**
4	TAN HAN CHONG	**2,362,000**	**0.95**
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)*	**2,093,700**	**0.84**
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)*	**2,000,000**	**0.80**
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)*	**2,000,000**	**0.80**
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN (8029271)*	**2,000,000**	**0.80**
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)*	**1,374,200**	**0.55**
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)*	**1,180,100**	**0.47**
11	B & A FAMILY HOLDINGS SDN BHD	**900,000**	**0.36**
12	LIEW YAM FEE	**900,000**	**0.36**
13	HSBC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	**810,000**	**0.33**
14	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW KWAI PING*	**785,600**	**0.32**
15	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	**702,300**	**0.28**

30 LARGEST SHAREHOLDERS AS AT 10 FEBRUARY 2015 (CONT'D.)

Name of shareholders		No. of shares	%
16	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EQUITY FUND*	**592,800**	**0.24**
17	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING*	**572,400**	**0.23**
18	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (CEB)*	**485,000**	**0.20**
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOAY EAN CHIM (E-IMO)*	**450,000**	**0.18**
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)*	**424,000**	**0.17**
21	TAN LEE HWA	**390,000**	**0.16**
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)*	**388,600**	**0.16**
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SLEUTHS HOLDINGS SDN BHD*	**383,600**	**0.15**
24	MAVIS TAN KENG MUN	**383,000**	**0.15**
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AGROMEGAH CORPORATION SDN BHD*	**366,800**	**0.15**
26	TAN CHEW HUA	**355,000**	**0.14**
27	AZZAT BIN KAMALUDIN	**350,000**	**0.14**
28	CHAN YOKE CHENG	**350,000**	**0.14**
29	TAN PECK YAN	**345,000**	**0.14**
30	ONG TONG PHENG @ ENG AH TOON	**340,000**	**0.14**
	TOTAL	**224,006,348**	**90.16**

List of **Properties**

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	43 years	26,215
HSD 6981 Lot No. 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	43 years	1,540
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	307,560 square metres	Leasehold expiring on 18/10/2099	14 years	–

NOTES :
"The Group purchased two (2) pieces of land at Kota Kinabalu, Sabah and Bentong, Pahang with total cost of RM19.7 million. The transfer of land titles are still in progress."

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Proxy Form

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

Number 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 43rd Annual General Meeting of the Company to be held at **The Royale Ballroom, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 April 2015 at 10.00 a.m.** and at any adjournment thereof and to vote as indicated below:-

No	Resolution	For	Against
1	To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of Directors and Auditors thereon.		
2	To re-elect Dato' Ishak Osman.		
3	To re-elect Tan Sri Dato' Seri Lodin Wok Kamaruddin.		
4	To re-appoint Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor.		
5	To re-appoint Datuk Azzat Kamaludin.		
6	To approve the payment of Directors' Fees in respect of financial year ended 31 December 2014.		
7	To re-appoint Messrs. Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration.		
8	Authority to Issue Shares.		
9	Proposed Renewal of Shareholders' Mandate 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 ………………………….. 2015.

………………………………………
Signature of Member/Common Seal

No. of ordinary shares held:		
CDS Account No.:		
Proportion of shareholdings to be represented by proxies	First Proxy: ______%	Second Proxy: ______%
Contact No.:		

NOTES :

1. Only depositors whose names appear in the Record of Depositors as at **25 March 2015** shall be regarded as members and entitled to attend, speak and vote at the meeting.

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

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

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

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

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

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

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Affix Stamp
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The Company Secretary

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

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