



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



**NEW
HEIGHTS
OF
EXCELLENCE**



ANNUAL REPORT 2017

NEW HEIGHTS OF EXCELLENCE

Delivering products and services of superior quality is essential in maximising shareholders value. At Boustead Heavy Industries Corporation, this is the foundation on which we use as a springboard towards attaining new heights of excellence while observing sustainable principles.



AT A GLANCE

REVENUE
CONTINUING OPERATIONS
**RM277.6
MILLION**

EARNINGS
PER SHARE
CONTINUING OPERATIONS
**4.26
SEN**

TOTAL
EQUITY
**RM344.7
MILLION**

NET ASSETS
PER SHARE
**139
SEN**

TOTAL
ASSETS
**RM660.8
MILLION**

EMPLOYEES
1,678

PROFIT
BEFORE TAX
CONTINUING OPERATIONS
**RM11.8
MILLION**

DIVIDEND
**5.0
SEN**

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About Us

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

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

Our Core Business

DEFENCE & SECURITY DIVISION

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

2017 performance review on page 34

ENERGY DIVISION

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

2017 performance review on page 40

COMMERCIAL DIVISION

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

2017 performance review on page 42



Our Vision, Mission & Core Values

VISION

THE LEADING MARITIME, DEFENCE & ENERGY SOLUTIONS PROVIDER

MISSION

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

OUR CORE VALUES

BELONGING

- Ownership
- Loyalty
- Pride
- Teamwork

HONOUR

- Professionalism
- Courage
- Sincerity
- Dignity

INTEGRITY

- Conscience
- Honesty
- Confidentiality
- Accountability

COMMITMENT

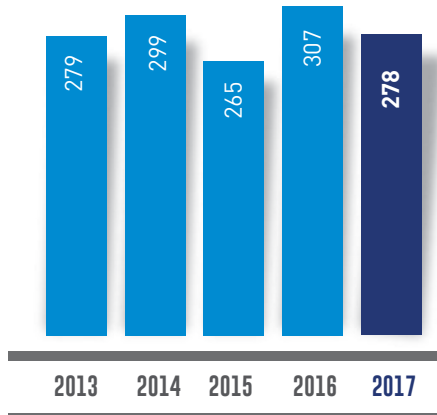
- Initiative
- Innovation
- Enthusiasm
- Timeliness

Five-year Financial Highlights

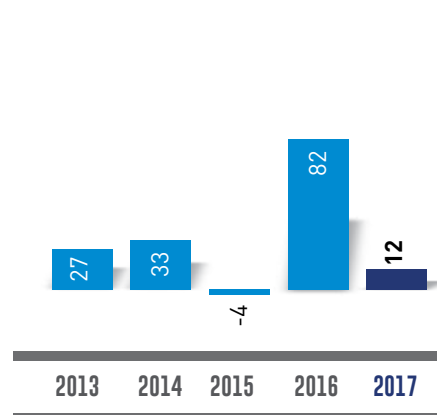
	2017	2016	2015	2014	Restated 2013
FINANCIAL PERFORMANCE					
Revenue from continuing operations	277,647	307,518	265,641	299,560	279,447
Profit/(loss) before taxation from continuing operations	11,770	82,208	(3,949)	33,038	27,225
Profit/(loss) after taxation from continuing operations	10,576	80,507	(7,538)	30,550	23,426
Profit/(loss) attributable to shareholders	10,576	76,696	(30,739)	17,850	3,161
Earnings/(loss) per share	4.26	30.87	(12.37)	7.18	1.27
DIVIDEND					
Dividends for the year	12,423	-	-	-	-
Net dividend per share	5.00	-	-	-	-
GEARING					
Borrowings	227,817	254,233	355,032	356,167	359,215
Gearing	0.66	0.73	1.32	1.19	1.27
OTHER FINANCIAL STATISTICS					
Net assets per share	139	139	109	121	114
Shareholders' equity	344,668	346,515	269,819	300,557	282,707
Total equity	344,668	346,515	269,820	300,593	282,743
Total assets	660,805	719,422	738,931	747,232	733,176

All figures are in RM'000 unless otherwise stated

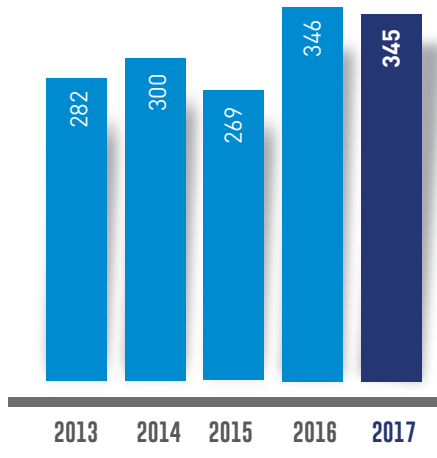
REVENUE
(Continuing Operations)
RM278 MILLION



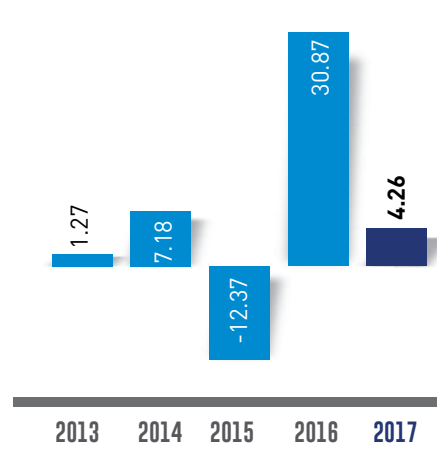
PROFIT BEFORE TAXATION
(Continuing Operations)
RM12 MILLION



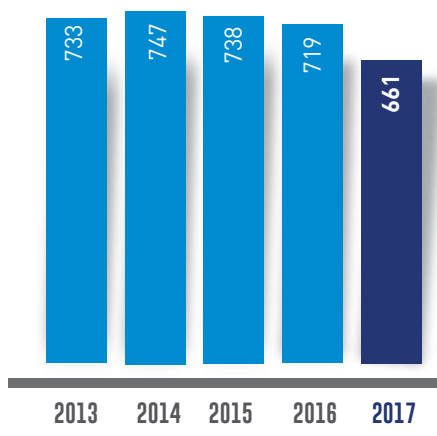
SHAREHOLDERS' EQUITY
RM345 MILLION



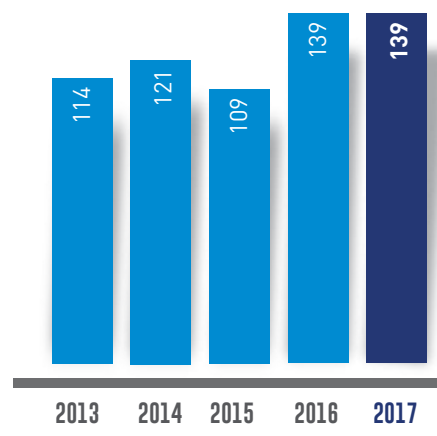
EARNINGS/(LOSS) PER SHARE
4.26 SEN



TOTAL ASSETS
RM661 MILLION



NET ASSETS PER SHARE
139 SEN



Corporate Information

BOARD OF 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

Abd Malik A Rahman
Independent Non-Executive Director

SECRETARIES

Lilyrohayu Ab. Hamid @ Kassim
Suzana Sanudin

AUDITORS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WEBSITE

www.bhic.com.my

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business
Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
Tel. No: 03-2783 9299
Fax. No: 03-2783 9222

PRINCIPAL BANKERS

Affin Bank Berhad
Affin Hwang Investment Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Asian Finance Bank Berhad
Maybank Investment Bank Berhad



Financial Calendar

FINANCIAL YEAR

1 JAN
to
31 DEC
2017

RESULTS

■ ■ First Quarter
Announced 26 May 2017

■ ■ Second Quarter
Announced 9 August 2017

■ ■ Third Quarter
Announced 15 November 2017

■ ■ Fourth Quarter
Announced 27 February 2018

ANNUAL REPORT

Issued 13 March 2018

DIVIDENDS

First Interim

Announced 24 February 2017

Entitlement date 15 March 2017

Payment date 30 March 2017

ANNUAL GENERAL MEETING

To be held 11 April 2018

Second Interim

Announced 15 November 2017

Entitlement date 27 December 2017

Payment date 19 January 2018

PROFILE DIRECTORS



TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

CHAIRMAN

Age : 68
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board

1 January 2008

Board Committee(s)

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

Working Experience

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

Qualification

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

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

- 2,000,000 Ordinary Shares

Directorship in other public listed companies

- Boustead Holdings Berhad
- Boustead Plantations Berhad
- Pharmaniaga Berhad

Directorship in public companies

- Boustead Properties Berhad
- UAC Berhad
- MHS Aviation Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- Affin Hwang Asset Management Berhad

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

No

Conflict of interests with the Company

No

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

Nil



TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR

EXECUTIVE DEPUTY CHAIRMAN /
MANAGING DIRECTOR

Age : 74
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board

17 August 2005

Board Committee(s)

- Executive Committee – Member
- Finance Committee - Member

Working Experience

- 1964 to 1999 – Royal Malaysian Navy (Retired as Chief of Navy)
- 2005 to present – Executive Deputy Chairman/Managing Director of Boustead Heavy Industries Corporation Berhad and Managing Director of Boustead Naval Shipyard Sdn Bhd

Qualification

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

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

- 2,002,100 Ordinary Shares

Directorship in other public listed companies

- Favelle Favco Berhad
- Affin Islamic Bank Berhad

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil



DATUK AZZAT KAMALUDIN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 73
 Gender : Male
 Nationality : Malaysian

Date the Director was first appointed to the Board

17 August 2005

Board Committee(s)

- Nominating Committee – Chairman
- Audit Committee - Member

Working Experience

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

Qualification

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

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

- 350,000 Ordinary Shares

Directorship in other public listed companies

- Boustead Holdings Berhad
- KPJ Healthcare Berhad
- Axiata Group Berhad

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

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

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

Nil



DATO' ISHAK OSMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 70
 Gender : Male
 Nationality : Malaysian

Date the Director was first appointed to the Board

22 January 1988

Board Committee(s)

- Audit Committee - Member
- Remuneration Committee - Member
- Nominating Committee - Member

Working Experience

- 1971 to 1982 – Ministry of Finance Malaysia
- 1982 to 1984 – Senior Manager Project Finance, Amanah Merchant Bank Berhad (now known as Alliance Bank)
- 1984 to 1986 – General Manager Banking & Advisory, Amanah Merchant Bank Berhad (now known as Alliance Bank)
- 1987 to 1989 – Senior General Manager (Operations), Kompleks Kewangan Malaysia Berhad (now known as Malaysian Industrial Development Finance (MIDF))

- 1987 to 1989 Directors – Amanah Merchant Bank Berhad, Malaysia Discount Berhad, Amanah International Insurance Berhad, Malaysia Credit Finance Berhad, KK Industries Berhad (These companies had been restructured and renamed. Some being absorbed by MIDF)
- 1989 to 1991 – Managing Director, Malaysia Credit Finance Berhad (absorbed by Maybank)
- 1992 to 1996 – CEO, MyStore Sdn Bhd
- 1997 to Senior General Manager, Business Focus Sdn Bhd
- 1998 to 2006 – Executive Director, PSC Industries Berhad (now known as Boustead Heavy Industries Corporation Berhad)

Qualification

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

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

- 10,000 Ordinary Shares

Directorship in other public listed companies

Nil

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil



ABD MALIK A RAHMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 69
 Gender : Male
 Nationality : Malaysian

Date the Director was first appointed to the Board

1 June 2008

Board Committee(s)

- Audit Committee - Chairman
- Remuneration Committee – Member
- Nominating Committee - Member
- Executive Committee – Member
- Finance Committee – Member

Working Experience

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

Qualification

- 1973 – Fellow - Association of Chartered Certified Accountants (UK)
- 1974 – Chartered Accountant - Malaysian Institute of Accountants
- 1975 – Member - Chartered Management Institute (UK)
- 1975 – Member - Malaysian Institute of Certified Public Accountants
- 2002 – Certified Financial Planner (USA)

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

- 3,000 Ordinary Shares

Directorship in other public listed companies

- Affin Bank Berhad
- CYL Corporation Berhad
- Innity Corporation Berhad
- Lee Swee Kiat Group Berhad

Directorship in public companies

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

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

No

Conflict of interests with the Company

No

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

Nil



SENIOR MANAGEMENT TEAM



TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR
Managing Director



AHMAD NORDIN MOHAMMAD
Chief Financial Officer



Ir. AZMAN AHMAD
Managing Director, Boustead Penang Shipyard Sdn Bhd



Ir. EE TECK CHEE

Director of Operations,
Boustead Naval Shipyard Sdn Bhd



Ir. AZHAR JUMAAT

LCS Programme Director



Ir. SUKHDEV SINGH A/L KHAZAN SINGH

Principal Staff Officer (Submarines)



Ir. HAIRUTDIN AYOB

LMS Programme Director

PROFILE OF SENIOR MANAGEMENT TEAM

TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR Managing Director

Age : 74
Gender : Male
Nationality : Malaysian

Date of appointment to present position
17 August 2005

Working Experience

- 1964 to 1999 – Royal Malaysian Navy (Retired as Chief of Navy)
- 2005 to present – Executive Deputy Chairman/Managing Director of Boustead Heavy Industries Corporation Berhad and Managing Director of Boustead Naval Shipyard Sdn Bhd

Qualification

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

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

- 2,002,100 Ordinary Shares

Directorship in other public listed companies

- Favelle Favco Berhad
- Affin Islamic Bank Berhad

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

AHMAD NORDIN MOHAMMAD Chief Financial Officer

Age : 51
Gender : Male
Nationality : Malaysian

Date of appointment to present position
1 March 2011

Working Experience

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

Qualification

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

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

Nil

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Ir. AZMAN AHMAD

**Managing Director,
Boustead Penang Shipyard Sdn Bhd**

Age : 54
Gender : Male
Nationality : Malaysian

Date of appointment to present position

1 January 2014

Working Experience

- 1987 to 1995 – Sarawak Shell Berhad
- 1995 to 1998 – General Manager (Project & Tenders), KUB Malaysia Berhad
- 1995 to 2003 – Chief Executive Officer, KUB Prasarana
- 2004 to 2009 – Chief Executive Officer, Ingenuity Solutions Berhad
- 2009 to 2013 – Director, Tele Dynamics Sdn Bhd
- 2014 to present – Managing Director, Boustead Penang Shipyard Sdn Bhd
- July 2015 to present – Industry Advisory Panel, Malaysian Petroleum Resources Corporation (unit of PEMANDU)

Qualification

- 1981 to 1986 – Degree (Electrical and Electronics Engineering), California State University, USA
- 1994 – Corporate Member, Institution of Engineers Malaysia (MIEM)
- 1995 – Registered professional Electrical Engineer (P. Eng), Malaysian Board of Engineers

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

Nil

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Ir. EE TECK CHEE

**Director of Operations,
Boustead Naval Shipyard Sdn Bhd**

Age : 61
Gender : Male
Nationality : Malaysian

Date of appointment to present position

1 January 2017

Working Experience

- 1974 to 1991 – Royal Malaysian Navy (Retired as Lieutenant Commander)
- 1991 to 2016 – Marine Industry
- 2017 to present – Director of Operations, Boustead Naval Shipyard Sdn Bhd

Qualification

- 1980 – Degree in Mechanical Engineering, University Technology Malaysia
- 1989 – Professional Engineer (2015 – with Practicing Certificate)
- 2012 – Fellow, Institute of Marine Engineering, Science and Technology (IMarEST) United Kingdom
- 2013 – Qualified Trainer certified by Human Resource Development Fund (HRDF)
- 2015 – Certified “Industry Expert” by Ministry of Human Resources, Maritime Sector

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

5,000 Ordinary Shares

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Ir. SUKHDEV SINGH A/L KHAZAN SINGH

Principal Staff Officer (Submarines)

Age : 62
Gender : Male
Nationality : Malaysian

Date of appointment to present position

1 July 2013

Working Experience

- 1974 to 2002 – Royal Malaysian Navy (Retired as Naval Captain)
- 2002 to 2008 – Head of ILS PV Project, Boustead Naval Shipyard Sdn Bhd
- 2008 to 2013 – Head, BHIC Information Systems/Operations (Submarine Division)
- 2013 to present – Principal Staff Officer (Submarine), MD Office, BHIC

Qualification

- 1977 to 1980 – B Sc (Electrical Engineering) First Class Honours, Royal Naval Engineering College, Manadon, Plymouth, United Kingdom
- 1989 to 1991 – M Sc (Operations Research), Naval Post Graduate School, Monterey, California, United States
- 1989 – Member of Institution of Engineers Malaysia (MIEM)
- 1992 - Professional Engineer (P Eng), Board of Engineers Malaysia
- 2006 - Chartered Engineer (C Eng), United Kingdom
- 2015 – Professional Engineer with Practising Certificate (PEPC), Board of Engineers Malaysia

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

5,000 Ordinary Shares

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Ir. AZHAR JUMAAT

LCS Programme Director

Age : 46
Gender : Male
Nationality : Malaysian

Date of appointment to present position

3 July 2017

Working Experience

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

Qualification

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

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

Nil

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Ir. HAIRUTDIN AYOB

LMS Programme Director

Age : 54
Gender : Male
Nationality : Malaysian

Date of appointment to present position

1 November 2017

Working Experience

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

Qualification

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

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

Nil

Directorship in public companies

Nil

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

No

Conflict of interests with the Company

No

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

Nil

Chairman's STATEMENT



“
AS ALWAYS, THE
GROUP IS FULLY
COMMITTED TO
DELIVERING AND
MAXIMISING
SHAREHOLDER VALUE”

DEAR VALUED SHAREHOLDERS,

THE YEAR 2017 CONTINUED TO WITNESS LETHARGY IN THE MARITIME AS WELL AS OIL AND GAS INDUSTRIES. THIS WAS COMPOUNDED BY FLUCTUATIONS IN OIL PRICE FOR MUCH OF THE YEAR AND A SLOW RECOVERY OF THE GLOBAL ECONOMY. DESPITE REGISTERING SOUND RESULTS IN THE FIRST THREE QUARTERS, BHIC GROUP'S FULL YEAR EARNINGS WERE IMPACTED BY A LUKEWARM FOURTH QUARTER PERFORMANCE.

ECONOMIC LANDSCAPE

Global markets registered sluggish growth as a result of unstable oil prices, currency fluctuations and geopolitical uncertainties. However, towards the tail end of the year, oil prices improved after OPEC extended production cuts to counter the impact of US shale oil production.

On the domestic front, the weaker US Dollar, rising oil prices and bullish economic landscape had a positive impact on the Malaysian Ringgit. The soft demand for new ships made it tougher to secure new projects during the year.

FINANCIAL PERFORMANCE

Amidst the year's challenging operating environment, the BHIC Group focused on strategic cost management, operational efficiencies and our core competencies.

On this score, the Group registered a profit after tax of RM10.6 million for the current year compared with RM76.7 million achieved in 2016. The Defence and Security Division, led by maintenance, repair and overhaul (MRO) activities, was the main contributor to the Group's results.

Earnings per share was 4.26 sen, while net assets per share was RM1.39. Shareholders' funds stood at RM344.7 million at year-end.

DIVIDEND

As always, the Group is fully committed to delivering and maximising shareholder value. To this end, we have paid first and second interim single-tier dividends of 3 sen and 2 sen per share respectively for the financial year ended 31 December 2017.

MAJOR ACHIEVEMENTS

In spite of tough business conditions, the Group demonstrated keen determination and continued to leverage on our strengths. As a result, we achieved higher revenue from defence-related MRO projects. This was coupled with accelerated progress in building the Littoral Combat Ships (LCS) undertaken for the Royal Malaysian Navy (RMN).

It was a year of milestones for the LCS project driven by the Group's associate company Boustead Naval Shipyard Sdn Bhd (BN Shipyard).

Of major significance was the naming of and launching into water the first of six units of LCS named MAHARAJA LELA on 24 August 2017. The event took place in the presence of Sultan of Perak Darul Ridzuan, DYMM Sultan Nazrin Muizzuddin Shah, DYMM Raja Permaisuri of Perak Darul Ridzuan, Tuanku Zara Salim, Minister of Defence Malaysia, YB Dato' Seri Hishammuddin Tun Hussein, Chief of Armed Forces, YM General Tan Sri Raja Mohamed Affandi Raja Mohamed Noor and Chief of Navy, YBhg Admiral Tan



Naming and launching of LCS1, MAHARAJA LELA at BN Shipyard on 24 August 2017

Sri Ahmad Kamarulzaman Haji Ahmad Badaruddin. The launching of MAHARAJA LELA stands testimony to BN Shipyard's ability to undertake a complex project like the LCS construction and deliver quality work in a timely manner.

In addition, the keel laying ceremony for LCS2 was held on 28 February 2017 and officiated by Deputy Minister of Defence, YB Dato' Sri Mohd Johari Baharum. The keel laying ceremony for LCS3 was held in December 2017 and officiated by Ministry of Defence Secretary General, YBhg Dato' Sri Abdul Rahim Mohamad Radzi.



The year was also marked by BN Shipyard receiving and accepting a letter of acceptance from the Ministry of Defence for a contract to supply four units of Littoral Mission Ships (LMS) for RM1.17 billion. Sealed in April 2017, this noteworthy project is a first-time collaboration between BN Shipyard and China Shipbuilding & Offshore International Co Ltd. Work has commenced on the first of two ships which are being built in China as a means to provide exposure to BHIC and RMN personnel assigned to work on the project. The remaining two units of the LMS will be constructed at BN Shipyard in Lumut, Perak. As part of the RMN's 15 to 5 Transformation Plan to become more efficient and leaner, the LMS will be one of the five asset classes in its armada.

HUMAN CAPITAL

BHIC Group is cognisant of the vital role played by our staff in our development and growth. In line with our commitment to develop human capital of high calibre, we continued to undertake efforts to strengthen skills-set and improve capabilities across all levels. On the other hand, we also embarked on a transformation programme which entails rationalising staff size in order to achieve an optimal organisational structure.

SUSTAINABILITY

Sustainability has been an integral and vital component of the Group's business strategy. Over the years, sustainability has become a core philosophy in our pursuit to be a leading maritime, defence and energy solutions provider to our customers by delivering high quality products and services. This is done in a manner that is mindful of how we impact economic growth and our environment, while creating sustainable value for stakeholders, local communities and society at large.

In 2017, a Sustainability Committee was formed by the Group to formulate and drive our Sustainability Agenda. A detailed inaugural report on our sustainability-related initiatives is available within this Annual Report.

THE WAY FORWARD

The Malaysian Government has consistently acknowledged the role played by the shipbuilding and ship repair industry in the economy and development of human capital. This was amplified by the formulation of the Malaysia Shipbuilding and Ship Repair Strategic Plan 2020 and Malaysia Shipping Master Plan to promote the industry's growth in a sustainable manner while striving to maintain a competitive edge in the region.

BHIC expects the first LMS to be delivered to the RMN by 2019. Shipbuilding projects like the LMS and LCS by the Group will not only impact our bottom line positively but also contribute towards strengthening the country's defence assets and maritime workforce.

While the previous year's Budget saw a drop in defence spending, the 2018 Budget saw the Government announcing a 5.3% increase in spending for the maintenance of assets. Given RMN's 15 to 5 Transformation Plan to reduce its asset classes, the increased allocation should benefit the Group, in particular BN Shipyard and joint venture companies undertaking MRO activities.

Supporting the nation's critical assets in the defence industry will continue to be our focus in the new financial year. We are steadfast in our commitment to delivering service of the highest quality on the refitting work of RMN's Prime Minister's Class submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK.

Oil majors scaled down on capital expenditure in 2017 and this trend is expected to continue in 2018, impacting players both in the oil and gas as well as maritime industries.

In our journey forward, we are realigning our operations to focus more on shipbuilding to meet the demands of the RMN as well as to market our products in the region. We are optimistic that the Group will remain resilient over the long term by strengthening efforts to build our core businesses, managing costs efficiently and investing in human capital. Ultimately, our aim is to enhance shareholder value by continuing to boost productivity and operational efficiencies, as well as pursuing opportunities for growth both in domestic and regional markets.



Keel Laying ceremony of LCS3 at BN Shipyard



BHIC provides In-Service Support to RMN's submarines

APPRECIATION

My heartfelt thanks to my fellow members of the Board for your wisdom and guidance, which were instrumental in supporting the Group as we navigated through the year's opportunities and challenges.

On behalf of the Board, I would like to convey my utmost gratitude to the Management and warga BHIC for your diligence, resilience and commitment to excellence.

My sincere appreciation also goes to the various Malaysian Government entities including the Prime Minister's Office, Ministry of Finance, Ministry of Defence, Ministry of Transport, RMN, Royal Malaysian Air Force, Malaysian Army and Malaysian Maritime Enforcement Agency for the continued support and confidence in the BHIC Group. To our shareholders, clients, bankers, suppliers and regulatory bodies, a heartfelt thank you for the invaluable support.

As we take on 2018, I know we can continue to create and deliver value for shareholders, stakeholders, customers and communities, while serving the nation. Let us move forward confidently to sustain the long-term growth of the Group.



TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

“
BEING GOOD ISN'T
GOOD ENOUGH”

MANAGING DIRECTOR'S

STATEMENT

DEAR VALUED SHAREHOLDERS,

THE GROUP'S STRENGTHENED DEFENCE-RELATED MAINTENANCE, REPAIR AND OVERHAUL (MRO) ACTIVITIES COUPLED WITH OUR EXISTING STRATEGIC LITTORAL COMBAT SHIPS (LCS) AND LITTORAL MISSION SHIPS (LMS) PROJECTS THAT WERE EXECUTED ON CHALLENGING TIMELINES KEPT US ON OUR TOES FOR THE YEAR UNDER REVIEW.

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



FINANCIAL PERFORMANCE

BHIC recorded a profit after tax of RM10.6 million for the year ended 31 December 2017. This was achieved on the back of RM277.6 million in revenue.

Equipped with a healthier corporate structure as a result of our Group-wide transformation initiative, the Group was able to weather through demanding market conditions to emerge with stable earnings.

Our Defence & Security Division continued to be the Group's key contributor with a total profit of RM69.9 million.

In addition to our robust MRO business, contribution from our Joint Venture (JV) Companies was primarily as a result of submarine and LCS projects undertaken by Boustead DCNS Naval Corporation Sdn Bhd (BDNC) and Contraves Advanced Devices Sdn Bhd (CAD Group) respectively. However, the current year's profit was impacted due to liquidated damages recorded by BDNC for the In-Service Support under the RMN SCORPENE

MANAGING DIRECTOR'S STATEMENT

Submarines contract. This year's results excluded last year's increased share of profit as a result of the reversal of provision for cost by BDNC and the tax exemption granted by the Ministry of Finance for the submarine projects.

Boustead Naval Shipyard Sdn Bhd (BN Shipyard) and its subsidiaries (the Associates) were able to post a share of profit of RM6.1 million compared to the previous financial year's deficit. This improvement in results was attributable to solid progress for our shipbuilding as well as our ship repair projects for the Royal Malaysian Navy (RMN).

Our Energy Division posted a profit of RM7.7 million primarily due to conditional approved variation orders and reimbursement claims for the Belum Topside project while our Commercial Division continued to be impacted by the slowdown in the industry.

STRATEGIC PLANNING AND TRANSFORMATION

We are focused on consolidating, renewing and refreshing our operations as part of the Group's transformation strategy.

The reorganisation of our Divisions has allowed us to harness the skill and expertise of our operations to attain better operational efficiencies with a sharper focus on our key business segments.



Keel Laying Ceremony for LCS2 at BN Shipyard on 28 February 2017

In line with our strategic transformation agenda and our ongoing efforts to pare down costs and enhance operational efficiency, we have identified our optimal organisational structure given the current operating environment and near-term market prospects.

As a result, we were able to offer a Mutual Separation Scheme (MSS) to our employees which allowed us to further optimise the Group's organisational structure and secure greater savings and efficiency in the long run. We were able to trim headcount by 10% as a result of our MSS exercise.



Underlining the success of our transformation agenda, we obtained ISO 9001:2015 Quality Management System certification for BHIC Shipbuilding & Engineering Sdn Bhd, Boustead Langkawi Shipyard Sdn Bhd, BHIC Submarine Engineering Services Sdn Bhd and BHIC Marine Technology Academy Sdn Bhd in 2017.

A Group-wide Standard Operating Procedures (SOP) Engagement programme was initiated in 2016 in order to ensure that comprehensive and up-to-date SOPs were in place across the Group. To facilitate this, we introduced Work Instruction templates for all Divisions and Departments.



KD JEBAT undergoing repair works at BN Shipyard

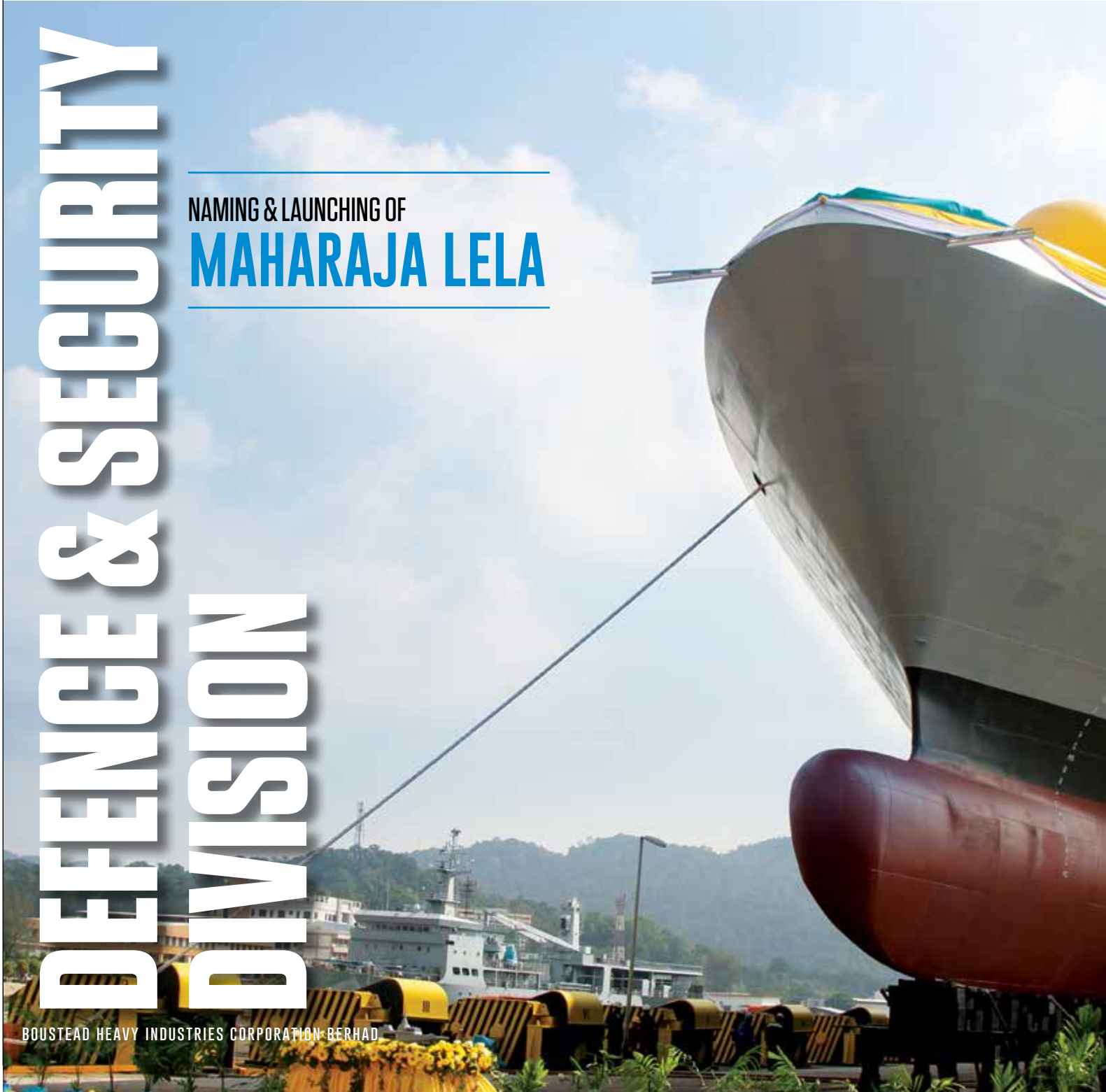
As part of Phase 3 of the BN Shipyard Rationalisation Programme which began in 2013, the Group has successfully implemented a new approach in production planning, establishment of production engineering and pallet management for effective and efficient ways in managing our shipyard in Lumut. This was achieved with the guidance from two experts from Daewoo Shipbuilding and Marine Engineering, one of South Korea's leading shipyards.

Under Phase 3 of the programme, BN Shipyard has achieved a total cost savings of RM9.6 million in 2017 and managed to deliver KD MAHAWANGSA two days ahead of schedule, thanks to the technical changes made in the yard under the programme. These achievements were in addition to other signs of increased efficiency and productivity at BN Shipyard which include improvements in the procurement and tender evaluation processes, and the timely delivery of several RMN vessels repaired by the yard and the shortening of refit and Service Life Extension Programme (SLEP) projects. These achievements bear testimony to the fulfilment of the objective of the programme to attain continuous improvement and vindicate our efforts to transform the yard into a higher performing one.



DEFENCE & SECURITY DIVISION

NAMING & LAUNCHING OF
MAHARAJA LELA





KEY DEVELOPMENTS

6 UNITS OF LCS VALUED AT
RM9.0 BILLION

4 UNITS OF LMS VALUED AT
RM1.17 BILLION

2 UNITS OF PRIME MINISTER'S CLASS
SUBMARINES REFIT VALUED AT
RM1.25 BILLION

DEFENCE & SECURITY DIVISION

The Defence & Security Division was a solid contributor to the Group's bottom line, turning in a profit of RM69.9 million. The Division's results were primarily supported by improved contribution from the Littoral Combat Ships (LCS) and Littoral Mission Ships (LMS) projects as well as maintenance, repair and overhaul (MRO) activities.



The naming and launching of MAHARAJA LELA marks a historic occasion for BN Shipyard and RMN

The Defence & Security Division was a solid contributor to the Group's bottom line, turning in a profit of RM69.9 million. The Division's results were primarily supported by improved contribution from the Littoral Combat Ships (LCS) and Littoral Mission Ships (LMS) projects as well as maintenance, repair and overhaul (MRO) activities.

MAINTENANCE, REPAIR AND OVERHAUL (MRO)

The Group provides a comprehensive range of MRO services which covers military and commercial surface vessels, submarines, helicopters and critical equipment such as combat management system and essential

control systems, defence electronics, weaponry, electrical equipment and engines.

Boustead Naval Shipyard Sdn Bhd (BN Shipyard) which provides MRO services for RMN vessels and commercial ships undertook emergency repair and refit works for KD PAHANG, KD SRI INDERASAKTI, KD JEBAT, KD GANYANG, KD MAHAWANGSA and TRV TEGUH SAMUDERA during the year.

Additionally, we successfully completed refit works for KD LEKIU and KD KELANTAN according to schedule. Both vessels were handed over to RMN in April 2017. This marked a new milestone for BN Shipyard as we undertook



BHIC contributes to national defence through maintaining strategic assets of the Malaysian Armed Forces

the handing over of two vessels simultaneously for the first time in the shipyard's history. This accomplishment is testament to the success of the Group-wide transformation initiative aimed at improving our operational efficiencies. We look to continue undertaking similarly complex and challenging projects.

The RMN's 15 to 5 Transformation Programme, aimed at increasing the number of ships in service while consolidating its current fleet of 15 asset classes to 5, offers the Group bright prospects for the years ahead, particularly in terms of MRO work.

In addition, we will continue to undertake MRO works for RMN's four Laksamana-class corvettes up until the gradual decommissioning of this asset class in line with RMN's 15 to 5 Transformation Plan.

With the merger of BHIC Defence Techservices Sdn Bhd (BDTS) and BHIC Electronics and Technologies Sdn Bhd (BEAT), we have now successfully restructured and rebranded BDTS as a 'one-stop centre' for combat management system MRO. BDTS is now capable of undertaking MRO works for weapons, sensors as well as electronics systems.

We are encouraged to note that the newly restructured BDTS received a Letter of Award from the Ministry of Defence (MINDEF) for a two-year contract involving the supply and delivery of a Communication Suite for 23rd Frigate Squadron of the RMN. The contract is valued at RM19.5 million.

During the year, BDTS undertook repair works and delivered Naval Guns as well as a Communications and Navigation System for KD PAHANG. We also delivered three units of Army Skyguard Radars (Air Defence System), Torpedo Launchers as well as a Communications and Navigation System for KD LEKIU. In addition, BDTS was involved in the maintenance and supply of spare parts for Skyguard Radars and 35mm Oerlikon Guns for the Malaysian Army.



BHICAS undertakes MRO of helicopters

Our joint venture (JV) company, BHIC AeroServices Sdn Bhd (BHICAS) completed MRO works on six units of RMN's Fennec AS555SN helicopters in 2017, while the MRO works on AS365N3 helicopters belonging to Malaysian Maritime Enforcement Agency (MMEA) is ongoing. In July 2017, BHICAS received a Letter of Award from the Government for the extension of the Royal Malaysian Air Force (RMAF) EC 725 In-Service Support contract for three years until 31 March 2020 with an additional contract value of RM215.0 million. During the year under review, BHICAS serviced a total of 9 aircrafts from RMN, MMEA and RMAF. The company expects to continue being the main provider of MRO services for Airbus helicopters owned by the Government and its agencies.

The Group incorporated a new joint venture company, BHIC Systems Integration Sdn Bhd (BHICSI), to undertake activities related to project management, contract administration and related services for the defence industry in Malaysia. BHICSI will focus on the areas of Combat System Equipment, Combat Management System, Combat System Engineering as well as Integration activities for the LCS and LMS projects.

We stand to benefit from the transfer of technology as a result of the LCS programme which will allow us to cultivate our own Combat System Integrator engineers. As a result, the new know-how and technology arising from this venture will provide Malaysia an opportunity to be self-reliant in developing future Combat Management Systems.

SHIPBUILDING & FABRICATION

In addition to shipbuilding works for LCS and LMS under the RMN's long-term programme, BN Shipyard looks to bid for other potential projects such as the construction of Multi-Role Support Ships (MRSS) and the patrol vessel project.

The Group marked a momentous milestone when BN Shipyard launched and named the first LCS in August 2017. The LCS, was given the pennant number 2501 and named MAHARAJA LELA after the 19th century nationalist. The Group expects the first LCS to make its debut at the Langkawi International Maritime and Aerospace Exhibition (LIMA) 2019.

BN Shipyard signed a formal contract with the Government of Malaysia during the year under review for the supply of four units of LMS followed by a sub-contract with China Shipbuilding Industry Corporation (CSIC) to form a partnership to develop the LMS. The production design is expected to be completed in 2018 and the construction is expected to begin in the last quarter of 2018.



KD PAHANG docking at BN Shipyard

INTEGRATED LOGISTICS SUPPORT

Our ability to develop and provide a full-spectrum of In-Service Support (ISS) that ensures the optimal operational availability of critical defence assets, has been recognised by the Government as demonstrated by the renewal of several ISS contracts during the year.



BHIC operates within a hi-tech environment

Our JV company Boustead DCNS Naval Corporation Sdn Bhd (BDNC), provides ISS to the two RMN Scorpene submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK. The refit works for these two submarines are ongoing.

BHIC Navaltech Sdn Bhd (BNT) is involved in the provision of specialist ISS services to RMN surface ships. The current Patrol Vessel In-Service Support contract will end in March 2018. We are currently engaging with RMN for the renewal of both Frigate ISS and PV ISS contracts. BNT is also exploring the possibility to support MMEA and RMN in managing their assets and providing maintenance services on the training ships respectively.

MANUFACTURING

Contraves Advanced Devices Sdn Bhd (CAD), our JV company with Rheinmetall of Germany, is involved in the manufacturing, assembling and integration of electronic systems for advanced industrial, defence and aerospace industries. CAD also provides maritime training and simulation as well as metallic 3D printing services. During the year under review, CAD obtained the National Aerospace and Defence Contractors Accreditation for Electronics. CAD has been playing a vital role in contributing to the progress of the LCS project especially in Combat Management System and integration of main equipment.

Our JV company, Pyrotechnical Ordnance Malaysia Sdn Bhd (POM) was established to produce and sell propellants for the defence sector. As part our effort to grow our regional reach, we are now involved in the supply of ECL propellants to the Royal Thai Army through POM and are exploring the possibility of expanding our reach to other international markets. POM is aiming to become the main propellant manufacturer and supplier for local and other regional customers as well as provider for rocket propellant refurbishment services.





ENERGY DIVISION





The conditional approved variation orders and reimbursement claims for the Belum Topside project was the main contributor to the Energy Division's profit of RM7.7 million for the year.

The oil and gas industry continued to face challenges in the shape of unpredictable prospects and long-term uncertainties amid low oil prices and the global shift towards renewable and clean energy sources.

Moving forward, the Group looks to increase participation in the industry through consortiums and joint ventures in the oil and gas services and equipment (OGSE) sector to diversify the Energy Division's income base.



COMMERCIAL DIVISION





KEY ACHIEVEMENT

COMPLETION OF DED WORKS ON
RMN'S KLD TUNAS SAMUDERA

11 DAYS
AHEAD OF SCHEDULE

COMMERCIAL DIVISION

Commercial shipbuilding continued to come under pressure from the low demand for ships, slowdown in exploration and production activities, tonnage overcapacity, tight financing, low oil prices and the uncertain global economic outlook. Amidst the challenging landscape, BHIC's Commercial Division had a quiet year on the shipbuilding front with several commercial-based MRO projects.



Boustead Penang Shipyard undertakes construction and repair of various types of vessels

The Group is encouraged by the trust placed in us by the Government as evidenced by our involvement in the design of a 60-metre 60-tonne Anchor Handling Tug Supply Vessel which will be the first Malaysian-designed Offshore Support Vessel under the Government's Entry Point Project for the shipbuilding and ship repair segment. Malaysian Investment Development Authority (MIDA) is currently in the process of validating the claims submitted by the Group with regards to the Research and Training Grant for this ground-breaking project.



Besides naval vessels, BN Shipyard is also capable of building commercial vessels

In addition to undertaking MRO works on white boats and local ferries, Boustead Langkawi Shipyard Sdn Bhd (BLS) undertook Docking for Essential Defect (DED) works on RMN's KLD TUNAS SAMUDERA. The ship was delivered to RMN ahead of schedule. BLS is currently reviewing the possibility of supplying small vessels to the Malaysian Maritime Enforcement Agency (MMEA).

Testament to the capability of Boustead Penang Shipyard Sdn Bhd (BPS) to deliver products at cost, on time and at the quality desired by customers, the company was able to secure several small-scale MRO works during the year.



The facilities at BN Shipyard, Malaysia's largest shipyard, are among the best in the region

PROSPECTS

While the global maritime industry will inevitably go through its peaks and troughs in the coming financial year, we will leverage on the operational efficiencies we have achieved as a direct result of our transformation initiatives to sustain our positive momentum and deliver solid results.

The Group's defence segment is expected to continue its positive contribution to the Group's growth as a result of the various defence contracts awarded to our JV companies, namely, BHICAS and BDNC. We are encouraged by the trust placed in us by the Government as reflected in the award of these contracts.

We aim to build on this momentum by pursuing other potential contracts particularly with the Royal Malaysian Police and MMEA, while actively pursuing regional prospects.

We look to continue our participation in regional exhibitions that allow us to promote the BHIC brand to an international audience, in line with our aspirations to explore regional business opportunities. With a solid track record in delivering and servicing naval vessels, we are confident in our ability to meet the requirements of regional navies.

The oil and gas industry is expected to remain challenging in 2018, particularly with the production cuts extended by OPEC and its non-members to maintain prices, increasing production from US shale oil player, slower demand for hydrocarbon energy from developing economies as well as the shift towards renewable, cleaner energy.



BHIC's shipyards feature highly skilled personnel

In line with our long-term growth strategy, our Energy Division will continue to focus on efficiency and productivity improvements as we seek out pockets of opportunities amidst the challenging operating environment.

As we journey forward, the Group is focused on capitalising on the prospects afforded by the RMN's 15 to 5 programme as we explore new opportunities in non-defence-related shipbuilding and ship repair projects. With the commitment and capability of each and every member of the BHIC family, we are confident in our ability to grow as a robust, technology oriented, heavy industries player with a focus on sustainable growth.

ACKNOWLEDGEMENT

I would like to record my sincerest appreciation to our customers, stakeholders and shareholders for extending to us your continued loyalty and support throughout the years.

My utmost appreciation to the Government of Malaysia, its agencies and regulatory bodies as well as our customers and business partners for their unwavering support and cooperation.

I also extend my gratitude to all our employees for their hard work, commitment and dedication in helping the Group to record a commendable performance and generate good returns for our shareholders despite challenging operating circumstances.

Last but not least, to my fellow BHIC Board members, thank you for your expertise, insights and guidance.

I am confident that the BHIC team will continue to display the highest level of commitment to help the Group meet its objectives and propel it to greater heights.

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

SUSTAINABILITY STATEMENT



BHIC's pursuits for excellence is anchored on sustainable principles

ECONOMIC

The principles of sustainability are integral in our pursuit of economic growth. We are conscious of the need to integrate sustainability into our business strategy in terms of cost leadership, economies of scale and innovative solutions in order to consistently deliver solid results.

Building a synergistic ecosystem

We are committed to creating synergies across the organisation while generating employment, fostering investment, spurring infrastructure development and encouraging the growth of vendors especially amongst small medium enterprises (SMEs) while adhering to rules, regulations and high standards.

The activities of BHIC's shipyards in Lumut, Langkawi and Penang create multiplier effects by facilitating an ecosystem of marine industries, support service enterprises and individuals including logistics companies; equipment suppliers, marine engineering service providers, classification societies, naval architects, and steel, wood and plastic manufacturers, among others.

Vendors are key stakeholders of BHIC, providing crucial support to our business activities particularly at the shipyards. Nurturing and developing vendors is an area of priority for BHIC, in line with meeting Malaysia's aspiration to become a high-income, fully developed nation by 2020.

Our Vendor Development Programme (VDP) which was established in 2008 has over 3,600 vendors who have registered with BHIC thus far. Our VDP continues to make a positive impact on participating vendors in terms of helping them to expand their businesses.

The VDP's success stands testimony to BHIC's commitment to the national agenda of identifying, recruiting and nurturing innovative, reliable, competent and competitive local vendors in the defence and shipbuilding / ship repair industry.

Our VDP continues to make a positive impact on participating vendors in terms of helping them to expand their businesses. Its success speaks volumes about BHIC's commitment to the national agenda of identifying, recruiting and nurturing innovative, reliable, competent and competitive local vendors in the defense and shipbuilding / ship repair industry.

Two companies nurtured under our VDP programme, namely Swis Resources Sdn Bhd and Daya OCI Sdn Bhd made headlines when they were presented with excellence awards during GLC ExplorAce 2017 by Minister of International Trade and Industry, Dato' Sri Mustapa Mohamed at Sime Darby Convention Centre, Kuala Lumpur on 8 August 2017.

BHIC also contributes to economic growth by not only generating employment for the local community but also by generating investment and encouraging the development of infrastructures such as roads and facilities around the shipyards and beyond.

Supporting the Government in advancing national agendas

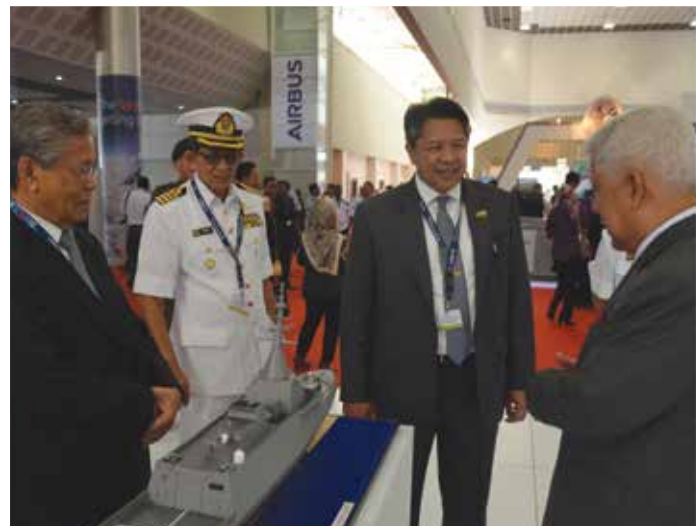
BHIC Group takes pride in being able to play a notable role in advancing the nation's defence capabilities, not only through the supply of defence assets and related services, but also through the provision of training programmes and by supporting Government initiatives.

We continue to deliver human resources development programme for RMN personnel, through a range of technical courses aimed at improving mastery of the latest sophisticated engineering and naval techniques.

Apart from providing essential expertise, we also contribute to safeguarding and boosting the nation's maritime security by providing RMN with quality and well-maintained assets.

BHIC also participated in Langkawi International Maritime and Aerospace Exhibition (LIMA) 2017, World Maritime Week 2017 organised by Ministry of Transport Malaysia and GLC ExplorAce 2017 which we used as a platform to showcase our abilities and also reach out to our stakeholders.

We undertook R&D in areas such as combat management systems and design of offshore support vessel towards attaining economic sustainability by delivering new products and breaking into new markets.



Events such as LIMA provide a platform for BHIC to showcase its products and services



ENVIRONMENT

BHIC is conscious of the impact our business activities can have on the environment. As such, we are committed to sustainable practices and environmentally friendly methods to protect the environment and minimise our carbon footprint.



Adhering to stringent environmental standards

The Group adheres to environmental regulations by implementing stringent measures at all our shipyards, including operational controls to protect against oil spills and detect leakages.

In compliance with Occupational Health & Safety Management (OHSAS) 18001, HSE audits were carried out at all our shipyards to help improve the HSE Management System across the BHIC Group. The overall HSE objectives were communicated to all shipyard personnel to ensure there was a firm commitment to comply with relevant OHSAS legislations.

As a result of careful management and compliance, BN Shipyard at Lumut, Perak, in November 2017 was awarded with OHSAS 18001-2007 certification which stands testimony to its adherence to HSE principles and practices.

Environmentally friendly practices

To minimise emissions and prevent pollution, all our shipyards adopt a zero-burning policy.

In addition, the Group adheres to stringent Department of Environment (DOE) regulations on waste disposal by practising green logistics through recycling and reusing materials. The Group is also gradually shifting towards using light emitting diode (LED) lightbulbs to reduce electricity consumption in buildings and premises.

We also exercise prudence in our utilities usage by conserving electricity and water consumption as well as limiting the use of paper. In line with this, BHIC introduced two key eco-friendly initiatives in 2017 to further reduce papers usage by replacing paper-based payslips to e-payslip and implementing the e-document management.



Underlying BHIC's commitment to operate in a transparent manner, we signed a corruption-free pledge with Malaysian Anti Corruption Commission

SOCIAL

People form the backbone of any successful establishment. At BHIC Group, we are committed to cultivating a healthy relationship with employees, shareholders, partners, customers, vendors, stakeholders and the communities we exist in so we can move forward in a manner that is inclusive, sustainable and socially-conscious.

This includes developing our human capital, making a difference in the community, and making sustainable practices a way of life.



Townhall meetings are among the avenues provided by the BHC Management to engage the employees

Investing in our greatest assets

As an established organisation and market leader, the Group recognises the importance of acquiring the right talent for this highly specialised field and retaining that talent.

To this end, we are committed to ensuring that the rights of our workforce is respected through policies that cover core labour standards in areas such as whistleblowing, workplace bullying and harassment which are enshrined in our Code of Ethics and Conduct.

The Group is committed to ensuring that our employees operate in safe and conducive work environment. In compliance with Occupational Health & Safety Management Certification (OHSAS) 18001, Health, Safety and the Environment (HSE) audits were carried out at our shipyards during the year. We are pleased to report that the audits did not yield any health or safety compliance breach, and no fatalities or major incidences of injuries and lost working days were recorded. We are very proud that BN Shipyard was awarded with OHSAS 18001-2007 certification which stands testimony to its adherence to HSE principles and practices.

Total no. of employees

1,678 

We pride ourselves in giving our employees various paths for professional development within the Group by way of diverse programmes and collaborations with strategic partners.

As the driving force of our business, our employees play an integral role in the sustainability and success of the Group. Much emphasis is afforded to training our employees and nurturing talent so we can help unlock their potential and propel their professional growth.

An evidence of our strong emphasis on staff development is the minimum hours of training set for them, which is 40 hours for Executive personnel and 24 hours for Non-Executives. They are exposed to training in areas relevant to their respective scope of work to ensure they obtain the latest knowledge, information, techniques and skills to enable them to do their work more efficiently and productively.



Among the CSR activities carried out by BN Shipyard were donation of computers to schools and learning institutions. Pictured here are the representatives from recipients of donated computers

Training programmes are carried out throughout the year by various departments and business units. In order to develop talented and skilled workers, we have implemented several skills-based training programmes.

Our Professional Engineers Development Programme has seen 24 engineers completing 60 hours of training under Phase 1 in preparation to become professional engineers as required by Board of Engineers Malaysia. In addition, the Young Engineers Scheme (YES) has provided vital career development for 55 budding employees of the Group.

The Group's Legal Department conducted Contract Management Training throughout the year, which was aimed at providing personnel at our subsidiaries and joint venture companies with skills and knowledge to flourish in the sector.

Employees are also exposed to external training and courses to gain knowledge and enhance skills and competencies. Training programmes were carried out throughout the year by various departments and business units aimed at providing them with skills and knowledge to become better workers. These include in areas such as contract management, project management and Goods and Services Tax (GST). A total of RM560,133 was invested in 2017 alone for training and development.

In line with our efforts to strengthen employee relations and keep employees updated, BHIC held periodic Town Hall meetings as a platform for Management to hear staff's concerns and obtain feedback, while updating them on company developments.

The Group also recognised the contribution of long service employees in the year under review. Twenty four personnel who had served between 15 to 25 years were presented with Long Service Awards at a ceremony held on 13 October 2017 at Royale Chulan, Kuala Lumpur. Among them were four who had served the Group for 25 years, 12 had been with the company for 20 years while eight had worked for 15 years.

Creating a brighter future

We at BHIC believe that education plays an instrumental role in alleviating poverty and creating brighter futures. By facilitating the learning process for children, we can help them to become catalysts for change in their communities.

In line with this, the Group donated computers in 2017 to Destiny Centre, a day-care and pre-learning centre for underprivileged and refugee children in Klang, Selangor which is supported by the United Nations High Commissioner for Refugees and run by Persatuan Kebajikan dan Pembangunan Modal Insan Selangor. We also donated computers to SMK Seksyen 9 Shah Alam, Selangor.

Our Internship Programme has benefitted 188 students, while the Skim Latihan 1 Malaysia (SL1M) has enrolled 26 fresh graduates with RM1.1 million paid in allowance. These programmes aim to enhance employability and marketability of graduates as they are provided with an enriching experience and exposure to working life, thus enabling them to realise their full potential when they enter the workforce.

Transition training was also provided to former Navy servicemen as a means to provide them with exposure to the Group's activities in order to prepare them for careers post retirement from the RMN.

Engaging with the community

Communities surrounding the business premises are one of the key foundations to our existence, success and survival. The community provides the market, human capital and a range of supporting services and activities crucial to our business growth and operations.

Hence, we take every opportunity to build rapport with people in the communities around us. Activities we engaged in include gotong royong, health checks under Skuad Operasi Sihat 1Malaysia (SOS1M) and sports events organised by Kelab Sukan Boustead such as bowling tournaments, and its participation in sports events organised by others.



BHIC distributed Zakat for those qualified under Asnaf in Kuala Kangsar District, Perak Darul Ridzuan

In addition, we are committed to giving back to the community particularly to the underprivileged. To lend a hand to those with financial burdens, BHIC made donations in cash and in kind to various charitable organisations in conjunction with the birthday of DYMM Sultan Perak. The Group also provided duit raya for orphans and Orang Asli children during Ramadhan and Hari Raya Open House celebrations.

Other donations included sponsorship for Pangkor Dialogue in Ipoh, Perak, zakat contribution under Asnaf to qualified individuals and families, and to Tabung Kebajikan KD LEKIU.



Promoting education is among the focus of BHIC's CSR activities.

Audit Committee Report

COMPOSITION OF MEMBERS

Chairman

Encik Abd Malik A Rahman
(Independent Non-Executive Director)

Members

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

Dato' Ishak Osman
(Independent Non-Executive Director)

MEMBERS

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

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

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

MEETINGS

The AC held five meeting in 2017. Details of the attendance of each member at the AC Meeting held during the financial year ended 31 December 2017 are as follows:

Name of Director	Status of Directorship	Attendance of Meetings
Encik Abd Malik A Rahman	Independent Non-Executive Director	5/5
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	5/5
Dato' Ishak Osman	Independent Non-Executive Director	5/5

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

SUMMARY OF ACTIVITIES

The activities undertaken by the AC during the financial year ended 31 December 2017 were as follows:

Financial Reporting

1. Reviewed the quarterly financial results, cashflows, and financial positions for each financial quarter of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to submission to the Board for consideration and approval for announcement to the public.
2. Reviewed the annual audited financial statements, auditors' report and accounting issues arising from the financial year ended 31 December 2017 audit.

Internal Audit

1. Reviewed and discussed with the Internal Auditors the Annual Audit Plan 2017 that include their scope of work, audit plan and procedures.
2. Reviewed adequacy of resource requirements and competencies of staff within the internal audit function to execute the annual audit plan and the results of the work.

3. Reviewed and discussed the major issues raised in the internal audit reports, audit recommendations, management's response and actions taken to strengthen the state of internal controls in the Company.
4. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on timely basis.

External Audit

1. Reviewed the External Auditors' 2017 Audit Plan.
2. Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the External Auditors.
3. Reviewed the performance of External Auditors, their independence and objectivity.
4. Conducted private meetings with the External Auditors during the year without the presence of Executive Directors and Management on areas of concern that need to be resolved.

Related Party Transaction

1. Reviewed the related party transactions and any conflict of interest situation that may arise within the Group and to ensure that such transactions are undertaken at arms' length, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.
2. Reviewed Circular to Shareholders relating to the shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.

Risk Management

1. Reviewed and discussed major financial and risk issues arising from Risk Management Department's various reports, initiating further studies which it deemed necessary and reported to the Board on the findings of its studies and made appropriate recommendations.
2. Reviewed the overall risk profile of the Group's risks, the significant risks and provided guidance on the action plans to address the identified risks and further reported to the Board thereon.

INTERNAL AUDIT FUNCTION

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

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

Total manpower strength of 9 auditors have been allocated to perform the audit of Heavy Industries Division during the year. The audit teams have conducted 23 assignments based on approved annual audit plan. The audit conducted in 2017 covered a wide range of operational areas with emphasis on high risk areas.

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

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

The Group, including its associates, has incurred approximately RM491,000 fee (inclusive of the Goods and Services Tax) (2016: RM517,000) for internal audit activities in respect of the financial year ended 31 December 2017.

Corporate Governance Overview Statement

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

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

This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Report).

CORPORATE GOVERNANCE APPROACH

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

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

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

Given that the Board forms the pivot of good corporate governance, the Board steers efforts to promote meaningful and thoughtful application of good corporate governance practices. The Group regularly reviews its corporate governance arrangements and practices to ascertain if they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory tapestry and evolving stakeholder expectations. Such efforts turned out to be quintessential in the year 2017 given that regulatory authorities introduced a slew of reform measures including the operationalisation of Companies Act 2016, incarnation of the new MCCG by Securities Commission Malaysia and amendments to MMLR.

Against the backdrop of the aforementioned regulatory developments, the Group undertook a recalibration of its corporate governance framework and meted out measures to adhere to these enumerations in substance. Premised on the notion that improving corporate governance is aspirational in nature and ultimate in abstraction, the Group will continue to enhance its daily business activities to ensure that they are guided by the hallmarks of accountability, objectivity and transparency.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

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

BHIC has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2017 except:

- Practice 4.1 (Board to comprise at least half Independent Directors);
- Practice 4.5 (Board to comprise 30% women Directors);

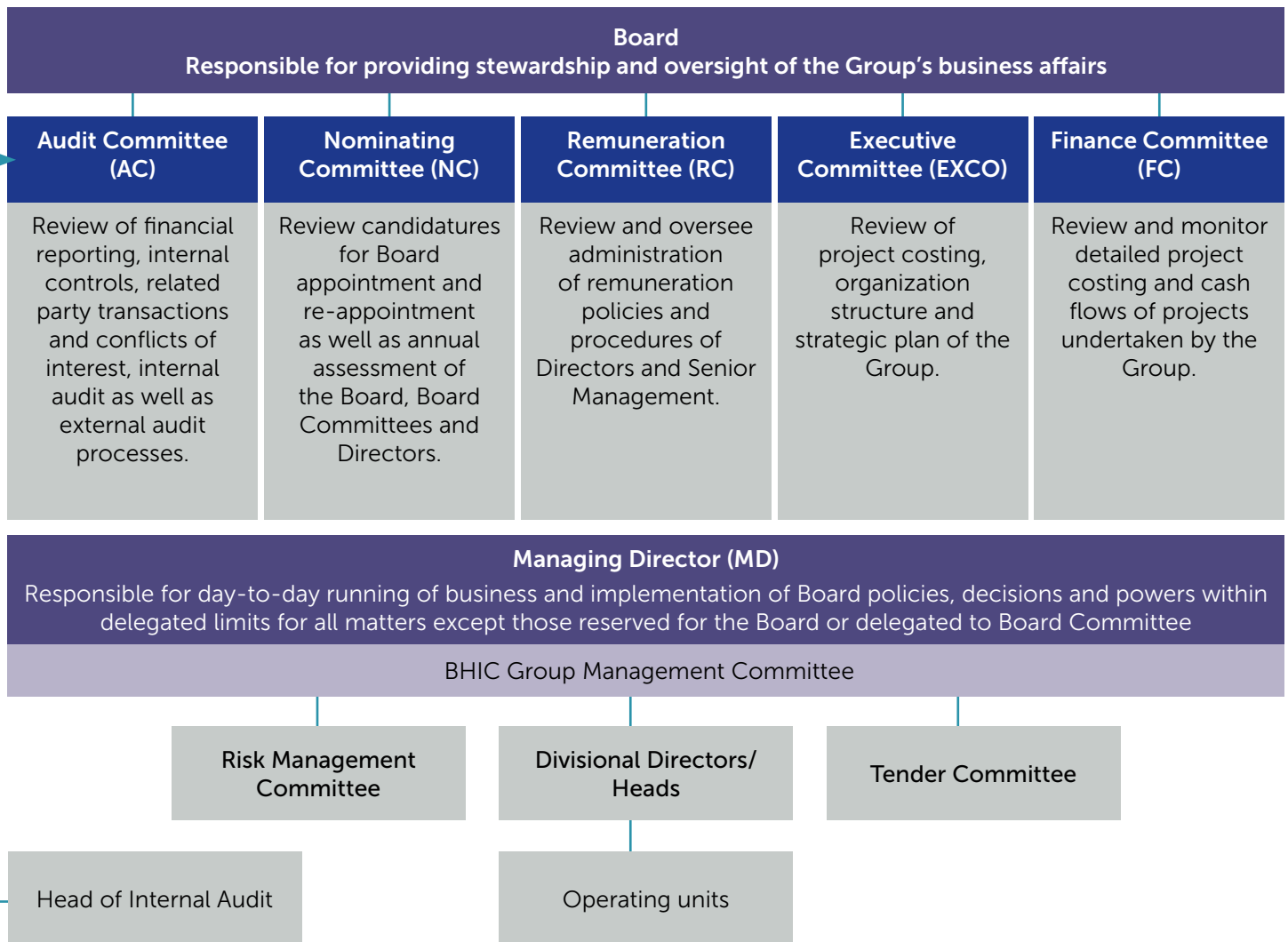
- Practice 4.7 (Nominating Committee Chairman is an Independent Director or the Senior Independent Director);
- Practice 6.1 (Remuneration Policy for Directors and Senior Management);
- Practice 7.2 (Disclosure of the top five senior management personnel's remuneration on a named basis in bands of RM50,000);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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board's Roles and Responsibilities

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



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

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

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning BHIC Group, including business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators. The attendance of individual Directors at Board and Board Committees meetings during the financial year 2017 is outlined below:

Director	Board	AC	NC	RC
Executive Director				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	4/4			1/1
Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor	4/4			
Non-Independent Non-Executive Director				
Datuk Azzat Kamaludin	3/4	5/5	1/1	
Independent Non-Executive Director				
Abd Malik A Rahman	4/4	5/5	1/1	1/1
Dato' Ishak Osman	4/4	5/5	1/1	1/1

 Board/Board Committee Chairman  Member

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

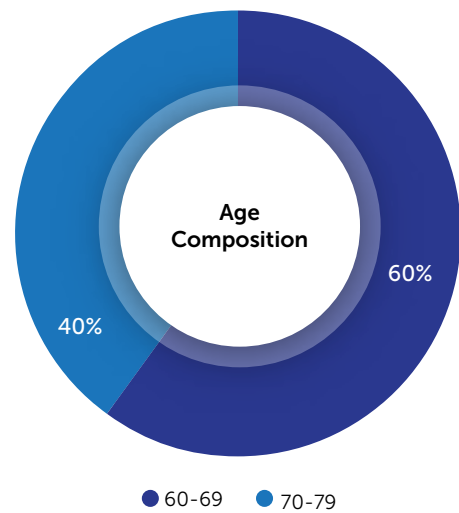
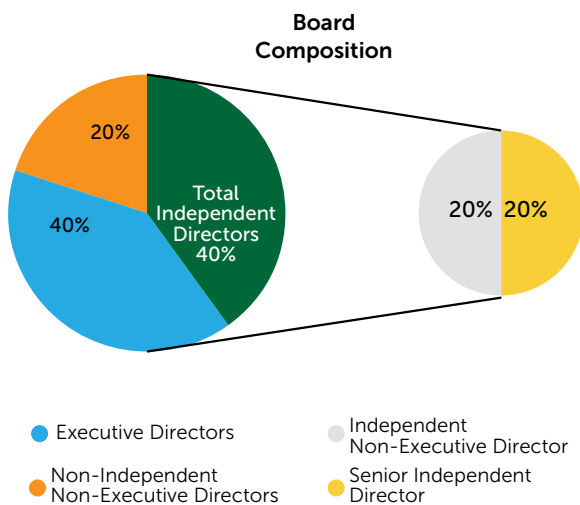
In performing their duties, all Directors have access to advice and services of a suitably qualified Company Secretaries. The Company Secretaries act as a corporate governance counsel and ensures good information flow within Board, Board Committees and Senior Management. The Company Secretaries attend all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) and MMLR. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition

The board of the Company comprises 5 members, 2 of whom are Independent Non-Executive Directors. The composition of the Independent Directors on the Board is in excess of the MMLR one third. The Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its role and responsibilities effectively based on the Group's nature of business. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities:



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

The Board, with the assistance of the NC, regularly assesses the skills, experience, independence and diversity required collectively for the Board to effectively fulfill its role. The Board and Board Committees recognise the importance of undergoing a regular process of renewal via changes in membership to provide them with the benefit of fresh perspectives.

The Board reviews its performance, and that of Board Committees and individual Directors on annual basis based on a set of predetermined criteria in a process that is facilitated by the NC. Upon conclusion of the assessment in 2017, the NC was satisfied that the Board and Board Committees' composition had fulfilled the criteria required, possess a right blend of knowledge, experience and mix of skills. In addition, the NC also recommended for the Board to endorse the re-election of the relevant Directors at the forthcoming AGM.

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

Remuneration

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details for the remuneration of Directors for the financial year ended 31 December 2017 for BHIC and its Group of companies are as follows:-

In RM'000	Company	Group						
Directors	Fees	Fees	Salaries	Bonuses	FPF	BIK	Meeting Allowance	Total
Executive Directors								
Tan Sri Dato' Seri Lodin Wok Kamaruddin	90	135	-	-	-	-	9	144
Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor	75	111	235	75	19	8	8	456
Non-Executive Directors								
Datuk Azzat Kamaludin	100	136	-	-	-	-	12	148
Dato' Ishak Osman	100	136	-	-	-	-	15	151
Abd Malik A Rahman	110	146	-	-	-	-	34	180
Total	475	664	235	75	19	8	78	1,079

Audit Committee (AC)

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

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

Risk Management and Internal Control Framework

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

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

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

Communication with Stakeholders

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

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

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

Conduct of General Meetings

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

FOCUS AREAS ON CORPORATE GOVERNANCE

Corporate governance was clearly imperative for the Group in the year 2017 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices.

Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 31 December 2017 are as follows:

NOTICE OF AGM

Date: 11 April 2018

Venue: Royale Chulan Damansara, Petaling Jaya

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

Independence of the Board

It is recognised that having objectivity in the boardroom extends beyond quantitative measures such as number of independent directors and their respective tenures. In order to harness the collective wisdom from greater participation of Independent Directors, BHIC held private sessions between Independent Directors and key gatekeepers of the Group such as External and Internal Auditors. These sessions provided Independent Directors with the opportunity to candidly share concerns about the Group and exchange views on potential improvements in governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Review of Board Charter and Board Committees' Terms of Reference

During the year under review, the Board undertook a review and updated its Board Charter alongside the Terms of Reference for each of the Board Committees. Changes were made to reflect the revised regulatory expectations as well as the expectations of stakeholders for Directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Group. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

Professional development of directors

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

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

Name	Programme title	Date(s)
Executive Director		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	• Seminar Pelabur Global 2017 <i>Organised by Vega Hermosa International Sdn Bhd</i>	18 February 2017
	• Breakfast Talk with Asian Corporate Governance Association ("ACGA"): Corporate Governance ("CG") Watch 2016 – Ecosystems Matter <i>Organised by ICLIF-MINDA</i>	7 March 2017
	• Performance Management System Training for Estates & Mills Management <i>Organised by Boustead Estates Agency Sdn Bhd</i>	25 April 2017
	• FIDE Forum 1st Distinguished Board Leadership Series – "Efficient Inefficiency: Making Boards Effective in a Changing World" <i>Organised by FIDE Forum</i>	4 May 2017
	• FIDE Forum Invitation – 2nd Distribution Board Leadership Series "Risk and Reward: What Must Board Know About A Sustainable Financial Institution Remuneration System for Senior Management and Material Risk Takers" <i>Organised by FIDE Forum</i>	8 June 2017
	• Presentation on Companies Act 2016 by Messrs. Azmi & Associates <i>Organised by Affin Hwang Investment Bank Berhad</i>	17 July 2017
	• Global Banking Conference – China's Banking Industry: Opportunities for Growth <i>Organised by Asian Institute of Chartered Bankers (AICB)</i>	1 – 2 August 2017
	• Half-Day Talk on Companies Act 2016 and Malaysian Code on Corporate Governance <i>Organised by Boardroom Corporate Services (KL) Sdn Bhd</i>	5 October 2017
	• Affin Hwang Capital Conference Series 2017 – Opportunities Amidst Geo-Political Shifts <i>Organised by Affin Hwang Investment Bank Berhad</i>	5 October 2017

Name	Programme title	Date(s)
Executive Director		
Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor	<ul style="list-style-type: none"> • The New Companies Act 2017 - Raising the Bar for Directors <i>Organised by Affin Bank Berhad</i> 	29 March 2017
	<ul style="list-style-type: none"> • Honeywell CEO Roundtable <i>Organised by MIGHT</i> 	8 May 2017
	<ul style="list-style-type: none"> • 3rd National W/shop on Ocean Energy <i>Organised by Universiti Teknologi Malaysia</i> 	17 May 2017
	<ul style="list-style-type: none"> • Latest updates on Directors' Remuneration in Compliance with the new Companies Act and the Upcoming Amendment to the listing requirements 2017 <i>Organised by Affin Bank Berhad</i> 	6 June 2017
	<ul style="list-style-type: none"> • Panel Speaker for RHB Regional Conference "One Belt, One Road, One Asia" – MIM <i>Organised by RHB</i> 	14 September 2017
	<ul style="list-style-type: none"> • Half Day Talk on: <ul style="list-style-type: none"> i) Code of Corporate Governance 2016 ii) The Companies Act 2016 <i>Organised by Affin Holdings Berhad</i> 	
	<ul style="list-style-type: none"> • BHB Fund Managers / Analysts' Briefing <i>Organised by Boustead Holdings Berhad</i> 	26 September 2017
	<ul style="list-style-type: none"> • Khazanah Megatrends Forum 2017 <i>Organised by Khazanah Nasional Berhad</i> 	2 October 2017
	<ul style="list-style-type: none"> • 6th MIMA South China Sea Conference (SCS) 2017 <i>Organised by MIMA</i> 	4 October 2017
	<ul style="list-style-type: none"> • Half Day Talk on: <ul style="list-style-type: none"> - Companies Act 2016 - Malaysian Code on Corporate Governance 2017 <i>Organised by Boustead Holdings Berhad</i> 	5 October 2017
	<ul style="list-style-type: none"> • Half Day Talk to Directors and Senior Management in AFFIN Group <ul style="list-style-type: none"> a) The implications of Malaysian Financial Reporting Standard (MFRS 9) on Business Strategy; and b) Cybersecurity Risk Implications. <i>Organised by Affin Holdings Berhad</i> 	28 November 2017
	<ul style="list-style-type: none"> • AFFIN AMLATFPJAA 2001: Risk, Challenges & Vulnerabilities Towards Regulatory Compliance Program <i>Organised by Affin Bank Berhad</i> 	29 November 2017
	Non-Independent Non-Executive Director	
Datuk Azzat Kamaludin	<ul style="list-style-type: none"> • Khazanah Megatrends Forum 2017 <i>Organised by Khazanah Nasional Berhad</i> 	2 October 2017
	<ul style="list-style-type: none"> • Focus Group Session on The Proposed Revision of the Corporate Governance Guide <i>Organised by Bursa Malaysia Berhad</i> 	11 October 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme title	Date(s)
<i>Independent Non-Executive Directors</i>		
Abd Malik A Rahman	<ul style="list-style-type: none"> • Forum for Directors/CEO's : "The Velocity of Global Change & Sustainability – The New Business Model" <i>Organised by Bursa Malaysia</i> 	10 January 2017
	<ul style="list-style-type: none"> • The New Companies Act 2016-"Raising The Bar for Directors" <i>Organised by ARAM Global Sdn Bhd</i> 	29 March 2017
	<ul style="list-style-type: none"> • What Directors Need To Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators <i>Organised by Bursatra Sdn Bhd</i> 	20 April 2017
	<ul style="list-style-type: none"> • Efficient Inefficiency : Making Boards Effective in a Changing World <i>Organised by FIDE Forum/Bank Negara Malaysia</i> 	4 May 2017
	<ul style="list-style-type: none"> • Compliance Conference 2017 <i>Organised by Bank Negara Malaysia</i> 	18 May 2017
	<ul style="list-style-type: none"> • Companies Act 2016-Key changes and implications to Board <i>Organised by Affin Hwang Capital/Azmi & Associates</i> 	17 July 2017
	<ul style="list-style-type: none"> • AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach <i>Organised by Affin Hwang Capital/Sheila Hussain Vijay & Partners</i> 	6 September 2017
	<ul style="list-style-type: none"> • Update: Code of Corporate Governance 2016 & Companies Act 2016 <i>Organised by Affin Holdings Berhad/Boardroom Corporate Services/ Messrs Christopher & Lee Ong</i> 	14 September 2017
	<ul style="list-style-type: none"> • Conference Series 2017-Opportunities Amidst Geopolitical Shifts <i>Organised by Affin Hwang Capital</i> 	5 October 2017
	<ul style="list-style-type: none"> • CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World <i>Organised by Bursa Malaysia</i> 	13 October 2017
Dato' Ishak Osman	<ul style="list-style-type: none"> • Fraud Risk Management Workshop <i>Organised by Bursa Malaysia & MINDA</i> 	13 July 2017
	<ul style="list-style-type: none"> • Case Study Workshop for Independent Directors "Rethinking - Independent Directors: A New Frontier " <i>Organised by Bursa Malaysia & SIDC</i> 	16 October 2017

CORPORATE GOVERNANCE PRIORITIES (2018 AND BEYOND)

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



Boardroom Diversity

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

The Board endeavours to appoint one female Director by the year 2020 and to meet the 30% target by 2021.

Sustainability Reporting

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

Statement on Risk Management 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 in the 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 control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The Board does not regularly review internal control of joint ventures, as the Board does not have direct control over their operations. Nevertheless, 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 corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against any 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 risk management and internal controls therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed to.

The Group's Enterprise Risk Management Framework which adopts ISO 31000:2009 Risk Management – Principles and Guidelines outlines the guiding principles and key structural elements of risk management practices and activities of BHIC Group which includes:

1. Demonstrating how risk management is embedded in BHIC Group's organisational systems to ensure it is integrated at all levels and work contexts. It describes the key principles, elements and processes to guide all employees in effectively managing risk, making it part of day-to-day decision making and business best practices;
2. Comprehensive, structured, systematic, and proactive processes that identify, assess, manage and report on the significant Group, Division, Business and Functional risks related to the achievement of the BHIC Group's objectives inherent in the business strategy and operations at any point in time;

3. Optimises risk management by balancing the cost of risk with the cost of controls for all aspects of the BHIC Group's potential risk areas to ensure that organisational objectives are met; and
4. Improve BHIC Group's governance model through resilient leadership, responsible and ethical decision making, management and accountability, and performance improvement.

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

Throughout the year, GRMD engaged with the Business Units and conducted series of risk validation exercises. The objective of risk validation exercises is to review the adequacy of risk registers, highlighting potential emerging risks and obtaining status of action plan to be undertaken by the Business unit. In addition, GRMD had introduced Key Risk Indicators (KRIs) to facilitate the management on the potential emerging risks at the Division, Business Units and Functional Units level. The KRIs complement the risk assessment process where it provides an early warning signal to management when there is critical risk areas within the entity that potentially exceed tolerable risk limits.

GRMD also emphasised the importance of Project Risk Management Planning for the betterment of project management practices within the Group. Risks associated with the project need to be identified before the actual project starts. During the year, GRMD had conducted Project Risk Management Workshop and Risk Assessment for Boustead Naval Shipyard Sdn Bhd (BN Shipyard)'s Littoral Mission Ship project team and Boustead DCNS Naval Corporations Sdn Bhd's Submarine REFIT project team. The purpose of these exercises is to identify and mitigate potential risks that might impact the project deliverables and schedules.

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

The new ISO 9001:2015 Quality Management Systems has stipulated risk management in ISO planning, execution and monitoring process. According to the Standard's requirement, risks must be identified and addressed based on core processes under the ISO scope of certification and risk areas must be communicated and deliberated at management level. In accordance with the requirement, GRMD has conducted a workshop to BHIC AeroServices Sdn Bhd (BHICAS) to assist in their preparation for ISO 9001:2015 certification. The workshop emphasised on identifying risks at department and functional units, establishing risk register based on core activities under the ISO 9001:2015 scope and establishing risk governance and reporting at business level on ISO.

Enhanced Risk Awareness, Compliance and Practices.

During the year, GRMD has also conducted the risk awareness training and workshop to several Business Units to enhance the risks knowledge and to gain understanding on application of risk function from a strategic, planning, and operational perspective. In addition, half day briefing on Enterprise Risk Management has been conducted to the Royal Malaysian Navy (RMN). It was attended by the Director of Fleet Engineering Authority of RMN and Head of Department of Boustead Naval Shipyard Sdn Bhd. The objectives of this briefing session are to share the risk management practices with RMN and to improve the mutual business understanding.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Business Continuity and Resiliency

As a continuous effort in improving business and operations resiliency, GRMD has enhanced the business and operational resiliency by adopting ISO 22301 Business Continuity Management (BCM).

BCM covers various angle of business discipline consists of Emergency Response Plan, Crisis Management Plan, Business Continuity Plan and Information Technology Disaster Recovery Plan. Many initiatives on BCM have taken place throughout 2017. During the year, BHIC Group's BCM Committee members were reappointed and the BHIC Group Crisis Management committee was established.

Emergency Response Plan (ERP) for Fire on Building, Fire on Board of RMN's Ship and Fire and Flooding on Board of RMN's Ship have been enhanced and tested at BN Shipyard. In addition, Crisis Communication Tool and Crisis Repository System have been developed and established to cater for incident and crisis management.

Moving forward, to further enhance the resiliency of business and operations, Crisis Management Plan and a structured Business Continuity Plan for BHIC Group and BN Shipyard are expected to be finalised in 2018. BCM programme will be expanded in stages to Boustead Penang Shipyard Sdn Bhd, Boustead Langkawi Shipyard Sdn Bhd and Boustead DCNS Naval Corporation Sdn Bhd.

Standard method of risk incident reporting has been established in the previous years through BHIC Risk Incident Reporting Procedure. For continuous improvements of incident management within the Group, GRMD has embarked on improvement of incident management via business continuity management approach. Emergency Response Plan of BN Shipyard has been improved by adopting Incident Command System (ICS) in collaboration with RMN.

Control Structure

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

Whilst the Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated the implementation of the system of internal controls to the executive management, led by the Managing Director. The Managing Director, who is empowered to manage the business of the Group, has primary operational responsibility for the system of internal controls. In addition, the Board has established an Executive Committee (ExCo) and Finance Committee to provide assistance in the management of the Group. The ExCo comprising of the Chairman of BHIC's Board, Managing Director and the Chairman of the Audit Committee whilst the Finance Committee consist the similar member as ExCo with a presence of BHIC's Chief Financial Officer. Both committees meet regularly to consider, resolve and manage strategic and business issues that the Group faces.

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

The Managing Director has established several management committees to assess and strengthen controls within the Group. The formation of these management committees allows the Managing Director, together with his senior management team to periodically review business units' 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.

The senior management team is responsible for:

1. The conduct and performance of business units;
2. Identification and evaluation of significant risks applicable to their respective areas of business together with the design and operation of suitable internal controls;
3. Ensuring that an effective system of internal controls is in place;
4. Reviewing internal audit reports and following up on their findings;
5. Meeting all internal and external reporting deadlines and ensuring compliance with policies, procedures and regulatory requirements;
6. Submission of management reports, on a monthly basis, to the Managing Director;
7. Submission of annual operating plans, on a yearly basis, review of half year financial forecasts to be approved at the operating and Board level; and
8. The award of major procurement contracts via a Tender Board which ensures transparency and integrity.

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

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

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

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

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

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

Organisational Structure

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

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:

- Division, Business Unit and Functional Unit: Each Division, Business Unit and Functional unit are responsible for managing risks associated with the business and its functions. All risks identified will be assessed, analysed, treated and monitored according to the Group's risk appetite.
- Risk Management Department: Provides risk methodologies, framework, tools and consultancy to the businesses and functional areas pertaining to risk control, monitoring and effectiveness, and reports to the Group Core Management Committee and the Board of Audit Committee on the risk profile of the Group.
- Internal Audit: Conducts an independent quality assurance of internal controls and risk management activities. Reports on internal control reviews by the internal audit function are submitted to the Audit Committee on a quarterly basis. The Chairman of the Audit Committee provides the Board with a report of all meetings of the Audit Committee.

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

INTERNAL AUDIT FUNCTION

The internal audit function is provided by Group Internal Audit from Boustead Holdings Berhad to support the Audit Committee and the Board in evaluating and improving the risk management, control and governance processes of the Group. The Group, including its associates, has incurred approximately RM491,000 (inclusive of the Goods and Services Tax) for internal audit activities in respect of the financial year ended 31 December 2017.

CONCLUSION

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide (“RPG”) 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (“MIA”) for inclusion in the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

This statement is made in respect of the financial year ended 31 December 2017 and in accordance with a resolution of the Board of Directors dated 1 March 2018.

■ ■ Directors' Responsibility Statement

The Directors reaffirm that they are collectively responsible for ensuring that the annual financial statements of the Group and the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities; and that these financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 December 2017.

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

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

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Additional Compliance Information

NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2017	16	8

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

MATERIAL CONTRACTS

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

Recurrent Related Party Transactions

At the Annual General Meeting held on 5 April 2017, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2017 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 Bin Wok Kamaruddin	Provision of shipbuilding, ship repair works and provision of related services by Boustead Penang Shipyard Sdn. Bhd.	90,288
	Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	Provision of ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	6,664
	Datuk Azzat Bin Kamaludin		
	Boustead Holdings Berhad	Provision of ship repair works and related services by BHIC Allied Defence Technology Sdn. Bhd.	715
	Lembaga Tabung Angkatan Tentera	Provision of ship repair works and related services by BHIC Bofors Asia Sdn. Bhd.	1,969
		Sale of equipment and machinery for ship related activities by Dominion Defence and Industries Sdn. Bhd.	1,879
		Provision of ship repair works and related services by BHIC Navaltech Sdn. Bhd.	12,559
		Provision of ship repair works and related services by BHIC Electronics and Technologies Sdn. Bhd.	620

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Naval Shipyards Sdn. Bhd. (cont'd.)		Purchase of materials/consumables in relation to ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	(29)
		Purchase of materials/consumables in relation to ship repair works and related services by BHIC Navaltech Sdn. Bhd.	(4)
		Provision of subcontracting work on engineering of SETIS combat management system and integration of combat system equipment by Contraves Advanced Devices Sdn. Bhd.	350,582
		Rental of premises by Boustead Penang Shipyards Sdn. Bhd.	(970)
		Rental of premises by BHIC Bofors Asia Sdn. Bhd.	(360)
		Rental of premises by BHIC MSM Sdn. Bhd.	(216)
		Provision of training services by BHIC Marine Technology Academy Sdn. Bhd.	263
		Rental of premises from Contraves Advanced Devices Sdn. Bhd.	1,387
		Rental of premises by BHIC Defence Techservices Sdn. Bhd.	(102)
	Rental of premises by BHIC Marine Technology Academy Sdn. Bhd.	(108)	

RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Travel Services Sdn. Bhd.	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	Provision of transport and travel related services to BHIC Bofors Asia Sdn. Bhd.	(204)
	Boustead Holdings Berhad	Provision of transport and travel related services to Boustead DCNS Naval Corporation Sdn. Bhd.	(1,838)
	Lembaga Tabung Angkatan Tentera	Provision of transport and travel related services to Boustead Penang Shipyard Sdn. Bhd.	(196)
		Provision of transport and travel related services to BHIC Defence Techservices Sdn. Bhd.	(42)
		Provision of transport and travel related services to BHIC Navaltech Sdn. Bhd.	(16)
		Provision of transport and travel related services to Boustead Heavy Industries Corporation Bhd.	–
		Provision of transport and travel related services to BHIC Shipbuilding & Engineering Sdn. Bhd.	(10)
		Provision of transport and travel related services to BHIC Submarine Engineering Services Sdn. Bhd.	(402)

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Realty Sdn. Bhd.	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Rental of premises by Boustead Penang Shipyard Sdn. Bhd. (Property to be rented by Boustead Penang Shipyard Sdn. Bhd. comprises of office space located at Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang)	(112)
		Rental of premises by Boustead Penang Shipyard Sdn. Bhd. (Property to be rented by Boustead Penang Shipyard comprises of office space located at Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur)	(10)
		Rental of premises by BHIC Submarine Engineering Services Sdn. Bhd. (Property to be rented by BHIC Submarine Engineering Services Sdn. Bhd. comprises of office space located at Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur)	(128)
Boustead Atlas Hall Sdn. Bhd.	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Rental of premises from Boustead Penang Shipyard Sdn. Bhd. (Property to be rented from Boustead Penang Shipyard Sdn. Bhd. comprises of office space located at Wisma Goldhill, No. 67 Jalan Raja Chulan, 50200 Kuala Lumpur)	–
Boustead Holdings Berhad	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin Lembaga Tabung Angkatan Tentera	Provision of training, management and related services to Boustead Heavy Industries Corporation Bhd.	(526)

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

Boustead Heavy Industries Corporation Berhad is an investment holding company incorporated in Malaysia.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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 from continuing operations, net of tax	10,576	12,728
Loss from discontinued operation, net of tax	–	–
Profit net of tax	10,576	12,728
Profit attributable to shareholders of the Company	10,576	12,728

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

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

DIVIDEND

The directors have declared the following dividend in respect of the financial year ended 31 December 2017:

	Net dividend sen per share	Net dividend RM'000	Date declared	Date of payment
Single tier first interim dividend	3.0	7,454	24 February 2017	30 March 2017
Single tier second interim dividend	2.0	4,969	15 November 2017	19 January 2018
	5.0	12,423		

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

DIRECTORS' REPORT

DIRECTORS

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

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

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

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

Laksamana Tan Sri Ramlan Bin Mohamed Ali (B)
Laksamana Madya Dato' Seri Panglima Mohammed Noordin Bin Ali (B)
Laksamana Muda Dato' Musa Bin Omar (B)
Mejar Jeneral Dato' Mohd Bin Sulong (B)
Mejar Jeneral Dato' Che Yahaya Bin Idris (B)
Mejar Jeneral Dato' Ahmad Rodi Bin Zakaria (B)
Datuk Mohd Razlan Bin Muhammad Rafii
Datuk Engku Zainal Abidin Bin Engku Ngah
Dato' Abu Jimi Bin Samat
Dato' Haji Din Bin Adam
Dato' Mohammad Bin Nik
Komander Dato' Abdul Rahman Bin Husain (B)
Ahmad Nordin Bin Mohammad
Ir. Ee Teck Chee
Ir. Azman Bin Ahmad
Ir. Sukhdev Singh A/L Khazan Singh
Ir. Azhar Bin Jumaat
Siti Na'im Binti Jamaluddin
Zainal Abidin Bin Ahmad
Mohamed Bin Ithnin
Khalid Bin Mohd
Fakril Zamani Bin Mahmud
Mohd Fakhrol Arifin Bin Adinan
Azlin Azura Binti Maarof (Appointed on 5 September 2017)
Azlinda Binti Ahmad Zainal (Appointed on 19 September 2017)
Azhar Bin Abdullah (Appointed on 19 September 2017)
Anuar Bin Murad (Resigned on 5 September 2017)

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 36 to the financial statements.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains on a Group basis, a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2017 was RM55,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' 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 ----->			
	1.1.2017	Bought	Sold	31.12.2017
The Company				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	2,000,000	-	-	2,000,000
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	2,002,100	-	-	2,002,100
Datuk Azzat Bin Kamaludin	350,000	-	-	350,000
Dato' Ishak Bin Osman	10,000	-	-	10,000
Abd Malik Bin A Rahman	3,000	-	-	3,000
Indirect interest:				
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	11,200	-	-	11,200
Dato' Ishak Bin Osman	20	-	-	20
Abd Malik Bin A Rahman	1,000	-	-	1,000
Immediate holding company				
Boustead Holdings Berhad ("BHB")				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	52,257,805	-	-	52,257,805
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	111,580	-	-	111,580
Datuk Azzat Bin Kamaludin	112,000	-	-	112,000
Abd Malik Bin A Rahman	6,580	-	-	6,580
Indirect interest:				
Abd Malik Bin A Rahman	13,580	-	-	13,580
Related corporations				
Pharmaniaga Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	12,500,148	-	-	12,500,148
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	121,000	-	-	121,000
Datuk Azzat Bin Kamaludin	226,260	-	-	226,260

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	<----- Number of ordinary shares ----->			
	1.1.2017	Bought	Sold	31.12.2017
Related corporations (cont'd.)				
Boustead Plantations Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	27,836,800	-	-	27,836,800
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	1,150,000	-	-	1,150,000
Datuk Azzat Bin Kamaludin	1,550,000	-	-	1,550,000
Abd Malik Bin A Rahman	2,000	-	-	2,000
Indirect interest:				
Abd Malik Bin A Rahman	2,000	-	-	2,000
Boustead Petroleum Sdn. Bhd.				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	5,916,465	-	-	5,916,465
Affin Holdings Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	1,051,328	-	-	1,051,328
Abd Malik Bin A Rahman	10,000	3,000	-	13,000
Indirect Interest:				
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	25,000	-	-	25,000

HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any other circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in Note 34 to the financial statements.
- (f) 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 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 21 and Note 35 to the financial statements.

DIRECTORS' REPORT

AUDITORS

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

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2018.

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

ABD MALIK BIN A RAHMAN

STATEMENT BY DIRECTORS

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

We, Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B) and Abd Malik Bin A Rahman, being two of the directors of Boustead Heavy Industries Corporation Berhad do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 98 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows of the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2018.

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

ABD MALIK BIN A RAHMAN

STATUTORY DECLARATION

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

I, Ahmad Nordin Bin Mohammad, being the officer primarily responsible for the financial management of Boustead Heavy Industries Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 98 to 183 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 1 March 2018

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters (cont'd.)

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

Impairment assessment of investments in associates

As at 31 December 2017, the Group's carrying amount of the investments in associates is RM143.6 million as disclosed in Note 15 to the financial statements. The associate has reported losses and depleting shareholders' funds indicating that the investments in associates with a carrying amount of RM143.6 million may be impaired. Where such indication exists, MFRS 136: Impairment of Assets ("MFRS 136") requires an entity to estimate the recoverable amount of the asset.

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

Accordingly, the Group has performed an impairment test by comparing the carrying amount of the investments in associates with its respective recoverable amounts.

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Key audit matters (cont'd.)

Revenue recognition from long term and construction contracts

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

We have focused on this area due to the materiality to the overall results of the Group and also due to the nature of long term and construction contracts entered into by the Group which involves significant management judgement and estimation uncertainty. The Group uses the stage of-completion method in accounting for these long term and construction contracts. The stage of completion is measured by reference to the proportion of costs incurred for work performed to date to the estimated total costs.

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

In assessing management's assumptions in estimating the budgeted costs, we evaluate the budgeted costs to corresponding supporting evidence including but not limited to suppliers' contracts for materials and subcontractors' claims. We also reviewed management's workings on the computation of stage of completion.

Recognition of deferred tax assets

As at 31 December 2017, the carrying amount of deferred tax assets of the Group is RM19.2 million as disclosed in Note 26 to the financial statements.

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

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

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

1 March 2018

Ahmad Zahirudin Bin Abdul Rahim

No. 02607/12/2018 J

Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations					
Revenue	4	277,647	307,518	28,259	76,455
Operating costs	5	(246,297)	(206,346)	(5,561)	(54,748)
Results from operations		31,350	101,172	22,698	21,707
Interest income		786	2,092	–	–
Finance costs	8	(13,027)	(16,168)	(9,970)	(12,275)
Share of results of associates	15	6,119	(26,899)	–	–
Share of results of joint ventures	16	(13,458)	22,011	–	–
Profit before tax from continuing operations		11,770	82,208	12,728	9,432
Income tax expense	9	(1,194)	(1,701)	–	–
Profit from continuing operations, net of tax		10,576	80,507	12,728	9,432
Discontinued operation					
Loss from discontinued operation, net of tax	21	–	(3,811)	–	–
Profit net of tax		10,576	76,696	12,728	9,432
Attributable to:					
Shareholders of the Company		10,576	76,696	12,728	9,432
Non-controlling interests		–	–	–	–
Profit for the year		10,576	76,696	12,728	9,432
Basic/diluted earnings/(loss) per share attributable to shareholders of the Company (sen):					
	10				
Total		4.26	30.87		
Continuing operations		4.26	32.40		
Discontinued operation		–	(1.53)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year, representing total comprehensive income for the year, net of tax	10,576	76,696	12,728	9,432
Attributable to:				
Shareholders of the Company	10,576	76,696	12,728	9,432
Non-controlling interests	–	–	–	–
Total comprehensive income for the year, net of tax	10,576	76,696	12,728	9,432

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	55,528	62,127	8,382	11,117
Investment property	12	13,362	13,840	–	–
Intangible asset	13	–	–	–	–
Investments in subsidiaries	14	–	–	280,500	280,500
Investments in associates	15	143,604	137,485	–	–
Investments in joint ventures	16	91,338	105,792	–	–
Deferred tax assets	26	19,167	19,447	–	–
		322,999	338,691	288,882	291,617
Current assets					
Inventories	17	11,609	57,574	–	–
Trade and other receivables	18	229,276	227,748	51,907	68,721
Amounts due from customers on contracts	19	37,739	58,999	–	–
Tax recoverable		13,262	12,163	–	–
Cash and bank balances	20	45,920	24,247	5,265	405
		337,806	380,731	57,172	69,126
Total assets		660,805	719,422	346,054	360,743

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Equity and liabilities					
Equity attributable to shareholders of the Company					
Share capital	22	248,458	248,458	248,458	248,458
Retained earnings/(accumulated losses)		96,210	98,057	(84,970)	(85,275)
Total shareholders' funds		344,668	346,515	163,488	163,183
Non-controlling interests		–	–	–	–
Total equity		344,668	346,515	163,488	163,183
Non-current liabilities					
Loans and borrowings	24	6,399	7,817	–	–
Deferred tax liabilities	26	49	49	–	–
		6,448	7,866	–	–
Current liabilities					
Amounts due to customers on contracts	19	28,944	43,198	–	–
Provisions	23	728	685	488	535
Loans and borrowings	24	221,418	246,416	170,000	195,000
Trade and other payables	27	53,630	74,328	7,109	2,025
Tax payable		–	414	–	–
Dividend payable		4,969	–	4,969	–
		309,689	365,041	182,566	197,560
Total liabilities		316,137	372,907	182,566	197,560
Total equity and liabilities		660,805	719,422	346,054	360,743

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

←----- Attributable to shareholders
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 2016	248,458	21,361	269,819	1	269,820
Total comprehensive income for the year	-	76,696	76,696	-	76,696
Transactions with owners					
Additional investment in a subsidiary (Note 14(a) (ii))	-	-	-	(1)	(1)
At 31 December 2016	248,458	98,057	346,515	-	346,515
At 1 January 2017					
At 1 January 2017	248,458	98,057	346,515	-	346,515
Total comprehensive income for the year	-	10,576	10,576	-	10,576
Transactions with owners					
Dividend (Note 28)	-	(12,423)	(12,423)	-	(12,423)
At 31 December 2017	248,458	96,210	344,668	-	344,668

←----- Attributable to shareholders
of the Company ----->

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
At 1 January 2016	248,458	(94,707)	153,751
Total comprehensive income for the year	-	9,432	9,432
At 31 December 2016	248,458	(85,275)	163,183
Total comprehensive income for the year	-	12,728	12,728
Dividend (Note 28)	-	(12,423)	(12,423)
At 31 December 2017	248,458	(84,970)	163,488

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Cash receipts from customers		253,304	256,256	–	–
Cash paid to suppliers and employees		(183,814)	(232,739)	(2,955)	(3,541)
Net (payments to)/receipts from related companies		(1,679)	(2,548)	15,095	71,697
Net cash generated from operations		67,811	20,969	12,140	68,156
Interest paid		(12,017)	(16,124)	(9,861)	(12,150)
Income taxes paid less refunds		(2,427)	(5,531)	–	–
Net cash generated from/(used in) operating activities		53,367	(686)	2,279	56,006
Cash flows from investing activities					
Interest received		786	2,363	39	56
Proceeds from disposal of property, plant and equipment		5	67,887	–	–
Purchase of property, plant and equipment	(a)	(2,048)	(2,025)	(4)	(878)
Purchase of investment property	12	–	(336)	–	–
Additional investment in subsidiary	14 (a)	–	(1)	–	(500)
Investment in a joint venture company		(510)	–	–	–
Dividend received from joint ventures	16	1,530	2,771	–	–
Dividend from a subsidiary		–	–	35,000	5,500
Upliftment of pledged fixed deposits, net		–	2,676	–	–
Net cash (used in)/generated from investing activities		(237)	73,335	35,035	4,178
Cash flows from financing activities					
Dividends paid		(7,454)	–	(7,454)	–
Repayment of borrowings		(46,416)	(146,963)	(35,000)	(105,560)
Proceeds from drawdown of revolving credits		20,000	45,000	10,000	45,000
Net cash used in financing activities		(33,870)	(101,963)	(32,454)	(60,560)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net increase/(decrease) in cash and cash equivalents		19,260	(29,314)	4,860	(376)
Effect of foreign exchange rate changes		2,413	2,162	–	–
Cash and cash equivalents at beginning of year		24,247	51,399	405	781
Cash and cash equivalents at end of year		45,920	24,247	5,265	405
Cash and cash equivalents at end of year comprise:					
Deposits with licensed banks	20	11,000	1,000	5,000	–
Cash and bank balances	20	34,920	23,247	265	405
Total cash and bank balance		45,920	24,247	5,265	405

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

		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash	(a)	2,048	2,025	4	878
Hire purchases		–	1,164	–	–
Total additions	11	2,048	3,189	4	878

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Boustead Heavy Industries Corporation Berhad is an investment holding company. The principal activities of the subsidiaries are described in Note 14. 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 2016 in Malaysia.

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

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

2.2 Changes in regulatory requirements

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. The New Act (except section 241 and Division 8 of Part III) becomes effective on 31 January 2017.

Amongst the key changes introduced in the New Act are as follows:

- i. Removal of the authorised share capital; and
- ii. Shares of the Company will cease to have par or nominal value.

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 Changes in regulatory requirements (cont'd.)

The adoption of the above did not have any significant effects on the Group and the Company for the current financial year ended 31 December 2017. The effect of the adoption is mainly on the disclosures to the financial statements of the Group and the Company.

2.3 Changes in accounting policies

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

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

- Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in MFRS 12 (Annual improvements to MFRSs 2014 – 2016 Cycle)
- Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiatives
- Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Adoption of the above new or amended standards did not have any effect on the financial performance or the position of the Group and of the Company, except the following changes:

Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2.4 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.

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

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

Effective for annual period beginning on or after 1 January 2018

- Amendments to MFRS 1 (Annual improvements to MFRSs 2014 – 2016 Cycle)
- Amendments to MFRS 2 Share Based Payment – Classification and Measurement of Share Based Payment Transactions
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 140 Investment Property – Transfers of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual period beginning on or after 1 January 2019

- MFRS 16 Leases
- Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long Term Interest in Associates and Joint Ventures

Effective for annual period beginning on or after 1 January 2021

- MFRS 17 Insurance Contracts

Deferred

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

MFRS 9: Financial Instruments

MFRS 9 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. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has performed an impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in Other Comprehensive Income ("OCI"), and therefore, the application of MFRS 9 will not have a significant impact.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect major impact on the Group's financial statements.

(iii) Hedge accounting

The Group does not adopt hedge accounting in the Group's financial statements. Hence, hedging requirements of MFRS 9 will not have any impact on the Group's financial statements.

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

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

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.

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, ie. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is currently assessing the impact on the financial statements and series of discussions with several stakeholders and review of existing contracts are on going.

Based on the initial assessment, the Directors anticipate that the application of MFRS 15 will result in additional disclosures in the Group's and the Company's financial statements. However, the effect on the profit or loss is not expected to be significant.

The Group will adopt the new standard on the required effective date.

MFRS 16: Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

MFRS 16: Leases (cont'd.)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2.5 Basis of consolidation

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

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

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

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

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

2.5 Basis of consolidation (cont'd.)

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

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

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

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

Business Combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in 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 and any previous interest held over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 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.

2.7 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.

2.8 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

After application of the equity method, the Group 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.

2.9 Fair value measurement

The fair value disclosures for financial instruments at amortised cost and non-financial assets are disclosed in Note 12 and Note 29.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.9 Fair value measurement (cont'd.)

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.

2.10 Currency conversion

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

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the reporting period.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.11 Property, plant and equipment

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

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

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

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

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.

2.12 Investment property

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.13 Intangible assets

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

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

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

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

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

2.14 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

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

2.15 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 or 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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.16 Impairment of financial assets (cont'd.)

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 through the use of an allowance account. When a financial asset become 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.

2.17 Long term and construction contracts

Where the outcome of long term and construction contracts 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 either the proportion of contract costs incurred for work performed to date to the estimated total contract costs or the completion of a physical proportion of the contract work.

Where the outcome of long term and construction contracts 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 long term and 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.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

2.19 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.

2.20 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.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.22 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.

2.23 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.

2.24 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.

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

2.24 Leases (cont'd.)

(a) Lessee (cont'd.)

Operating lease

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

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

(b) Lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as chartering and rental income. The accounting policy for chartering and rental income is set out in Note 2.25 (f) and Note 2.25(g), respectively.

2.25 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) Long term and construction contracts

Contract revenues and profits on heavy engineering contracts are accounted for under the accounting policy disclosed in Note 2.17.

NOTES TO THE FINANCIAL STATEMENTS

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

2.25 Revenue (cont'd.)

(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.

(h) Management fee

Management fee is recognised when the services are rendered.

2.26 Income taxes

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2.26 Income taxes (cont'd.)

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.

2.27 Goods and services tax ("GST")

Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, it is recognised as part of the asset or as part of the expense as applicable.

The net amount of GST, being the difference between output and input GST, payable to or recoverable from the authority at reporting date is included in other receivables and other payables in the statement of financial position.

2.28 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 31.

NOTES TO THE FINANCIAL STATEMENTS

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

2.29 Share capital and share issuance expenses

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

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

2.30 Discontinued operation and non-current assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operation is excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operation in the statement of profit or loss.

Further details on discontinued operation and non-current assets classified as held for sale are disclosed in Note 21.

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

2.31 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Useful lives of property, plant and equipment

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

(ii) Long term and construction contracts

When the outcome of a long term and construction contracts can be determined reliably, the Group recognises contract 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, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists. Information on the Group's long term and construction contracts balances, revenue and cost is presented in Note 19.

(iii) Deferred tax assets

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

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

The total carrying value of the Group's recognised tax losses, capital allowances and tax credits and unused tax losses, as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

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

(iv) 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 18.

(v) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment on all non-financial assets at each reporting date. Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes. While the Group believes that the assumptions when determining recoverable amounts are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment changes. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

4. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Heavy engineering contracts	154,922	139,093	–	–
Rendering of services	116,972	163,410	–	–
Sale of goods	2,125	1,300	–	–
Rental income	3,347	3,343	–	–
Interest income	–	–	259	6,455
Management fee	281	372	–	–
Dividend income	–	–	28,000	70,000
	277,647	307,518	28,259	76,455

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Raw materials and consumables	14,103	11,040	–	–
Long term and construction contract costs (Note 19)	96,516	28,704	–	–
Employee benefits expense (Note 6)	104,873	107,887	904	952
Non-executive directors' remuneration (Note 7)	479	385	359	296
Depreciation of property, plant and equipment (Note 11)	6,930	6,043	1,099	507
Depreciation of investment property (Note 12)	478	485	–	–
Property, plant and equipment written off	1,640	–	1,640	–
Litigation settlement	–	6,197	–	–
Loss/(gain) on disposal of property, plant and equipment	6	(78)	–	–
Other operating costs	21,272	45,683	1,559	52,993
	246,297	206,346	5,561	54,748

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other operating costs include:				
Auditors' remuneration:				
– Statutory audit	399	391	142	132
– Others	16	15	8	8
Inventories written off	402	633	–	–
Inventories written down	144	30,232	–	–
Net (gain)/loss on foreign exchange:				
– realised	(394)	(1,778)	(5)	–
– unrealised	915	938	–	–
Impairment loss on investment in subsidiaries (Note 14 (b))	–	–	–	119,434
Allowance for impairment of:				
– trade receivables (Note 18 (a))	946	646	–	–
– other receivables (Note 18 (e))	12,738	2,289	–	–
Reversal of impairment of:				
– trade receivables (Note 18(a))	(146)	–	–	–
– other receivables (Note 18(e))	–	–	–	(68,171)
Operating leases:				
– minimum lease payments for land and buildings	3,163	2,900	–	–
– minimum lease payments for plant and equipment	261	230	–	–

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	78,879	76,470	392	337
Social security contribution	912	802	–	–
Defined contribution plan	10,592	9,711	–	–
Termination benefit	980	8,278	–	–
Others	13,510	12,626	512	615
	104,873	107,887	904	952
Less: Employee benefit expense capitalised in long term and construction contract (Note 19)	(12,577)	(8,279)	–	–
	92,296	99,608	904	952

Included in employee benefits expense of the Group and of the Company is executive directors' remuneration amounting to RM600,000 (2016: RM939,000) and RM513,000 (2016: RM858,000), 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors' remuneration:				
Fees	246	252	165	180
Salary	235	480	235	480
Allowances	17	25	11	16
Bonus	75	135	75	135
Defined contribution plan	19	37	19	37
Benefit in kind	8	10	8	10
Total executive directors' remuneration (Note 6 and Note 36 (b))	600	939	513	858
Non-executive directors' remuneration:				
Fees	418	322	310	250
Allowances	61	63	49	46
Total non-executive directors' remuneration (Note 5)	479	385	359	296
Total directors' remuneration	1,079	1,324	872	1,154

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

	2017	2016
<u>Executive directors:</u>		
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	1	–
RM350,001 - RM400,000	–	1
RM400,001 - RM450,000	–	1
RM450,001 - RM500,000	1	–
<u>Non-executive directors:</u>		
RM100,001 - RM150,000	1	3
RM150,001 - RM200,000	2	–

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Term loans	409	485	–	–
Hire purchase and finance lease liabilities	62	66	–	–
Revolving credits	12,554	15,573	9,836	12,184
Others	2	44	134	91
Finance costs recognised in profit or loss	13,027	16,168	9,970	12,275

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Statement of comprehensive income:				
Malaysian income tax:				
Current income tax	1,288	2,480	–	–
Overprovision in prior years	(374)	(223)	–	–
Total income tax	914	2,257	–	–
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(746)	(556)	–	–
Underprovision in prior years	1,026	–	–	–
Total deferred tax	280	(556)	–	–
Income tax recognised in profit or loss	1,194	1,701	–	–

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting profit/(loss)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation from continuing operations	11,770	82,208	12,728	9,432
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	2,825	19,730	3,055	2,264
Expenses not deductible for tax purposes	4,715	4,278	3,665	14,529
Income not subject to tax	(11,203)	(4,063)	(6,720)	(16,793)
Utilisation of previously unrecognised tax losses and capital allowances	(400)	(21,693)	–	–
Share of results of associates	(1,469)	6,456	–	–
Share of results of joint ventures	3,230	(5,283)	–	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	2,844	2,499	–	–
Overprovision of income tax expense in prior years	(374)	(223)	–	–
Underprovision of deferred tax expense in prior years	1,026	–	–	–
Income tax expense recognised in profit or loss	1,194	1,701	–	–

The domestic statutory tax rate for year of assessment 2017 and 2018 will be reduced by 1%, 2%, 3% or 4% if the Group or the Company records an increase in chargeable income by 5% to 9.99%, 10% to 14.99%, 15% to 19.99% or more than 20% respectively from the immediate preceding year of assessment. The reduced tax rates for year of assessment 2017 will be available only to a Company that is in a taxable position for year of assessment 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the financial year.

Basic and diluted loss per share from discontinued operation is calculated by dividing loss from discontinued operations, net of tax, attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the financial year.

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

	Group	
	2017 RM'000	2016 RM'000
Profit/(loss) for the year attributable to shareholders of the Company:		
Continuing operations	10,576	80,507
Discontinued operation	–	(3,811)
Total	10,576	76,696
	'000	'000
Weighted average number of ordinary shares in issue	248,458	248,458
	sen	sen
Basic and diluted earnings/(loss) per share for:		
Profit/(loss) for the year attributable to shareholders of the Company:		
Continuing operations	4.26	32.40
Discontinued operation	–	(1.53)
Total	4.26	30.87

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost					
1 January 2016	92,701	20,444	30,570	3,317	147,032
Additions	202	174	2,617	196	3,189
Disposals	–	–	(429)	(61)	(490)
Written off	–	–	(20)	–	(20)
Reclassification	184	–	2,912	(3,096)	–
At 31 December 2016/ 1 January 2017	93,087	20,618	35,650	356	149,711
Additions	8	310	1,552	178	2,048
Written off	–	–	(2,362)	–	(2,362)
Disposals	–	–	(91)	–	(91)
Reclassification	159	–	95	(254)	–
At 31 December 2017	93,254	20,928	34,844	280	149,306

NOTES TO THE FINANCIAL STATEMENTS

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

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Accumulated depreciation and impairment					
1 January 2016	46,981	10,833	24,115	–	81,929
Depreciation charge for the year:	2,160	1,413	2,483	–	6,056
– Recognised in profit or loss:					
Continuing operations (Note 5)	2,159	1,402	2,482	–	6,043
– Capitalised in construction costs (Note 19)	1	11	1	–	13
Disposals	–	–	(381)	–	(381)
Written off	–	–	(20)	–	(20)
At 31 December 2016 /1 January 2017	49,141	12,246	26,197	–	87,584
Depreciation charge for the year:	2,121	1,357	3,518	–	6,996
– Recognised in profit or loss:					
Continuing operations (Note 5)	2,121	1,356	3,453	–	6,930
– Capitalised in construction costs (Note 19)	–	1	65	–	66
Written off	–	–	(722)	–	(722)
Disposals	–	–	(80)	–	(80)
At 31 December 2017	51,262	13,603	28,913	–	93,778

NOTES TO THE FINANCIAL STATEMENTS

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

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others RM'000	Capital work-in progress RM'000	Total RM'000
Group (cont'd.)					
Representing:					
Accumulated depreciation	35,745	13,603	28,913	–	78,261
Accumulated impairment	15,517	–	–	–	15,517
At 31 December 2017	51,262	13,603	28,913	–	93,778
Net carrying amount					
At 31 December 2017	41,992	7,325	5,931	280	55,528
At 31 December 2016	43,946	8,372	9,453	356	62,127

* Land and buildings of the Group comprise:

	Long term leasehold and reclaimed lands RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group				
Cost				
At 1 January 2016	34,762	22,966	34,973	92,701
Additions	–	–	202	202
Reclassification	–	–	184	184
At 31 December 2016 /1 January 2017	34,762	22,966	35,359	93,087
Additions	–	–	8	8
Reclassification	–	–	159	159
At 31 December 2017	34,762	22,966	35,526	93,254

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Long term leasehold and reclaimed lands RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group (cont'd.)				
Accumulated depreciation and impairment				
At 1 January 2016	5,094	14,015	27,872	46,981
Depreciation charge for the year:	392	634	1,134	2,160
– Recognised in profit or loss	391	634	1,134	2,159
– Capitalised in construction costs	1	–	–	1
At 31 December 2016 /1 January 2017	5,486	14,649	29,006	49,141
Depreciation charge for the year	391	634	1,096	2,121
At 31 December 2017	5,877	15,283	30,102	51,262
Representing:				
Accumulated depreciation	4,908	8,333	22,504	35,745
Accumulated impairment	969	6,950	7,598	15,517
At 31 December 2017	5,877	15,283	30,102	51,262
Net carrying amount				
At 31 December 2017	28,885	7,683	5,424	41,992
At 31 December 2016	29,276	8,317	6,353	43,946

NOTES TO THE FINANCIAL STATEMENTS

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				
1 January 2016	7,786	1,277	2,423	11,486
Additions	–	878	–	878
Reclassification	–	2,423	(2,423)	–
At 31 December 2016 /1 January 2017	7,786	4,578	–	12,364
Additions	–	4	–	4
Written off	–	(2,362)	–	(2,362)
At 31 December 2017	7,786	2,220	–	10,006
Accumulated depreciation				
1 January 2016	159	581	–	740
Depreciation charge for the year (Note 5)	78	429	–	507
At 31 December 2016 /1 January 2017	237	1,010	–	1,247
Depreciation charge for the year (Note 5)	78	1,021	–	1,099
Written off	–	(722)	–	(722)
At 31 December 2017	315	1,309	–	1,624
Net carrying amount				
At 31 December 2017	7,471	911	–	8,382
At 31 December 2016	7,549	3,568	–	11,117

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group	
	2017 RM'000	2016 RM'000
Motor vehicles	365	493
Equipment	977	1,031
	1,342	1,524

Details of the terms and conditions of the hire purchase and finance lease arrangements facility are disclosed in Note 25.

- (b) Included in land are two pieces of land at Kota Kinabalu, Sabah and at Bentong, Pahang with a carrying amount of RM11.4 million and RM7.5 million (2016: RM11.5 million and RM7.5 million) respectively whose land titles are still in the process of being transferred to the Group.

12. INVESTMENT PROPERTY

Group	Hangar RM'000
Cost	
At 1 January 2016	14,562
Addition	336
At 31 December 2016 /1 January 2017 and at 31 December 2017	14,898
Accumulated depreciation	
At 1 January 2016	573
Depreciation charge for the year (Note 5)	485
At 31 December 2016 /1 January 2017	1,058
Depreciation charge for the year (Note 5)	478
At 31 December 2017	1,536

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT PROPERTY (CONT'D.)

Group	Hangar RM'000
Net carrying amount	
At 31 December 2017	13,362
At 31 December 2016	13,840

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

	Valuation method	Date of valuation	Fair value measurement using significant unobservable inputs (Level 3) RM
As at 31 December 2017			
Hangar	Comparison method	31 December 2017	14,700,000
As at 31 December 2016			
Hangar	Comparison method	31 December 2016	15,000,000

The fair value of the investment property was based on independent valuations using the open market value approach. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

The property is valued by reference to transactions of similar properties in the surrounding area taking into consideration adjustments for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

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

The Company's investment property is secured against the term loan as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSET

	Group RM'000
Ship design right, at cost	
At 1 January 2016, at 31 December 2016 /1 January 2017 and at 31 December 2017	2,631
Accumulated impairment	
At 1 January 2016, at 31 December 2016 /1 January 2017 and at 31 December 2017	(2,631)
Net carrying amount	
At 31 December 2017 and 31 December 2016	–

Intangible asset relates to the purchase of design rights.

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

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	701,801	701,801
Less: Accumulated impairment loss	(421,301)	(421,301)
	280,500	280,500

The cost of shares in a subsidiary of RM2,636,000 (2016: RM2,636,000) is pledged to the financial institutions for banking facilities granted to a former corporate shareholder.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
BHIC Asset Holdings Sdn. Bhd. ("BHIC Asset")	Ceased operations	RM10,000,000	100	100
Boustead Penang Shipyard Sdn. Bhd. ("BP Shipyard")	Heavy engineering, ship repair and shipbuilding, fabrication of steel structures and platforms, marine engineering, oil and gas fabrication, hook up and commissioning	RM350,000,000	100	100
BHIC Development Sdn. Bhd.	Ceased operations	RM2	100	100
BHIC Trading Sdn. Bhd.	Property investment	RM8,000,002	100	100
BHIC Marine Carriers Sdn. Bhd.	Provision of engineering services for oil and gas industry and chartering ships and vessels	RM3,000,000	100	100
BHIC AeroTech Sdn. Bhd.	Provision of maintenance repair and overhaul of aircraft wheels and brakes	RM500,000	100	100
Held by BHIC Asset:				
Desa BHIC Sdn. Bhd. (In Member's Voluntary Liquidation)	Ceased operations	RM2	100	100
Held by BP Shipyard:				
Dominion Defence & Industries Sdn. Bhd. ("Dominion Defence")	Supply and services of marine and naval defence related products	RM1,000,000	100	100
Perstim Industries Sdn. Bhd.	Investment holding	RM51,155,724	100	100
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	Investment holding	RM36,579,282	100	100

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
Held by BP Shipyard: (cont'd.)				
Malaysian Heavy Industry Group Sdn. Bhd.	Investment holding	RM25,000	60	60
BHIC Navalttech 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. ("UMC Engineering") (Dissolved) *	Dormant	RM996,234	–	99.99
Boustead Tugs & Transport Sdn. Bhd. (Dissolved) *	Dormant	RM1,000,000	–	100
BHIC Marine & Shipping Sdn. Bhd ("BHIC Shipping") (In Member's Voluntary Liquidation)	Dormant	RM3,000,003	100	100
BHIC Shipbuilding & Engineering Sdn. Bhd.	Ship repair, shipbuilding and fabrication of steel structures	RM500,000	100	100
BHIC Marine Technology Academy Sdn. Bhd.	Provision of marine and defence business management training and similar educational projects	RM500,000	100	100
BHIC Marine Ventures Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	100	100
BHIC Marine Transport Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	100	100
Held by Dominion Defence:				
Burlington Promotions & Publications Sdn. Bhd. (In Member's Voluntary Liquidation)	Dormant	RM121,000	100	100

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
Held by BHIC Defence:				
BHIC Defence Techservices Sdn. Bhd. ("BHIC Defence Techservices")	Provision of maintenance and services for arsenal, missiles, and other defence related products	RM1,000,000	100	100
BHIC Allied Defence Technology Sdn. Bhd.	Supply of electronics and system technology to defence related industry	RM510,000	100	100
Naval and Defence Communication System Sdn. Bhd.	Provision of maintenance and services for telecommunication systems	RM100,000	100	100
BHIC Electronics and Technologies Sdn. Bhd.	Provision of maintenance and services for defence weapons and related products	RM2,329,897	100	100
BHIC Submarine Engineering Services Sdn. Bhd.	Provision of maintenance and services of submarines	RM500,000	100	100

* Dissolved during the year.

(a) Additional investments in subsidiaries

- (i) The Company subscribed for additional paid-up share capital in the following company by way of cash:

	Number of shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
The Company, through BP Shipyard				
BHIC Shipbuilding & Engineering Sdn. Bhd.	–	500	–	500

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Additional investments in subsidiary (cont'd.)

- (i) On 11 March 2016, the Group incorporated a new subsidiary, BHIC AeroTech Sdn. Bhd and presently has a paid up ordinary shares of RM500,000.

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

- (ii) In the previous financial year, the Company through its wholly-owned subsidiary, BP Shipyard acquired additional equity interest in Perstim Industries Sdn. Bhd. by way of cash as follows:

	2017	2016
Number of shares ('000)	–	1
Amount (RM'000)	–	1

(b) Impairment loss on investment in subsidiaries

An impairment review of carrying amounts of investments in subsidiaries at the reporting date was undertaken based on the value in use taking into consideration that the Company does not expect to generate future positive cash flows. As a result, an impairment loss of RM119,434,000 was recognised during the previous financial year.

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	54,840	54,840	1,250	1,250
Cumulative share of post acquisition profits	82,645	109,544	–	–
Share of current's year post acquisition profit/(loss)	6,119	(26,899)	–	–
	88,764	82,645	–	–
Less: Accumulated impairment losses	–	–	(1,250)	(1,250)
	143,604	137,485	–	–

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

Name of associates	Principal activities	Paid up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
Held by the Company:				
Tohwa-Sedap Food Industry Sdn. Bhd. (In Member's Voluntary Liquidation)	Dormant	RM2,500,000	50.00	50.00
Held by Perstim Industries Sdn. Bhd.:				
Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	RM130,000,003	20.77	20.77
Held through by BP Shipyard:				
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	THB100,000	48.80	48.80
Held through by BN Shipyard:				
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	RM100,000,000	20.77	20.77
BN Shiprepair Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77
Boustead Yachts Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77

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

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	2017 RM'000	2016 RM'000
Assets and liabilities		
Current assets	1,523,708	1,608,233
Non-current assets	395,755	415,390
Total assets	1,919,463	2,023,623
Current liabilities	1,948,067	1,914,836
Non-current liabilities	63,451	230,305
Total liabilities	2,011,518	2,145,141
Net liabilities	(92,055)	(121,518)
Results		
Revenue	1,372,046	668,147
Profit/(loss) for the year	29,463	(129,509)

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

	2017 RM'000	2016 RM'000
Net (liabilities)/assets at 1 January	(121,518)	7,991
Profit/(loss) for the year	29,463	(129,509)
Net liabilities at 31 December	(92,055)	(121,518)
Interest in associate	20.77%	20.77%
Goodwill	162,724	162,724
Carrying value of Group's investment in associates	143,604	137,485

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN JOINT VENTURES

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	34,475	33,941
Cumulative share of post acquisition profits	71,851	52,611
Share of current year's post acquisition (loss)/profits	(13,458)	22,011
Less: Dividend paid (Note 36 (a))	(1,530)	(2,771)
	56,863	71,851
	91,338	105,792

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

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

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

Name of joint ventures	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
Held by BHIC Defence:				
BHIC Bofors Asia Sdn. Bhd.	Provision of integrated logistics support services on BOFORS weapons systems	RM1,000,000	51	51
BHIC AeroServices Sdn. Bhd. ("BHICAS")	To carry on business of maintenance, repair and overhaul of rotary and fixed wing aircraft	RM2,000,000	51	51
Boustead DCNS Naval Corporation Sdn. Bhd. ("BDNC")	Vessel maintenance	RM10,000,000	60	60
BYO Marine Sdn. Bhd. *	Construction of vessels	RM500,000	51	51
Contraves Advanced Devices Sdn. Bhd. ("CAD") *	Manufacturing of electronic products	RM5,000,000	51	51

NOTES TO THE FINANCIAL STATEMENTS

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

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

Name of joint ventures	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2017 %	2016 %
BHIC MSM Sdn. Bhd.	Provision of maintenance and repair of MTU products	RM1,000,000	60	60
Pyrotechnical Ordnance Malaysia Sdn. Bhd.	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	RM50,002	49	50
BHIC Systems Integration Sdn. Bhd.	To set-up, establish and run the activities relating to business of project management, contract administration, and related services for defense industry in Malaysia, especially but not limited to the Littoral Combat Ship ("LCS") for the Royal Malaysian Navy, Combat System Equipment and Combat Management System Procurement, Combat System Engineering and Combat System Integration activities	RM1,000,000	51	–
Held by CAD:				
Contraves Sdn. Bhd. *	Property rental	RM100,000	51	51
Contraves Electrodynamics Sdn. Bhd. *	Provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors, manufactures, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus	RM1,000,000	51	51

* Audited by firms other than Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(a) Incorporation of a new joint venture company

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

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

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

(c) 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

	2017		2016	
	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group				
Non-current assets	28,879	244,933	19,039	303,629
Cash and cash equivalent	203,350	186,742	348,745	296,419
Other current assets	459,863	275,274	226,262	83,129
Total current assets	663,213	462,016	575,007	379,548
Total assets	692,092	706,949	594,046	683,177
Current financial liabilities (excluding trade and other payables and provisions)	1,090	1,983	1,440	328
Trade and other payables and provisions	664,539	589,049	526,642	575,250
Total current liabilities	665,629	591,032	528,082	575,578
Non-current liabilities	–	7,770	1,084	10,185
Total liabilities	665,629	598,802	529,166	585,763
Net assets	26,463	108,147	64,880	97,414

NOTES TO THE FINANCIAL STATEMENTS

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

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

(ii) Summarised statements of comprehensive income

	2017		2016	
	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group				
Revenue	459,047	420,872	382,262	296,351
Depreciation	(471)	(73,556)	(444)	(36,930)
Interest income	5,237	6,818	2,222	9,856
Finance costs	(3)	(451)	(5)	(479)
(Loss)/profit before tax from continuing operations	(52,038)	13,095	28,232	16,735
Income tax expense	13,621	(2,362)	(1,606)	(7,156)
(Loss)/profit for the year representing total comprehensive (loss)/income for the year, net of tax	(38,417)	10,733	26,626	9,579

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

	2017		2016	
	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group				
Net assets at 1 January	64,880	97,414	38,254	87,835
(Loss)/profit for the year	(38,417)	10,733	26,626	9,579
Dividend	–	–	–	–
Net assets at 31 December	26,463	108,147	64,880	97,414
Interest in joint ventures (%)	60	51	60	51
Goodwill	–	3,849	–	3,849
Carrying value of Group's interest in joint ventures	15,878	59,004	38,928	53,530

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group	
	2017 RM'000	2016 RM'000
The Group's share of profit before tax	7,974	2,045
The Group's share of profit after tax, representing total comprehensive income	4,118	1,150

17. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Consumables		
At cost	2,713	2,982
At net realisable value	8,896	54,592
	11,609	57,574

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
Third parties	4,113	12,354	–	–
Due from related parties:				
– Associates	108,345	88,380	–	–
– Joint ventures	49,870	32,306	–	–
	162,328	133,040	–	–
Unbilled receivables due from:				
– Associates	22,598	27,992	–	–
– Joint ventures	17,500	17,500	–	–
Less: Allowance for impairment:				
– Third parties	(3,384)	(2,584)	–	–
Trade receivables, net	199,042	175,948	–	–

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables				
Due from related parties:				
– Subsidiaries	–	–	6,150	4,064
– Joint ventures	29,167	28,669	2	–
– Associates	562	300	253	157
– Related companies	48	93	–	–
Dividend receivable	–	–	45,500	64,500
	29,777	29,062	51,905	68,721
Deposits	995	9,594	2	–
Prepayments	213	132	–	–
Sundry receivables	3,478	2,354	–	–
Advances to suppliers	19,847	21,996	–	–
	54,310	63,138	51,907	68,721
Less: Allowance for impairment:				
– Subsidiaries	–	–	–	–
– Joint ventures	(10,555)	(9,920)	–	–
– Associates	(28)	(28)	–	–
– Other receivables	(338)	(323)	–	–
– Advance to supplier	(13,155)	(1,067)	–	–
	(24,076)	(11,338)	–	–
Other receivables, net	30,234	51,800	51,907	68,721
Total trade and other receivables	229,276	227,748	51,907	68,721
Total trade and other receivables	229,276	227,748	51,907	68,721
Add: Cash and bank balances (Note 20)	45,920	24,247	5,265	405
Less: Prepayments	(213)	(132)	–	–
Less: Advances to suppliers	(6,692)	(20,929)	–	–
Total loans and receivables	268,291	230,934	57,172	69,126

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	95,688	78,863
1 to 30 days past due not impaired	15,760	8,150
31 to 60 days past due not impaired	1,046	700
61 to 90 days past due not impaired	5,761	16
91 to 120 days past due not impaired	648	533
More than 121 days past due not impaired	40,041	42,194
Impaired	63,256 3,384	51,593 2,584
	162,328	133,040

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 RM63,256,000 (2016: RM51,593,000) 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, RM20,086,000 (2016: RM15,065,000) is due from a joint venture and RM19,695,000 (2016: RM23,901,000) is due from an associate which the Group expects to recover in full.

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	
	2017 RM'000	2016 RM'000
Trade receivables-nominal value	3,384	2,584
Less: Allowance for impairment	(3,384)	(2,584)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

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

Movement in allowance accounts:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	2,584	1,938
Charge for the year (Note 5)	946	646
Reversal of impairment loss (Note 5)	(146)	–
At 31 December	3,384	2,584

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 (2016: 30 days), extending up to 90 days (2016: 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 due from Government of Malaysia and related agencies amounted to RM130,763,090 (2016: RM103,972,000) at the reporting date.

Trade receivables are non-interest bearing.

(d) Amounts due from related parties

The related parties' balances bear weighted average effective interest rate of 5.5% (2016: 5.5%) per annum and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Other receivables

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables – nominal value	39,004	26,925	–	–
Less: Allowance for impairment	(24,076)	(11,338)	–	–
	14,928	15,587	–	–

Movement in allowance account:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	11,338	9,049	–	68,171
Charge for the year (Note 5)	12,738	2,289	–	–
Reversal of impairment losses (Note 5)	–	–	–	(68,171)
At 31 December	24,076	11,338	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

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

	Group	
	2017 RM'000	2016 RM'000
Aggregate cost incurred and recognised profit (less recognised losses) to date	1,029,705	1,135,557
Less: Progress billings	(1,020,910)	(1,119,756)
	8,795	15,801
Amounts due from customers on contracts	37,739	58,999
Amounts due to customers on contracts	(28,944)	(43,198)
	8,795	15,801

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

	Group	
	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 11)	66	13
Operating lease:		
– minimum lease payment for plant and equipment	50	65
Employee benefits expense (Note 6)	12,577	8,279

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

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

	Group	
	2017 RM'000	2016 RM'000
Contract revenue *	179,720	187,878
Long term and construction contract costs (Note 5)	96,516	28,704

* The contract revenue is derived from heavy engineering works and repair and maintenance works.

NOTES TO THE FINANCIAL STATEMENTS

20. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	11,000	1,000	5,000	–
Cash on hand and at banks	34,920	23,247	265	405
Total cash and bank balances	45,920	24,247	5,265	405

The amount of deposits placed with the financial institutions which are Government-related entities amount to RM45,451,000 (2016: RM23,861,000).

Other information on financial risks of cash and bank balances are disclosed in Note 29.

21. DISCONTINUED OPERATION

The discontinued operation relate to the Group's chartering segment which ceased operations in 2016 following the sale of the Group's chemical tankers which was completed on 6 May 2016.

Statement of comprehensive income disclosures

The results of the discontinued chartering segment for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017 RM'000	2016 RM'000
Revenue	–	5,965
Operating Costs	–	(10,074)
Result from operations	–	(4,109)
Interest income	–	271
Loss before tax	–	(3,838)
Taxation	–	27
Loss from discontinued operation, net of tax	–	(3,811)

Included in operating costs:

NOTES TO THE FINANCIAL STATEMENTS

21. DISCONTINUED OPERATION (CONT'D.)

Statement of comprehensive income disclosures (cont'd.)

	Group	
	2017 RM'000	2016 RM'000
Chartering business operating costs	–	5,168
Auditors' remuneration	–	36
Net foreign exchange gain	–	(2,087)
Loss on disposal of property, plant and equipment	–	4,927
Other operating costs	–	2,030
	–	10,074

Statement of cash flows disclosures

The cash flows attributable to the chartering segment for the year ended 31 December 2017 and 2016 are as follows:

	Group	
	2017 RM'000	2016 RM'000
Operating, representing net cash outflows	–	(1,872)
Investing representing net cash inflows	–	67,970
Financing representing net cash outflows	–	(67,890)
Net movement	–	(1,792)

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE CAPITAL

	Group and Company			
	Number of shares of RM1 each		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:				
As at 1 January/31 December	—*	500,000	—*	500,000
Issued and fully paid ordinary shares:				
As at 1 January/31 December	248,458	248,458	248,458	248,458

* As disclosed in Note 2.2, the new Companies Act 2016 which came into effect on 31 January 2017 abolished the concept of authorised share capital and the ordinary come shares do not have any par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. The ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

23. PROVISIONS

	Group RM'000	Company RM'000
Directors' fee		
At 1 January 2016	598	430
Additional of provision	685	535
Utilisation of provision	(598)	(430)
At 31 December 2016 /1 January 2017	685	535
Additional of provision	728	488
Utilisation of provision	(685)	(535)
At 31 December 2017	728	488

NOTES TO THE FINANCIAL STATEMENTS

24. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 25)	298	296	–	–
Term loan	1,120	1,120	–	–
	1,418	1,416	–	–
Unsecured:				
Revolving credits	220,000	245,000	170,000	195,000
	220,000	245,000	170,000	195,000
Total short term borrowings:				
Term loan	1,120	1,120	–	–
Hire purchase and finance lease liabilities (Note 25)	298	296	–	–
Revolving credits	220,000	245,000	170,000	195,000
	221,418	246,416	170,000	195,000
Long term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 25)	593	891	–	–
Term loan	5,806	6,926	–	–
	6,399	7,817	–	–
Total borrowings:				
Term loan	6,926	8,046	–	–
Hire purchase and finance lease liabilities (Note 25)	891	1,187	–	–
Revolving credits	220,000	245,000	170,000	195,000
	227,817	254,233	170,000	195,000

NOTES TO THE FINANCIAL STATEMENTS

24. LOANS AND BORROWINGS (CONT'D.)

Reconciliation of liabilities arising from financing activities

	Term loan RM'000	Hire purchase and finance lease liabilities RM'000	Revolving credits RM'000	Total RM'000
Group				
At 1 January 2016	8,046	1,187	245,000	254,233
Net repayment	(1,120)	(296)	(25,000)	(26,416)
At 31 December 2017	6,926	891	220,000	227,817
Company				
At 1 January 2016	–	–	195,000	195,000
Net repayment	–	–	(25,000)	(25,000)
At 31 December 2017	–	–	170,000	170,000

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

The maturity profile of hire purchase and finance lease liabilities is as disclosed in Note 25.

The term loan of the Group is secured against an investment property as disclosed in Note 12.

Other information on financial risks of loans and borrowings are disclosed in Note 29.

The outstanding amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM102,817,000 (2016: RM104,233,000).

NOTES TO THE FINANCIAL STATEMENTS

25. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2017 RM'000	2016 RM'000
Future minimum lease payments:		
Not later than 1 year	342	358
Later than 1 year but not later than 2 years	321	342
Later than 2 years but not later than 5 years	312	633
	975	1,333
Less: Future finance charges	(84)	(146)
	891	1,187
Analysis of present value of finance lease liabilities:		
Not later than 1 year	298	296
Later than 1 year but not later than 2 years	293	298
Later than 2 years but not later than 5 years	300	593
	891	1,187
Amount due within 12 months (Note 24)	(298)	(296)
Amount due after 12 months (Note 24)	593	891

The hire purchase liabilities are secured by a charge over the leased assets (Note 11 (a)). The average discount rate implicit in the leases is 5.81% per annum (2016: 5.77% per annum).

26. DEFERRED TAXATION

	Group	
	2017 RM'000	2016 RM'000
At 1 January	(19,398)	(18,815)
Recognised in profit or loss:		
– Continuing operations (Note 9)	280	(556)
– Discontinued operation (Note 21)	–	(27)
At 31 December	(19,118)	(19,398)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(19,167)	(19,447)
Deferred tax liabilities	49	49
	(19,118)	(19,398)

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAXATION (CONT'D.)

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

	Unused tax losses RM'000	Others RM'000	Total RM'000
Deferred tax assets			
At 1 January 2016	(20,755)	–	(20,755)
Recognised in profit or loss	(556)	–	(556)
At 31 December 2016 /1 January 2017	(21,311)	–	(21,311)
Recognised in profit or loss	3,850	(2,605)	1,245
At 31 December 2017	(17,461)	(2,605)	(20,066)

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2016	1,780	160	1,940
Recognised in profit or loss	(27)	–	(27)
At 31 December 2016 /1 January 2017	1,753	160	1,913
Recognised in profit or loss	(965)	–	(965)
At 31 December 2017	788	160	948

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Temporary differences arising from:				
– unused tax losses	(17,612)	(12,825)	(47)	(47)
– unabsorbed capital allowances	(86)	(81)	–	–
– others	(7,818)	(2,426)	(489)	(489)
	(25,516)	(15,332)	(536)	(536)

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

NOTES TO THE FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables				
Third parties	27,780	45,026	–	–
Due to related parties:				
– Associates	135	195	–	–
– Joint ventures	1,749	8,729	–	–
	29,664	53,950	–	–
Other payables				
Due to related parties:				
– Subsidiaries	–	–	6,000	843
– Holding company	1,407	1,557	48	149
– Joint ventures	2,158	2,156	–	–
– Associates	4,917	3,016	137	134
	8,482	6,729	6,185	1,126
Accruals	8,552	6,272	924	774
Sundry payables	6,932	7,377	–	125
	23,966	20,378	7,109	2,025
Total trade and other payables	53,630	74,328	7,109	2,025
Total trade and other payables	53,630	74,328	7,109	2,025
Add: Loans and borrowings (Note 24)	227,817	254,233	170,000	195,000
Total financial liabilities carried at amortised costs	281,447	328,561	177,109	197,025

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

(b) Non trade balances due to related parties.

The related parties' balances bear weighted average effective interest rate of 5.5% (2016: 5.5%) 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 36.

Other information on financial risks of trade and other payables are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

28. DIVIDEND

	Group and Company	
	2017 RM'000	2016 RM'000
Recognised in the financial year:		
Dividends on ordinary shares:		
– First single tier interim dividend of 3 sen per share	7,454	–
– Second single tier interim dividend of 2 sen per share	4,969	–
	12,423	–

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	More than 5 Years RM'000	Total RM'000
Group							
At 31 December 2017							
Fixed rate							
Hire purchase and finance lease liabilities	25	5.81%	(298)	(293)	(300)	–	(891)
Deposits with licensed banks	20	2.91%	11,000	–	–	–	11,000
Floating rate							
Term loan	24	5.50%	(1,120)	(1,120)	(3,360)	(1,326)	(6,926)
Revolving credits	24	5.56%	(220,000)	–	–	–	(220,000)
At 31 December 2016							
Fixed rate							
Hire purchase and finance lease liabilities	25	5.77%	(296)	(298)	(593)	–	(1,187)
Deposits with licensed banks	20	2.91%	1,000	–	–	–	1,000
Floating rate							
Term loan	24	5.50%	(1,120)	(1,120)	(3,360)	(2,446)	(8,046)
Revolving credits	24	5.26%	(245,000)	–	–	–	(245,000)

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	Total RM'000
Company						
At 31 December 2017						
Floating rate						
Revolving credits	24	5.62%	(170,000)	–	–	(170,000)
Deposits with licensed banks	20	2.91%	5,000	–	–	5,000
At 31 December 2016						
Floating rate						
Revolving credits	24	5.24%	(195,000)	–	–	(195,000)

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group and the Company's profit net of tax would have been RM851,000 (2016: RM949,000) and RM638,000 (2016: RM731,000) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

	←----- 2017 ----->			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables (Note 27)	53,630	–	–	53,630
Loans and borrowings	222,830	6,208	1,361	230,399
Total undiscounted financial liabilities	276,460	6,208	1,361	284,029
Company				
Financial liabilities				
Trade and other payables (Note 27)	7,109	–	–	7,109
Loans and borrowings	170,697	–	–	170,697
Total undiscounted financial liabilities	177,806	–	–	177,806
	←----- 2016 ----->			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables (Note 27)	74,328	–	–	74,328
Loans and borrowings	247,770	6,455	2,577	256,802
Total undiscounted financial liabilities	322,098	6,455	2,577	331,130

NOTES TO THE FINANCIAL STATEMENTS

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

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

	<----- 2016 ----->			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Company				
Financial liabilities				
Trade and other payables (Note 27)	2,025	-	-	2,025
Loans and borrowings	195,589	-	-	195,589
Total undiscounted financial liabilities	197,614	-	-	197,614

(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 2017 and 31 December 2016, 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 18.

NOTES TO THE FINANCIAL STATEMENTS

29. 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			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	199,042	100.0%	175,578	99.8%
Others	–	–	370	0.2%
	199,042	100.0%	175,948	100.0%
By industry sector:				
Defence and Security	197,283	99.1%	165,542	94.1%
Energy	–	–%	5,022	2.9%
Commercial	1,345	0.7%	4,677	2.7%
Chartering	414	0.2%	707	0.3%
	199,042	100.0%	175,948	100.0%

(d) Fair value of financial instruments

Determination of fair value

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

	Note
Trade and other receivables	18
Amounts due from subsidiaries, joint ventures, associate and related company	18
Loans and borrowings (current)	24
Trade and other payables	27
Amounts due to subsidiaries, joint ventures, associate and holding company	27

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

	Group			
	Carrying amount		Fair value	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial liabilities				
Interest bearing loans and borrowings, representing hire purchase and finance lease liabilities	(593)	(891)	(583)	(888)

The fair value of the Group's long term financial instruments are categorised as level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

(e) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, RM. The Group's policy is to minimise the exposure of overseas operating subsidiaries/activities to transaction risk by matching local currency income against local currency costs. The currencies giving rise to this risk are primarily the United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Great Britain Pound ("GBP"). Foreign exchange exposures are kept to an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM'000	Receivables RM'000	Payables RM'000	Total RM'000
At 31 December 2017				
USD	27	29	(652)	(596)
EUR	6,729	312	(10,121)	(3,080)
SGD	–	–	(694)	(694)
GBP	–	–	(143)	(143)
	6,756	341	(11,610)	(4,513)
At 31 December 2016				
USD	49	588	(1,192)	(555)
EUR	10,621	5,827	(12,061)	4,387
	10,670	6,415	(13,253)	3,832

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the USD, EUR, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group Profit/(loss) net of tax	
	2017 RM'000	2016 RM'000
USD/RM - strengthened 5%	(30)	(28)
- weakened 5%	30	28
EUR/RM - strengthened 5%	(154)	219
- weakened 5%	154	(219)
SGD/RM - strengthened 5%	(35)	–
- weakened 5%	35	–
GBP/RM - strengthened 5%	(7)	–
- weakened 5%	7	–

NOTES TO THE FINANCIAL STATEMENTS

30. 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 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 24) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 24) over the aggregate of the equity held by shareholders and non-controlling interests is 0.66 times (2016: 0.73 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.

31. SEGMENTAL INFORMATION

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

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

Included in the Defence and Security segment, the revenue of approximately RM255,391,000 (2016: RM282,701,000) is derived from two major customers.

The Group operates fully within Malaysia. The other segments are not reportable segments to be disclosed under the requirements of MFRS 8. Transfer pricing between operating segments are on arm's length basis. Inter-segment revenues are eliminated at consolidation level. The Group practises central fund management where surplus funds within the Group are on-lent, and the interest charge arising from such arrangements is eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS

31. SEGMENTAL INFORMATION (CONT'D.)

Management monitors the operating results of the three Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the tables blow.

	Defence and Security RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2017						
Group total sales	268,839	8,149	2,733	4,133	(6,207)	277,647
Inter-segment sales	(2,328)	–	(27)	(3,852)	6,207	–
External revenue	266,511	8,149	2,706	281	–	277,647
Results						
Segment result-external	76,292	7,660	(3,999)	(44,357)	(4,246)	31,350
Interest income	1,186	–	563	2,034	(2,997)	786
Finance costs	(199)	–	(1,319)	(14,693)	3,184	(13,027)
Share of result in joint ventures	(13,458)	–	–	–	–	(13,458)
Share of result in associates	6,119	–	–	–	–	6,119
Profit/(loss) before taxation from continuing operations	69,940	7,660	(4,755)	(57,016)	(4,059)	11,770
Income tax expense						(1,194)
Profit for the year from continuing operations, net of tax						10,576
Other Information						
Continuing operations						
Depreciation	5,500	–	254	1,654	–	7,408
Other non-cash expenses	12,738	–	1,346	1,640	–	15,724

NOTES TO THE FINANCIAL STATEMENTS

31. SEGMENTAL INFORMATION (CONT'D.)

	Defence and Security RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2016						
Group total sales	289,573	11,781	2,722	86,754	(83,312)	307,518
Inter-segment sales	(1,610)	–	(18)	(81,684)	83,312	–
External revenue	287,963	11,781	2,704	5,070	–	307,518
Results						
Segment result-external	115,942	5,333	(6,298)	(31,865)	18,060	101,172
Interest income	624	–	–	4,593	(3,125)	2,092
Finance costs	(355)	–	(1,170)	(18,238)	3,595	(16,168)
Share of result in joint ventures	22,011	–	–	–	–	22,011
Share of result in associates	(26,899)	–	–	–	–	(26,899)
Profit/(loss) before taxation from continuing operations	111,323	5,333	(7,468)	(45,510)	18,530	82,208
Income tax expense						(1,701)
Profit for the year from continuing operations , net of tax						80,507
Discontinued operation						
Loss from discontinued operation, net of tax	–	–	(3,811)	–	–	(3,811)
Profit net of tax						76,696
Other Information						
Continuing operations						
Depreciation	5,276	106	155	991	–	6,528
Other non-cash expenses	31,356	–	589	1,222	–	33,167
Discontinued operation						
Other non-cash expenses	–	–	4,927	–	–	4,927

Pursuant to the announcement made by the Company on 23 December 2015 to dispose off all three chemical tankers, the chartering segment has been classified as discontinued operation within the Commercial Division. Further details of the event is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

32. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

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

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

	Group	
	2017 RM'000	2016 RM'000
Future minimum rental payments:		
Not later than 1 year	2,478	2,424
Later than 1 year but not later than 5 years	5,662	3,982
Later than 5 years	9,201	9,201
	17,341	15,607

The lease payments recognised in profit or loss during the financial year are disclosed in Notes 5 and 19.

(b) The Group as lessor

The Group has entered into a commercial property lease for its investment property. The non-cancellable lease has a remaining lease term of ten years. The lease includes a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating lease at the reporting date is as follows:

	Group	
	2017 RM'000	2016 RM'000
Not later than 1 year	2,570	2,534
Later than 1 year but not later than 5 years	8,153	7,920
Later than 5 years	7,861	10,755
	18,584	21,209

NOTES TO THE FINANCIAL STATEMENTS

33. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Approved but not contracted for:				
- Property, plant and equipment	48,416	26,955	-	-
Approved and contracted for:				
- Property, plant and equipment	68	493	-	-

34. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

34. CONTINGENT LIABILITIES (CONT'D.)

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

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

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

Ipoh High Court have fixed the matter for case management on 28 March 2018.

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

(c) Liquidated Ascertained Damages

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

BDNC has made adequate provisions for the LD claim to the extent that it is deemed to be sufficient in the financial statements as at 31 December 2017 and no further losses is expected to be incurred. The provisions were made taking into consideration appropriate justifications and supporting documentations which were submitted to MINDEF for their consideration and approval.

35. SIGNIFICANT EVENTS

(a) Internal Reorganisation

On 21 August 2015, the Group announced the Internal Reorganisation of its corporate structure, in order to achieve better operational efficiencies, organisational clarity and focus on its core businesses. The Group structure is divided into three main distinct divisions namely the Defence and Security Division, Energy Division and Commercial Division. The Internal Reorganisation is not expected to have any material impact on the earnings of the Group for the financial year ended 31 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

35. SIGNIFICANT EVENTS (CONT'D.)

(b) Rightsizing

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

To date, a total of 160 (2016:149) personnel had accepted the mutual separation scheme offered by the Group as at to date with a total actual payment of approximately RM9.3 million (2016:RM8.3 million).

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

36. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income				
Subsidiaries	–	–	220	6,399
Government-related financial institutions	179	394	39	56
Joint ventures	56	31	–	–
Dividend income				
Joint ventures (Note 16)	1,530	2,771	–	–
Subsidiary	–	–	28,000	70,000
Sales of goods/Rendering of services				
Associates	113,075	158,959	–	–
Joint ventures	147,009	103,287	–	–
Purchases of goods/Rendering of services				
Immediate holding company	1,002	368	–	–
Related companies	1,486	2,988	–	–
Joint ventures	102	235	–	–
Associates	1,410	2,695	–	–
Management fees				
Joint venture	281	372	–	–
Rental income				
Joint venture	3,347	3,343	–	–
Interest expense paid to:				
Subsidiaries	–	–	134	91
Government-related financial institutions	5,414	7,377	4,384	6,254

NOTES TO THE FINANCIAL STATEMENTS

36. RELATED PARTY DISCLOSURES (CONT'D.)

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

The directors are of the opinion that the above transactions are entered in the normal course of business and at standard commercial terms mutually agreed between the parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Notes 18 and 27.

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	6,201	6,440	801	1,024
Defined contribution plan	748	749	61	68
Others	1,451	1,266	785	688
	8,400	8,455	1,647	1,780
Included in the total key management personnel are:				
Directors' remuneration (Note 7)	600	939	513	858

(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 Ministry of Defence ("MINDEF") to undertake In Service Support ("ISS") for 2 Royal Malaysian Navy's Prime Minister Class Scorpene Submarines for EUR193.0 million (RM870.0 million equivalent) and RM532.0 million and is effective until 30 November 2016. The contract was finalised on 3 September 2015.

NOTES TO THE FINANCIAL STATEMENTS

36. RELATED PARTY DISCLOSURES (CONT'D.)

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

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

- On 12 October 2015, BDNC has received and accepted an additional Letter of Acceptance from MINDEF dated 29 September 2015, with a revised and final negotiated price of the Extended Contract of RM153.2 million and EUR70.3 million and a revised tenure to 31 March 2018.
- On 19 April 2016, BDNC signed an agreement with the Government of Malaysia ("GOM") for the provision of REFIT services for 2 units of Prime Minister's Class Submarines for the Royal Malaysian Navy at a total dual currency contract price of EUR169.9 million and RM432.4 million (inclusive of Goods and Services Tax), effective from 1 November 2015.
- On 16 December 2011, BN Shipyard, an associate of the Group, received a letter of award from the MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of "Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class)" ("LCS") at a contract value of RM9.0 billion. The contract was finalised on 17 July 2015.
- On 23 March 2017, BN Shipyard signed an agreement with the Government of Malaysia for the supply of 4 units of Littoral Mission Ship in collaboration with a Partner Shipyard in China at a contract value of RM1.17 billion (inclusive of Goods and Services Tax).
- BHICAS, a joint venture of the Group, received a letter of award on 30 January 2013 for the ISS for 6 Royal Malaysian Navy helicopters (Fennec AS555SN) at a contract value of RM32.0 million for a period of 3 years from the date of acceptance of the award. On 18 February 2016, BHICAS received and accepted the Extended Letter of Award ("Extended LOA") from the MINDEF for the extension of obligations in relation to said ISS Contract the Royal Malaysian Navy with the consideration under the first letter of award and the Extended LOA is now revised to RM63.2 million only, excluding Goods and Services Tax. The Extended LOA is for a period of 3 years starting from 7 February 2016.
- BHICAS, a joint venture of the Group, received a letter of award on 26 June 2013 for the Integrated Maintenance and Logistic Support Services for 3 Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters for a period of 3 years from the date of acceptance of the award at a ceiling contract value of RM65.0 million. On 12 October 2016, BHICAS has received and accepted a Letter of Acceptance from the GOM for the provision of Integrated Maintenance and Logistic Support Services for three (3) units of Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters at a ceiling contract value of RM62.6 million (inclusive of Goods and Services Tax) and for a period of two (2) years and nine (9) months, effective from 1 October 2016.
- BHICAS, a joint venture of the Group, received a letter of award on 20 March 2014 for the ISS contract for the maintenance and supply of spare parts for the Royal Malaysian Air Force EC725 Helicopters at a contract value of RM220.0 million for a period of 3 years from the date of acceptance of the award. On 20 July 2017, BHICAS received an LOA for the extension of this contract until 31 March 2020 with an additional contract value of RM220.0 million.

37. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 1 March 2018.

SHAREHOLDING STATISTICS

AS AT 15 FEBRUARY 2018

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of holders	%	No. of shares	%
1 – 99	1,058	29.30	17,046	0.01
100 – 1,000	1,054	29.19	560,719	0.22
1,001 – 10,000	1,109	30.71	4,817,301	1.94
10,001 – 100,000	322	8.92	10,197,900	4.10
100,001 – 12,422,879 (*)	65	1.80	32,454,100	13.06
12,422,880 and above (**)	3	0.08	200,410,548	80.66
Total	3,611	100.00	248,457,614	100.00

Remark : * - less than 5% of issued shares

** - 5% And above of issued shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

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

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	2,002,100	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 SHAREHOLDERS

AS AT 15 FEBRUARY 2018

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	161,497,448	65.00
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,266,800	8.16
3	LEMBAGA TABUNG HAJI	18,646,300	7.50
4	TAN HAN CHONG	3,072,000	1.24
5	WONG AH TIM @ ONG AH TIN	2,787,000	1.12
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	2,083,400	0.84
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)	2,000,000	0.80
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)	2,000,000	0.80
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN (8029271)	2,000,000	0.80
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)	1,801,300	0.72
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)	992,000	0.40
12	B & A FAMILY HOLDINGS SDN BHD	900,000	0.36
13	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	810,000	0.32
14	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW KWAI PING	760,500	0.30
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	702,300	0.28

LIST OF TOP 30 SHAREHOLDERS

Name of shareholders	No. of shares	%
16 TAN CHING LING	572,400	0.23
17 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)	424,000	0.17
18 TAN LEE HWA	390,000	0.16
19 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)	388,600	0.16
20 MAVIS TAN KENG MUN	383,000	0.15
21 ONG TONG PHENG @ ENG AH TOON	376,000	0.15
22 RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AGROMEGAH CORPORATION SDN BHD	366,800	0.15
23 AZZAT BIN KAMALUDIN	350,000	0.14
24 CHAN YOKE CHENG	350,000	0.14
25 GONG WEE NING	345,700	0.14
26 RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (CEB)	340,000	0.14
27 LAI YOON KEE	336,000	0.14
28 KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RITZ CREST SDN BHD	331,000	0.13
29 KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AGROBULK HOLDINGS SDN BHD	324,300	0.13
30 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (8037673)	322,000	0.13
Total	225,918,848	90.93

LIST OF PROPERTIES

Location	Description	Areas	Tenure	Age	Net book value RM'000
LAND					
Pajakan Negeri No. 649 Lot No. 3222 Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyard	20.21 acres	Leasehold expiring on 24/01/2072	46 years	20,687
HSD 6981 Lot No. 9777 Mukim 13 Daerah Timur Laut Pulau Pinang	Reclaimed land for the extension of the area of the shipyard	5.5 acres	Leasehold expiring on 24/01/2072	46 years	1,459
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	17 years	–
HSM 3558 Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang	Building	0.8 acre	Leasehold expiring on 15/11/2073	4 years	–
INVESTMENT PROPERTY					
Master Title No. Geran 19583 Lot No. 1210 Mukim Damansara Daerah Petaling Selangor	Helicopter Hangar Building	1.0 acre	20 years, sublease expiring on 14/04/2033 with an option to renew for a further term of 10 years	5 years	13,362

NOTES :

The Group purchased two (2) pieces of land at Kota Kinabalu, Sabah and Bentong, Pahang with total cost of RM19.7 million. The transfer of land titles are still in progress.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Wednesday, 11 April 2018 at 2.30 p.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors.
2. To re-elect the following Directors who retire by rotation in accordance with Article 77 of the Company's Constitution, and being eligible, offer themselves for re-election:-
 - (i) Tan Sri Dato' Seri Lodin Wok Kamaruddin
 - (ii) Abd Malik A Rahman
3. To approve the payment of Directors' benefits as follows:-
 - (i) Directors' meeting allowances to each Director of RM1,000 for each attendance at Board Meeting and Board Committee Meeting of the Company and/or its subsidiaries from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting; and
 - (ii) A fee of RM45,000 per annum for the Chairman and RM36,000 per annum for each of the other Directors for membership on the Board of a functional subsidiary for the financial year ended 31 December 2017.
4. To approve the payment of Directors' fees of RM475,000 for the financial year ended 31 December 2017.
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors.

(Please refer Note 1)

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

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

(A) AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016

“THAT pursuant to Section 75 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

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

“THAT, subject always to the Companies Act 2016 (Act), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and his hereby given for the renewal of the mandate granted by the shareholders of the Company on 5 April 2017, authorising the Company and/or its subsidiaries to enter into recurrent transactions of a revenue or trading nature with the Related Parties as specified in Section 2.4.1 of the Circular to Shareholders dated 13 March 2018, provided that the transactions are:

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

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

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is earlier.

Ordinary Resolution 7

Ordinary Resolution 8

NOTICE OF ANNUAL GENERAL MEETING

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

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

"THAT, subject always to the Companies Act 2016 (Act), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the additional transactions involving the Related Parties as specified in Section 2.4.2 of the Circular to Shareholders dated 13 March 2018, provided that the transactions are:

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

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

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is earlier.

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

(D) PROPOSED RETENTION OF INDEPENDENT DIRECTORS

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

Ordinary Resolution 9

Ordinary Resolution 10

(ii) "THAT subject to the passing of Ordinary Resolution 2, Abd Malik A. Rahman be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director notwithstanding that he has been on the Board of the Company for a cumulative term of more than nine (9) years"

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

By Order of the Board

LILYROHAYU AB HAMID @ KASSIM

SUZANA SANUDIN

Company Secretaries

Kuala Lumpur

13 March 2018

Ordinary Resolution 11

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. Audited Financial Statements

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

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

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

Directors who are standing for re-election pursuant to Article 77 of the Company's Constitution are as follows:

- (i) Tan Sri Dato' Seri Lodin Wok Kamaruddin
- (iii) Abd Malik A Rahman

The Nominating Committee (NC) of the Company has assessed the criteria and contribution of Tan Sri Dato' Seri Lodin Wok Kamaruddin and Abd Malik A Rahman and recommended for their re-election. The Board endorsed the NC's recommendation that Tan Sri Dato' Seri Lodin Wok Kamaruddin and Abd Malik A Rahman be re-elected as Directors of the Company.

3. Ordinary Resolutions 3 to 5 – Directors' Remuneration

Section 230(1) of the Companies Act 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

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

- **Ordinary Resolution 3** on payment of Directors' meeting allowances to each Director of RM1,000 for each attendance at Board Meeting and Board Committee Meeting of the Company and/or its subsidiaries from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting; and
- **Ordinary Resolution 4** on payment of a fee to the Chairman of RM45,000 per annum and RM36,000 per annum to each of the other Directors for membership on the Board of a functional subsidiary for the financial year ended 31 December 2017.
- **Ordinary Resolution 5** on payment of Directors' fees of RM475,000 for the financial year ended 31 December 2017.

The current fees structure of the Directors of the Company is follows:-

(a) Boustead Heavy Industries Corporation Berhad

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

(b) Subsidiaries

Name	Position Held	Fee Type	Amount (RM)
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Boustead Penang Shipyard Sdn Bhd		
	Chairman	Directors' Fee (annual) Meeting Allowance – per meeting	45,000 1,000
1. Tan Sri Dato' Seri Ahmad Ramli 2. Datuk Azzat Kamaludin 3. Dato' Ishak Osman 4. Abd Malik A Rahman	Boustead Penang Shipyard Sdn Bhd		
	Member	Directors' Fee (annual) Meeting Allowance – per meeting	36,000 1,000
Abd Malik A Rahman	BHIC Shipbuilding & Engineering Sdn Bhd		
	Member	Meeting Allowance – per meeting	1,000

4. Ordinary Resolution 6 – Re-appointment of Auditors

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

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

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

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

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 were issued pursuant to the authority granted to the Directors at the Forty-Fifth Annual General Meeting held on 5 April 2017, the mandate of which will lapse at the conclusion of the Forty-Sixth Annual General Meeting to be held on 11 April 2018.

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

Ordinary Resolutions 8 and 9, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

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

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

8. Appointment of Proxy

- a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.
- c) A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- e) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- f) Only members registered in the Record of Depositors as at 2 April 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
- g) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

PROXY FORM

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

Number of shares

*I/We _____ *NRIC/*Passport/*Company No. _____
[FULL NAME IN BLOCK LETTERS]

of _____
[ADDRESS]

being a member of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**, hereby appoint

_____ *NRIC/*Passport/*Company No. _____
[FULL NAME IN BLOCK LETTERS]

of _____
[ADDRESS]

and/or _____ *NRIC/*Passport/*Company No. _____
[FULL NAME IN BLOCK LETTERS]

of _____
[ADDRESS]

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for my/our behalf at the 46th Annual General Meeting of the Company to be held at **Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 11 April 2018 at 2.30 p.m.** and at any adjournment thereof and to vote as indicated below:-

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

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 2018

Signature of Member or Common Seal

No. of ordinary shares held:

CDS account no. of authorised nominee:

Proportion of shareholdings First Proxy: _____%
to be represented by proxies Second Proxy: _____%

Contact No.:

Notes:

- Only depositors whose names appear in the Record of Depositors as at 2 April 2018 shall be regarded as members and entitled to attend, speak and vote at the meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company and a member may appoint any persons to be his proxy.
- A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

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Affix Stamp
Here

Share Registrar of Boustead Heavy Industries Corporation Berhad

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

Fold here

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