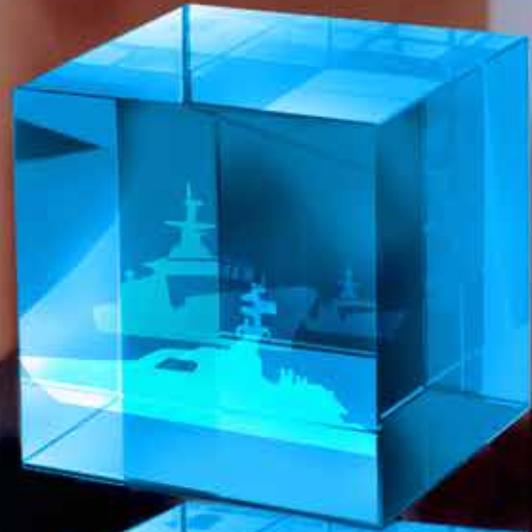




**Boustead Heavy Industries
Corporation Berhad**

(A member of Boustead Group)



REBUILDING FOR A STRONGER FUTURE

INTEGRATED REPORT 2022

51st

Annual General Meeting



Broadcast Venue

Amphitheatre

Level 23, The Bousteador
No. 10 Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya

Online Platform

TIIH Online Website at

<https://tiih.online> with Remote

Participation and Voting Facilities



Date

Tuesday, 13 June 2023



Time

9.30 a.m.

INSIDE THIS REPORT

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD INTEGRATED REPORT 2022

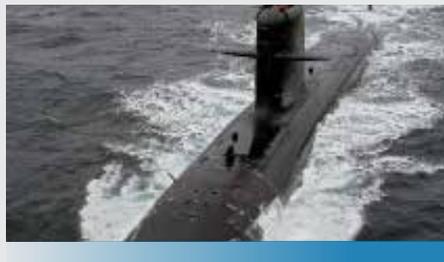
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Statement from the Board



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Chief Executive Officer's Statement



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Chief Financial Officer's Statement



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INTEGRATED REPORT 2022 COVER RATIONALE



At Boustead Heavy Industries Corporation Berhad (BHIC), we recognise the importance of strong fundamentals in rebuilding for a stronger future. To that end, we have embraced technology-driven solutions to optimise our operations, improve our offerings and enhance our ability to deliver projects on time and within budget. By consolidating our position in the market and building on our core competencies, we aim to be the go-to partner for our customers. Our goal is to position ourselves as an industry leader, delivering innovative products and services that meet the evolving needs of our customers while maintaining a culture of excellence and accountability.

ABOUT THIS REPORT

INTEGRATED REPORTING APPROACH

In line with our continued efforts to enhance transparency and engage with our stakeholders, Boustead Heavy Industries Corporation Berhad (BHIC) implemented an integrated reporting format in financial year 2021. Supporting our Reinventing Boustead strategy, we believe that maintaining this approach allows us to provide a comprehensive understanding of our financial and non-financial performance, operations, values, risks, opportunities and strategies to our valued stakeholders.

In our commitment to continuously improve user experience, we have incorporated icons and links throughout the report for ease of navigation and to effectively communicate our efforts in creating short, mid, and long-term value through our activities.

SCOPE AND BOUNDARY OF REPORTING

This report details the activities, initiatives and notable events that occurred throughout the 2022 financial year, spanning from 1 January to 31 December, 2022, unless specified otherwise. Adhering to the Malaysian Financial Reporting Standards (MFRS), this report encompasses all entities within the BHIC Group where we hold a substantial interest and majority ownership.

ASSURANCE

The entirety of this report has been carefully reviewed and approved by the Board of Directors. Furthermore, our external auditors, Messrs. Ernst & Young PLT, have ensured the accuracy of all financial data included in this report.

FORWARD-LOOKING STATEMENTS

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

MATERIALITY

This report highlights the material matters identified by our Board of Directors with support from the Management that are deemed essential to our ability to generate value and accomplish our fundamental business objectives. The identification of these significant issues considered both internal and external factors, as well as the needs, expectations and concerns of our stakeholders alongside BHIC's strategic priorities.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors recognises its responsibility in ensuring the accuracy and reliability of BHIC's Integrated Report 2022. We believe that the report provides a fair assessment of the Group's performance and covers all essential material issues that contribute to our value creation. This report was approved by the Board on 25 April 2023.

CROSS REFERENCES



Our reporting suite can be accessed online at

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

REPORTING FRAMEWORK

In the preparation of this report, we were guided by various frameworks and regulations to ensure compliance and transparency. These include:

- The International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC)
- The Main Market Listing Requirements (MMLR) of Bursa Malaysia Berhad (Bursa Malaysia)
- The Malaysian Code on Corporate Governance (MCCG) as of 28 April 2021 issued by the Securities Commission Malaysia
- The Companies Act 2016 (CA 2016)
- The Malaysian Financial Reporting Standards (MFRS) and the International Financial Reporting Standards (IFRS)

Additionally, our Sustainability Statement was developed as guided by the following frameworks and indicators:

- Bursa Malaysia Sustainability Reporting Guide
- United Nations' Sustainable Development Goals (UN SDGs)
- The Global Reporting Initiative (GRI) Standards (Core)

NAVIGATION ICONS

OUR KEY RESOURCES

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

STAKEHOLDERS

- Shareholders and Investors
- Employees and Workers unions
- Customers
- Vendors and Suppliers
- Regulatory Authorities
- Local Communities

MATERIAL MATTERS

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

KEY RISKS

- Liquidity & Funding Risk
- Legal Risk
- Human Resources Planning & Development Risk
- ICT Data Security & Protection Risk

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)



OVERVIEW

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SECTION

01



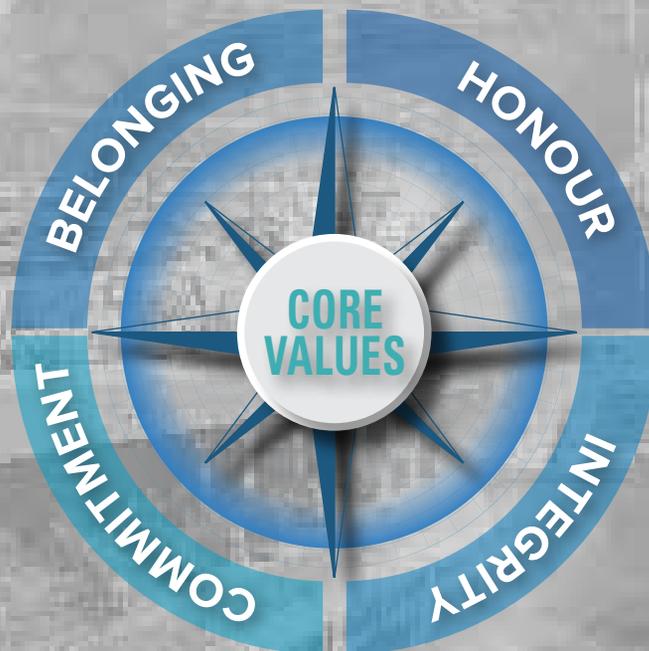
VISION

- ▶ The leading maritime and defence solutions provider

MISSION

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

OVERVIEW OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD



WHO WE ARE

Listed on Bursa Malaysia Berhad since 2007, Boustead Heavy Industries Corporation Berhad (BHIC) is one of the leading defence contractors in Malaysia, with a primary focus on the marine, aerospace and weapons and combat systems sectors. BHIC ended the 2022 financial year with a market capitalisation of RM103.1 million, total assets of RM484.9 million and shareholders' funds amounting to RM60.7 million. BHIC is primarily engaged in the following areas:

Shipbuilding,
with speciality in
naval and
commercial
vessels

Ship repair
including maintenance,
repair and overhaul
(MRO) of **military**,
commercial and
private vessels

MRO of electronics,
electrical and **control**
systems, engines,
communication
equipment, weapons
and **combat**
systems

MRO of
submarines
and
helicopters

Manufacturing of
aerospace
components

Maritime
and **aviation**
training

Management of
integrated
logistics
support

BHIC is a subsidiary of Boustead Holdings Berhad, a publicly-listed conglomerate under the Armed Forces Funds Board (Lembaga Tabung Angkatan Tentera).

TOTAL ASSETS

RM484.9 MILLION

REVENUE

RM141.8 MILLION

MARKET CAPITAL

RM103.1 MILLION

KEY HIGHLIGHTS

FINANCIAL HIGHLIGHTS



(LOSS)/EARNINGS PER SHARE

(8.02)
SEN

(2021: 6.11 Sen)



SHAREHOLDERS' EQUITY

60.7
MILLION

(2021: 80.6 Million)



NET ASSETS PER SHARE

24
SEN

(2021: 32 Sen)



(LOSS)/PROFIT AFTER TAXATION

RM(19.9)
MILLION

(2021: RM15.2 Million)



BORROWINGS

RM246.0
MILLION

(2021: RM287.4 Million)



EBITDA

RM13.4
MILLION

(2021: RM37.0 Million)

BUSINESS HIGHLIGHTS

Completion of Submarine Facilities Upkeep services valued at **RM78.1 million** for the Royal Malaysian Navy (RMN)

Completion of Fourth Supplementary Contract in relation to the Contract for the **Core Maintenance Services** for RMN's Scorpene Class Submarines

Littoral Mission Ship **Logistics Support Training** provided to RMN

Completion of MRO works on **RMN's KD MAHAWANGSA, KD LEKIR, KD HANG TUAH and KD GAGAH SAMUDERA**

Signing of fifth supplementary contract for the procurement of **Littoral Combat Ships (LCS)**

Award of contract valued at **RM15.7 million** to undertake supply and delivery of spare maintenance and training for Bofors 57mm/L70 guns of RMN

Award of the first increment to the present In-Service Support (ISS) contract with Royal Malaysian Air Force (RMAF) amounting to **RM43.0 million**

Award by RMAF a contract for the maintenance of the **EC725 emergency batteries, evaporator and high-power module (air-cond)**

Completion of MRO works on **8 Government vessels, 3 Fast Interceptor Crafts, 17 passenger ferries and 53 white boats**

KEY HIGHLIGHTS

SUSTAINABILITY HIGHLIGHTS

ECONOMIC

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

Created business opportunities and competencies enhancement for 36 SMEs through our **Vendor Development Programme**

Registered **2,604 vendors** of which 1,983 are local companies

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

95.2% Continuous Improvement projects completed with **RM 1.9** million cost saving

Zero corruption incidents reported

ENVIRONMENTAL



Continuation of **e-waste recycling** initiative



2.3% increase in water consumption year on year



Scope 1 and Scope 2 GHG emissions increased by **116.4%** and **10.8%** respectively

SOCIAL

Employee demographic:
Male: 78%
Female: 22%

72% of employees
 are aged 30-50 years

Total expenditure for training
 and development
RM0.3 million

Lost time injury (LTI):
8 incidents

Zero fatalities
 recorded throughout Group

3 internal safety audits and
218 workplace inspections
 conducted

Donations to **higher learning institutions, schools and welfare homes** and **blood donation**

Diversity
45% women
 on Board of Directors

Contributions and sponsorship to **hospitals, tahfiz students, orphans** and **government agencies** during festivities

AWARDS AND RECOGNITION



BHIC Submarine Engineering Services Sdn Bhd (BSES)

- Commuting Safety Support Programmes (CSSP) MIROS
- Myskill IoT Programme - MPC

BHIC Marine Technology Academy Sdn Bhd (BMTA)

- Malaysia Board of Technologist (MBOT) CPD Training Centre Provider

BHIC AeroServices Sdn Bhd (BHICAS)

- Recognition from RMAF on 100% availability of EC725 on the flight line
- Approved Airbus Helicopter Maintenance Centre
- Approved Maintenance Organisation for EC725

Boustead DCNS Naval Corporation Sdn Bhd (BDNC)

- Excellent Employer 2022 by the Employees' Provident Fund (EPF)

WHAT WE DO

Our primary focus is on MRO. Apart from our key client, RMN, we also cater to commercial shipowners, the oil and gas industry and private vessel owners. Additionally, we offer a range of helicopter-related MRO services to the RMAF, RMN and the Malaysian Maritime Enforcement Agency (MMEA). We also provide the Malaysian Armed Forces with MRO services in the weapons and combat systems sectors.



MARINE



We play a key role in protecting Malaysia's maritime security by building and maintaining RMN vessels. Within the marine sector, our business units are engaged in three primary activities comprising shipbuilding, ship repair and MRO services.

- ➔ BSES and BDNC are responsible for providing ISS and Refit services for RMN submarines
- ➔ At Boustead Naval Shipyard Sdn Bhd (BNS), our team of MRO experts have a long-established history of successfully managing a wide range of naval and commercial vessels



AEROSPACE



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

- ➔ BHIC AeroServices Sdn Bhd (BHICAS) which provides helicopter MRO services to Malaysian Government agencies namely Royal Malaysian Air Force (RMAF), Royal Malaysian Navy (RMN) and Malaysia Maritime Enforcement Agency (MMEA)
- ➔ Airbus Helicopters Simulation Center Sdn Bhd (AHSC) which provides flight training via simulator and aviation training programmes



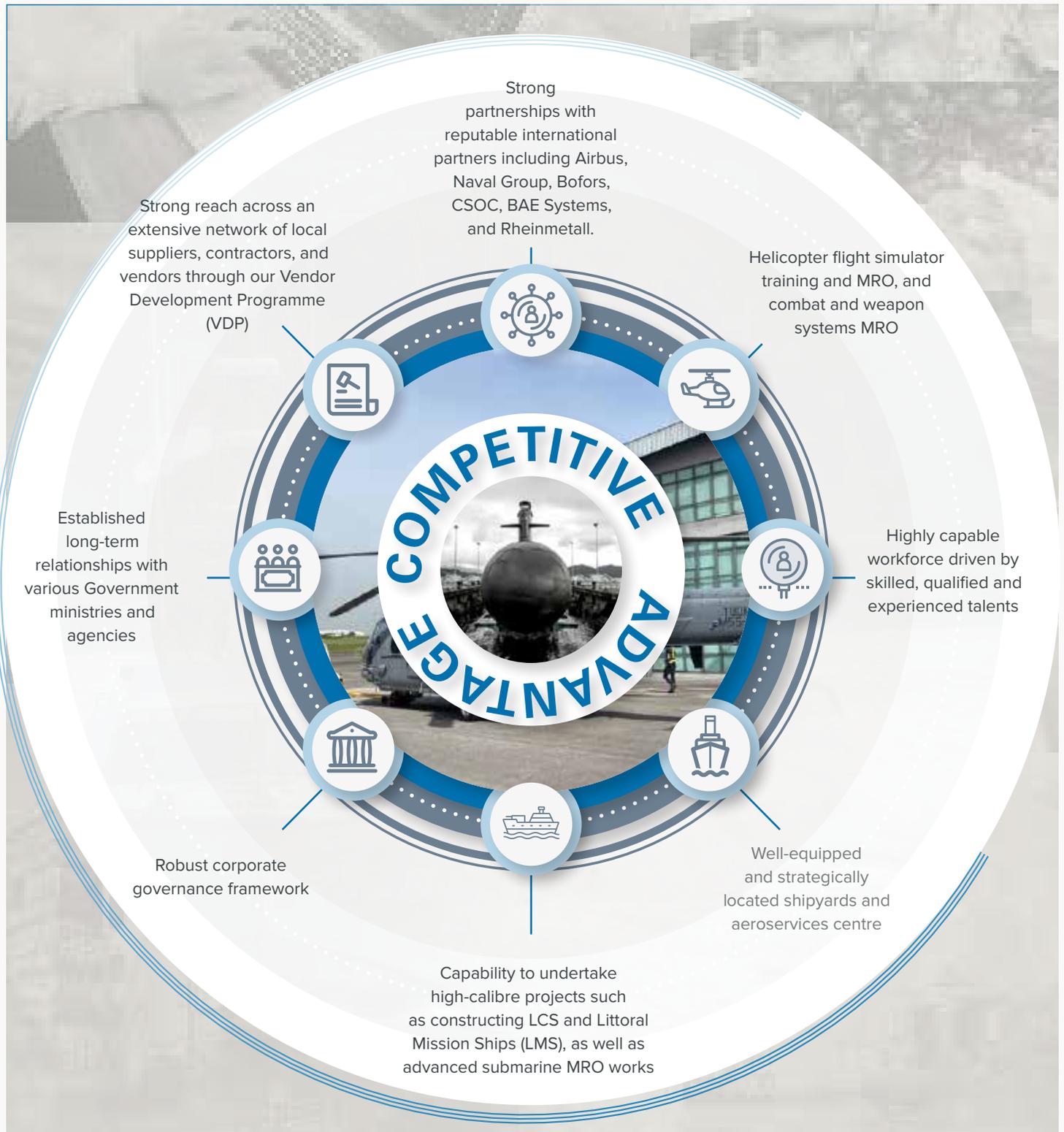
WEAPONS AND COMBAT SYSTEMS



In the Weapons and Combat Systems sector, we provide a range of services through these companies :

- ➔ BHIC Defence Techservices Sdn Bhd (BDTS) which undertakes MRO of naval guns and integration of combat systems on RMN ships
- ➔ BHIC Bofors Asia Sdn Bhd (BBA) which provides maintenance services for Bofors guns on RMN ships

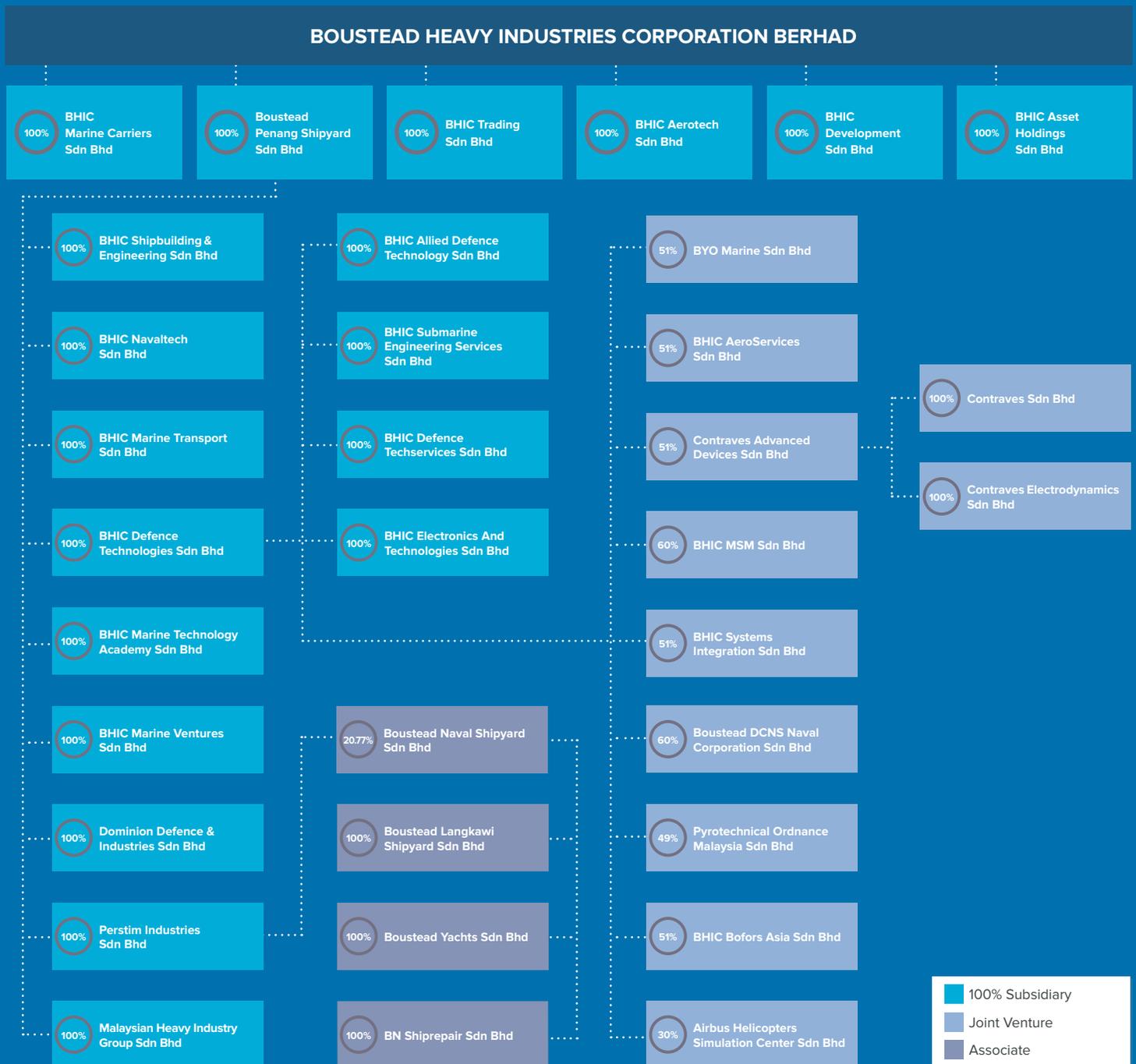
OUR COMPETITIVE ADVANTAGE



GROUP STRUCTURE



Boustead Heavy Industries Corporation Berhad



WHERE WE OPERATE



1



KUALA LUMPUR
CORPORATE HEADQUARTERS

2



SUBANG, SELANGOR
BHIC AeroServices Sdn Bhd
Airbus Helicopters
Simulation Center
Sdn Bhd

3



CYBERJAYA,
SELANGOR
Contraves Advanced
Devices Sdn Bhd

4



BATU BERENDAM,
MELAKA
Contraves Advanced
Devices Sdn Bhd

5

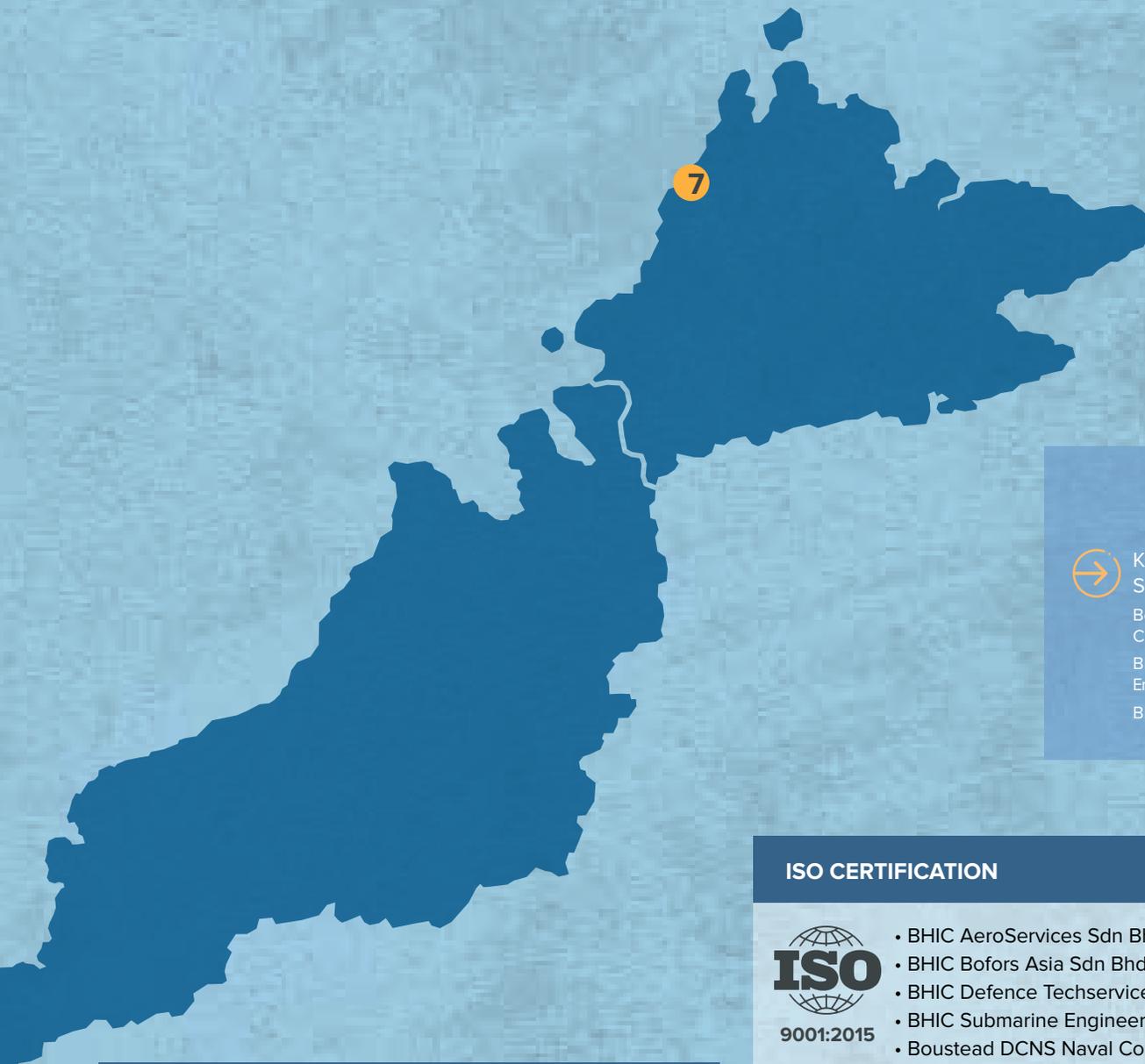


LUMUT, PERAK
Boustead Naval Shipyard
Sdn Bhd
BHIC Marine Technology
Academy Sdn Bhd
BHIC Bofors Asia Sdn Bhd
BHIC Defence
Techservices Sdn Bhd

6



LANGKAWI, KEDAH
Boustead Langkawi
Shipyard Sdn Bhd



7

KOTA KINABALU, SABAH
 Boustead DCNS Naval Corporation Sdn Bhd
 BHIC Submarine Engineering Services Sdn Bhd
 BHIC Bofors Asia Sdn Bhd

STRATEGIC ALLIANCES & COLLABORATIONS

 MINISTRY OF DEFENCE	 ROYAL MALAYSIAN NAVY	 ROYAL MALAYSIAN AIR FORCE	 MINISTRY OF FINANCE
 MMEA	 CSOC	 BAE SYSTEMS	 STRIDE
 AIRBUS	 NAVAL GROUP	 RHEINMETALL	 BOFORS

ISO CERTIFICATION

ISO 9001:2015

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

ISO 45001:2018

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

ISO 37001:2016

- Boustead DCNS Naval Corporation Sdn Bhd

CORPORATE MILESTONES

2007

Listed on Kuala Lumpur Stock Exchange

2009

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



2011

Award of RM9.1 billion contract for the construction of six units of LCS for RMN to BNS

2013

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

2016

- Award of three-year contract extension to provide In-Service Support to RMN's helicopters to BHICAS, bringing the contract value to RM63.2 million from its initial value of RM32.4 million
- Award of RM15.0 million contract for the maintenance and supply of parts for Skyguard radar and 35mm Oerlikon anti-aircraft gun used by the Malaysian Armed Forces to BDTS
- Award of RM62.5 million contract for the Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

2015

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

2014

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

2017

- Award of RM1.2 billion contract to build four units of LMS for RMN to BNS
- 3 years contract extension worth RM215.0 million for the ISS for RMAF EC725 helicopters to BHICAS

2018

- Award of RM44.8 million contract to maintain and upgrade Combat Management System (CMS) for RMN to BNS

2019

- Award of one-year contract extension for the provision of integrated maintenance and logistics support services of MMEA Dauphin AS365N3 helicopters worth RM62.6 million to BHICAS
- Delivery of 1 unit of LMS to RMN

2020

- Award of three-year contract extension with an additional ceiling contract value of RM113.2 million to maintain and supply spares for RMAF EC725 helicopters via In-Service Support to BHICAS
- One year contract extension worth RM8.1 million for the Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

2022

- Signing of fifth supplementary contract for the procurement of LCS between Ministry of Defence (MinDef) and BNS
- Award of contract valued at RM15.7 million to BBA to undertake supply and delivery of spares, maintenance and training for Bofors 57MM/L70 guns for RMN
- Award of the first increment to the present ISS contract with RMAF valued at RM43.0 million to BHICAS
- Award of the additional letter of acceptance from MinDef for the provision of ISS for Prime Minister's Class Submarines for RMN valued at RM79.3 million to BDNC

2021

- Delivery of 3 units of LMS to RMN
- One year contract extension valued at RM25.2 million for Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS
- Successful integration of new navigation radar with the existing Combat Management System onboard 6 KEDAH class RMN ships by BDTS



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SECTION

02



STATEMENT FROM THE BOARD



Dear Valued Shareholder,

Boustead Heavy Industries Corporation Berhad (BHIC or the Group) experienced a difficult year as we contended with various challenges. Nevertheless, we persevered in upholding our established role in the defense, security and marine industries in Malaysia, pursuing revenue generation opportunities to mitigate the impact.

This Statement has been jointly developed by the Board of Directors of BHIC.

OUR OPERATING LANDSCAPE

While the COVID-19 pandemic transitioned towards the endemic phase in 2022, the global economy remained turbulent due to rising inflation, supply chain disruptions and ongoing geopolitical tensions. Nevertheless, the Malaysian economy saw encouraging growth of 8.7% during the year, arising from better domestic demand as well as recovery in the labour market.

FINANCIAL PERFORMANCE

The Group registered a loss after tax of RM19.9 million for the financial year ended 31 December 2022. This was mainly attributable to higher allowances for expected credit loss and increased finance cost.

Despite this, we continued to leverage our capabilities in shipbuilding and maintenance, repair and overhaul (MRO) activities, with completion of submarine contracts for the Royal Malaysian Navy (RMN) and MRO projects during the year. This allowed us to deliver a revenue of RM141.8 million, representing a slight decline from RM149.2 million in the previous fiscal year. Also supporting our performance was a one-off gain from the disposal of land.

As a result of the impact to our bottom line, the Group did not declare a dividend for the year. Nevertheless, as demonstrated by our consistent revenue generation, there continue to be solid prospects for BHIC that we are focused on tapping into to enhance value creation for our shareholders moving forward.

UPHOLDING GOOD ESG PRACTICES

BHIC is dedicated to incorporating Environmental, Social and Governance (ESG) best practices across the organisation. This ensures that we operate in an environmentally-responsible manner, while contributing positively to society.

We are steadfast in our commitment to good governance, transparency and integrity. Reflecting this, we welcomed the release by the Public Accounts Committee in August 2022 of its findings on the Littoral Combat Ship (LCS) project. We were indeed heartened by the Government's decision to continue with the procurement of the LCS project for the RMN and will continue to do our utmost to meet the requirements of all relevant stakeholders.

Further to this, as part of our ESG agenda, effective internal controls are implemented throughout the Group through enterprise risk management and a robust corporate governance framework. We also instil an ESG mindset amongst our people through our core values of Belonging, Honour, Integrity and Commitment.

Our ESG approach and sustainability initiatives are spearheaded by Sustainability Committees at the Board and Management levels.

Further information can be found in our Sustainability Statement on pages 120 to 155 of this Integrated Report.

OUTLOOK

Moving ahead, the Group is focused on fulfilling our commitments through the timely completion of projects that contribute to national defence and security. On this note, we are humbled by the trust placed in us by the Government for the resumption of the LCS project and we look forward to driving this to fruition while ensuring all terms are met for delivery to the RMN.

Alongside this, we will continue to seek out new contracts while exploring viable opportunities to further strengthen our prospects, particularly in the commercial segment. This will be supported by our established facilities which include shipyards and an aeroservices centre, coupled with our experienced personnel in shipbuilding and maintenance.

These strategic plans are well-aligned with the Reinventing Boustead Strategy, to propel BHIC towards becoming a high-performing and sustainable organisation.

ACKNOWLEDGEMENT

The Board would like to extend our deepest gratitude to our former Chief Executive Officer (CEO), Sharifuddin Md. Zaini Al-Manaf, who completed his tenure as CEO on 31 March 2023. We wish him all the best in his future endeavours.

As we embark on a new chapter, we are pleased to welcome Feroz Razi Ramli as our new CEO, effective 1 April 2023. With his vast experience and expertise, we are confident that the Group is in capable hands.

We would also like to express our thanks to former Board members, Dato' Maznah Abdul Jalil, Dato' Sri Mohammed Shazalli Ramly, Datuk Norliza Abdul Rahim and Datuk Hj Nasarruddin Dato' M. Zin and welcome our new Board member, Fahmy Ismail.

In addition, the Board is greatly appreciative of the dedication of our employees and senior management team, who have been instrumental in contributing to the Group's aspirations.

We would like to record our utmost appreciation to the major shareholders of BHIC, Boustead Holdings Berhad and Lembaga Tabung Angkatan Tentera; and our key customers namely RMN, RMAF, MMEA and Malaysian Armed Forces; and our financiers, business partners, vendor/suppliers and consultants. We also extend a special note of recognition to Government agencies such as Prime Minister's Department, MinDef and Ministry of Finance for providing a conducive environment in which to operate for our Group of companies.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Valued Shareholder,

In 2022, the business environment experienced a revival both globally and domestically, despite facing persistent cost pressures, labour limitations, and disruptions in supply chains. Nevertheless, the recovery was not uniform across all sectors, and certain businesses still struggled to regain their pre-pandemic levels.

The shipbuilding industry, in which Boustead Heavy Industries Corporation Berhad (BHIC) has the biggest exposure, faced a tough operating environment in 2022, even as the COVID-19 restrictions were lifted.

Feroz Razi Ramli
Chief Executive Officer





CHIEF EXECUTIVE OFFICER'S STATEMENT



Due to many firms postponing their fleet expansion or ship maintenance, there was a slow resurgence in business activities for shipyards, which hindered the sector's recovery.

The sector-wide challenges also affected BHIC, which saw a softer demand from our clientele. Nevertheless, the Group's revenue only experienced a marginal reduction in financial year 2022, which is a sign of our resilient customer base and role in the market. We also remain supported by our new contract wins worth RM99.3 million during the year.

Furthermore, the management has undertaken various measures in place to steer the company towards these challenging times. These include corporate reorganisation and rightsizing as part of our strategic move to achieve leaner operations across the organisation. In addition, we have also undertaken non-core asset monetisation to improve our cashflow position, in line with our restructuring and rationalisation strategy.

As at 31 December 2022, we achieved a market capitalisation of RM103.1 million. Our loss per share stood at 8.02 sen while our gearing ratio was 4.06 times. We will continue to work hard to improve these numbers and deliver value to you, our esteemed shareholder.

The Malaysian government's commitment to completing the Littoral Combat Ship (LCS) project augurs well for the Group's business prospects. On 31 May 2022, BHIC's associate company, Boustead Naval Shipyard Sdn Bhd (BNS) successfully inked the fifth supplementary contract with the Ministry of Defence (MINDEF) to revive the LCS project, which had been on hold since 2019. This milestone achievement enables BNS to undertake remobilisation activities, resume payments to creditors, original equipment manufacturers and financial institutions, and to deliver the LCS to MINDEF. The revival of the LCS project is necessary for Malaysia in order to safeguard its defence and security and BHIC is proud to be a partner in this strategic endeavour.

DIVISIONAL OVERVIEW

Throughout 2022, we have maintained our position as a key player in Malaysia's shipbuilding industry, providing extensive repair services for naval ships and submarines for the Royal Malaysian Navy (RMN).

In addition to our involvement in the shipbuilding industry, we have also established our presence in the aerospace, weapons, and combat systems sectors, delivering MRO services to high-profile clients such as the Royal Malaysian Air Force (RMAF), RMN, Malaysian Maritime Enforcement Agency, and the Malaysian Armed Forces.

BHIC achieved a revenue of RM141.8 million in 2022, primarily from our submarine contracts and other defence-related MRO projects, a loss before taxation of RM7.7 million was reported mainly due to the Expected Credit Losses (ECL).

Our ongoing efforts to expand the business and enhance efficiency, in line with the Reinventing Boustead strategy, are expected to yield positive results moving forward.

Although the Group's revenue has witnessed a slight decrease of 5.0% compared to the previous year, BHIC managed to stay resilient and operational throughout the year.

FUTURE-PROOFING BHIC

Amid the challenging operating backdrop, the Group continued to review our strategy moving forward. This includes casting our net wider in the aerospace sector in the commercial segment and preparing for the remobilisation of the LCS project.

As part of our corporate restructuring exercise, we are in the midst of disposing of selected non-core assets and exiting unprofitable ventures. This proactive approach will enable us to retire current debts and improve the Group's cashflow position through deleveraging. We have successfully completed the sale of the Kota Kinabalu Industrial Park (KKIP) land and liquidated the assets at our BPS Jerejak Shipyard.

As we move forward, BHIC's strategy to diversify our business, increase our market presence and embrace digitalisation, remains a top priority. In line with this, we are actively seeking reliable and reputable partners to expand our footprint in the Marine, Aerospace, and Weapons & Combat Systems sectors. Furthermore, we aim to boost the number of high-value projects in our portfolio.

CAPACITY BUILDING

BHIC has always believed in investing for sustainable growth, which is why we have always prioritised continuous talent development and capability enhancement. To achieve this, we have implemented various initiatives to upskill our staff, including providing certifications and utilising the Transfer of Know-How programme to increase the headcount of qualified local technicians for submarine MRO.

We have also taken advantage of our parent company's talent management programmes, specifically Boustead Holdings Berhad's B100 and B300 programs, to further develop our team's skills and capabilities. Currently, a significant number of our talent are part of the B300 group, which is leading various initiatives towards Reinventing Boustead into a high-performing and sustainable organisation.

Furthermore, BHIC has strengthened our in-house MRO capability by establishing a competent team, reducing our dependence on subcontractors and allowing for more effective project control. We are also improving our marine capacity through dredging works in the BNS basin and upgrading our Shiplift and Floating Jetty. These efforts will enhance our ability to provide top-quality services and products, contributing to BHIC's long term growth.

OUTLOOK

The Marine, Aerospace and Weapons and Combat Systems sectors are expected to face a mixed operating environment in 2023, amidst the headwinds in the global economy. Despite these challenges, we remain optimistic that we can manage risks and capitalise on prospective opportunities. As the new Chief Executive Officer, I am reviewing the Group's strategies and fine-tuning our approach to address existing issues and to navigate the Group to a better performance in coming years.

Our ongoing efforts to expand the business and enhance efficiency, in line with the Reinventing Boustead strategy, are expected to yield positive results moving forward. Our primary goal is to make BHIC profitable once again and continue to deleverage the Group for a healthier financial position.

BHIC will continue to seek new government contracts and at the same time, diversify our customer base by attracting private sector clients. Our infrastructure, experienced human capital, and track record in shipbuilding and MRO provide us with the capability to achieve this. The Malaysian Government's decision to revive the LCS project is expected to provide further impetus for BHIC's growth. Moving forward, we will be embarking on a comprehensive review of our strategy with the resumption of the LCS project under the monitoring of Ministry of Finance.

I take this opportunity to thank my predecessor Sharifuddin Md. Zaini Al-Manaf for his service to the Group. We are grateful to him for steering the Group throughout the challenging period.

My sincere thanks go to our Management team and all employees of BHIC for their commitment, hard work and loyalty.

Feroz Razi Ramli

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

Dear Valued Shareholder,

Boustead Heavy Industries Corporation Berhad continued to face challenges in the financial year ended 31 December 2022, posting a loss before tax of RM7.7 million. This was mainly as a result of higher allowances on expected credit loss of RM32.6 million compared with RM9.6 million in the previous financial year, coupled with higher finance costs. As a result, the Group recorded a loss after tax of RM19.9 million.

Ahmad Fazril Mohd Fauzi
Chief Financial Officer



REVENUE

RM141.8 MILLION

(2021: RM149.2 Million)



EBITDA

RM13.4 MILLION

(2021: RM37.0 Million)



TOTAL ASSETS

RM484.9 MILLION

(2021: RM455.3 Million)



SHAREHOLDERS' EQUITY

RM60.7 MILLION

(2021: RM80.6 Million)



(LOSS)/PROFIT BEFORE TAX

RM(7.7) MILLION

(2021: RM18.3 Million)

CHIEF FINANCIAL OFFICER'S STATEMENT



STRENGTHENING BALANCE SHEET

As part of our continuous efforts to improve our financial position and effectively manage our debt, the Group reduced our borrowings for the year to RM246.0 million. This was primarily due to repayment of revolving credit and term loan facilities. To improve capital efficiency, we announced in FY2022 the sale of our 9.78 acres of land in Kota Kinabalu Industrial Park (KKIP). The funds generated from the transactions were allocated for working capital and repayment of borrowings. We ended the year in a net cash position, allowing the Group to focus on investing for growth going forward.

ASSET MONETISATION

In line with the Group's Restructuring and Rationalisation strategy, we are committed to monetising non-core investments to improve our liquidity and cash flow. To this end, we completed the disposal of land in KKIP, resulting in a gain of RM6.7 million.

REVIEW OF INCOME STATEMENTS

Revenue

The Group registered a revenue of RM141.8 million for the financial year under review, a marginal reduction from RM149.2 million last year. Key revenue drivers were RMN submarine contracts and other defence-related MRO projects.

Operating Cost

Total operating cost stood at RM103.3 million, slightly lower than RM103.5 million last year due to lower raw materials and consumables as well as depreciation expenses. However, this was impacted by right-sizing cost of RM3.4 million, involving 46 personnel.

Allowance for Expected Credit Losses

Expected Credit Losses (ECL) on receivables amounting to RM32.6 million were mainly on amounts owed from our associate, Boustead Naval Shipyard Sdn Bhd. The recognition of the aforesaid ECL was a consequence of the delay of the Littoral Combat Ship project undertaken by them.

Despite our positive EBITDA, it was indeed a challenging year, however we will continue to build up our financial resilience through smart debt management and strategic allocation of capital to optimise our performance



REVIEW OF STATEMENTS OF CASH FLOW

The Group recorded higher cash flow for the year, with cash and cash equivalents of RM26.4 million compared with RM4.2 million last year. This was driven by the proceeds for the sale of land in KKIP amounting to RM18.0 million.

Net cash outflow from operating activities stood at RM34.5 million, primarily attributable to cash paid to suppliers. Cash inflow from investing activities increased to RM22.4 million, owing to the proceeds from the disposal of land, while net cash inflow from financing activities grew to RM34.4 million due to advances from the holding company.

DIVIDEND

The Group did not declare dividend in respect of FY2022.

OUTLOOK

Looking ahead, we remain focused on tapping viable opportunities in relevant sectors, namely marine, aerospace, and weapons and combat systems, in order to strengthen our prospects. In tandem, we will continue to build up our financial resilience through smart debt management and strategic allocation of capital to optimise our performance.

Ahmad Fazril Mohd Fauzi
Chief Financial Officer

Finance Cost

Finance cost saw an increase to RM18.0 million compared with RM15.3 million in the previous fiscal year. This was largely due to a higher weighted average interest rate of 5.34%, from 5.13% last year.

Share of results of Joint Ventures

Joint ventures income was up three-folds, driven by higher demand from customers and lower operating expenses.

Taxation

Taxation increased to RM12.2 million primarily due to higher provision driven by higher profit realised under the contracts for the submarine services for the year of RM6.2 million and derecognition and overprovision of deferred tax assets of RM4.2 million.

REVIEW OF STATEMENTS OF FINANCIAL POSITION

The Group's total assets and total equity for the year came in at RM484.9 million and RM60.7 million respectively, while net assets per share stood at 24 sen.

Total Assets

Total assets grew by 7% to RM484.9 million of which RM18.0 million was attributed to the proceeds for the sale of land in KKIP. For the same period, the Group's trade and other receivables increased by RM24.6 million to RM327.8 million mainly consisting of amounts owed from our associate in relation to services rendered.

Total Liabilities

The Group's total liabilities saw an increase to RM424.2 million mainly arising from the increase in trade and other payables, due to advances from holding company. In terms of total debt, 26% is long term in nature. During 2022, we have continued ongoing interaction with our banks which helped us reduce our debt by RM41.4 million.

Total Equity

Total equity decreased by 24.7% to RM60.7 million, mainly due to the ECL on amounts owed from our associate.

VALUE CREATION

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SECTION

03



OUR KEY CAPITALS

The resources at our disposal are integral to our capacity to generate value, with each form of capital playing a vital role in our operations, functioning in a mutually beneficial manner. Therefore, we employ strategic decision-making processes in the management of our capital, to ensure optimal outcomes.



FINANCIAL CAPITAL

Our financial resources consist of shareholders' funds, profits, and financing facilities, which allow us to maintain the sustainable and efficient functioning of our business. To enhance and fortify our balance sheet, we adopt a strategic approach when allocating capital, directing it towards opportunities that will generate substantial value and promote strategic growth. As part of our efforts to enhance our financial stability, we also work towards reducing our debt levels.

-  **Total Assets**
RM484.9 million
-  **Revenue**
RM141.8 million
-  **Total Equity**
RM60.7 million



MANUFACTURED CAPITAL

Our core business operations, which include shipbuilding and restoration, training, manufacturing components, and MRO are dependent upon our manufactured capital. These material assets constitute various facilities in Malaysia, including shipyards in Lumut and Langkawi, an aerospace service centre, a helicopter simulation centre, as well as a marine technology academy located in Lumut.

-  **Shipbuilding and Ship Repair capability**
(A) Boustead Naval Shipyard (BNS)
 Length: 120 m
 Capacity: 4,500 tons

(B) Boustead Langkawi Shipyard (BLS)
 Length: 10-55 m
 Capacity: 500 tons (including yachts)

-  **Property, plant & equipment**
RM246.0 million



INTELLECTUAL CAPITAL

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

-  Developed in-house software that contributed to the successful delivery of the Submarine Technical Availability to RMN
-  Designed in-house online training programmes
-  Design rights to MEKO 100 patrol vessel
-  Implemented an in-house safety management system





HUMAN CAPITAL

We recognise the critical role our employees play in creating value for BHIC and our stakeholders, and in leveraging other forms of capital. We are committed to supporting and investing in their professional development, capabilities, and competencies, with the goal of unlocking their full potential and cultivating a high-performance culture at BHIC. We have established the Bousteador 300 and Bousteador 100 programmes to invest in and support the professional development, capabilities, and competencies of our employees. The Bousteador 300 programme identifies potential talent to be part of Boustead's Talent Management Programme and lead initiatives under the Reinventing Boustead strategy. The Bousteador 100 programme recognises the senior management who are essential to the Company's smooth operations.

➔ **Investment in Employee Training and Development:**
RMO.3 million

➔ **Total Employees**
Female: 278 (22%)
Male: 984 (78%)
Permanent: 982 (78%)
Contract: 280 (22%)



SOCIAL & RELATIONSHIP CAPITAL

We nurture strong relationships with our principals, vendors, suppliers, employees, customers, investors and communities, which support us in driving sustainable growth for BHIC. In tandem with this, we are committed to creating value for all these stakeholders through our core business activities, Vendor Development Programme (VDP), investor relations programmes and community outreach initiatives.

➔ **Total Registered Vendors**
2,604

➔ **Total vendors under the Vendor Development Programme**
36

➔ **Total Local Procurement**
66.54%

➔ **International Procurement**
33.46%



NATURAL CAPITAL

Recognising the crucial role that natural resources such as fossil fuels and water play in our operations throughout the value chain, we strive to uphold environmental stewardship to mitigate the impact of our activities, products and services on the environment. We have existing policies and procedures on waste management in place, throughout the group. Group awareness on waste management, consumption of water and energy are addressed in our periodical sustainability newsletter.

➔ **Electricity consumption**
35,696.02 GJ

➔ **Total GHG emissions**
7,456.77 tCO₂e



OUR VALUE CREATING BUSINESS MODEL

Our Business Model acts as a comprehensive blueprint that guides our utilisation of capitals to deliver inputs, outputs and outcomes. At the core of this is our relationship with our stakeholder that enables us to create value.

OUR CAPITALS...

... ENABLE VALUE-ADDING

ACTIVITIES THAT CREATE ...

INPUTS



FINANCIAL CAPITAL

- Total assets: RM484.9 million
- Cash and cash equivalents: RM26.4 million
- Net gearing ratio: 4.06 times



MANUFACTURED CAPITAL

- Shipyards: 2
- Aerservices centre: 1
- Aviation training centre: 1
- Marine training academy: 1
- Weapons and combat systems workshop: 1



INTELECTUAL

- Malaysia's only provider of Refit and In-Service Support for Royal Malaysian Navy (RMN) submarines
- Rights to MEKO 100 patrol vessel design



HUMAN CAPITAL

- Workforce comprising expert professionals with vast knowledge and proficiency in shipbuilding, ship repair and MRO of submarines, helicopters, weapons and combat systems
- Qualified engineers and technologists certified by professional bodies
- Founded an online training platform, MyLearning Programme



SOCIAL

- Sustainable principles and responsible ESG practices in our operations
- Longstanding and robust relationships with key stakeholders
- Operating as a responsible corporate citizen with strong ties to local communities.



NATURAL CAPITAL

- Electricity consumption: 9,915,561.76 KWh (purchased)
- Water consumption: 230,028.00 m3

STRATEGIC PILLARS

1

GROUP RESTRUCTURING

- Optimising business performance and allocating resources more effectively by divesting or closing non-performing and non-core business units
- Pursuing strategic alliances with similar companies to create synergies and enhance operational efficiency.

2

BUSINESS DIVERSIFICATION

- Seeking out new prospects to expand our commercial business in shipbuilding and ship repair sector
- Pursuing growth opportunities in the fixed-wing aerospace sector for both commercial and government segments.

3

TALENT MANAGEMENT

- Prioritising the development of our employees' skills and knowledge through targeted initiatives such as our Transfer of Know-How programme and supporting attainment of professional qualifications.
- Shaping a high-performing organisation by identifying and nurturing top talents through the Bousteador 300 initiative.

MATERIAL MATTERS



Occupational Health and Safety



Good Corporate Governance and Integrity



Economic and Financial Sustainability



Labour Practices and Human Rights



Products/Services Quality and Customer Satisfaction



Employee Training, Education and Development



Providing Business Opportunities



Impact of Pandemic



Greenhouse Gas Emissions and Energy Management



Waste and Water Management



Research & Development and Innovation



Community Contributions and Development

MARKET TRENDS

KEY MARKET TRENDS

- Global and local economy
- Growing demand for eco-friendly ships
- Increasing digitalisation of economy and industries
- Growing risks against backdrop of volatility, uncertainty, complexity, and ambiguity (VUCA) environment
- Growing focus on ESG

MARINE

AEROSPACE

WEAPONS AND COMBAT SYSTEMS



Liquidity & Funding Risk



Legal Risk



Human Resources Planning & Development Risk



ICT Data Security & Protection Risk

> ... VALUE FOR OUR STAKEHOLDERS.

OUTPUTS

- Signing of Fifth Supplementary Contract to remobilise LCS Project
- 9 months contract extension (Jan to Sep 2022) valued at RM79.3 million to provide In-Service Support (ISS) to RMN submarines
- Award of contract to undertake MRO on RMN's 57MM/L70 Bofors Gun valued at RM 15.7 million for a period of 3 years
- Award of RM7.0 million contract celling increase to provide MRO services to RMN's 40MM Bofors Gun contract (originally valued at RM14.1 million)

Waste

- Scheduled waste generated: 322.2 metric tonnes
- GHG emissions: 7,456.77 tCO₂e

	Scope 1	Scope 2
2022	700.0	6,756.8
2021	323.5	6,099.3
2020	447.1	6,917.6

OUTCOMES

FINANCIAL CAPITAL

- Revenue: RM141.8 million (2021: RM149.2 million)
- (Loss)/profit after tax: RM(19.9) million (2021: RM15.2 million)
- EBITDA: RM13.4 million (2021: RM37.0 million)
- (Loss)/earnings per share: (8.02) sen (2021: 6.11 sen)
- Net assets per share: 24 sen (2021: 32 sen)
- Shareholders' equity: RM60.7 million (2021: RM80.6 million)
- Return on capital employed: 7.86% (2021: 19.55%)



MANUFACTURED CAPITAL

- Commissioning of fourth Littoral Mission Ships (LMS)
- Achieved 100% operational availability of 12 units of Royal Malaysian Air Force (RMAF) EC725 helicopters
- Completion of MRO works of 53 white boats, 17 ferries, 8 Government vessels and 3 FICs valued at RM5.2 million
- Continuation of Submarine Facilities Upkeep contract for RMN Submarine Base in Sepanggar, Kota Kinabalu



INTELLECTUAL CAPITAL

- Recognition from RMAF for achieving 100% operational availability of 12 units of RMAF EC725 helicopters
- Increase in the number of local engineers and technicians in undertaking submarine MRO
- Global and national centre of excellence for legacy and contemporary Bofors guns respectively with experienced engineers and technicians trained by BAE Systems Bofors AB, Sweden in providing life support to the guns.
- Capability to conduct Total Maintenance and Obsolescence Management for legacy Bofors guns; provide comprehensive training for instructors, operators and maintenance crew; and reproduce legacy Bofors guns parts and components and sub-assemblies through appointed local vendors.



HUMAN CAPITAL

- 0 fatality recorded in 2022
- Robust safety culture integrated at all levels of the Group
- Highly qualified, capable, skilful and experienced workforce



SOCIAL AND RELATIONSHIP CAPITAL

- Total procurement spent: RM89.7 million (2021: RM87.1 million)
- Total procurement spent on local vendors and suppliers: 66.5% (2021: 71.4%)
- Total procurement spent on international vendors and suppliers: 33.5% (2021: 28.6%)
- Total number of vendors in VDP under BHIC: 36



NATURAL CAPITAL

- E-Learning module on sustainability
- Awareness campaign on environmental sustainability
- GHG Emissions
 - Scope 1
 - Energy increased by 116.4% year on year (2022: 700.0 tCO₂e) (2021: 323.5 tCO₂e)
 - Scope 2
 - Energy use increased by 10.8% year on year (2022: 6,756.8 tCO₂e) (2021: 6,099.3 tCO₂e)
 - Water
 - Consumption increased by 2.3% year on year (2022: 230,028.m³) (2021: 224,874 m³)
- Waste
 - Scheduled waste reduced by 24.6% (2022: 322.2 metric tonnes) (2021: 427.4 metric tonnes)



VALUE CREATION

STAKEHOLDER ENGAGEMENT

At BHIC, we are cognisant of the significant role that our stakeholders play in our business. In an effort to reinforce our stakeholder relationships and to emphasise our gratitude for their contributions, we consistently engage them to better comprehend their needs and concerns. We also leverage these engagements as opportunities to keep them abreast of our business strategies and objectives. The following table outlines our stakeholders, why we engage them, their key concerns as well as how we create value for them.



SHAREHOLDERS AND INVESTORS

Why We Engage

We consider shareholders and investors as critical sources of capital. Therefore, it is of utmost importance that we maintain their trust and confidence in our ability to deliver sustainable financial returns.

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> • Annual General Meeting • Annual Report/Integrated Report • Sustainability Report • Financial results • Bursa announcements • Media releases • Exhibitions/Conferences • Corporate website • Social media • Correspondences and telecommunication 	<ul style="list-style-type: none"> • Compliance with regulatory authorities • Adoption of best practices in corporate governance • Business continuity • Human capital development 	<ul style="list-style-type: none"> • Continuous compliance of disclosures • Upholding best practices as guided by the MCCG as of 28 April 2021 • Promoting a corruption-free environment via training and awareness programmes on Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 • Implementing Standard Operating Procedures (SOP) for Gifts, Sponsorship, Donation and Corporate Social Responsibility (CSR) activities • Ensuring strict compliance with BHIC's Code of Ethics and Conduct, BHIC Directors Code of Ethics and Conduct, Fit and Proper Policy, Anti-Bribery and Anti-Corruption Policy Statement and Whistleblowing Policy • Leveraging the Reinventing Boustead strategy to improve cost and operational efficiencies, resolve ongoing issues and diversify operations for long-term sustainability • Cultivating a workforce of highly skilled talent and promoting registration with the Malaysia Board of Technologists among our engineers



EMPLOYEES AND WORKERS UNION

Why We Engage

The individuals within our organisation are of utmost value to us and we strive to shape an environment that promotes productivity and growth, including access to learning and development initiatives alongside meaningful engagements, to enable them to reach their full capabilities. Additionally, we maintain open and frequent communications with the union to cultivate positive labour relations.

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> Individual performance review Townhalls Management Meeting Trainings and workshops Social, sports and recreational activities MyCompass intranet portal Knowledge sharing sessions Emails/telecommunications Internal memos/circulars 	<ul style="list-style-type: none"> Safety and health Rewards and recognition Effects of pandemic Information dissemination Talent development 	<ul style="list-style-type: none"> Ensuring strict compliance with Health, Safety, and Environment (HSE) rules and regulations across all our facilities and workplaces Conducting bi-annual performance reviews to assess the productivity and efficiency of our employees Regularly communicating information about corporate developments through various communication channels, including Townhall meetings, memos, intranet portals, social media, amongst others Facilitating an open and transparent channel of communication between our management and union to promote collaboration and alignment towards our organisational goals Providing training opportunities to enable our employees to reskill and upskill

STAKEHOLDER ENGAGEMENT



REGULATORY AUTHORITIES

Why We Engage

Maintaining regular communications with government bodies and regulators is crucial to ensuring we remain well-informed about developments within the regulatory landscape, and to foster a positive, trustworthy relationship with authorities.

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> Annual Report/Integrated Report Sustainability Report Financial results Bursa announcements Facilities visits by Government agencies Dialogue and feedback sessions Regulatory audits and inspections Correspondences and telecommunication Media releases 	<ul style="list-style-type: none"> Compliance with rules and regulations Ensuring a high level of corporate governance Integration of sustainability into business operations and strategies 	<ul style="list-style-type: none"> Consistently strengthening Board oversight in tandem with reinforcing compliance with laws and regulations Upholding best practices as guided by the MCCG as of 28 April 2021 Promoting a corruption-free environment via training and awareness programmes on Section 17A of the MACC Act 2009 Implementing SOP for Gifts, Sponsorship, Donation, and CSR Activities Ensuring strict compliance with BHIC's Code of Ethics and Conduct, BHIC Directors Code of Ethics and Conduct, Fit and Proper Policy, Anti-Bribery and Anti-Corruption Policy Statement and Whistleblowing Policy Adhering to Bursa Malaysia's Main Market Listing Requirements



CUSTOMERS

Why We Engage

The growth of our business is centred upon our customers, and it is imperative that we understand their needs and expectations as we strive to develop high-quality products that deliver added value as well as cultivate loyalty and trust.

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> Roadshows and marketing activities Business development Meetings Exhibitions/Conferences and events Print, digital and social media Client satisfaction survey Sponsorships and donations Correspondences and telecommunication 	<ul style="list-style-type: none"> Project deliverables Customer service Business continuity 	<ul style="list-style-type: none"> Provision of infrastructure and a skilled workforce to optimise productivity and efficiency, ensuring prompt project delivery while meeting customer expectations Undertaking consistent customer engagements to gain valuable insights into their needs and concerns, and enhance overall customer experience Leveraging the Reinventing Boustead strategy to improve cost and operational efficiencies, resolve ongoing issues and diversify operations for long-term sustainability



VENDORS AND SUPPLIERS

Why We Engage

Our vendors and suppliers are essential to our ability to deliver high-quality products and services as they provide us with the means to fulfil the needs of our customers.

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> • VDP Performance Monitoring • Vendor Performance Assessment • Site visits • Vendor satisfaction survey • Anti-bribery and anti-corruption policy • Correspondences and tele-communication • Networking session 	<ul style="list-style-type: none"> • Transparent and efficient systems related to vendors/suppliers • Vendor development • Safety of workplace • Training and innovation 	<ul style="list-style-type: none"> • Adopting digital platforms to foster transparency and increase efficiency in our dealings with vendors and suppliers • Offering training and supporting our vendors in enhancing their capabilities through the VDP • Upholding strict HSE compliance to protect our employees, vendors and suppliers • Strengthening BHIC's Code of Business Conduct with Section 17A of the MACC Act 2009 and ensuring strict compliance throughout all operational activities



LOCAL COMMUNITIES

Why We Engage

We strongly value the role played by the communities in which we operate, as they provide both tangible and intangible support to our operations. As part of our commitment to social responsibility, we actively engage with these communities to better understand their unique needs and leverage our resources to make meaningful contributions

Engagement Platforms and Frequency of Engagement	Key Focus Areas	Our Response
<ul style="list-style-type: none"> • Community engagement and outreach programmes • CSR activities • Sponsorships and donations • Dissemination of information 	<ul style="list-style-type: none"> • Employment and economic growth 	<ul style="list-style-type: none"> • Building a healthy working environment and protecting our local communities through strict adherence with HSE rules and regulations • Supporting childcare centres, shelter homes and other establishments for the underprivileged through donations • Offering employment opportunities to local communities in the marine, aerospace, weapons and combat systems

MANAGEMENT DISCUSSION AND ANALYSIS

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B. Business Review

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SECTION

04



STRATEGIC REVIEW

KEY MARKET TRENDS SHAPING OUR BUSINESS



GLOBAL AND LOCAL ECONOMIC RECOVERY

The latest report from the International Monetary Fund's World Economic Outlook has highlighted that global growth expanded by 3.4% in 2022. However, this growth momentum was disrupted by the Russia-Ukraine conflict. It is projected that global growth will reduce to 2.9% in 2023, despite the softening trend.

On a brighter note, Malaysia's economy has recorded a remarkable Gross Domestic Product (GDP) growth rate of 8.7% in 2022, surpassing the initial projection of 6.5% to 7% and returning above the pre-pandemic level. This is mainly attributed to the easing of COVID-19 restrictive measures, boosted by domestic demand and an improved labour market, in line with the transition to the endemic phase. These positive developments are a result of increased economic activities, which include household spending, local tourism, and intensified exports of electrical and electronic products, palm oil products, as well as oil & gas. The robust external demand, especially among Malaysia's major trading partners, has also contributed to the growth.



IMPACT

BHIC's operational costs and commercial ship MRO are indirectly impacted by the global economy. The reopening of international borders has enabled foreign commercial ships to travel freely into Malaysian waters, which has a positive impact on our MRO business. Additionally, there is an increasing need for MRO services due to the rising defence and security spending, which is essential for the operational effectiveness of existing defence and security assets.

How We Responded

The Group's core revenue stream stems from our provision of proven MRO services to the defence and security forces in the marine, aerospace, and weapons & combat systems sectors. We recognise that fostering and preserving strong relationships with various defence and security personnel is crucial in building trust in our capabilities and services, as well as gaining a deeper understanding of their needs and preferences. To expand our business, we are actively exploring opportunities in the commercial and aerospace sectors, as part of our comprehensive diversification strategy.

Outlook

The ongoing geopolitical tensions in the South China Sea and the potential threat of incursions in Sabah are key factors that have an impact on Malaysia's defence and security market. As a result, the Government has increased its allocation for defence and security expenses in its 2023 budget, with RM17.7 billion for the Ministry of Defence (MINDEF) and RM18.5 billion for the Ministry of Home Affairs (KDN). This presents a positive outlook for the defence and security sector. Additionally, the Government's continued investment in modernising the country's defence and security forces, particularly in enhancing air and naval capabilities, suggests a promising outlook for the Group's services in these sectors.



INCREASING DIGITALISATION

The accelerated adoption of advanced technology and the rapid pace of digitalisation, driven by commercial and environmental needs, are key enablers for the future evolution of business. Consequently, today, going digital is no longer a matter of choice but has become essential and inevitable.



IMPACT

The industrial sector is rapidly adopting various Industry 4.0 applications, including additive manufacturing (3D printing), artificial intelligence, big data analytics, blockchain, Internet of Things, nanotechnology, remotely operated vehicles, and virtual reality. These technologies are being increasingly utilised in the manufacturing and services sectors, of existing defence and security assets.

How We Responded

We utilise various online platforms to improve our operations as part of our efforts to stay ahead of the digital curve. For example, we have implemented the BHIC MyLearning Programme to support employee training and development, as well as the Digital Employee Experience (DEX) system for e-leave, e-security and cloud-based collaboration for communication and documentation purposes. These initiatives enable us to improve our overall efficiency and productivity. The increase use of cloud-based applications has been useful in facilitating remote / multiple online collaboration amongst our staff.

Outlook

As we continue to operate in dynamic and rapidly evolving sectors, it is crucial that we stay at the forefront of emerging technologies and digitalisation. By investing in these areas, we can better address the evolving needs and demands of our customers and continue to deliver high-quality products and services.



GROWING RISKS AGAINST THE BACKDROP OF A VUCA BUSINESS ENVIRONMENT

As we operate within a VUCA (volatility, uncertainty, complexity, and ambiguity) business environment, given the many factors that can influence our key activities and processes, BHIC is constantly vigilant to the emergence of new risks that could impact our operations.



IMPACT

Operating in a VUCA environment results in emerging new risks that can potentially impact our business. The impacts include threat to our competitiveness, obsolescence of assets and loss of market share, among others.

How We Responded

We are continuously enhancing our processes for business and environmental analysis, risk management, and internal controls. We regularly review the sufficiency, efficacy and integrity of these processes.

Additionally, we update our contingency and response plans to address emerging risks in the VUCA environment.

Outlook

In a rapidly changing world, VUCA will continue to be a challenge for BHIC. To address this challenge, it is important for us to maintain clear lines of communication and foster effective collaboration with all stakeholders.

KEY MARKET TRENDS SHAPING OUR BUSINESS



GROWING FOCUS ON ESG

Businesses are scrutinised on their impact on environmental, social and governance (ESG) as industries and global organisations observe a growing need for transparent, and environmentally and socially equitable businesses. It has become imperative that businesses play their part in sustainability by contributing towards the development of surrounding communities and the preservation of our environment.



IMPACT

BHIC is subject to higher expectations from stakeholders with respect to the alignment of our business and strategies with ESG principles.

How We Responded

We remain steadfast in our commitment to uphold high standards of corporate governance and are constantly enhancing our efforts to raise awareness on governance issues among our employees and vendors.

In line with our commitment to be responsible in environmental stewardship, we are undertaking initiatives to align our conduct with sustainability principles and promote sustainable practices.

We are also actively engaging with our employees, shareholders, vendors/suppliers and other stakeholders, as part of our ongoing efforts to build strong and meaningful relationships with our community.

Through careful evaluation and implementation of ESG practices, we aim to enhance our reputation as a responsible corporate citizen while simultaneously fulfilling our commitment to sustainable business practices.

Outlook

We are actively adopting ESG principles and increasing related activities. We aim to provide more value to our shareholders by effectively managing risks and identifying opportunities related to ESG factors. Our ultimate goal is to become a sustainable and high-performance organisation aligned with the Reinventing Boustead strategy.

STRATEGIC REVIEW

MATERIAL MATTERS

Our performance and ability to create stakeholder value are impacted by various economic, environmental and social factors. These factors constitute our material matters.

MATERIALITY ASSESSMENT

Beginning from 2019 we have been conducting materiality assessment in accordance with the Bursa Malaysia Toolkit: Materiality Assessment. This was achieved by undertaking the following steps:



STEP 1 | IDENTIFICATION

We reviewed key market trends, sustainability practices and reports of other organisation, regulatory requirements, our own risk register and analyse feedback from stakeholders.

From this review, we identified various issues relevant to our stakeholders' expectations while also being important to BHIC's own performance. These issues were consolidated into specific material matters.



STEP 2 | PRIORITISATION

We engaged our internal and external stakeholders to obtain their feedback on the importance of each of the material matters.



STEP 3 | VALIDATION

The Materiality Matrix was presented to our Board Sustainability Committee and Board of Directors for their review and endorsement.

Our Materiality Process

The following outlines our materiality process that we undertook in 2022. It explains how we conducted the survey to revisit the material matters.



STEP 1: CONDUCTING OUR MATERIALITY SURVEY

Our first step was to conduct the BHIC Materiality Survey amongst our internal and external stakeholders to obtain their inputs to identify the material matters relevant to the business. Our internal stakeholders comprised employees from the executive level and above, Management and Board members, while our external stakeholders consisted of our vendors and suppliers and government agencies. They provided their feedback on the importance and impacts of the material matters to BHIC.



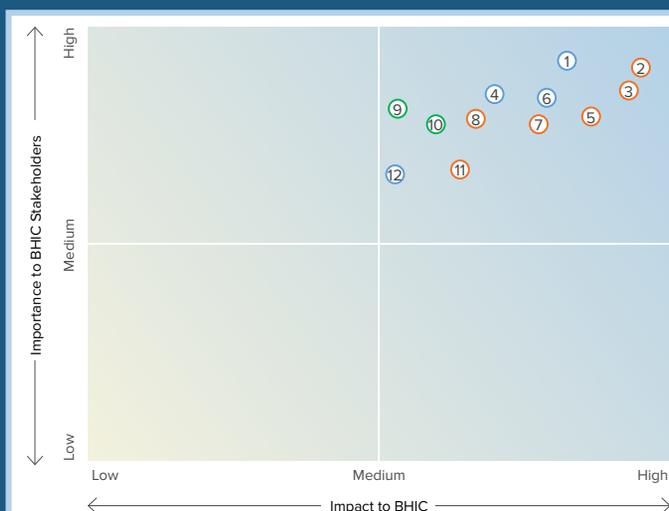
STEP 2: ANALYSIS OF SURVEY RESULTS

The next step was to analyse the results of the survey to identify the material matters that are most significant to BHIC based on the perspectives of both our internal and external stakeholders. The inputs resulted in changes to the ranking and prioritisation of the material matters.



STEP 3: MATERIALITY VALIDATION

Having categorised the material matters, we then develop the materiality matrix. It was then reviewed by BHIC's Group Risk Management and thereafter approved by the Board Sustainability Committee.



OUR KEY MATERIAL ISSUES, BASED ON MATERIALITY MATRIX:

- ① Occupational Health and Safety
- ② Good Corporate Governance and Integrity
- ③ Economic and Financial Sustainability
- ④ Labour Practices and Human Rights
- ⑤ Products/Services Quality and Customer Satisfaction
- ⑥ Employee Training, Education and Development
- ⑦ Providing Business Opportunities
- ⑧ Impact of Pandemic
- ⑨ GreenHouse Gas (GHG) Emission and Energy Management
- ⑩ Waste and Water Management
- ⑪ Research & Development and Innovation
- ⑫ Community Contributions and Development

○ Economic ○ Environment ○ Social

MATERIAL MATTERS

As a result of the assessment, 12 material matters were identified, which are described below.



OCCUPATIONAL HEALTH AND SAFETY

Why It is Important

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

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

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



GOOD CORPORATE GOVERNANCE AND INTEGRITY

Why It is Important

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

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

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



ECONOMIC AND FINANCIAL SUSTAINABILITY

Why It is Important

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

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



LABOUR PRACTICES AND HUMAN RIGHTS

Why It is Important

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

- i) Compliance with relevant acts
- ii) Embracing diversity and inclusion in a diversified workforce
- iii) Protecting the rights of workers (e.g. issues related to child/forced labour, working hours and minimum wages)
- iv) Continuously building strong industrial relations and encouraging open dialogue with employees

- v) Conducting employee engagement surveys to gauge job satisfaction
- vi) Providing health benefits to employees
- vii) Promoting fair performance based remuneration

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



PRODUCTS/SERVICES QUALITY AND CUSTOMER SATISFACTION

Why It is Important

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

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

- i) Establishing a quality management system
- ii) Performing internal quality checks and audits by third parties as well as vendors/suppliers quality audits

- iii) Cultivating a culture of continuous improvement
- iv) Conducting customer satisfaction surveys
- v) Ensuring data privacy and security

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



EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT

Why It is Important

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

A well-trained workforce has a direct and positive effect on organisational performance. Being well trained increases

job satisfaction, morale and motivation among employees to improve productivity and efficiency resulting in personal and career development. The Company's performance is also set to benefit from such a workforce.

MATERIAL MATTERS



PROVIDING BUSINESS OPPORTUNITIES

Why It is Important

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

While enhancing brand recognition for the organisation and retaining customers, an organisation that provides business opportunities is better able to reach out to new markets and diversify its revenue stream. At the same time, we contribute towards meeting national aspirations such as developing vendors especially among SMEs and to support the development of local talents and capabilities.



IMPACT OF PANDEMIC

Why It is Important

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

The pandemic has created unprecedented challenges for organisations, requiring proactive measures to safeguard their business, adapt to the new normal, fine tune their business models and upgrade information technology infrastructure (for

remote working). This empowers businesses to operate in any location without the need to be at the workplace. In addition to saving cost and time to commute, working remotely also helps to reduce carbon footprint.

Since April 2022, the Government has announced Malaysia to be in endemic stage which augurs well with the stimulation of economic activities to return to normalcy.



GREENHOUSE GAS (GHG) EMISSION AND ENERGY MANAGEMENT

Why It is Important

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

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

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



WASTE AND WATER MANAGEMENT

Why It is Important

Managing waste and water including:

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

We pay keen attention to waste and water management activities, as we are aware of our responsibility to reduce pollution and conserve precious natural resources. In doing so, we contribute to environmental protection by lowering our carbon footprint and by addressing water wastages.



RESEARCH & DEVELOPMENT AND INNOVATION

Why It is Important

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

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



COMMUNITY CONTRIBUTIONS AND DEVELOPMENT

Why It is Important

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

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

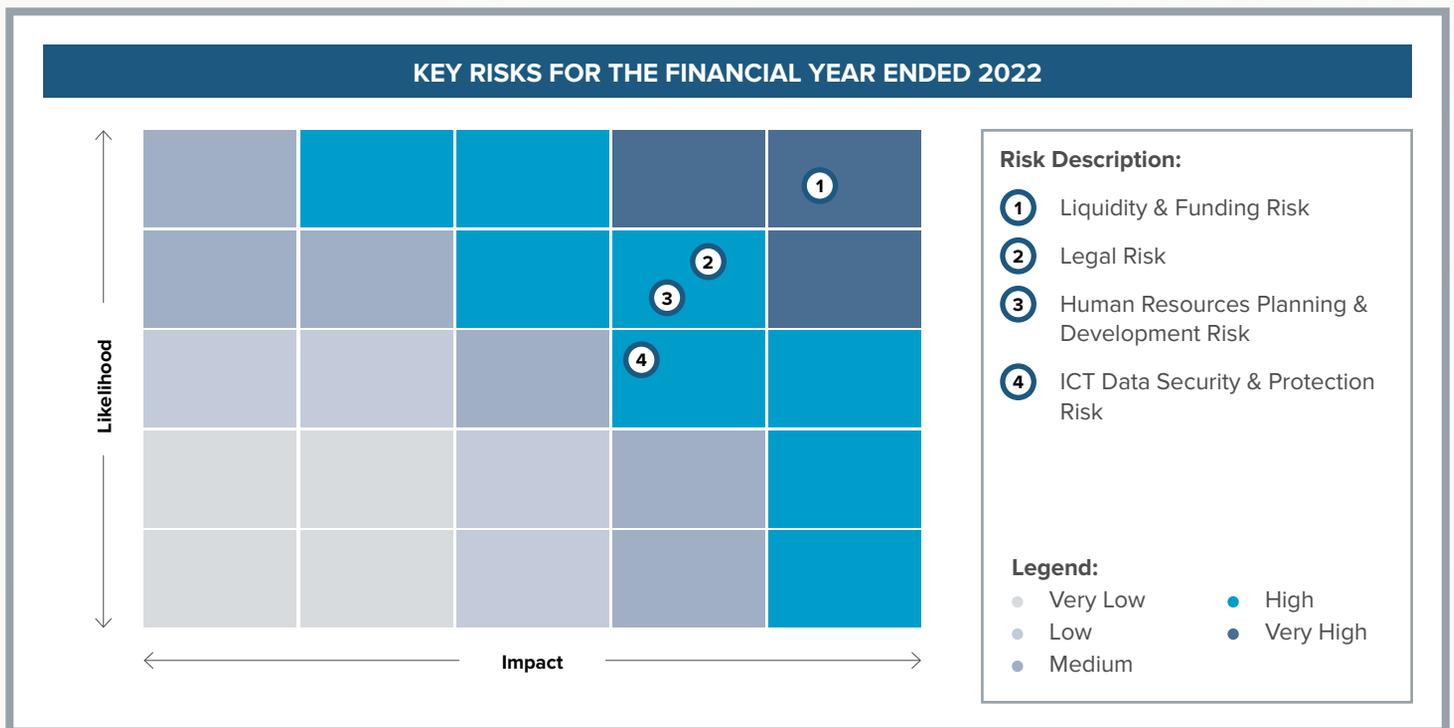
For more details on our response to the Material Matters above, please refer to our Sustainability Statement on page 120 of this IR.

STRATEGIC REVIEW

KEY RISKS AND MITIGATION

INTRODUCTION

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



LIQUIDITY & FUNDING RISK

<p>Description</p> <p>Glacial recovery of receivable from associate and JV companies, compounded by constraint from dividend and interest incomes restrict the ability to fund Group's operating and financing requirements.</p> <p>Challenging financial performance heightens the risk of credit crunching.</p>	<p>Potential Impact</p> <ul style="list-style-type: none"> Cross default Breach of financial covenants Legal repercussions 	<p>Key Mitigation</p> <ul style="list-style-type: none"> Liquidity management Disposal of non-core assets Immediate, medium and long-term financial planning to raise funds. Loan restructuring exercise
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LEGAL RISK

Description

BHIC Group is exposed to potential litigation action initiated by other parties (e.g.: OEMs and vendors under BNS's LCS Project) due to the delay in honouring payment obligations.

Potential Impact

- Legal repercussions

Key Mitigation

- Establish payment plans with OEMs and vendors in conjunction with the remobilisation of the LCS Project
- Initiate and agree on amicable settlement
- Strategise defence with consulting lawyers

HUMAN RESOURCES PLANNING & DEVELOPMENT RISK

Description

Risk related to the adequacy of manpower to undertake the certain critical function and the right skillset to execute the plan for the Group

Potential Impact

- Disruption to day-to-day operations
- Financial loss

Key Mitigation

- Leverage on Boustead B300 talent management programme and internal sourcing within the Boustead Group
- Continuously review the overall effectiveness of BHIC's Talent Management, Succession Planning, and Rewards Management

ICT DATA SECURITY & PROTECTION RISK

Description

Risk relating to or arising from organised cyber attacks to the Group IT System and infrastructure by external attackers and/or any incident that impacting the IT infrastructure and network.

Potential Impact

- Disruption to day-to-day operations
- Financial loss

Key Mitigation

- Boustead Cybersecurity Emergency Respond Team (CeRT) has been established and trained for Cybersecurity Alerts and Incident Response
- The Group has an existing ICT Policy and procedures in place that cover asset management, ICT security, and operational aspects
- Periodical exercise and training on ICT readiness

BUSINESS REVIEW

MARINE, AEROSPACE AND WEAPONS & COMBAT SYSTEMS SECTORS



 bhic.com.my

WHAT WE DO

Our primary focus is on shipbuilding and MRO. Apart from our key client, RMN, we also cater to commercial shipowners, the oil and gas industry and private vessel owners. Additionally, we offer a range of helicopter-related MRO services to RMAF, RMN and MMEA. We also provide Malaysian Armed Forces (MAF) with MRO services in the weapons and combat systems sectors.



BUSINESS ENVIRONMENT

In 2022, the shipbuilding industry faced a challenging operating environment, despite the relaxation of COVID-19 restrictions. The sector's recovery was hampered by a sluggish supply chain, which impeded a rebound. Unfortunately, many companies delayed fleet expansion and maintenance, leading to a weak improvement in the order book for shipyards. Nevertheless, the sector continued to offer pockets of opportunities in 2022.

BHIC was affected by lower revenue contribution from submarine contracts and other defence-related MRO projects. Despite the market headwinds, we managed to secure several Government defence contracts and also undertook MRO works on commercial and private vessels.



KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
<p>Strengthening core businesses</p>	<ul style="list-style-type: none"> Expanded the market for existing Marine, Aerospace and Weapons & Combat Systems Sectors by collaborating with reliable and reputable new partners 	<ul style="list-style-type: none"> Collaboration between BNS and Malaysia Offshore Support Vessels Owners' Association and Association of Marine Industries Malaysia in a Petronas Offshore Support Vessels (OSV) newbuild programme
<p>Enhancing operational capability</p>	<ul style="list-style-type: none"> Conducted a feasibility study to determine the optimal upgrade options Strengthened our in-house MRO capabilities to handle high value scope of work 	<ul style="list-style-type: none"> Enhanced our marine capacity by carrying out dredging works in the BNS basin and upgrading our shiplift and floating jetty Established a competent in-house team for MRO work, aiming to decrease our reliance on subcontractors and enhance our control during execution
<p>Corporate and financial restructuring</p>	<ul style="list-style-type: none"> To achieve an optimal organisational structure and streamline our operations, we closed non-performing and non-core business units To mitigate cash flow risks and reduce debt, we disposed non-core assets 	<ul style="list-style-type: none"> Sale of KKIP land and liquidated assets at the BPS Jerejak Shipyard

MARINE, AEROSPACE AND WEAPONS & COMBAT SYSTEMS SECTORS

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Talent development	<ul style="list-style-type: none"> Skills development was promoted through certification and Transfer of Know-How programmes We developed a mobility programme that offers employees the chance to broaden their leadership skills and knowledge, enabling them to achieve greater personal growth and reach new heights 	<ul style="list-style-type: none"> We increased the number of qualified local technicians through a Transfer of Know-How program, enabling them to undertake submarine MRO As part of our Talent Management Programme, we incorporated BHB's B100 (senior leadership) and B300 (high potential talent) Increased usage of the MyLearning Programme, an online training module
Business Diversification	Aerospace and marine expansion plan	<ul style="list-style-type: none"> BHICAS developed capability to provide battery maintenance services for helicopters BLS secured MRO contracts for eight vessels belonging to government agencies, expanding their portfolio beyond white boats, personal crafts, and ferries

KEY ACHIEVEMENTS

- Completed the fourth supplementary contract for RMN's Scorpene-class submarines' core maintenance services
- Inked the fifth supplementary contract for the procurement of LCS with the MINDEF
- Completed MRO works on RMN's KD MAHAWANGSA, KD LEKIR, KD HANG TUAH and KD GAGAH SAMUDERA
- Completion of MRO works for six Government vessels, 18 passenger ferries and 49 white boats at BLS
- Completion of submarine facilities upkeep for RMN by BSES
- BBA was awarded a RM15.7 million contract to provide spare parts, MRO services and training services for the 57MM/L70 Bofors guns installed on the RMN's ships

AWARDS

- Boustead DCNS Naval Corporation Sdn Bhd won the “Excellent Employer Award 2022” from the Employees Provident Fund
- Recognition from RMAF on 100% availability of EC725 on the flight line

CHALLENGES	MITIGATING ACTIONS	RESULTS
<p>Cash flow constraints due to tough operating environment and the suspension of the LCS project</p>	<ul style="list-style-type: none"> • Regular meetings to assess and address the Company’s cashflow position and obligations • Sale of non-core assets 	<ul style="list-style-type: none"> • Our cash and cash equivalents improved to RM26.4 million in 2022 compared to RM4.2 million in 2021 • Effective financial and debt management allowed us to fulfil our loan obligations and operational commitments
<p>Legal action taken by vendors and/or financial institutions against BNS/BHIC/ Directors</p>	<ul style="list-style-type: none"> • Engaged with relevant creditors to seek interim solutions and where viable, established payment plans • Engaged external lawyers to strategise our defense; handled existing/potential litigation and counter-claim actions; and advise on settlement 	<ul style="list-style-type: none"> • Halted legal actions and pursued out of court settlement with payments made in tranches based on affordability • Specifically in relation to MSM, MSM requested an adjournment for its appeal hearing to allow for settlement negotiations with BNS. The hearing date had been set for June 2023

OUTLOOK & PROSPECTS

Despite the projected slower global economic growth in 2023, BHIC remains optimistic in achieving positive results through our ongoing efforts to expand the business and enhance efficiency in line with the Reinventing Boustead strategy.

While the post-pandemic recovery in the marine, aerospace and weapons and combat systems sectors may slow down amidst market headwinds, we will continue to capitalise on our strengths by vigorously pursuing defence-related contracts while exploring new business opportunities, particularly in the commercial segment.

FIVE-YEAR GROUP FINANCIAL SUMMARY

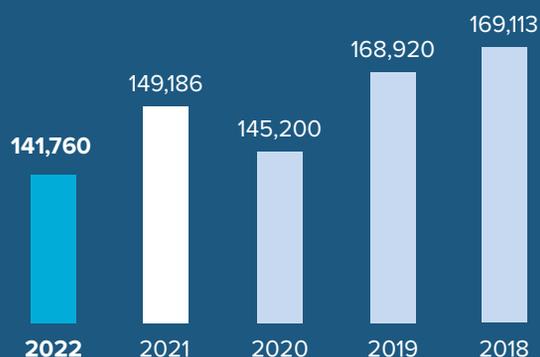
		2022	2021	2020	2019	2018
FINANCIAL PERFORMANCE						
Revenue		141,760	149,186	145,200	168,920	169,113
(Loss)/profit before taxation		(7,677)	18,275	(32,773)	(113,514)	(104,615)
(Loss)/profit after taxation		(19,924)	15,192	(50,579)	(116,636)	(108,326)
(Loss)/profit attributable to shareholders		(19,924)	15,192	(50,579)	(116,636)	(108,326)
(Loss)/earnings per share	sen	(8.02)	6.11	(20.36)	(46.94)	(43.60)
DIVIDENDS						
Dividend for the year		–	–	–	–	3,727
Net dividend per share	sen	–	–	–	–	1.50
GEARING						
Borrowings		246,025	287,446	291,066	301,186	273,591
Net Gearing Ratio	times	4.06	3.57	4.45	2.60	1.18
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	24	32	26	47	94
Shareholders' equity		60,668	80,592	65,400	115,979	232,615
Total equity		60,668	80,592	65,400	115,979	232,615
Total assets		484,891	455,259	421,498	468,970	581,254

Notes:

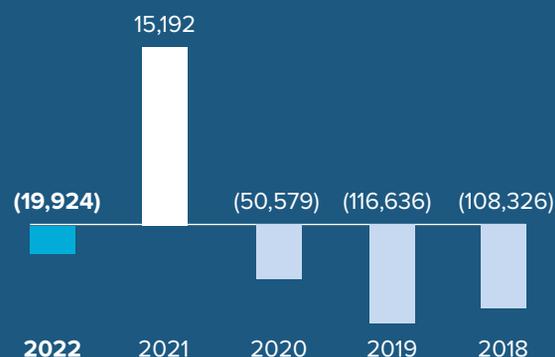
- All figures are in RM'000 unless otherwise stated.

FIVE-YEAR FINANCIAL HIGHLIGHTS

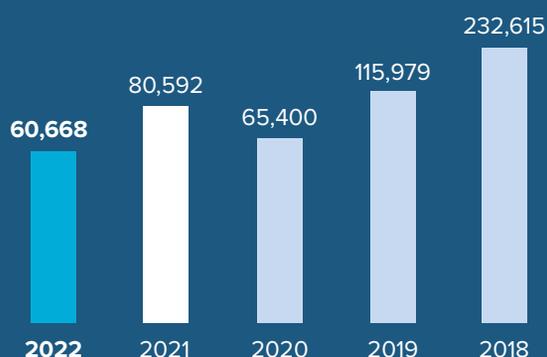
Revenue (RM'000)



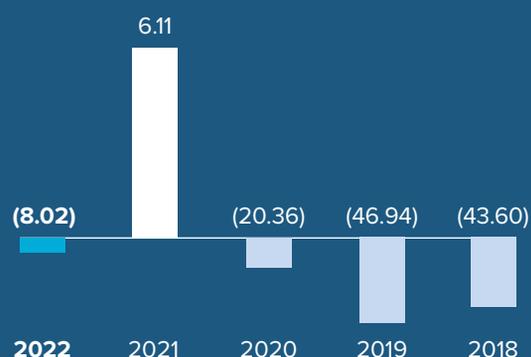
(Loss)/Profit After Taxation (RM'000)



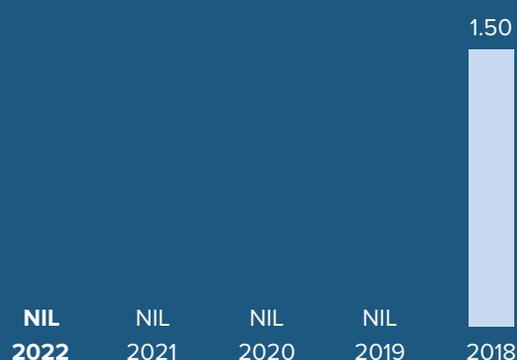
Shareholders' Equity (RM'000)



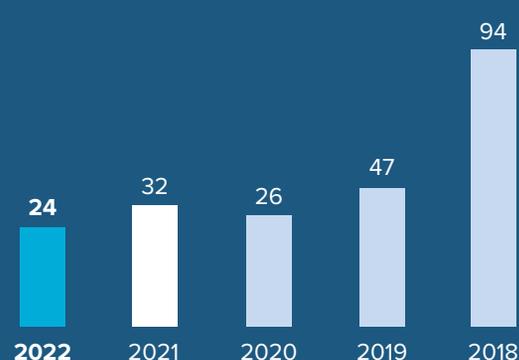
(Loss)/Earnings Per Share (Sen)



Net Dividend Per Share (Sen)



Net Assets Per Share (Sen)



GROUP QUARTERLY PERFORMANCE

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2022
Revenue	37,462	29,869	35,873	38,556	141,760
Profit/(loss) before taxation	8,994	237	1,554	(18,462)	(7,677)
Profit/(loss) after taxation	6,509	(517)	564	(26,480)	(19,924)
Profit/(loss) attributable to shareholders	6,509	(517)	564	(26,480)	(19,924)
Earnings/(loss) per share	sen	2.62	(0.21)	0.23	(8.02)

Notes:

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

FINANCIAL CALENDAR

FINANCIAL YEAR

 **1 January 2022 to 31 December 2022**

FINANCIAL RESULTS

-  **1st Quarter**
Announced on 24 May 2022
-  **2nd Quarter**
Announced on 25 August 2022
-  **3rd Quarter**
Announced on 25 November 2022
-  **4th Quarter**
Announced on 24 February 2023

NOTICE DATE

 **28 APRIL 2023**

ANNUAL GENERAL MEETING

 **13 JUNE 2023**

INTEGRATED REPORT 2022

 **28 APRIL 2023**

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SECTION

05



CORPORATE INFORMATION

Board of Directors



ROZI BAHARUDIN

Senior Independent Non-Executive Director

TAN SRI DATO' WIRA AZIAH ALI

Independent Non-Executive Director

(DR.) SALIHIN ABANG

Independent Non-Executive Director

HAJAH SAADATUL NAFISAH BASHIR AHMAD

Independent Non-Executive Director

VICE ADMIRAL DATO' SYED ZAHIRUDDIN PUTRA SYED OSMAN (RETIRED)

Independent Non-Executive Director

IZADDEEN DAUD

Non-Independent Non-Executive Director

DATO' AHMAD NAZIM ABD RAHMAN

Non-Independent Non-Executive Director

FAHMY ISMAIL

Non-Independent Non-Executive Director

IRFAN HASHIM

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

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 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
Tel. No : 03-2783 9299
Fax. No : 03-2783 9222

PRINCIPAL BANKERS

Affin Bank Berhad
Affin Hwang Investment Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
AmBank Islamic Berhad
Malayan Banking Berhad
MBSB Bank Berhad

BOARD COMMITTEES

AUDIT COMMITTEE

(Dr.) Salihin Abang - Chairman
Tan Sri Dato' Wira Aziah Ali
Hajah Saadatul Nafisah Bashir Ahmad
Fahmy Ismail
(Appointed w.e.f. 22 February 2023)
Datuk Norliza Abdul Rahim
(Resigned w.e.f. 16 January 2023)

NOMINATING & REMUNERATION COMMITTEE

Rozi Baharudin - Chairman
Hajah Saadatul Nafisah Bashir Ahmad
Vice Admiral Dato' Syed Zahiruddin
Putra Syed Osman (Retired)
Dato' Ahmad Nazim Abd Rahman
(Appointed w.e.f. 25 May 2022)
Fahmy Ismail
(Appointed w.e.f. 22 February 2023)

RISK COMMITTEE

Vice Admiral Dato' Syed Zahiruddin
Putra Syed Osman (Retired) - Chairman
Izaddeen Daud
(Dr.) Salihin Abang
Dato' Maznah Abdul Jalil
(Retired w.e.f. 1 November 2022)
Datuk Norliza Abdul Rahim
(Resigned w.e.f. 16 January 2023)

SUSTAINABILITY COMMITTEE

Tan Sri Dato' Wira Aziah Ali
- Chairman
Hajah Saadatul Nafisah Bashir Ahmad
(Dr.) Salihin Abang
(Appointed w.e.f. 11 April 2023)
Dato' Maznah Abdul Jalil
(Retired w.e.f. 1 November 2022)
Datuk Haji Nasarruddin Dato' M. Zin
(Resigned w.e.f. 16 January 2023)

CHIEF EXECUTIVE OFFICER

Feroz Razi Ramli

COMPANY SECRETARY

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

AUDITORS

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

STOCK EXCHANGE LISTING

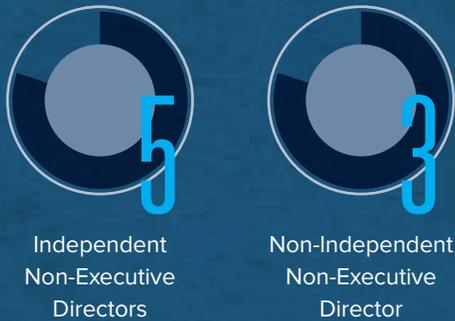
Main Market Bursa Malaysia
Securities Berhad
Stock Name: BHIC
Stock Code: 8133

WEBSITE

www.bhic.com.my

BOARD AT A GLANCE

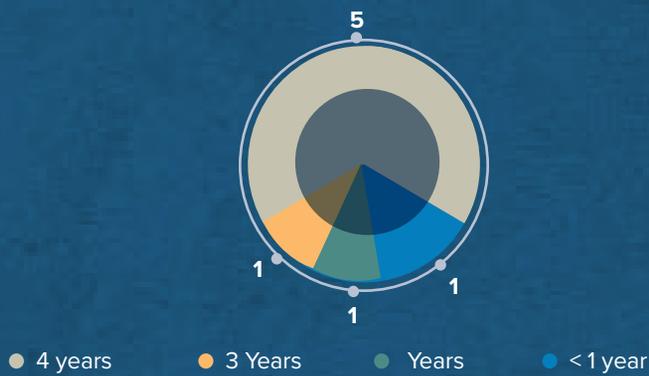
BOARD COMPOSITION



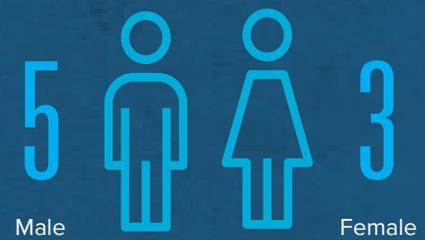
NATIONALITY



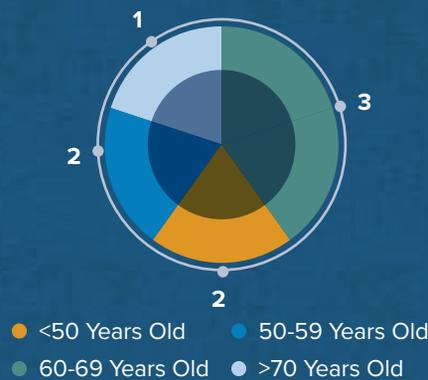
BOARD TENURE



GENDER



AGE





ROZI BAHARUDIN

**TAN SRI DATO' WIRA
AZIAH ALI**

(DR.) SALIHIN ABANG

**HAJAH SAADATUL
NAFISAH BASHIR
AHMAD**



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

IZADDEEN DAUD

FAHMY ISMAIL

**DATO' AHMAD
NAZIM ABD
RAHMAN**

IRFAN HASHIM

PROFILE OF DIRECTORS



ROZI BAHARUDIN

Senior Independent Non-Executive Director

Appointed on 2 January 2019



FEMALE



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MALAYSIAN

LENGTH OF SERVICE
4 YEARS

DATE OF LAST RE-ELECTION
21 JULY 2020

NUMBER OF BOARD MEETINGS ATTENDED
14/14

DETAILS OF ANY INTEREST IN THE SECURITIES OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD:
5,000 ORDINARY SHARES

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:
NIL

DIRECTORSHIP IN PUBLIC COMPANIES:
NIL

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

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

Working Experience:

- Attended short management courses at the Institute for Management Development, Lausanne, Switzerland (June 2004), The Institute of Labour Relations, Cornell University, New York, USA (October 2007) and The Said Business School, Oxford University, United Kingdom (July 2014).
- 1988 to 1992 - Head, Human Resource Consultancy Division, KPMG Peat Marwick
- 1990 (May to August) - Seconded to KPMG Peat Marwick, London, United Kingdom
- 1992 to 1996 - Partner, PA Consulting Group, Malaysia
- 1996 to 1998 - Chief Executive Officer and Partner, ASPAC Human Resource Consulting
- 1999 to 2018 - General Manager, Human Capital and Administration, Indah Water Konsortium Sdn Bhd

Board Committee(s):

- Nominating & Remuneration Committee - Chairman



TAN SRI DATO' WIRA AZIAH ALI

Independent Non-Executive Director

Appointed on 10 July 2019



FEMALE



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MALAYSIAN

LENGTH OF SERVICE
4 YEARS

DATE OF LAST RE-ELECTION
23 JUNE 2021

NUMBER OF BOARD MEETINGS ATTENDED
14/14

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

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:
BOUSTEAD PLANTATIONS BERHAD

DIRECTORSHIP IN PUBLIC COMPANIES:
WASIYYAH SHOPPE BERHAD

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

- Bachelor of Law (Honours), University Malaya

Working Experience:

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

Board Committee(s):

- Sustainability Committee - Chairman
- Audit Committee - Member

PROFILE OF DIRECTORS



(Dr.) SALIHIN ABANG

Independent Non-Executive Director

Appointed on 10 July 2019



MALE



50



MALAYSIAN

LENGTH OF SERVICE
4 YEARS

DATE OF LAST RE-ELECTION
15 JUNE 2022

NUMBER OF BOARD MEETINGS ATTENDED
14/14

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

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:
BINTULU PORT HOLDINGS BHD
G3 GLOBAL BERHAD
BOUSTEAD PLANTATIONS BERHAD

DIRECTORSHIP IN PUBLIC COMPANIES:
WASIYAH SHOPPE BERHAD

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

- Bachelor of Accounting, International Islamic University Malaysia
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Financial Planner, Financial Planning Association of Malaysia
- Fellow, Chartered Tax Institute of Malaysia
- Master of Science in Accounting, International Islamic University Malaysia
- ASEAN Senior Management Development Program, Harvard Business School Alumni Club of Malaysia
- SEAN Chartered Professional Accountant (ACPA)
- Fellow, International Association of Accountants UK
- Honorary Member, Institute of Cooperative and Management Auditors
- Honorary Doctorate Degree in Management, Universiti Malaysia Terengganu
- Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- Qualified Risk Director, Institutes of Enterprise Risk Practitioners

Working Experience:

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

Board Committee(s):

- Audit Committee – Chairman
- Risk Committee – Member
- Sustainability Committee – Member



HAJAH SAADATUL NAFISAH BASHIR AHMAD

Independent Non-Executive Director

Appointed on 10 July 2019



FEMALE



68



MALAYSIAN

LENGTH OF SERVICE
4 YEARS

DATE OF LAST RE-ELECTION
15 JUNE 2022

NUMBER OF BOARD MEETINGS ATTENDED
14/14

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

DIRECTORSHIP IN OTHER PUBLIC LISTED
COMPANIES:
NIL

DIRECTORSHIP IN PUBLIC COMPANIES:
NIL

FAMILY RELATIONSHIP WITH ANY DIRECTOR
AND/OR MAJOR SHAREHOLDER OF THE
COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

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

Working Experience:

- 1979 to 2016 – Government of Malaysia (Retired as Director of Government Audit Sector in the National Audit Department of Malaysia)
- 2016 to 2018 – Audit Committee Member and Investment and Integrity Committee Member, Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM)
- 2016 to 2019 – International Consultant, Asian Development Bank
- 2022 to Current – International Consultant, Asian Development Bank

Board Committee(s):

- Audit Committee – Member
- Nominating & Remuneration Committee – Member
- Sustainability Committee – Member

PROFILE OF DIRECTORS



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

Independent Non-Executive Director

Appointed on 21 August 2019



MALE



64



MALAYSIAN

LENGTH OF SERVICE
4 YEARS

DATE OF LAST RE-ELECTION
15 JUNE 2022

NUMBER OF BOARD MEETINGS ATTENDED
14/14

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

DIRECTORSHIP IN OTHER PUBLIC LISTED
COMPANIES:
NIL

DIRECTORSHIP IN PUBLIC COMPANIES:
NIL

FAMILY RELATIONSHIP WITH ANY DIRECTOR
AND/OR MAJOR SHAREHOLDER OF THE
COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

- Britannia Royal Naval College, Dartmouth, United Kingdom
- Indonesian Naval Staff and Command College, Jakarta, Indonesia
- Master's in Human Resource Management, University of New South Wales, Australia
- Diploma in Executive Business Management, Universiti Teknologi Malaysia
- Indonesia National Resilience Institute (LEMHANAS), Jakarta, Indonesia
- Senior International Defense Planning & Management Program, Monterey, United States of America

Working Experience:

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

Board Committee(s):

- Risk Committee - Chairman
- Nominating & Remuneration Committee - Member



IZADDEEN DAUD

Non-Independent Non-Executive Director

Appointed on 11 June 2020



MALE



55



MALAYSIAN

LENGTH OF SERVICE
3 YEARS

DATE OF LAST RE-ELECTION
21 JULY 2020

NUMBER OF BOARD MEETINGS ATTENDED
12/14

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

NIL

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:

OLYMPIA INDUSTRIES BERHAD
PHARMANIAGA BERHAD
BOUSTEAD PLANTATIONS BERHAD

DIRECTORSHIP IN PUBLIC COMPANIES:
BOUSTEAD PROPERTIES BERHAD

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

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

Working Experience:

- 1991 - Auditor, Ernst & Young
- 1992 - Senior Officer, Oriental Bank Berhad
- 1992 to 1998 - Senior Manager, Perwira Affin Merchant Bank Berhad
- 1999 to 2007 - Assistant Vice President, Permodalan Nasional Berhad
- 2007 to 2008 - Chief Executive Officer, ASM Investment Services Berhad
- 2008 to 2009 - Managing Director, MARA Incorporated
- 2013 to January 2021 - Executive Chairman, E&E Gas Sdn Bhd
- July 2020 to February 2021 - Executive Director, Group Business Development, Boustead Holdings Berhad (BHB)
- November 2020 to March 2022 - Acting CEO, Boustead Properties Berhad
- 1 March 2021 to 30 November 2022 - Deputy Group Managing Director, BHB
- 1 December 2022 to present - Group CEO, BHB

Board Committee(s):

- Risk Committee - Member

PROFILE OF DIRECTORS



DATO' AHMAD NAZIM ABD RAHMAN

Non-Independent Non-Executive Director

Appointed on 12 October 2021



MALE



48



MALAYSIAN

LENGTH OF SERVICE
2 YEARS

DATE OF LAST RE-ELECTION
15 JUNE 2022

NUMBER OF BOARD MEETINGS ATTENDED
13/14

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

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:
BOUSTEAD HOLDINGS BERHAD

DIRECTORSHIP IN PUBLIC COMPANIES:
NIL

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

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

Working Experience:

- June 2001 to June 2007 - Senior Associate, Securities Commission
- June 2007 to December 2008 - Associate, Norton Rose Fulbright LLP, London
- January 2009 to April 2012 - Director, National Bank of Abu Dhabi, United Arab Emirates
- July 2013 to October 2018 - Chief Executive Officer, Pelaburan MARA Berhad
- November 2019 to June 2021 - Managing Director (Southeast Asia), Allied Investment Partners PJSC, Singapore
- June 2021 to present - Chief Executive, Lembaga Tabung Angkatan Tentera (LTAT)

Board Committee(s):

- Nominating and Remuneration Committee - Member



FAHMY ISMAIL

Non-Independent Non-Executive Director

Appointed on 22 February 2023

MALE 46 MALAYSIAN

LENGTH OF SERVICE
LESS THAN 1 YEAR

DATE OF LAST RE-ELECTION
APPOINTED W.E.F 22 FEBRUARY 2023

NUMBER OF BOARD MEETINGS ATTENDED
APPOINTED W.E.F 22 FEBRUARY 2023

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

NIL

DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES:

BOUSTEAD PLANTATIONS BERHAD

DIRECTORSHIP IN PUBLIC COMPANIES:

MHS AVIATION BERHAD
BOUSTEAD PROPERTIES BERHAD

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

NO

CONFLICT OF INTERESTS WITH THE COMPANY:

NIL

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

NIL

Qualifications:

- Certified Practising Accountant, CPA Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Bachelor of Commerce (Accounting and Finance), University of Sydney, Australia

Working Experience:

- 2006 - Manager, Corporate Planning, Boustead Holdings Berhad (BHB)
- 2009 - Chief Executive Officer (CEO), Boustead REIT Managers Sdn Bhd, the Manager of Al-Hadharah Boustead REIT
- 2014 to May 2018 - CEO, Boustead Plantations Berhad (BPB)
- January 2019 to July 2020 - Chief Operating Officer, BHB
- 2017 to present – Group Finance Director, BHB.
- 1 March 2023 - Redesignated to Group Chief Financial Officer, BHB
- November 2022 to present - Acting, Chief Executive Officer, Boustead Plantations Berhad (BPB)

Board Committee(s):

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

PROFILE OF DIRECTORS



IRFAN HASHIM

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

Appointed on 12 October 2021



MALE



40



MALAYSIAN

LENGTH OF SERVICE
2 YEARS

DATE OF LAST RE-ELECTION
-

NUMBER OF BOARD MEETINGS ATTENDED
5/14 (ALTERNATE TO DATO' AHMAD NAZIM
ABD RAHMAN)

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

DIRECTORSHIP IN OTHER PUBLIC LISTED
COMPANIES:
NIL

DIRECTORSHIP IN PUBLIC COMPANIES:
NIL

FAMILY RELATIONSHIP WITH ANY DIRECTOR
AND/OR MAJOR SHAREHOLDER OF THE
COMPANY:
NO

CONFLICT OF INTERESTS WITH THE COMPANY:
NIL

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

Qualifications:

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

Working Experience:

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

Board Committee(s):

- NIL

OUR APPRECIATION TO FORMER DIRECTORS



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

Retired w.e.f 1 November 2022



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

Resigned w.e.f 30 November 2022



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

Resigned w.e.f. 16 January 2023



**DATUK HAJI NASARRUDDIN
DATO' M. ZIN**
Independent Non-Executive
Director

Resigned w.e.f 16 January 2023



Ahmad Fazril Mohd Fauzi
Chief Financial Officer

Feroz Razi Ramli
Chief Executive Officer

PROFILE OF SENIOR MANAGEMENT TEAM



Feroz Razi Ramli
Chief Executive Officer

Malaysian / 45 (Male)

Date of Appointment to present position: 1 April 2023

Qualifications:

- BA (Hons) in Economics and Politics from University of Durham, United Kingdom
- Chartered Accountant from Institute of Chartered Accountant in England and Wales (ICAEW)
- Chartered Accountant from Association of Chartered Certified Accountants (ACCA)
- Member of Malaysian Institute of Accountants (MIA)

Working Experience:

- 2000 to 2003 – Management Executive, Sime Darby Berhad
- 2003 to 2004 – Corporate Finance Executive, Sime Darby Berhad
- 2004 to 2011 – Audit Manager, Jeffreys Hendry LLP, London
- 2011 to 2013 - Senior Manager-Audit, PricewaterhouseCoopers, Malaysia
- 2013 to 2016 - Team Lead - Finance, Talisman Malaysia Limited
- 2016 to 2018 – Deputy Chief Executive Officer, Boustead DCNS Naval Corporation Sdn Bhd
- 2018 to present - Chief Executive Officer, Boustead DCNS Naval Corporation Sdn Bhd
- Present - Chief Executive Officer, BHIC

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

- 19,000 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:

- Nil

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

- Nil



Ahmad Fazril Mohd Fauzi
Chief Financial Officer

Malaysian / 39 (Male)

Date of Appointment to present position: 1 August 2021

Qualifications:

- Bachelor of Commerce (Majoring in Accounting and Finance), Deakin University, Melbourne, Australia
- Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Integrity Officer, Malaysian Anti-Corruption Commission

Working Experience:

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

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

- Nil

Directorship in other public listed companies:

- Nil

Directorship in public companies:

- Nil

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

- No

Conflict of interests with the Company:

- Nil

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

- Nil

HEADS OF BUSINESS UNITS



Ir. AZHAR JUMAAT
Boustead Naval Shipyard
Sdn Bhd

Chief Executive Officer



JEFFRY FAISAL
BHIC Submarine Engineering
Services Sdn Bhd

Chief Executive Officer



AZHAR ABDULLAH
BHIC Bofors Asia Sdn Bhd

Chief Executive Officer



**SEVALE
SARVAESVARAN**
BHIC AeroServices Sdn Bhd

Acting Chief Executive Officer



DEVA DASS BABOO
BHIC Defence Techservices
Sdn Bhd

Head



**MOHAMED RAZIFF
ABDUL HAMID**
Airbus Helicopter Simulation
Center Sdn Bhd

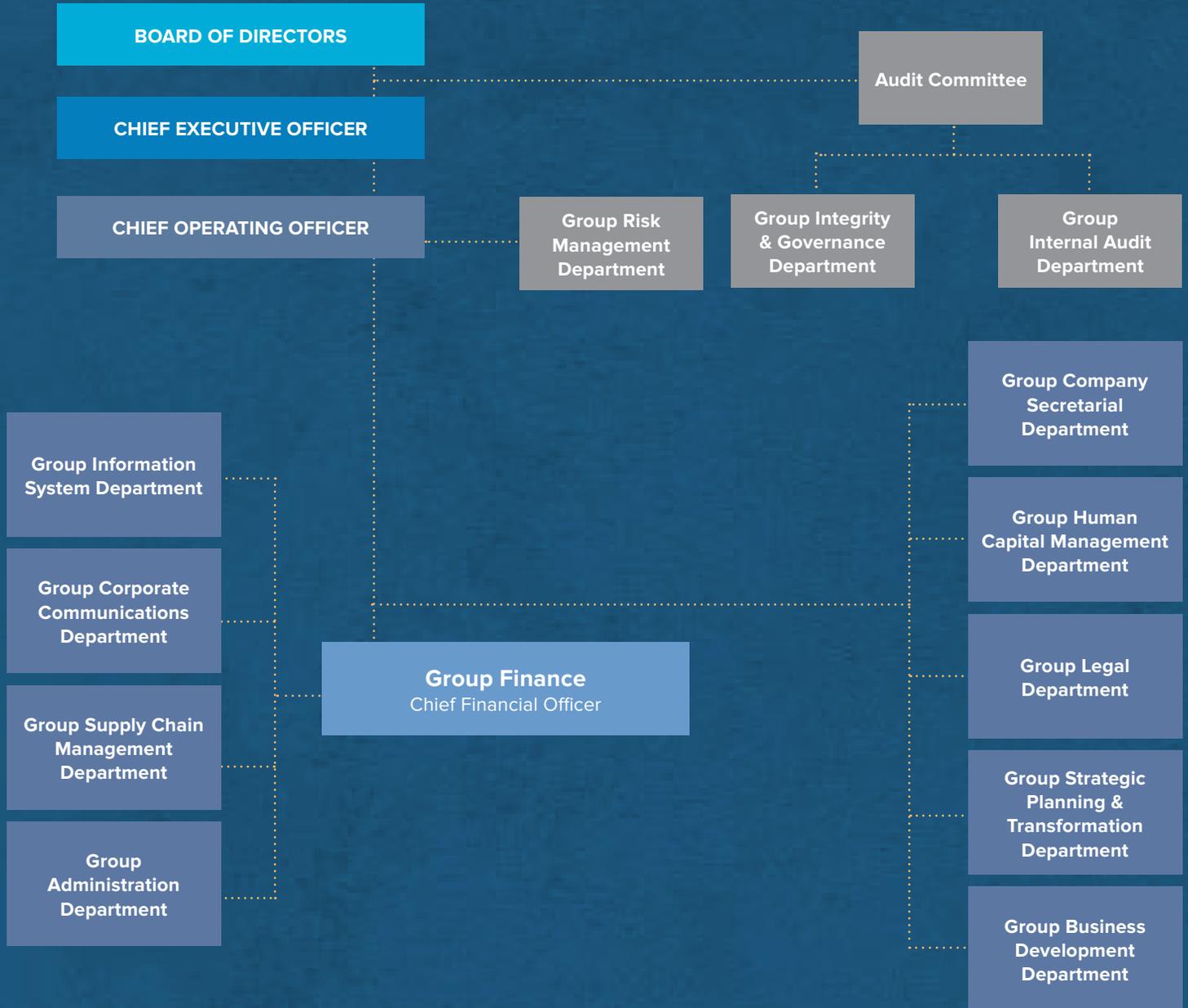
General Manager



SITI SALWA ABU BAKAR
Boustead Langkawi Shipyard
Sdn Bhd

Acting Head

ORGANISATION STRUCTURE



Employee demographics
Male: 78% | Female 22%



Total expenditure for training and talent development
RM0.3 million



83% of employees are aged
50 years and below

GOVERNANCE

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SECTION

06



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

OUR CORPORATE GOVERNANCE APPROACH

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

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

- 1 Promote heightened accountability at the leadership level, namely Board and Senior Management;
- 2 Adopt in substance the corporate governance enumerations and not merely in form;
- 3 Conduct a thorough debate and rigorous enquiry process before establishing corporate governance systems, policies and procedures;
- 4 Identify opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and operational decision making;
- 5 Find a balance in meeting the expectations of the different groups of stakeholders of the Group.

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

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

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

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

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

BHIC applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2022 except:

Practice 4.5
(Policy on Gender Diversity)

Practice 6.1
(Remuneration Policy for Directors and Senior Management)

Practice 7.2
(Disclosure of the top five senior management personnel's remuneration on a named basis in bands of RM50,000);

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

CORPORATE GOVERNANCE FRAMEWORK

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

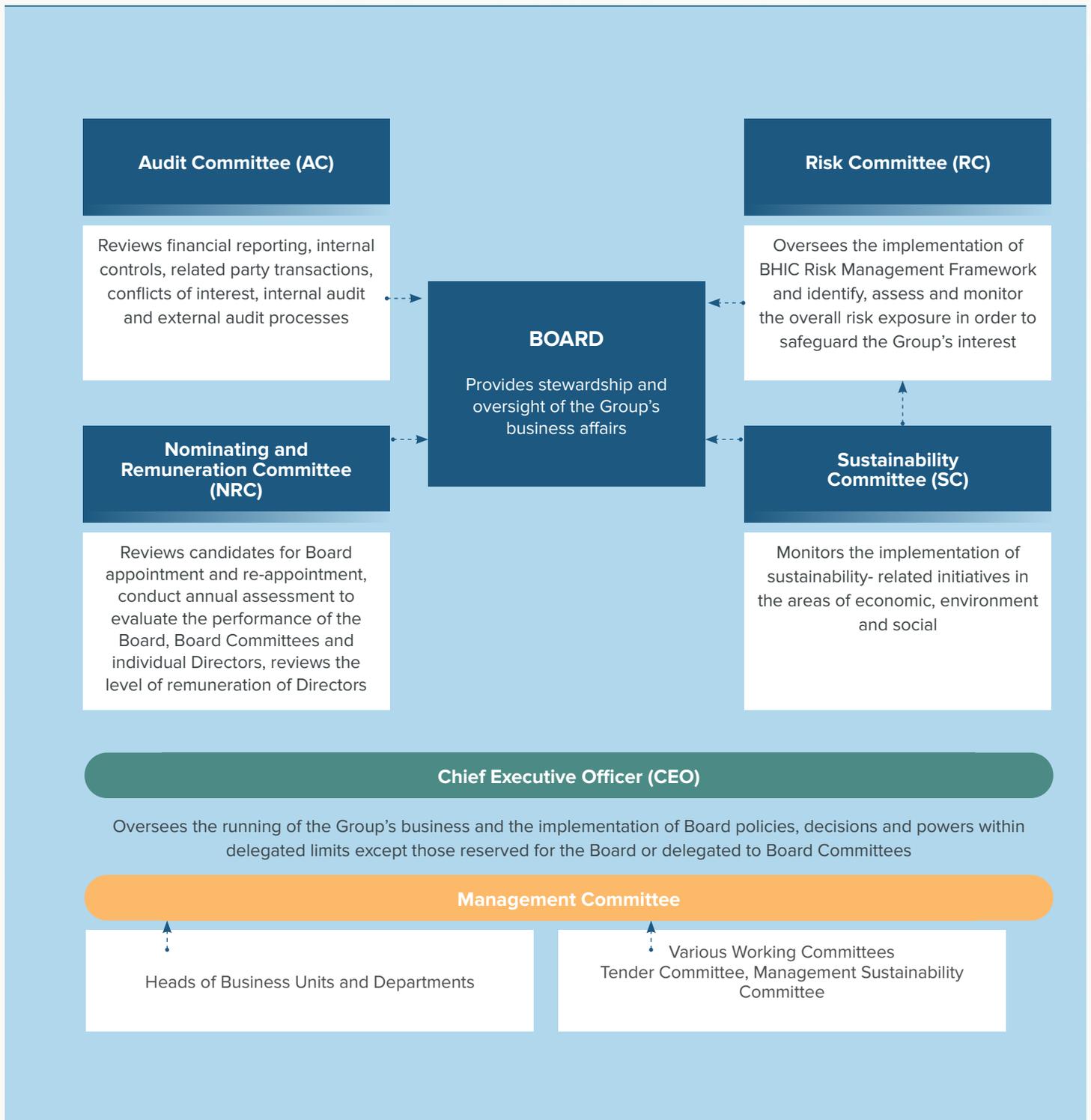
The Board discharges its responsibilities within a clear defined governance framework and robust mechanisms in place. Through this framework, the Board, without abdicating its responsibilities, delegates its governance responsibilities to key Committees of the Board and other Working Committees. The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

How the Group's governance structure and practices create value for all its stakeholders

- 1 Promoting the Group's future through sound sustainable practices
- 2 Building cogency through principled leadership
- 3 Securing the integrity and quality of financial reporting
- 4 Ensuring good reputation with accountable behaviour

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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



BOARD CHARTER

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

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

The Board Charter and the TORs of the Board Committees are made available on the BHIC's website at www.bhic.com.my. The TOR of the NRC was last reviewed on 8 September 2022.

BOARD'S ROLES AND RESPONSIBILITIES

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

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

- 1 To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management
- 2 To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed
- 3 To review and approve financial statements
- 4 To review and manage principal risks and adequacy of BHIC's internal control systems
- 5 To ensure there is an appropriate succession plan for members of the Board and Senior Management
- 6 To be accountable to its shareholders and to some extent, accountability towards a wider range of stakeholders affected by BHIC's decision, such as employees, suppliers, customers and the local community where BHIC is operating.

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

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

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

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

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

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

BOARD MEETINGS AND ATTENDANCE

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

The Chairman and the Company Secretary ensure that Directors receive clear and timely information on all relevant matters. Board and Board Committee papers and reading materials are circulated in a timely manner ahead of a meeting to ensure there is adequate time for the Directors to read, have an understanding of the subject matter, be prepared to deal with matters to be discussed at the meeting to enable the Board and Board Committees to make

CORPORATE GOVERNANCE OVERVIEW STATEMENT

effective decisions. This facilitates a robust and informed discussion by the Board, ensuring that opportunities are given to all Directors to participate and contribute to an effective decision-making process.

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

The Minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter.

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

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

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

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

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

The Board conducted fourteen meetings during the year under review. Aside from Board meetings urgent matters were also decided via Directors' Circular Resolutions which were signed by all Directors.

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

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

Attendance of individual Directors at Board and Board Committee meetings during the year under review are as follows:

Director	Board	AC	NRC	RC	SC
Non-Independent Non-Executive Directors					
Dato' Maznah Abdul Jalil (Retired w.e.f. 1 November 2022)	11/12	–	–	4/4	2/2
Dato' Sri Mohammed Shazalli Ramly (Resigned w.e.f. 30 November 2022)	6/13	–	–	–	–
Izaddeen Daud ¹	12/14	–	–	5/5	1/1
Dato' Ahmad Nazim Abd Rahman ²	13/14	–	3/4	–	–
Fahmy Ismail ^{3 & 4}	–	–	–	–	–
Irfan Hashim (Alternate to Dato' Ahmad Nazim Abd Rahman)	5/14	–	–	–	–
Senior Independent Non-Executive Director					
Rozi Baharudin	14/14	–	7/7	–	–
Independent Non-Executive Directors					
Tan Sri Dato' Wira Aziah Ali	14/14	8/8	–	–	3/3
Dr. Salihin Abang ⁵	14/14	8/8	–	4/5	–
Hajah Saadatul Nafisah Bashir Ahmad	14/14	8/8	7/7	–	3/3
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	14/14	–	7/7	5/5	–
Datuk Norliza Abdul Rahim (Resigned w.e.f. 16 January 2023) ^{6 & 7}	8/14	2/3	–	2/2	–
Datuk Haji Nasarruddin Dato' M. Zin (Resigned w.e.f. 16 January 2023) ⁸	12/14	–	–	–	2/2

Notes:

- 1 Resigned as Member of SC w.e.f. 25 May 2022
- 2 Appointed as Member of NRC w.e.f. 25 May 2022
- 3 Appointed as Member of Board w.e.f. 22 February 2023
- 4 Appointed as Member of AC and NRC w.e.f. 22 February 2023
- 5 Appointed as Member of SC w.e.f. 11 April 2023
- 6 Appointed as Member of AC and RC w.e.f. 25 May 2022
- 7 Resigned as Member of AC and RC w.e.f. 16 January 2023
- 8 Resigned as Member of SC w.e.f. 16 January 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMMITTEES

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

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

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

SEPARATE ROLES OF THE CHAIRMAN AND CEO

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

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

INTEGRITY AND ETHICS

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

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

BOARD COMPOSITION

As at the date of this Statement, the Board comprises eight members, five of whom are Independent Non-Executive Directors (INEDs). The composition of INEDs on the Board is above the requirement of the MMLR. The Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its roles and responsibilities effectively. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

The Board's size ensures that the purpose involvement, participation harmony and a sense of responsibility of the Directors are not jeopardised and that it achieves the correct balance to realise the Company's strategic objectives. BHIC's Board composition is testament of the view that a board's make-up should support objective and independent deliberation, review and decision-making to allow for a more effective oversight of Management.

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

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

The Board acknowledges that NEDs may hold external directorships and other business interests, which varied exposure will benefit the Group significantly. The Board annually reviews the declarations made by Directors on the number and nature of their external directorships that they hold as well as their assurances on time commitment in carrying out their duties and responsibilities to the Company. As at the date of this Statement, none of the Directors hold more than five directorships in any other public listed companies.

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

- i) The Board appointed Fahmy Ismail as NINED on 22 February 2023. Article 100 of the Company's Constitution provides that any new Directors appointed during the year under review shall hold office until the next following AGM and will be eligible for re-election. Fahmy Ismail has given his consent for re-election at the forthcoming AGM.

The Board expressed its gratitude and appreciation to Dato' Maznah Abdul Jalil, Dato' Sri Mohammad Shazalli Ramly, Datuk Norliza Abdul Rahim and Datuk Haji Nasaruddin M. Zin who had resigned from the Board during the period under review.

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

Rozi Baharudin and Izaddeen Daud have given their consent for their re-election at the forthcoming AGM.

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

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

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

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

BOARD CONDUCT

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

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

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

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

MATTERS RESERVED FOR THE DECISION OF THE BOARD

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

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

A clear schedule of Matters Reserved for the Board is reviewed periodically against industry best practices and corporate governance provisions and guidance. Below are matters reserved for the Board:

- 1 Review and approval of the Group's strategic plans and annual budget
- 2 Acquisitions and divestments
- 3 Declaration of dividends
- 4 Setting-up of new businesses
- 5 Corporate exercises
- 6 Capital investment and disposal of material assets
- 7 Approval of annual financial statements and quarterly reports

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIVERSITY

Diversity is important to ensure that the Group remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment. While it is important to promote diversity, the normal selection criteria of a Director based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board remains a priority.

The Board is committed to ensure that its composition not only reflects the diversity as recommended by the MCCG, as best as it can, it will also have the right mix of skills and balance to contribute to the achievement of the Company's goals.

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

INDEPENDENCE

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

To date, all the INEDs satisfy the following criteria:

independent from Management and free from any other relationship which could interfere with their independent judgement or the ability to act in the best interests of the Group

Not involved in the day-to-day operations of the Group

Declared their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings

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

In reviewing the independence of INEDs the NRC adopts a qualitative approach. This entails an assessment on whether they possess the intellectual honesty and moral courage to advocate professional views without fear or favour. The Board is cognisant of the rebuttable presumption that extended tenure leads to entrenchment. As such, the Board remains watchful for such indicators of entrenchment amongst long serving INEDs.

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

BOARD EVALUATION EFFECTIVENESS

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

The Board reviews its performance, the Board Committees and individual Directors on an annual basis based on a set of predetermined criteria deliberated by the NRC. During the year under review, the NRC deliberated and assessed the overall performance and effectiveness of the Board and Board Committees.

The Board through the NRC reviewed the outcome of the BEE and noted the findings and areas that required further improvements. The NRC is satisfied that the composition of the Board and Board Committees have fulfilled the criterias required and features the right blend of knowledge, experience and appropriate skills. The NRC is also of the view that the Board and Board Committees are committed to the highest standards of good governance with satisfactory support from the Management. The findings of the evaluation for individual Directors will also be used as a basis for determining the re-election of Directors at the AGM of the Company.

The Fit and Proper Policy aims at guiding the NRC and the Board in their review and assessment of candidates who are to be appointed to the Board as well as Directors who are seeking re-election.

The Policy ensure that each of the Directors of the Group possesses the requisite character, experience, qualification, integrity and competence and time to effectively discharge his/her role as director of the Company.

OUR SUSTAINABILITY COMMITMENT

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

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

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

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

Our sustainability agenda aims to make us more resilient to disruptions, flexible to change and accountable to the 'triple bottom line' (TPL) of People, Planet and Profit. We view sustainability as an ongoing and rewarding journey which the Group is committed to continuously engage in and undertake.

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

Our Sustainability Report for 2022 articulates our commitment to improving the Group's sustainability practices so that we are more competitive, more resilient and adaptable to change which has been reinforced amid the unprecedented challenges of COVID-19. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION

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

A review on the quantum and composition of NEDs' remuneration is undertaken once every four years. The details for the remuneration of Directors for the financial year ended 31 December 2022 for BHIC and its Group of companies are as follows:

Directors	Company			Group		
	Fees RM'000	Allowances (RM'000)	Total (RM'000)	Fees (RM'000)	Allowances (RM'000)	Total (RM'000)
Rozi Baharudin <i>Senior Independent Non-Executive Director</i>	164	21	185	200	25	225
Dato' Maznah Abdul Jalil <i>Non-Independent Non-Executive Director (Retired on 1 November 2022)</i>	102	40	142	132	40	172
Tan Sri Dato' Wira Aziah Ali <i>Independent Non-Executive Director</i>	105	24	129	153	26	179
(Dr.) Salihin Abang <i>Independent Non-Executive Director</i>	197	25	222	233	26	259
Hajah Saadatul Nafisah Bashir Ahmad <i>Independent Non-Executive Director</i>	142	30	172	178	33	211
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) <i>Independent Non-Executive Director</i>	203	29	232	203	29	232
Datuk Norliza Abdul Rahim <i>Independent Non-Executive Director (Resigned on 16 January 2023)</i>	92	9	101	92	9	101
Datuk Sri Mohammed Shazali Ramly * <i>Non-Independent Non-Executive Director (Resigned on 30 November 2022)</i>	72	7	78	72	7	78
Dato' Ahmad Nazim Abd Rahman # <i>Non-Independent Non-Executive Director</i>	77	14	91	77	14	91
Irfan Hashim <i>(Alternate Director to Dato' Ahmad Nazim Abd Rahman)</i>	1	5	6	1	5	6
Datuk Haji Nasarruddin Dato' M. Zin <i>Independent (Non-Executive Director Resigned on 16 January 2023)</i>	72	14	85	72	14	85
Izaddeen Bin Daud	82	23	105	82	23	105
Fahmy Ismail <i>Non-Independent Non-Executive Director (Appointed on 22 February 2023)</i>	-	-	-	-	-	-
	1,308	241	1,549	1,494	250	1,744

Note:

* Fees and Allowances are paid to Boustead Holdings Berhad

Fees and Allowances are paid to Lembaga Tabung Angkatan Tentera

AUDIT COMMITTEE

The Audit Committee (AC)'s role, amongst others, is to provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations.

The AC is chaired by an INED who is not the Chairman of the Board. The Chairman of the AC is a member of the Malaysian Institute of Accountants. The AC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the year under review as well as the attendance record of each member are set out in the AC Report in this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its corporate objective. This is done by providing risk-related information which facilitate the formulation of the Group's strategies and decision making. The Group has established policies and framework related to management of its business risks by adopting a Risk Management Policy.

The Group Risk Management Department, reviews and maintains detailed risk registers which are updated quarterly. Key focus areas of risks are reported and deliberated at the RC meetings.

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

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

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

Further information on the Group's Risk Management and Internal Control framework is made available in the Statement of Risk Management and Internal Control of this Integrated Report. The

details of the Risk Management and Internal Control Framework of the Group are disclosed in this Integrated Report under the Statement of Risk Management and Internal Control.

COMMUNICATION WITH STAKEHOLDERS

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

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

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

The Group also places strong emphasis on timely and equitable dissemination of information to shareholders and stakeholders. The main modes of communication include Annual/Integrated Report, quarterly results, announcements to Bursa Malaysia, Sustainability Report and its corporate website.

CONDUCT OF GENERAL MEETING

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The email address for investor relations related matters of the Group is: investor_inquiry@bhic.com.

FOCUS AREAS ON CORPORATE GOVERNANCE

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2022 the Group embarked on the following activities:

1 Independence of the Board

It is acknowledged that having objectivity in the boardroom extends beyond quantitative measures such as the number of INEDs and their respective tenures. In order to harness the collective wisdom and counsel from greater participation of INEDs, INEDs have access to key gatekeepers of the Group, such as external and internal auditors to discuss or share concerns about the Group and exchange views on potential improvements in governance.

2 Boardroom Diversity

The Board recognises the importance of diversity in averting 'groupthink' and 'blindspots' in the deliberation and decision-making process. Acknowledging gender as a key facet of the various diversity dimensions, the Board is committed to developing a corporate culture that also embraces the aspect of gender diversity.

3 Professional Development of Directors

During the year under review, Directors were provided with the opportunity to develop and enhance their skills and knowledge. They attended various training programmes to keep themselves abreast with changes in legislative promulgations and in the areas of leadership, governance, finance, management and industry practices. The Board, through the NRC was satisfied with the type of programmes attended by 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	Training attended	Date(s)
Rozi Baharudin	1. Employer and Employee Tax Obligations in Malaysia	23 February 2022
	2. What Will Happen to A Director in a Shareholder's Fight?	2 & 9 March 2022
	3. KSY312: Investment Opportunities in a Post Covid-19 Pandemic World	9 June 2022
	4. Related Party Transactions ('RPTs') and Conflict of Interest, Including the "arm-length" definition on transactions Implications to the Board, Audit Committee, Management and Auditors	25 July 2022
	5. Companies Act 2016: Practical Guide for Company Directors	4 October 2022
	6. Director's Conflict of Interests: How Company Secretary Is to Advise	29 November 2022

Name	Training attended	Date(s)
Tan Sri Dato' Wira Aziah Ali	1. Webinar on the Corporate Governance (CG) Overview Statement - CG Report, Audit Committee Report and the SORMIC	28 March 2022
	2. AOB's Conversation with Audit Committees	7 April 2022
	3. The Corporate Governance (CG) Overview Statement, CG Report, Audit Committee Report and the Statement on Risk Management & Internal Control (SORMIC)	8 April 2022
	4. Drafting Sustainability Statement or Report - Identifying and Scoping the Contents for Meaningful Disclosure and Monitoring	22 April 2022
	5. MIA International Accountants Conference 2022	8 & 9 June 2022
	6. Webinar on Governance, Ethics & a Code of Conduct	16 June 2022
	7. Webinar on the Audit Committee - Unpacking the Roles of the Committee & Honing its Effectiveness in Discharging its Responsibilities Holistically	27 June 2022
	8. The Nominating & Remuneration Committees	14 July 2022
	9. Webinar on the Updated Malaysian Code on Corporate Governance 2021 - Implications to Listed Corporations, Directors & Management	10 August 2022
	10. Integrity Day Boustead Holding	24 November 2022
	11. AOB's Conversation with Audit Committees	6 December 2022
Hajah Saadatul Nafisah Bashir Ahmad	1. Innovative and Creative Mindset at Works Working in New Era by Humanology	22 & 23 February 2022
	2. Webinar on Integrity Modules by Boustead Holding Berhad	20 May 2022
	3. Integrity Talk to BDNC's Associates	17 June 2022
	4. Talk to the Internal Audit Staff of The Ministry of Education on Techniques of Special Audit	26 August 2022
	5. Integrity Day Boustead Holding	24 November 2022
	6. Directors' Conflict of Interests: How Company Secretary is to Advise	29 December 2022
	7. The Role of Accountants in Managing Cybersecurity Risk	23 February 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Training attended	Date(s)
(Dr.) Salihin Abang	1. Mandatory Anti-Bribery & Corruption Training “Anti-Bribery and Corruption: What You Need to Know”	23 February 2022
	2. Reimagine Risk Management: Post-Pandemic	25 February 2022
	3. Talk on Corporate Liability Under Section 17A MACC Act	25 February 2022
	4. TCFD 101: Getting Started with Climate-related Financial Reporting.	2 March 2022
	5. Sharing on Digitalisation Grant	9 March 2022
	6. TCFD Climate Disclosure Training Programme	9 March 2022
	7. Corporate Tax Planning	15 March 2022
	8. Entering the 5G Era	17 March 2022
	9. ESG Oversight for Boards	18 March 2022
	10. Technology Adoption Strategy for SMPs and SMEs	23 March 2022
	11. HASIL-MEF Tax Webinar 2022 - Building Sustainable Future	30 March 2022
	12. The Securities Commission Audit Oversight Board’s Conversation with Audit Committees	7 April 2022
	13. Corporate Governance (CG) Overview Statement CG Report, Audit Committee Report and The Statement on Risk Management & Internal Control (SORMIC)	8 April 2022
	14. Basics of Climate Change and Organisational Greenhouse Gas Accounting: Master Climate Reporting Effectively	25 & 26 April 2022
	15. Executive Masterclass: Developing Malaysia’s Roadmap to Net	27 April 2022
	16. MIA Mental Health Webinar Session - Turning Stress into Positive Energy	20 May 2022
	17. MIA Virtual Conference Series: Corporate Board Leadership Symposium 2022 - Mastering Governance in The Era of ESG	30 & 31 May 2022
	18. MIA Conference 2022 - Leading ESG, Charting Sustainability	8 & 9 June 2022
	19. MIA Webinar: Sustainability Management and Reporting - “What This Entails & How the Board and Management Go About Managing & Reporting Sustainability Practices”	22 June 2022
	20. Sustainable and Responsible Investment (SRI) Virtual Conference 2022 - Preserving the Climate Through Sustainability Business and Living (Day 2)	23 June 2022
	21. Global Network of Directors Institute (GNDI) 24-Hours Global Conference	14 July 2022

Name	Training attended	Date(s)
(Dr.) Salihin Abang (Con't.)	22. National Tax Conference 2022 - The Role of Taxation in Post Pandemic Recovery (Day 1)	2 & 3 Aug 2022
	23. MIA Webinar: Living with COVID-19: Adapting to Changes for well-being at work and home	4 August 2022
	24. UNITEN Lecture by Industry: Operating Segment (Panelist)	7 September 2022
	25. COVID-19 Related Issues in Financial Reporting - Going Concern, Impairment, and Financial Instruments	22 September 2022
	26. International Directors Summit 2022	26 & 28 September 2022
	27. Seminar Kewangan dan Pengauditan Sektor Awam: Menggerak Transformasi Digital Sektor Awam Malaysia-Kepentingan dan Cabaran (Panellist)	4 October 2022
	28. MIA Webinar: Digital Transformation in Small and Medium Practices	20 October 2022
	29. ISQM1 Guide and Illustrative Manual Workshop	25 October 2022
	30. Global IERP Conference 2022	26 & 27 October 2022
	31. Latest Tax Developments	3 November 2022
	32. Environmental, Social and Governance (ESG), Climate Change and Sustainability Reporting	22 December 2022
	33. Konvensyen Akauntan Nasional 3.0 - Pengalaman Melaksanakan ESG (Panellist)	11 January 2023
	34. UMT Industry in the Classroom	27 January 2023
	35. MIA Town Hall 2022/23 Session 2 - (PAIB, Public Sector & Academia Sectors)	15 February 2023
	36. MIA Digital Month 2023 Week 1: Ethical Leadership in a Digital Era	16 February 2023
	37. ESG: Living Up to the Sustainability Promise Live Webinar	21 February 2023
	38. MIA Digital Month Week 2 Role of Accountant in Managing Cybersecurity Risk	23 February 2023
	Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	1. TCFD Climate Disclosure (101 Session)
2. Bridging the Gap		8 June 2022
3. Management Discussion and Analysis		23 June 2022
4. Read, Interpret and Analyze Financial Statements for Company Directors and Company Secretaries (Intermediate Level)		16 November 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Training attended	Date(s)
Independent Non-Executive Directors		
Dato' Ahmad Nazim Abd Rahman	<ol style="list-style-type: none"> 1. International Sustainable Energy Summit 2022 (Sustainable Energy Development Authority) 2. International Directors Summit 2022 (Institute of Corporate Directors Malaysia) 3. Lembaga Tabung Angkatan Tentera mini Teambuilding 2022 (LTAT) 	<p>29 to 30 August 2022</p> <p>26 to 28 September 2022</p> <p>16 December 2022</p>
Izaddeen Daud	<ol style="list-style-type: none"> 1. Sustainable and Responsible Investment 2022 – Preserving the Climate Through Sustainable Business and Living (SIDC) 2. Boustead Properties Berhad (BProp) Board Retreat 2022 (Management of BProp) 3. BHB Board Retreat 2022 (Management of BHB) 4. BHB Integrity Day (Management of BHB) 	<p>22 and 23 June 2022</p> <p>11 October 2022</p> <p>18 to 20 October 2022</p> <p>24 November 2022</p>
Dato' Maznah Abdul Jalil	<ol style="list-style-type: none"> 1. Esg Corporate Summit “Driving Sustainability and Sustainable Transformation” 2. TCDF Climate Disclosure Training Programme 2021 3. CHK004: Digital Leadership for Sustainable Business in Industry 4.0 4. KSY 312: Investment Opportunities for Sustainable Business in Industry 5. CHK004: Digital Leadership for Sustainable Business in Industry 4.0 6. ESG & Corporate Governance 	<p>17 February 2022</p> <p>2 March 2022</p> <p>12 May 2022</p> <p>9 June 2022</p> <p>13 July 2022</p> <p>25 July 2022</p>
Dato' Sri Mohammed Shazalli Ramly	<ol style="list-style-type: none"> 1. TCFD Climate Disclosure (101 Session) 2. Blockchain Fundamentals & Blockchain Business (Module 1) 3. TCFD Climate Disclosure (102 Session) 4. Blockchain Fundamentals & Blockchain Business (Module 2) 	<p>2 March 2022</p> <p>8 March 2022</p> <p>9 March 2022</p> <p>9 March 2022</p>
Datuk Norliza Abdul Rahim	<ol style="list-style-type: none"> 1. In-House Directors' Training Programme: Environment, Social and Governance (“ESG”) 2. Webinar on Governance, Ethics & A Code of Conduct 3. Webinar Mental Health - Royale Chulan 	<p>29 March 2022</p> <p>16 June 2022</p> <p>24 November 2022</p>
Datuk Haji Nasaruddin Dato' M. Zin	<ol style="list-style-type: none"> 1. TCFD Climate Disclosure Training 2. Bursa Malaysia Mandatory Accreditation Programme (MAP) 	<p>2 March 2022</p> <p>23 & 25 May 2022</p>

Name	Training attended	Date(s)
Independent Non-Executive Directors		
Irfan Hashim (Alternate Director to Dato' Ahmad Nazim Abd Rahman)	<ol style="list-style-type: none"> 1. LTAT SLT - Conscious Leadership 2. LTAT SLT - Leadership Transformation Part 1 3. LTAT SLT - Leadership Transformation Part 2 4. High Impact Leadership - Trust for High Performance 5. High Impact Leadership - Forging Habits for Lasting Impact 6. High Impact Leadership - Coaching for Performance 	<p>24 January 2022</p> <p>11 February 2022</p> <p>25 February 2022</p> <p>25 March 2022</p> <p>26 March 2022</p> <p>5 July 2022</p>
Fahmy Ismail	<ol style="list-style-type: none"> 1. MIA Conference 2022 (MIA) 2. BPlant Board Retreat 2022 (Management of BPlant) 3. BProp Board Retreat 2022 (Management of BProp) 4. BHB Board Retreat 2022 (Management of BHB) 5. BHB Integrity Day (Management of BHB) 6. Effective Startegic Planning Implementation and Management (MIA) 	<p>8 and 9 June 2022</p> <p>28 to 30 September 2022</p> <p>11 October 2022</p> <p>18 to 20 October 2022</p> <p>24 November 2022</p> <p>21 and 22 December 2022</p>

CORPORATE GOVERNANCE PRIORITIES (2022 AND BEYOND)

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

The Corporate Governance Overview Statement has been approved in accordance with a resolution of the Board of Directors dated 25 April 2023.

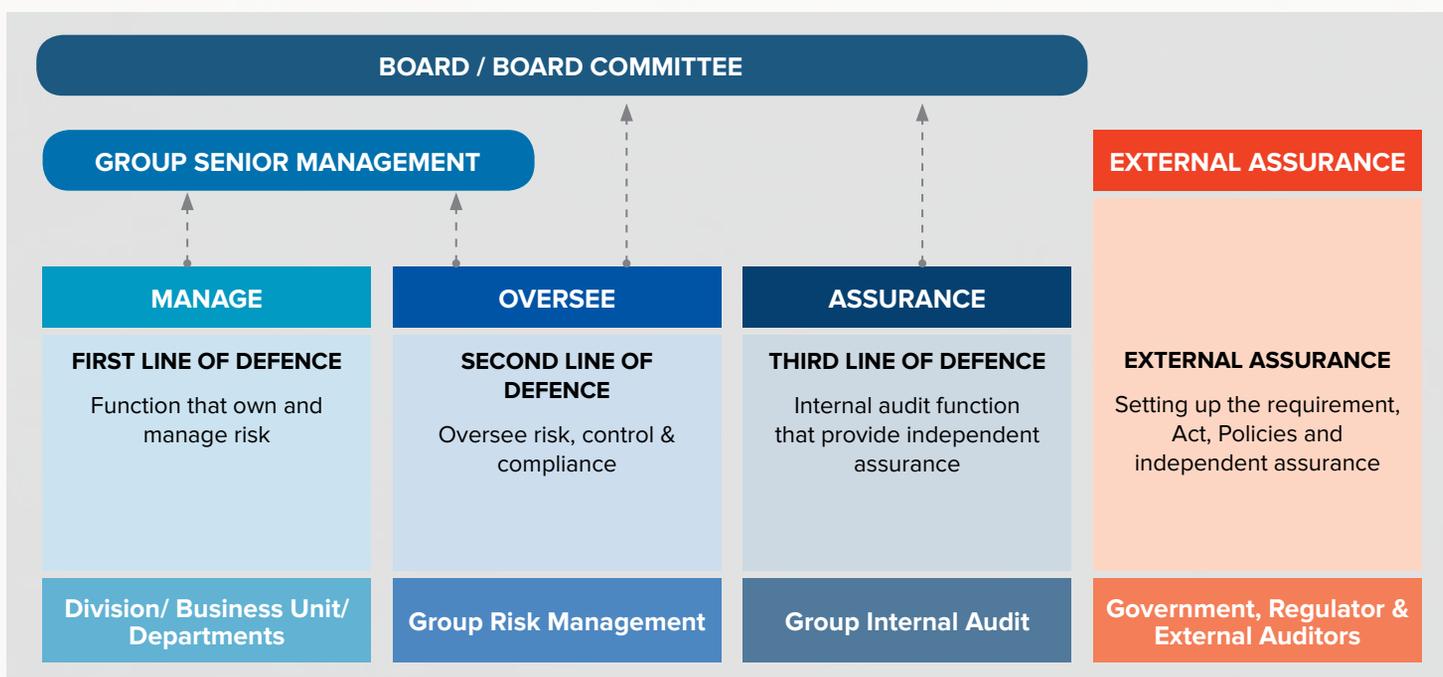
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to establishing and maintaining a sound, effective and efficient system of enterprise risk management and internal control to safeguard shareholders' investment and the Group's asset. The risk management and internal control system are designed to identify and manage the risks in order to achieve the Group's business objectives.

Set out below is the Board's Statement on Risk Management and Internal Control for the financial year ended 31 December 2022 which outlines the nature and scope of risk management and internal control of the Group.

OUR APPROACH ON RISK MANAGEMENT & INTERNAL CONTROL

The Group has established a matrix for oversight, assurance, risk management and internal control which is depicted in the diagram below:



BOARD'S RESPONSIBILITY

The Board affirms its commitment and responsibility for the Group's Risk Management & Internal Control systems covering not only the financial controls but also strategic, operational, organisational and compliance controls and for reviewing the adequacy, effectiveness, and integrity of these systems.

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

The internal controls of our joint venture companies are not regularly reviewed as the Board does not have direct control over their operations. However, the Group’s interests are served through representation at the Boards of the respective companies and through the receipt and review of the management accounts and the enquiries thereafter. Such representation also provided the Board with information for timely and effective decision making. The representatives of those companies reported to the Board on the significant risks of the joint venture companies.

RISK MANAGEMENT

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

There are also dedicated risk management functions within the Group’s Business Units to assess and evaluate the risk management processes. These assessment and evaluation are then reported to their respective Management and Boards.

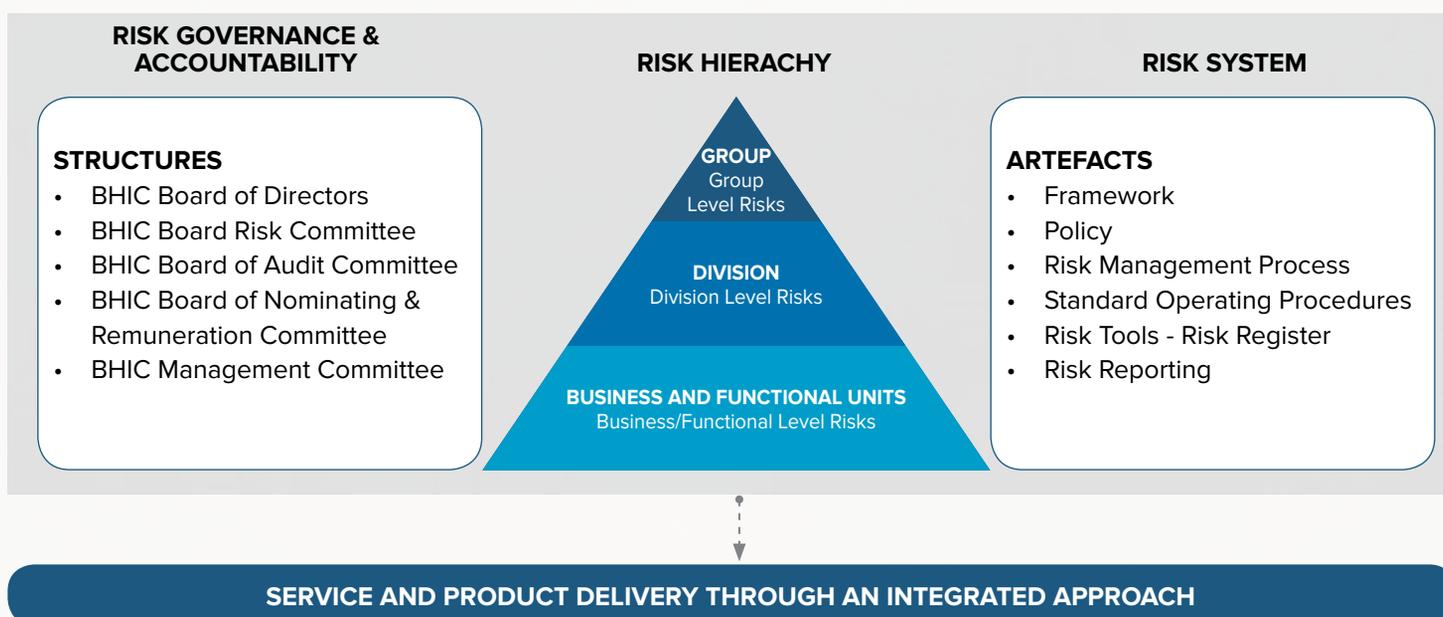
GRMD has in place continuous processes of identification, evaluation, monitoring and managing the significant risks that may materially affect the Group’s business objectives. These processes continue to be in place during the year under review and up to the date of the approval of this statement.

INTERNAL CONTROLS

RISK MANAGEMENT FRAMEWORK

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

The Group adopts ISO 31000:2009 Risk Management – Principles and Guidelines as a primary foundation and reference for the BHIC Enterprise Risk Management (ERM) framework below:

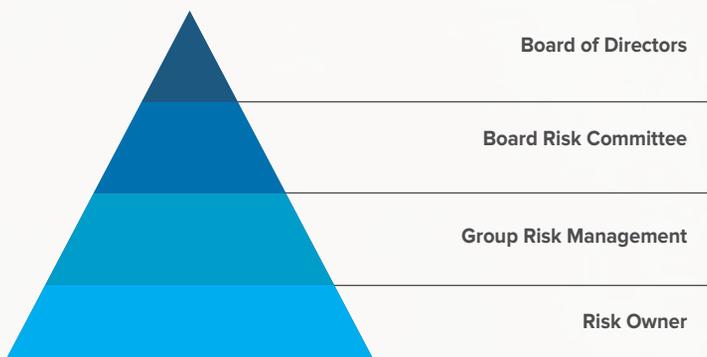


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group aims to attain a common understanding of effective ERM implementation and practices across the Group. Simultaneously, the ERM framework helps the Group to make sound business decisions. The guiding principles, key structural elements of risk management practices and activities of the Group include the following:

- i. demonstrating how risk management is embedded in the Group's organisational systems to ensure it is integrated at all levels. This includes describing the key principles, elements and processes to guide all employees in effectively managing risk, making it part of day-to-day decision making and business best practices;
- ii. having in place comprehensive, structured, systematic and proactive processes which identify, assess, manage and report on the significant business and functional risks related to achieving the Group's objectives inherent in the business strategy and operations at any point in time;
- iii. optimising risk management by balancing the cost of risks with the cost of controls for all aspects of the Group's potential risk areas to ensure that organisational objectives are met; and
- iv. improving the Group's governance through resilient leadership, responsible and ethical decision making, transparent management and accountability and performance improvement.

An Overview of Risk Reporting Architecture of the Group:



ENTERPRISE RISK MANAGEMENT

Throughout the fiscal year, GRMD continues to conduct risk register validation exercises with Business Units and Departments as part of risk management best practises to develop a proactive risk management culture. These exercises are intended to verify and validate the adequacy of risk assessment, identify potential or emerging vulnerabilities, and assess the status of action plans undertaken by Business Units and Departments. Throughout the year, 13 risk validation exercises were undertaken with Business Units and Departments.

PROJECT AND BUSINESS RISK ASSESSMENT

Shipbuilding and maintenance, repair, and overhaul (MRO) activities generate the majority of BHIC Group's revenue. The Group has Project Risk Assessment (PRA) procedures and guidelines in place that outline the actions that must be taken in assessing risk associated with the project to be undertaken. PRAs were performed at the project's commencement and were monitored until the project's completion. Despite the foregoing, GRMD is also involved in discussions with senior management, business units, and external parties on the LCS project, new project participation, new business venture, and MRO.

BUSINESS CONTINUITY MANAGEMENT ("BCM")

Business Continuity Management ("BCM") is described as the organization's advanced planning and preparation for keeping business functions or swiftly resuming operations following a disaster. As part of the BCM program, GRMD and our joint venture firm BHIC Aeroservices Sdn Bhd (BHICAS) conducted a mini workshop in Subang Hangar on Emergency Response Plan (ERP) management and response to flooding. GRMD has progressed in the development of the BHIC Flooding Management Plan. The ERP and Flooding Management Plan were established to improve the Group's BCM and operations, enabling it to recover and restore key business functions in a reasonable time frame.

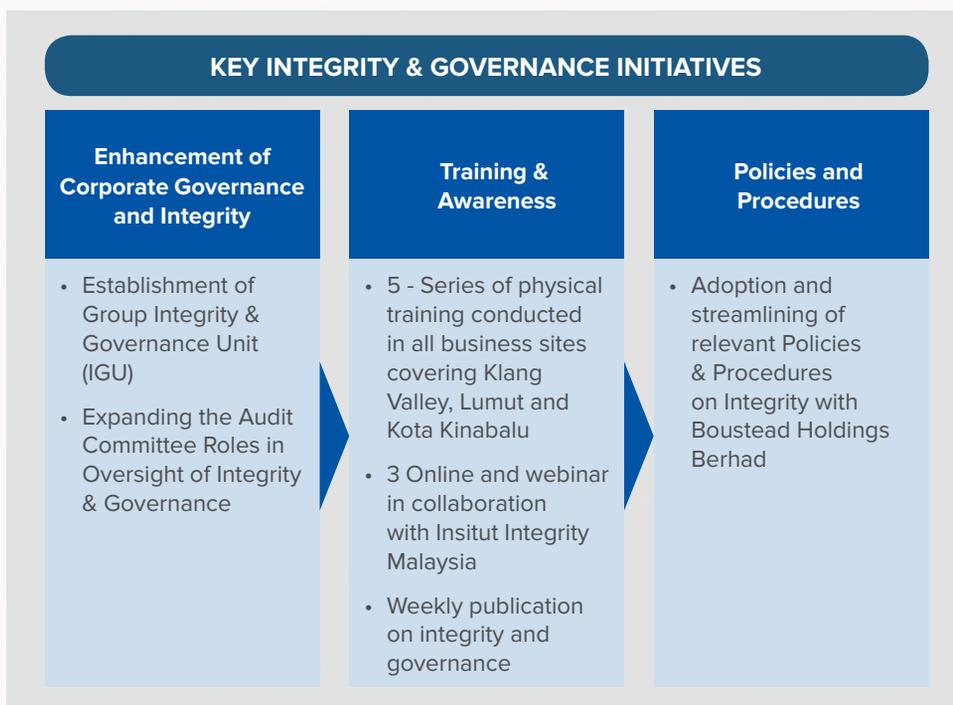
INFORMATION COMMUNICATION TECHNOLOGY (ICT) SECURITY AND DATA PROTECTION

As economies become more digitalized and day-to-day business becomes more virtualized, all businesses face increased cyber threats. The functionality and security of information technology (IT) systems may fail due to a variety of factors. Boustead Cybersecurity Emergency Respond Team (CeRT) has been established and trained for Cybersecurity Alerts and Incident Response.

The Group has an existing ICT Policy and procedures in place that cover asset management, ICT security, and operational aspects. Among the initiatives carried out this year: innovation and process controls have been implemented in response to hazards and business needs:

INITIATIVE	OBJECTIVES
CyberSecurity Training for Key users	to raise cybersecurity awareness among key users (finance and project team), regarding identifying phishing emails, malware, spyware, spam, and any other threats
Multi-factor Authentication (MFA)	to strengthen the security protection on identity management and verification to ensure only authorized personnel able to login to the relevant system
Reporting of Phishing email	Implementation of a one-click button in Outlook to report Phishing Emails, allowing for immediate rectification and control.

INTEGRITY AND GOVERNANCE



The Group has a zero-tolerance policy for fraud, bribery, and corruption and is committed to conducting business with the highest ethical and integrity standards.

The BHC Group Integrity and Governance Unit was established in May 2022 as part of the Group's ongoing efforts to strengthen its integrity and governance processes. The Integrity and Governance Unit is managed by Boustead Holdings Berhad's (BHB) Group Integrity and Governance, while the oversight at BHC remains with the Board Audit Committee. The administration of integrity and governance through a holding company that is not involved in day-to-day business activities will provide better transparency.

Training and Awareness

Ongoing training and awareness are essential for establishing understanding and building an integrity culture. The BHC Group Risk Management Department organized a series of training and awareness programs in collaboration with BHB's Group Integrity & Governance. Staff training and engagement events were held in Kuala Lumpur, Subang, Kota Kinabalu, and Lumut, participated by 394 employees. The training sessions introduced the primary Policies and Procedures related to integrity and governance, including the Group's whistleblowing management.

A series of integrity related online webinar sessions was organised in partnership with BHB's Group Integrity and Governance and Institut Integriti Malaysia (IIM). In addition, weekly integrity themed articles are distributed to all employees via the Group's email platform.

Adoption of Policies

With the establishment of the Integrity and Governance Unit, the Group has adopted and incorporated all relevant Policies and Procedures pertaining to integrity and governance from BHB into the Group's ecosystem. The move will streamline all management and processes to promote effective governance and decision-making. Among the Policies and Procedures that have been adopted are:

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

The Anti-Bribery and Corruption Statement affirms the Group's commitment to:

- Comply with the provisions of the Malaysian Anti-Corruption Commission Act 2009 (Act 694) and the applicable law by inculcating integrity, transparency, and accountability in all aspects of its business.
- Prohibit employees from soliciting, accepting, and offering bribes and any form of corruption.
- Ensure all employees and business associates adhere to the Anti-Bribery and Corruption Policy, its related procedures and making efforts to continually improve the Anti-Bribery and corruption controls; and
- Promote a culture of integrity by providing channels for reporting of any suspected acts of corruption and improper conducts.

- **Whistleblowing Policy**

The Group's Whistleblowing Policy provides an avenue for reporting of any breach or suspected breach of any laws, regulations, business principle, policies, or guidelines in a safe and confidential manner. The Group's whistleblowing function is managed by BHB's Group Integrity & Governance to exhibit independence from the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- No Gift Policy**

The No Gift Policy was established to assist us maintain ethical business relationships and avoid actual or perceived conflicts of interest in any ongoing or potential business dealings and decision-making. Its objective is to prevent conflicts of interest for either party involved in business dealings with the Group.

- Code of Ethics & Conduct**

The Group’s CoEC comprises values, principles and guidelines that steer the Group towards ethical practices. It covers workplace bullying, sexual harassment, conflicts of interest, illegal gratification, business courtesies, confidentiality, financial and accounting integrity as well as our environment, health and safety. CoEC training is part of the onboarding process for new recruits, who are required to read and acknowledge their adherence. Subsequently, the employees are expected to renew their commitment biennially. The Board reviews the CEO periodically to keep it relevant.

- Fit And Proper Policy**

During the fiscal year, the Group implemented a Fit and Proper Policy. The Directors’ Fit and Proper Policy (sets out the approach, guidelines, and procedures to ensure a formal, rigorous, and transparent process is being adhered for the appointment, re-appointment and/or re-election of the Directors and Key Management of the Group.

HEALTH, SAFETY & ENVIRONMENT

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

RISK GOVERNANCE AND REPORTING

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

In line with the best practice in corporate governance, the Group has established two Committees namely Board Audit Committee (AC) and Board Risk Committee (RC) to deliberate audit matters and risks matters respectively. RC is responsible to assist the Board in overseeing the integrity of risk management policies and practices within the Group.

The Group also puts strong emphasis on audit matters and compliance as part of comprehensive risk management. Audit issues were reported and presented to the Management and the Board AC. Audit follow-up and resolution exercises on significant matters were conducted throughout 2022 and reported to the Board AC.

Control Structure

An overview of BHIC’s Control Structure



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

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

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

The Management team is responsible for:

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

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

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

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

Learning and development programmes are done on a regular basis to ensure that all employees have the essential competencies to carry out their responsibilities to achieve the Group's objectives.

Organisational Structure

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

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

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

- **Division, Business Units and Departments:**
Each Division, Business Unit and Departments is responsible for managing risks associated with its respective business and functions. All risks identified are assessed, analysed, treated and monitored according to the Group's risk appetite.
- **Group Risk Management Department:**
Provides risk methodologies, framework, tools and consultancy to the Business Units and Departments areas pertaining to risk controls and its monitoring and controls. It reports the Group's risk profile to BHIC Management Committee and the Board Risk Committee.
- **Internal Audit:**
Conducts an independent quality assurance of risk management and internal controls activities. It also submits quarterly reports on internal control reviews to the Board Audit Committee. The Chairman of the Board Audit Committee provides the Board with the reports of all of its meeting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONCLUSION

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors performed limited assurance procedures on this Statement on Risk Management and Internal Controls pursuant to the scope set out in the Audit and Assurance Practice Guide 3 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Integrated Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 December 2022.

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

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

The Statement on Risk Management and Internal Control has been approved in accordance with a resolution of the Board of Directors dated 25 April 2023.

AUDIT COMMITTEE REPORT

This report provides an insight into the role of and activities undertaken by the Audit Committee during the year under review, in compliance with paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

TERMS OF REFERENCE

The Terms of Reference (TOR) of the Audit Committee (AC) set out the authority, responsibilities and duties of the AC in accordance with the Main Market Listing Requirements (MMLR) and the Malaysian Code on Corporate Governance (MCCG). The TOR is published on the Company's website at www.bhic.com.my.

The fundamental role of the AC is to assist the BHIC Board in executing its oversight responsibilities in the areas of financial reporting, internal and external audit, internal control systems, review of audit results, governance and integrity, related party transactions and overall internal financial controls.

COMPOSITION AND INDEPENDENCE

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

- all members of the AC are Non-Executive Directors, with a majority of them being Independent Directors;
- no Alternate Director is appointed as a member; and
- the AC has a policy that requires a former partner of the Company's external auditors to observe a cooling-off period of at least three years before being appointed as a member of the AC. For the year under review, none of the Committee member was a key audit partner of the Company's external auditor.

The composition of the AC during the year under review were as follows:

Member	Directorship	Tenure
(Dr.) Salihin Abang	Independent Non-Executive Director (Chairman)	4 years
Tan Sri Dato' Wira Aziah Ali	Independent Non-Executive Director	4 years
Hajah Saadatul Nafisah Bashir Ahmad	Independent Non-Executive Director	4 years
Datuk Norliza Abdul Rahim	Independent Non-Executive Director (Appointed w.e.f. 25 May 2022) (Resigned w.e.f. 16 January 2023)	< 1 year
Fahmy Ismail	Non-Independent Non-Executive Director (Appointed w.e.f. 22 February 2023)	< 1 year

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

AUDIT COMMITTEE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

AC members acknowledged the need to continuously undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, in line with Practice 9.5 of the MCCG. Details of the trainings attended by members of the AC can be viewed on page xx of this Integrated Report.

ATTENDANCE AT MEETINGS

The AC convened eight (8) meetings during the year under review. The attendance of each member at the Committee meetings are set out below:

Member	Attendance of Meetings
(Dr.) Salihin Abang	8/8
Tan Sri Dato' Wira Aziah Ali	8/8
Hajah Saadatul Nafisah Bashir Ahmad	8/8
Datuk Norliza Abdul Rahim	2/3 (Appointed w.e.f. 25 May 2022)
Fahmy Ismail	(Appointed w.e.f. 22 February 2023)

The AC meetings were also attended by the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Group Internal Audit Department (GIAD) and Head of Group Integrity and Governance Department.

Minutes of each AC meeting were recorded and tabled for confirmation at the following meeting and subsequently presented to the Board for notation. The AC reviewed its report for the financial year ended 31 December 2022 to ensure that it was prepared in compliance with the relevant regulatory requirements and guidelines.

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

KEY ACTIVITIES IN 2022

During the year, the AC carried out its duties as set out in its TOR. The main activities undertaken were as follows:

Financial Reporting

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements, prior to recommending the same for approval by the Board.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Obtained assurance from the CFO that:
 - appropriate accounting policies had been adopted and applied consistently;
 - the going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
 - prudent judgements and reasonable estimates had been made in accordance with Malaysian Financial Reporting Standards (MFRS);
 - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and MMLR; and
 - the quarterly and annual financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for year 2022.

External Audit

1. Reviewed the year 2022 audit plan and scope of work for the Group.
2. Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors.
3. Assessed the performance of the external auditors and their independence and objectivity.
4. Discussed on audit reports and evaluation of the systems of internal control.
5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors wished to discuss.
6. Discussed the external auditors' review of the Statement on Risk Management and Internal Control for year 2022.
7. Reviewed the external auditors' management letter(s) and management response(s).

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

The external auditors have assured the AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for year 2022.

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

Internal Audit

1. Reviewed with the internal auditors their annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group.
2. Reviewed and deliberated all internal audit reports, including adequacy of identified remedial action.
3. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on a timely basis.
4. Reviewed the adequacy of resource requirements and competencies of staff within GIAD to execute the annual audit plan and the results of the work.
5. Reviewed the effectiveness of the internal audit processes of GIAD.
6. Reviewed the AC Report and recommended the same to the Board for approval prior to their inclusion in the Company's annual report.

Related Party Transactions

1. Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.
2. Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 15 June 2022.
3. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions.
4. Reviewed the Framework and Procedures on related party transactions in order for the said framework to be abreast of the provisions of the MMLR.

Integrity & Governance

1. Oversaw the practice of good governance, ethics, and integrity within the Group.
2. Reviewed and monitored the anti-bribery and corruption training and awareness sessions conducted for employees of the Group.

AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT DEPARTMENT

The AC is supported by the GIAD, headed by Premila Rajaratnam. Premila is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Professional Member of The Institute of Internal Auditors Malaysia (IIAM). She has more than 18 years of firm and commercial experience in internal audit, risk management, compliance and financial management (strategic and operational), encompassing a wide array of industries. She reports functionally to the AC and administratively to the Group Chief Executive Officer of Boustead Holdings Berhad.

GIAD's principal responsibility is to evaluate and improve the effectiveness of the risk management, control and governance processes of BHIC and its subsidiaries and recommend improvements to the processes, where necessary. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes based on the review plan that is approved by the AC annually.

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

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

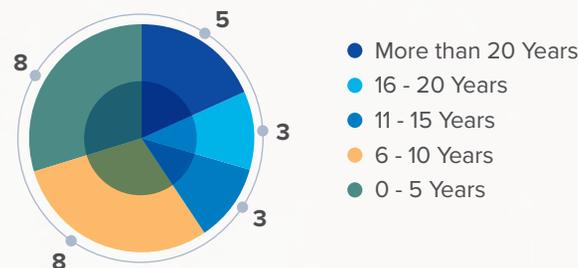
GIAD has in total 27 internal auditors as at 31 December 2022, comprising staff from diverse backgrounds. GIAD continues its commitment to equip its internal auditors with the knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various trainings and courses and are strongly encouraged to obtain appropriate professional certifications and qualifications.

The qualification and audit related years of experience breakdown of the GIAD team as of 31 December 2022 are shown below:

Qualifications



Years of Audit Related Experience



The audits conducted in year 2022 covered a wide range of strategic and operational areas within the Group (and its associate company Boustead Naval Shipyard Sdn Bhd), including health, safety and environment, human capital management, ship repairs, maintenance, repairs and operations of submarines, maintenance, repair and overhaul of weapon, sensors and, combat management system and electronics.

The corresponding audit reports were presented to the Management and AC for attention, deliberation and corrective actions.

The performance of the GIAD is assessed annually by the AC.

During the financial year, GIAD undertook the following activities:

- 1 Prepared the annual audit plan for approval by the AC.
- 2 Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- 3 Conducted root-cause analysis as part of the internal audit work to enable relevant recommendations to address any weaknesses noted.
- 4 Issued internal audit reports on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.
- 5 Undertook ad-hoc reviews on matters arising from the audits and/or requested by the Management and/or AC and issued reports accordingly.
- 6 Reported on a quarterly basis to the Management and AC on significant risk management, control and governance issues from the internal audit reports issued, the results of special reviews undertaken and the results of follow-up of matters reported.
- 7 Reported on a quarterly basis to the AC the achievement of the audit plan and annually on status of resources of GIAD.
- 8 Conducted regular follow-up and monitoring on the implementation of recommendations made to ensure that appropriate corrective actions are taken on a timely basis.
- 9 Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.
- 10 Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the related party transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- 11 Conducted workshops and communication sessions with the Management and operational staff on internal controls, internal audit observations and proposed action plans on the areas covered during the audit engagements.

All audit work for the internal audit function during the year was conducted in-house. No area of the function was outsourced.

The total cost incurred for GIAD in respect of financial year 31 December 2022 amounted to RM388,880 (2021: RM507,090).

AC EFFECTIVENESS REVIEW AND PERFORMANCE

For the year under review, the Board assessed the performance of the AC through an annual evaluation exercise. The Board agreed that the AC continued to support the Board in reviewing financial and audit matters, contributing to the overall effectiveness of the decision-making process by the Board for the Company and the Group. The Board is satisfied that the AC has discharged its functions, duties and responsibilities in accordance with the TOR of the AC.

REPORTING TO THE EXCHANGE

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

The Audit Committee Report has been approved in accordance with a resolution of the Board of Directors dated 25 April 2023.

RISK COMMITTEE REPORT

The Board Risk Committee (RC) was established by the Board, in line with Step Up Practice 10.3 of the Malaysian Code on Corporate Governance (MCCG). The purpose of the formation of the RC is to assist the Board in fulfilling the oversight responsibilities with the respect to the risk management process and internal control system of Boustead Heavy Industries Corporation Berhad (BHIC or the Group).

MEMBERS AND MEETINGS

During the fiscal year, the RC comprised of three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors, with a total of five (5) meetings held.

Details of the composition of the RC and attendance of each member at the Committee meetings are set out below:

DIRECTOR	DIRECTORSHIP	DATE OF APPOINTMENT	REMARKS	ATTENDANCE OF MEETINGS
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	Independent Non-Executive Director (Chairman)	21 August 2019	-	5/5
Izaddeen Daud	Non-Independent Non-Executive Director	11 June 2020	-	5/5
(Dr.) Salihin Abang	Independent Non-Executive Director	10 July 2019	-	4/5
Datuk Norliza Abdul Rahim	Independent Non-Executive Director	1 September 2020	i. Appointed as Member w.e.f 25 May 2022 i. Resigned w.e.f 16 January 2023	2/2
Dato' Maznah Abdul Jalil	Non-Independent Non-Executive Director	10 July 2019	Retired w.e.f 1 November 2022	4/5

The RC membership is in line with the recommendation set out in the Malaysian Code on Corporate Governance Step Up 10.3 where the RC shall comprise majority of independent directors.

The RC meetings were also attended by the Chief Executive Officer, Chief Financial Officer, and Person in Charge of Group Risk Management of BHIC, on invitation and as required.

The meetings were appropriately structured with the RC members receiving notices, agendas, and papers sufficiently in advance of the meetings.

The Chairman of the RC reports to the Board on significant matters discussed during RC meetings.

ROLES AND RESPONSIBILITIES

The role of the RC is to provide holistic oversight on Risk and Risk Management of the Group, which will include but will not be limited to the following responsibilities: -

- i. Oversee Enterprise Risk Management by:
 - a. Review and recommend the overall risk management strategies, framework and policies for the Board's approval;
 - b. Monitor and review the Risk Management Committee's periodic report on key risk profiles and risk management activities;
 - c. Obtain assurance from the Senior Management of the Group and its subsidiaries that the risk management and internal control system is operating adequately and effectively;

- d. Review the adequacy of the scope, functions, competency and resources of GRM and ensure that necessary authority is obtained for GRM to carry out their responsibilities; and
- e. Review the disclosure in the Statement on Risk Management and Internal Control in the Integrated Report of BHIC.
- ii. Oversee Business Continuity Management by:
- a. To ensure the Group adopts sound and effective Business Continuity Management (BCM) framework in order to safeguard the Group's interests; and
- b. To ensure that the BCM framework is periodically reviewed and updated to reflect changes in the operating environment.
- iii. Reviewing all major investments and project business cases in accordance with established thresholds in the approved Limits of Authority, focusing on the following:
- a. All major investment and project business cases in accordance with established thresholds in the approved Limits of Authority, focusing on the following:
- Evaluate the potential risks and mitigating action plans associated with the investment or project;
 - Monitor and review the implementation and effectiveness of mitigating action plans post approval and highlight key risks to the Board;
 - Evaluate the potential risks associated with funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment or project; and
 - Review investment or project proposals considered significant including:
 - ▶ New lines of business (e.g. businesses outside existing sectors, expansion across industry value chains within current sector, and/or new franchises); or
 - ▶ New territories and countries (e.g. expansion of existing businesses into new markets or territories).
- iv. The detailed RC Terms of Reference (TOR) is accessible for viewing on the Company's official website at <https://www.bhic.com.my>
- ii. Implemented the essential risk infrastructure, including the risk management process, organisational oversight, and reporting function, to instil the necessary discipline and control around continuously increasing risk management capabilities.
- iii. Reviewed the Corporate Governance Overview Statement and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to inclusion in the Integrated Report of BHIC.
- iv. Reviewed investment, divestment, or project proposals considered significant including new lines of business and recommend to the Board for consideration and approval purposes (where appropriate).
- Any recommendation made by the RC will be communicated to Management via Memos and/or Board Resolution(s) by the Company Secretary.

RISK MANAGEMENT FUNCTION

The risk management function, through the Group Risk Management Department, has been entrusted with implementing and maintaining the Enterprise Risk Management Policy and Framework in order to achieve the following goals:

- i. Communicate the Board's vision, role, direction, and priorities to all employees.
- ii. Identify, assess, treat, report, and monitor significant risks in an effective manner.
- iii. Enable systematic risk review and reporting on key risks, existing control measures, and any proposed action plan; and
- iv. Create a risk-aware culture and build the necessary knowledge for risk management at every level of management.

The Enterprise Risk Management Policy and Framework is generally aligned with the principles of ISO 31000 which is an internationally recognised standard for risk management.

The Risk Committee Report has been approved in accordance with a resolution of the Board of Directors dated 25 April 2023.

ACTIVITIES DURING THE FINANCIAL YEAR

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

- i. Reviewed the Management RC report on key risks and risk management activities. Recommended additional controls to mitigate key risks either existing or emerging risks.

RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 15 June 2022, 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 No. 12 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2022 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM '000
Boustead Naval Shipyards Sdn Bhd	Dato' Maznah Abdul Jalil*	Provision of shipbuilding, ship repair works and related services by BPS	64,426
	Dato' Sri Mohammed Shazalli Ramly#	Provision of ship repair works and related services by BDTS	1,358
	Izaddeen Daud	Provision of ship repair works and related services by BHIC ADT	-
	Dato' Ahmad Nazim Abd Rahman	Provision of ship repair works and related services by BHIC Navaltech (BNT)	-
	Boustead Holdings Berhad	Purchase of materials/consumables in relation to ship repair works and related services by BDTS	-
	Lembaga Tabung Angkatan Tentera	Purchase of materials/consumables in relation to ship repair works and related services by BNT	-
		Provision of training services by BMTA	481
		Rental of premises by BPS	(1,092)
		Rental of premises by BDTS	(298)
		Rental of premises by BMTA	(6)
Boustead Langkawi Shipyards Sdn Bhd	Dato' Maznah Abdul Jalil*	Provision of management services by BPS	-
	Dato' Sri Mohammed Shazalli Ramly#	Provision of shipbuilding, ship repair works and related services to BPS	-
	Izaddeen Daud		
	Dato' Ahmad Nazim Abd Rahman		
	Boustead Holdings Berhad		
	Lembaga Tabung Angkatan Tentera		

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM '000
Boustead Holdings Berhad	Dato' Maznah Abdul Jalil*	Provision of training, management and related services to BHIC	(636)
	Dato' Sri Mohammed Shazalli Ramly#		
	Izaddeen Daud		
	Dato' Ahmad Nazim Abd Rahman		
	Boustead Holdings Berhad		
	Lembaga Tabung Angkatan Tentera		
Boustead Realty Sdn Bhd	Dato' Maznah Abdul Jalil*	Rental of premises by BSES	(128)
	Dato' Sri Mohammed Shazalli Ramly#		
	Izaddeen Daud		
	Dato' Ahmad Nazim Abd Rahman		
	Boustead Holdings Berhad		
	Lembaga Tabung Angkatan Tentera		
Boustead Travel Services Sdn Bhd	Dato' Maznah Abdul Jalil*	Provision of transport and travel related services to BPS	-
	Dato' Sri Mohammed Shazalli Ramly#	Provision of transport and travel related services to BDTS	(135)
	Izaddeen Daud		
	Dato' Ahmad Nazim Abd Rahman	Provision of transport and travel related services to BNT	-
	Boustead Holdings Berhad		
	Lembaga Tabung Angkatan Tentera	Provision of transport and travel related services to BSES	(141)

* Retired on 1 November 2022

Resigned on 30 November 2022

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SECTION

07



SUSTAINABILITY STATEMENT

SUSTAINABILITY AT BHIC

As a Government-Linked Company (GLC) with diverse interests in marine, aerospace, defence and security-related industries, we understand how BHIC operations impact the various stakeholders that we serve. Towards this end, we aim to grow in a sustainable manner with best practices across economic, environmental and social (EES) aspects of our business, as outlined in our Sustainability Policy. In this regard, we are guided by the BHIC Group's core values of Belonging, Honour, Integrity and Commitment and we remain steadfast in our dedication to inculcate sustainability principles as we pursue growth throughout the value chain.

Since 2018, the Group has reported on its sustainability performance to demonstrate our commitment to sustainability in delivering value to our stakeholders.

SCOPE OF SUSTAINABILITY REPORTING

The Sustainability Statement details our approach to sustainability, how we determine matters that are important to our stakeholders as well as our performance with regards to these material matters through the economic, environmental, social and governance initiatives undertaken by the Group from 1 January until 31 December 2022.

ASSURANCE

The contents of this report have been reviewed and endorsed by our Management Sustainability Committee and Board Sustainability Committee, while our internal Group Risk Management reviewed and ensured the accuracy of our materiality matrix.

OUR SUSTAINABILITY JOURNEY

Solidifying our efforts to create value for our stakeholders, we formally kicked off our sustainability journey in 2017. Since then, we have made steady progress as reflected in our key sustainability milestones below:



2019

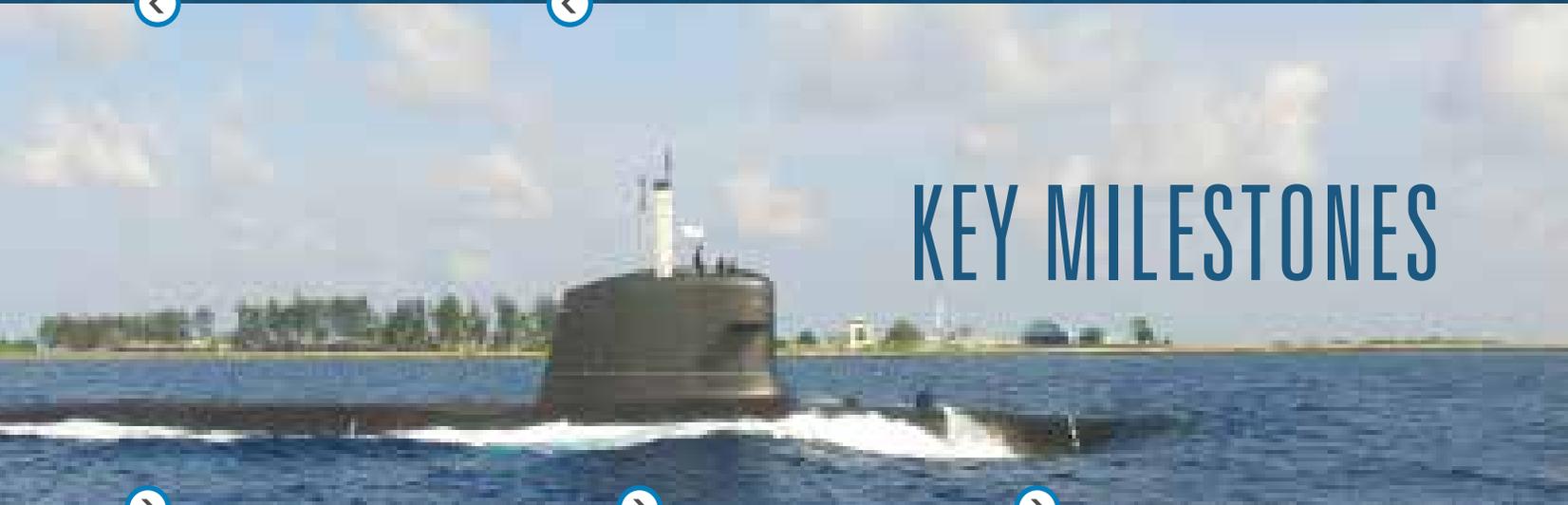
Identification of Sustainability Focal Persons for each Business Unit within BHIC Group and each Department within BHIC headquarters to facilitate more structured and coordinated sustainability-related activities and Group-wide reporting

2018

Publication of our first standalone Sustainability Report

2017

Incorporation of sustainability activities undertaken by the Group at the BHIC headquarters in Kuala Lumpur and in our associate company BNS in our report



KEY MILESTONES

2020

Collection of data on sustainability matters, namely on EES areas

2021

Identification of target performance indicators areas and initiatives to enhance awareness on BHIC's sustainability principles and objectives among stakeholders via newsletters and sustainability-related activities

2022

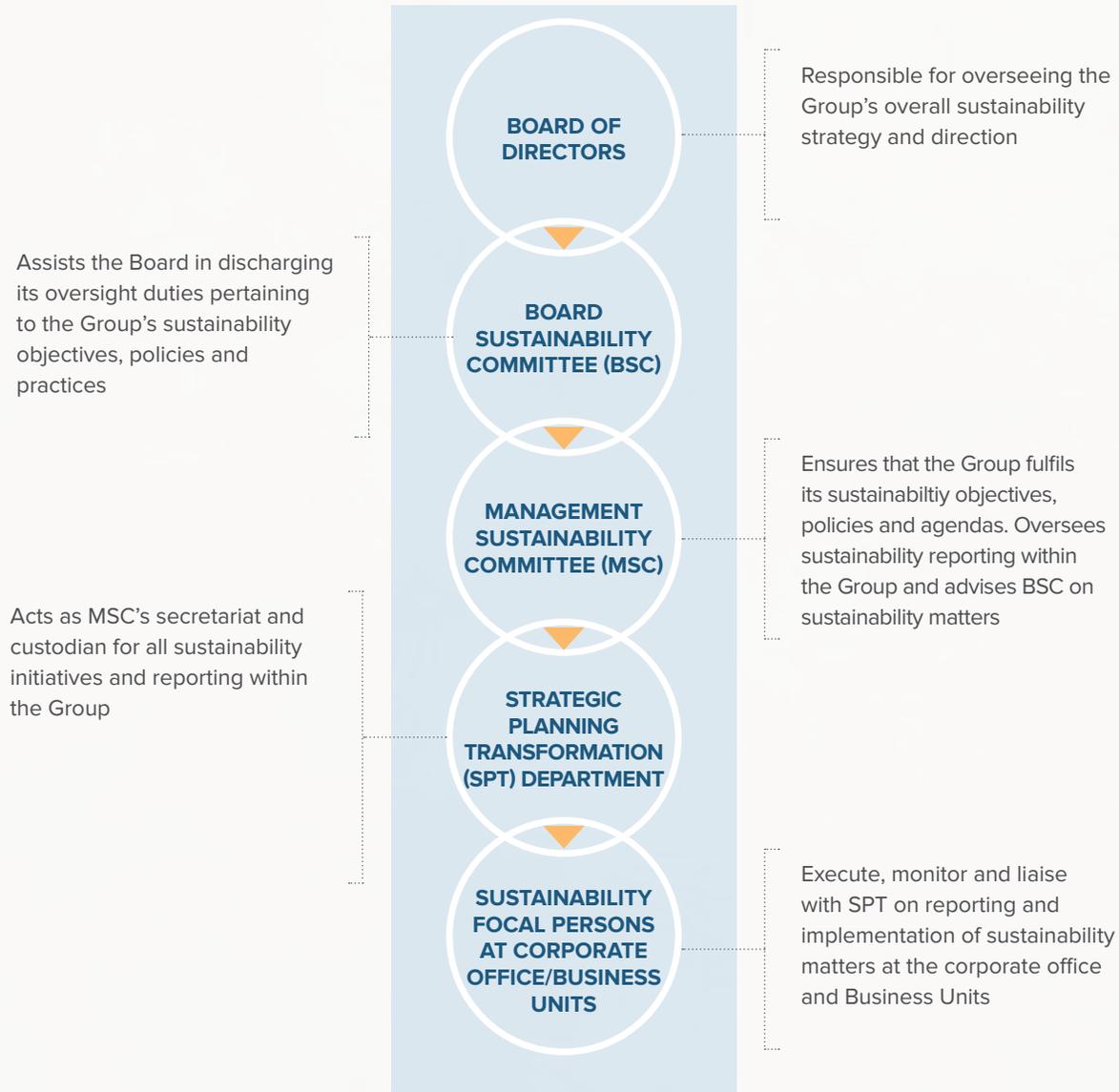
Developed and improved on our target performance indicators to monitor progress across identified material matters and further enhanced sustainability awareness amongst employees

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

The Group’s commitment to sustainability is spearheaded by the Board of Directors, who assumes overall responsibility for BHIC’s sustainability direction and performance. To aid the Board in this effort, the Board Sustainability Committee (BSC), comprising three members, convenes at least twice annually to guide and steer the company’s sustainability initiatives. The Management Sustainability Committee (MSC), which is headed by BHIC CEO and consists of eleven members, ensures that BHIC achieves its sustainability goals, policies and agenda at the management level.

SUSTAINABILITY GOVERNANCE AT BHIC



OUR MATERIAL MATTERS

Our ability to create value for our stakeholders and sustain optimal performance is influenced by a range of economic, social and environmental factors, collectively known as our material matters. Through our comprehensive materiality assessments, we remain steadfast in our pursuit to identify and deepen our understanding of these matters, as they enable us to formulate strategies that are impactful and allocate resources appropriately towards mitigating any issues that may arise, while simultaneously addressing the concerns of our valued stakeholders. By adopting this approach, we maintain our position as a responsible and reputable corporate entity that is committed to achieving sustainable growth and long-term success while upholding the expectations of our stakeholders.

BHIC MATERIALITY MATRIX

Following our initial materiality assessment which started in 2019, we continue to revisit our material matters through stakeholders survey conducted on an annual basis. This is to ensure the Group is kept abreast of the matters that are most important and relevant to our stakeholders as well as the business and guide us in the execution of our sustainability initiatives. Our 12 material matters which are grouped according to 3 categories comprising of economic, environmental and social are indicated in our materiality matrix below.



SUSTAINABILITY REPORT

SUPPORTING THE UNITED NATIONS SDG

We are committed to meaningfully contributing to solutions that address critical social and environmental issues through our sustainability initiatives. To ensure we are on the right track, we have aligned our material matters with the appropriate United Nation Sustainable Development Goals (UN SDG) as follows:

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



ECONOMIC PERFORMANCE



KD KERIS.

The economic performance of Malaysia in 2022 was consistent with that of the global economy, which rebounded following the relaxation of lockdowns and movement control orders in the post-pandemic period. As the nation transitioned into the endemic phase of COVID-19, Malaysia's economy demonstrated encouraging recovery with a gross domestic product (GDP) of 8.7% in 2022, compared with 3.1% GDP as well as global GDP of 3.4% recorded in the preceding year.

However, various forecasts indicate that Malaysia is likely to experience a more moderate GDP in 2023, with an average projection of 4.0% due to weaker external demands, inflationary pressures, slower spending due to rising prices of goods, commodities and cost of living, as well as geopolitical uncertainties. This is in line with the slower global economic growth of 2.9% projected by the International Monetary Fund and the World Bank.



Despite these challenges, we remain optimistic that the Government's fiscal expansionary policies will effectively counter the economic downturn. Furthermore, we welcome the Government's commitment to completing the LCS project and safeguarding the nation's defence and security, which bode well for our business prospects in the sector. In addition, the economic recovery provides us with the impetus to increase our efforts to cast a wider net in the commercial segment.

PRODUCT/SERVICES QUALITY AND CUSTOMER SATISFACTION



Project Risk Assessment

BHIC Group is an established player in the shipbuilding and MRO industries. These two areas generate the majority of the Group's revenue, and as such, project risk management is of utmost importance to us.

To ensure that project risks are identified, assessed, and managed effectively, BHIC Group established a Project Risk Management Plan in 2014, which was further revised in 2019 to ensure its continued relevance. Forming the basis of BHIC Group's risk management approach, this plan outlines the procedures and guidelines for assessing, recording and managing risks associated with projects that the Group undertakes.

The company's Project Risk Assessment process is comprehensive and rigorous with risk assessments performed at the commencement of each project and monitored until project completion. Complementing this risk assessment process, the BHIC Group Risk Management Department is also involved in discussions with senior management, business units and external parties on various projects, including the LCS project as well as new projects and business ventures, apart from our MRO activities. This ensures that we remain vigilant in identifying and managing potential risks, to support the success of the Group.

SUSTAINABILITY REPORT



Customer Engagement

At BHIC, we take great pride in delivering exceptional service to our customers. To this end, we adhere to the best practices of the ISO 9001:2015 Quality Management System including conducting customer satisfaction surveys through our business units. Through these surveys, we are able to leverage the feedback from our customers to support and complement our decision-making processes and improve the services we offer.

We also consistently engage with our customers to understand their needs and expectations through regular internal quality checks. These checks help us to ensure that our services are of the highest quality and that they are consistent with our customers' expectations.

The following describes the various customer engagement initiatives undertaken by our Business Units:

BMTA

- Satisfaction surveys conducted at the completion of every training session.

BHICAS

- Daily engagements conducted on execution level, as well as weekly and monthly engagements on working level.
- Formed a sales team and customer support management to enhance customer engagement.

BLS

- Satisfaction surveys conducted for all projects undertaken.
- Survey results indicate an average rating of 4 to 5 out of 5 in customer satisfaction for all projects

Group Supply Chain Management Department (GSCM)

- Vendor Development Programme vendors survey was conducted to gain feedback on BHIC's initiatives.
- Satisfaction surveys conducted for all engagements undertaken achieved an average rating of 4 out of 5.

BDNC

- Customer satisfaction surveys conducted on a quarterly basis. Average rating of 3.1 out of 5.
- In 2022, the customer satisfaction survey was reviewed and revised to improve the quality of data collected through the survey.
- Various industrial client engagement programmes conducted, including:
 - March 2022: Golf Invitational with the Royal Malaysian Navy (RMN)
 - July 2022: Trusmadi Mountain Climbing Programme 2022
 - July 2022: BDNC Occupational, Safety and Health (OSH) Week - Safety Engagement Programme
 - August 2022: Team Building (Outward Bound School)
 - August 2022: Navy Yacht Club for HQ Eastern Fleet Merdeka Mega Dive 2022

BNS

- Customer Satisfaction Feedback was conducted three times in 2022.
- Average score of 3.59 out of 5 recorded.

BBA

- Distributed Customer and Project Feedback Form after product presentation and training for operators was conducted
- Average score of 4.9 out of 5 recorded.



Certifications

BHIC's commitment to quality is reflected in the various quality management certifications we have obtained, which help us maintain consistently high standards for our products and services.

ISO certifications attained by BHIC companies are as follows:

ISO 9001:2015 Quality Management Systems

BHIC AeroServices Sdn Bhd

BHIC Bofors Asia Sdn Bhd

BHIC Defence Techservices Sdn Bhd

BHIC Submarine Engineering Services Sdn Bhd

Boustead DCNS Naval Corporation Sdn Bhd

Boustead Langkawi Shipyard Sdn Bhd

Boustead Naval Shipyard Sdn Bhd

ISO 45001:2018 Occupational Health & Safety Management

Boustead Naval Shipyard Sdn Bhd

Boustead DCNS Naval Corporation Sdn Bhd

ISO 37001:2016 Anti-Bribery Management System

Boustead DCNS Naval Corporation Sdn Bhd



Certifications



BHICAS ISO 9001:2015 Provision of Helicopter Maintenance, Repair and Overhaul Services Certifications



Awards and Recognition

Reflecting our commitment to excellence and continuous improvement in the areas of maritime and defence solutions, the Group received several awards and recognitions in 2022, including:

BDTS

- Awarded a four-star rating for competitiveness as a Member of Malaysia Industrial Council for Defence, Enforcement & Security (MIDES)

BMTA

- Recognised as a Malaysia Board of Technologist (MBOT) Continuing Professional Development (CPD) Training Centre Provider

SUSTAINABILITY REPORT



Awards and Recognition (CONT'D)

BHICAS

- Recognition from the Royal Malaysian Air Force (RMAF) for putting into service 12 EC725s following the completion of a 1200 Hours/3 Years inspection check.
- BHICAS is a certified approved Airbus Helicopter Maintenance centre which is able to carry out comprehensive range of MRO activities on Airbus Helicopter



Recognition from RMAF for BHICAS



BHICAS is an approved Airbus Helicopter Maintenance Centre

BDNC

- Awarded the Excellent Employer Award 2022 by the Employees Provident Fund of Malaysia (EPF), which recognises employers who have shown exemplary compliance towards their employees' EPF contributions.



Presentation of the Excellent Employer Award 2022 to BDNC

ECONOMIC AND FINANCIAL SUSTAINABILITY



At BHIC, our commitment to economic and financial stability is unwavering. We believe that by ensuring our financial sustainability, we can drive growth and long-term value for our shareholders and investors while remaining responsible, transparent and accountable. We understand that this requires us to be adaptive and responsive to the risks and opportunities present in our operating environment.

In 2022, BHIC recorded a revenue of RM141.8 million on the back of a high level of activities throughout the year. The Group also incurred a loss after tax of RM19.9 million and we are taking steps to address the underlying issues that led to this outcome, in line with our commitment to prioritise the best interests of our employees, vendors, subcontractors and surrounding communities.

The table below outlines the various projects undertaken during the year:

Sector	Company	Achievement
Marine	BNS	<ul style="list-style-type: none"> Completion of MRO works for eight RMN ships: <ul style="list-style-type: none"> Upslipping of KD HANG TUAH Towing and upslipping of KD MAHAWANGSA 4 MRO works for Naval Overseer Outside Repair (NOOR Section) of KD GAGAH SAMUDERA 1 MRO work for KD LEKIR (NOOR Section) Commissioning of fourth Keris Class LMS, KD RENCONG on 28 January 2022 Signing of Fifth Supplementary Contract (SA 5) to Remobilise LCS Project on 31 May 2022
	BLS	<ul style="list-style-type: none"> Completion of MRO works on: <ul style="list-style-type: none"> 53 white boats 17 ferries 8 government vessels 3 Fast Interceptor Crafts
	BDNC	<ul style="list-style-type: none"> Nine-months contract extension until September 2022 to provide In-Service Support (ISS) to RMN submarines, with four projects completed for: <ul style="list-style-type: none"> KD TAR DED KD TAR AMP7 KD TRZ AMP6 KD TRZ AMP7
Weapons & Combat Systems	BBA	<ul style="list-style-type: none"> Awarded a three-year MRO contract on RMN's 57MM/L70 Bofors Gun Received RM 7.0 million contract ceiling increase for RMN's 40MM Bofors Gun contract, which was originally valued at RM14.1 million



SUSTAINABILITY REPORT



PARTNERSHIPS

Since our establishment, we have built a robust network of partnerships, enabling us to leverage the knowledge and experience of our partners to strengthen our capabilities in the defence sector. In 2022, we continued to explore new collaborations, with our business units forging partnerships with various higher learning institutions and corporations as follows:

BNS

With the aim of enhancing its design and engineering capabilities, BNS established partnerships with several universities including Universiti Malaysia Terengganu (UMT), which saw BNS hosting a visit from 12 senior officers and lecturers from UMT's Industrial Center of Excellence (ICoE) Maritime Cluster in August 2022 to strengthen strategic cooperation between both parties.



Visit by UMT's ICoE in August 2022 to BNS

BDNC

Supporting the Ministry of Higher Education's (MOHE) aspirations on Technical and Vocational Education and Training (TVET), BDNC alongside eight other partners signed a Certificate of Collaboration (COC) with Politeknik Kota Kinabalu (PKK) to establish a new academic and training programme.

Through the initiative, BDNC will contribute to providing training for PKK to develop high-skilled TVET graduates that are able to fulfil the needs of various industries in order to reduce Malaysia's dependency on foreign workers, as well as encouraging TVET as a field of choice amongst local students and youths.



Signing of CoC between PKK, BDNC and eight other partners to establish a new TVET academic and training programme

9 Rakan Kolaborasi Strategik PKK

KOTA KINABALU: Politeknik Kota Kinabalu (PKK) pada Jumaat menandatangani Sijil Jalinan Kolaborasi (CoC) bersama sembilan Rakan Kolaborasi Strategik.

Hadir di Dewan PKK bagi menyaksikan majlis tersebut ialah Timbalan Menteri Pengajian Tinggi Malaysia, Senator Datuk Dr Ahmad Masrizal Muhammad.

"Melalui kerjasama ini, kita dapat mengurangkan kebergantungan kepada tenaga kerja asing, merapatkan jurang antara kualiti graduan dan keperluan industri serta menjadikan Pendidikan dan Latihan Teknikal dan Vokasional (TVET) sebagai pilihan utama pelajar.

"Oleh yang demikian, saya menyeru kepada semua pihak industri agar sentiasa terbuka untuk jalinan kolaborasi bersama mana-mana Politeknik atau Kolej Komuniti yang ada," katanya.

Pada majlis itu, PKK yang diwakili Pengarahnya, Dullah Muluk menandatangani CoC bersama Ria Academy and Consultancy Sdn Bhd, Bank Muamalat Malaysia Bhd, Majlis Ugama Islam Sabah (Muis), Boustead DCNS Naval Corporation Sdn Bhd, KKIP Aerospace Training Centre, Koperasi Wawasan Rakyat Sabah Bhd, AMC College, KKIP Sdn Bhd dan Kebangsaan Petroleum Operating Company Sdn Bhd

Media coverage on BDNC's partnership with PKK

BDS

BDS regularly undertook close engagements with original equipment manufacturers (OEM) including its collaboration with CSOC in 2022 as a local partner to support the Combat Systems of KERIS Class LMS built by CSOC for the RMN.

BBA

BBA collaborated and appointed two new local vendors in 2022 for the production of Bofors guns parts and components for future endeavours.

RESEARCH & DEVELOPMENT (R&D) AND INNOVATION



R&D AND INNOVATION

Acknowledging the importance of R&D and innovation in maintaining competitiveness, meeting customer demands and enhancing productivity, we place great emphasis on developing state-of-the-art products, services and solutions that meet the requirements of our valued customers. This includes investing in R&D activities within the areas of ship design, ship integration, equipment life extension and process improvement, which enable us to retain our technological edge.

BDS

- BDS' Engineering Department developed a Gun Control Module (GCM) with the assistance of RMN. The GCM is an electronic device that can be used to operate guns when its primary control system fails.



*The GCM
co-developed by
BDS and RMN*

Our commitment to R&D and innovation is also demonstrated through our intensified efforts in digitalisation and continuous improvement (CI) projects:

DIGITALISATION

BHIC

- BHIC's Supply Chain Management established an online platform for Vendor Registration, alongside transitioning to digital tender submissions for procurements in order to uphold a more transparent process.
- Localisation of COSYS Combat Management System (CMS) for Kedah-class Next Generation Patrol Vessel (NGPV) by in-house engineers to enhance the capabilities of the CMS COSYS.



BNS

- With a focus on becoming a data-driven business, where decision-making is guided by data-based insights, BNS continued to make steady progress in the implementation of its online platform to facilitate business operations in 2022.

Harnessing the power of digitalisation, BNS has introduced various innovative business applications to automate and improve processes in its Human Resources (HR) operations through the MyBNS Digital Employee Experience (MyDEX) system. Among the applications introduced include the E-Leave, E-Security, E-Gate Pass, E-HCM (Human Capital Management) Self Service, E-Overtime Request and E-Approval systems.

In 2022, BNS undertook the following initiatives under its MyDEX:

- **Launch of E-Leave System of Engineering Faculty of KD PELANDOK**
The Engineering Faculty of KD PELANDOK's (MyFKJ) E-leave System was developed by BNS to help the training and learning centre of RMN, KD PELANDOK, digitalise its leave system. To ensure a smooth transition, BNS also provided technical assistance and advice to faculty members.



BNS and RMN have collaborated on several E-initiatives to enhance back office efficiency

- **Online U-See U-Act (UACT) Initiative**
Launched in April 2022, the Health, Safety and Environment (HSE) UACT online dashboard encourages staff engagement by providing an e-platform for employees to provide feedback on areas for improvement as well as to share information.

SUSTAINABILITY REPORT



RESEARCH & DEVELOPMENT AND INNOVATION (CONT'D.)

• Digital Knowledge Exchange

Furthering its efforts towards digital transformation, BNS undertook an engagement with one of the pioneers in the digital industry in Malaysia and a key player in the Industrial Revolution 4.0 specialising in Engineering Design and Virtual Reality content development. As part of the engagement, BNS shared its digitalisation initiatives and the pioneering vendor conducted a demonstration of its Augmented Reality, which holds the potential to be utilised for teaching and learning at BNS.



Augmented Reality demonstration at BNS

BDNC

- BDNC has also established an online platform to facilitate the digitalisation of its business operations, which features various applications such as E-Appraisal, i-PaySlip, E-Claim, E-Docs, E-Overtime and E-Training.
- Launch of BDNC's Research and Re-Engineering (RaRE) technology department to expand its local capabilities in submarine MRO, with a focus on obsolescence treatment.
- Implemented the Internet of Things (IoT) on board submarines, in line with the Industrial Revolution (IR) 4.0.

BDTS

- BDTS has optimised BHIC Group's intranet portal, MyCompass, to reduce the usage of papers and encourage more virtual meetings. The documents stored in the share point are accessible by designated employee only and it enables live editing to avoid duplicating documents.

BSES

- BSES utilises digital form applications for its safety reports such as Unsafe Conditions (UC) and Unsafe Acts (UA) reports, RMN's Yard Fire Extinguisher Inspection Report, Staff information for Entry Passes at the RMN base, as well as Clinic Visit Forms.

GHCM

- To smoothen HR operations and ease monitoring, GHCM established a Leave Management folder in Microsoft Teams that is accessible by appointed Persons-In-Charge across all departments.

BHICAS

- Introduced a new Ramco Aviation Maintenance & Engineering Software system to improve MRO activities, as well as business and enterprise resource planning (ERP) processes. The new system enables BHICAS to manage complex maintenance requirements, optimise inventory levels and ensure regulatory compliance.
- Utilisation of RAMCO Human Resource Management System (HRMS) for payroll and leave management.



CONTINUOUS IMPROVEMENT (CI) PROJECTS



A total of **119 CI projects** were completed with an achievement of **RM1,964, 645** in cost savings

BHIC's CI projects are initiatives that are geared towards cost-saving exercises in the Group as well as improvement of operational processes, such as improving our existing standard operating procedures (SOP) and requisition processes through our yearly SOP Improvement Programme (SIP).

Among the CI projects and initiatives conducted by our business units in 2022 included:

BLS

- Internal and external audits adhering to ISO 9001:2015 Quality Management Systems
 - Supplier performance evaluations by Supply Chain Management
 - Product and service quality controls by Quality Assurance and Quality Control
 - Requisition and response to client feedback and complaints conducted by the Commercial Department
- All projects undertaken scored an average of 4.25 on each aspect of services rendered. Discussions and briefings were also continuously conducted between the Commercial, Project Management and Production personnel to not only maintain our standard and quality of work, but to enhance them to a higher level.
- Management review meetings and review of processes conducted in line with the requirements of ISO 9001:2015 Quality Management Systems

BDNC

- Improving existing SOPs such as Obsolescence Management Process, Workshop Inspection Process and Purchasing Policy
- Monitoring minimum stock levels
- Cataloguing of spares, consumables, providers and related prices
- Maintaining quality control of two submarines
- Utilisation of Qlik Sense for project performance monitoring

BNS

- Development of a safety briefing video for visitors by the HSE Department, covering health, safety and emergency procedures. The implementation of the video has enabled BNS to minimise face-to-face interactions and reduce time spend on briefings.

PROVIDING BUSINESS OPPORTUNITIES



VDP

We believe it is our responsibility as a key player in the defence and security industry of Malaysia to foster a thriving ecosystem of service providers, vendors and suppliers that is able to support the needs of the nation's defence and security. Towards this end, we are committed to providing business opportunities to local businesses through our VDP. As part of the VDP, we help to promote local content by engaging local vendors in various projects as well as MRO activities through our business units.

In 2022, we further facilitated the growth of the local business community, while contributing to the national economy. In total, we supported 36 vendors under VDP, contributing to a total of 2,604 registered vendors, of which 1,983 are local.

The following are some of the achievements of the VDP in 2022:

- Our Vendor Development Management (VDM) facilitated and arranged a total of eight VDP vendors presentation to end-users and business units on their offerings.

SUSTAINABILITY REPORT



VDP (CONT.)

- Our Group Supply Chain Management (GSCM) ensured continuous engagement with the Ministry of Entrepreneur and Cooperatives Development (KUSKOP) and technical agencies such as Standards and Industrial Research Institute of Malaysia (SIRIM) and Teknologi Park Malaysia (TPM).
- Program Pembangunan Kapasiti Vendor (PPKV) Grant secured by Innopeak (M) Sdn. Bhd. from SME Bank amounted to RM200,000.
- Organised a briefing for VDP vendors presented KUSKOP on government grants including Geran Inovasi dan Pengkomersialan Vendor (GIPV) under MIDF and Program Pembangunan Kapasiti Vendor (PPKV) under SME Bank.
- Attended a pitching session with KUSKOP and MIDF for GIPV.

Our business units also contributed to the success of the VDP as outlined below:

BDNC

- Increased the number of vendors under VDP by transferring industry know-how to cater for localisation initiatives for the following scopes:
 - Machining and Straightening Test for Hoist Ram
 - High-precision machining and manufacturing of machine parts for heavy & light industries
 - Fabrication of RM Accumulator Bottles

GOOD CORPORATE GOVERNANCE AND INTEGRITY



In 2022, we continued to uphold and bolster our commitment to governance and integrity. With the guidance of our Board of Directors, we took meaningful steps to enhance the strength and effectiveness of our internal controls related to enterprise risk management and corporate governance, with the aim of safeguarding the interests of our shareholders and stakeholders. Our concerted efforts have also ensured the protection of the Group's assets and the achievement of our business objectives, as well as mission and vision.



POLICIES AND PROCESSES

To promote ethical business conduct and foster a culture of integrity at BHIC, we have put in place several policies and processes that provide guidance to our employees, business partners and vendors including:

- BHIC Limits of Authority
- BHIC Policy Manual
- Anti-bribery and Corruption Policy Statement
- Whistleblowing Policy
- No Gift Policy
- Code of Ethics and Conduct

Through Boustead Holdings Berhad (BHB), our employees underwent training on governance and integrity with the Malaysian Anti-Corruption Commission (MACC) and Institut Integriti Malaysia (IIM) as follows:

- Get to Know: Boustead Policies and Procedures and Code of Ethics and Conduct
- Webinar: Get to Know BHB's Policies and Procedures
- Integrity Webinar Series in collaboration with IIM
- Integrity dan Ethics Dilemma Training
- Do the Right Things vs. Do Things Right Training
- Integrity Management Training

Out of our 1124 employees, 321 have participated in anti-corrupting training programmes in 2022, representing 28.6% of our workforce. This includes:

 Senior Management	35
 Middle Management	54
 Executive	160
 Non-Executive	72

Additionally, we also conducted a total of seven sessions on Corruption Risk Assessments for BSES, MTA, BBA, BNS, BHICAS, BDNC and BDTS, following which we recorded zero incidences of corruption in BHIC.



DATA PRIVACY AND SECURITY

We have established measures to ensure the proper use of personal data and protection from unauthorised access. Among others, our efforts include the implementation of our ICT Policy and procedures covering asset management, ICT security and operational aspects. In addition, BHIC has implemented innovation and process controls to respond to hazards and business needs, demonstrating our commitment to improving our security measures. By taking these steps, we aim to uphold the trust and confidence of customers and stakeholders, which is essential for the long-term success of the Group. The following are examples of the initiatives undertaken during the year:

Initiative	Objectives
CyberSecurity Training for Key Users	To raise cybersecurity awareness among key users within finance and project teams regarding phishing emails, malware, spyware, spam and cyber threats. To strengthen the security protection on identity management and verification to ensure only authorised personnel are able to log in to relevant systems.
Multi-Factor Authentication (MFA)	To strengthen the security protection on identity management and verification to ensure only authorised personnel are able to log in to relevant systems.
Reporting of Phishing email	Implementation of a one-click button in Outlook to report phishing emails, allowing for immediate rectification and control.

As a result of our effective implementation of data privacy and security initiatives, we recorded zero incidents pertaining to user privacy breaches or loss of user data in 2022.

Our data privacy and security is overseen by the following:

- GHCM inputs and retains employment and personal data for reference as per the requirements and standards required by the Personal Data Protection Act 2010 (PDPA) in our Human Capital Management Policy.
- End-to-end data encryption and security for all methods of communication by using Secure Sockets Layer (SSL) technology.



IMPACT OF THE PANDEMIC

As a result of our strict adherence to guidelines issued by the health authorities and the internal measures put in place to mitigate the COVID-19 pandemic, we are pleased to note that there were no fatalities amongst our employees or vendors working on our premises in 2022. Following the end of the Movement Control Order (MCO) and the nation's transition to the endemic stage, we continued to be vigilant to ensure the protection of our people. As a result, we managed to keep our employees, vendors and workplaces safe while maintaining a high level of productivity to meet our commitments to our customers and other stakeholders.

ENVIRONMENTAL PERFORMANCE



As a key player within the defence industry, we aim to uphold the highest environmental standards, in line with the Environmental Quality Act 1974 and all relevant environmental laws and regulations.

This approach reflects our unwavering dedication to economic, environmental, social and governance (EESG) principles as well as our overarching sustainability philosophy.

Further guided by our Reinventing Boustead strategy to achieve excellence and sustainability, we recognise the importance of responsible environmental stewardship, and we are firmly committed to sustainable business practices. Towards this end, we strive to minimise any negative impact our operations may have on the environment while prioritising the health and safety of our employees, vendors, subcontractors and the communities in which we operate.



Our focus on environmental sustainability is also aligned with the evolving requirements pertaining to sustainability in Malaysia. For example, in September 2022, Bursa Malaysia Securities Berhad announced enhancements to sustainability reporting requirements with climate change-related disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to be included in annual reports.

In support of enhanced climate-related disclosures, we also report our ESG practices, particularly climate-related initiatives, to our financiers.

SUSTAINABILITY REPORT

WASTE AND WATER MANAGEMENT



In 2022, we continued to uphold our efforts in improving the efficiency of our materials usage to minimise the volume of waste generated through our business operations.

SCHEDULED WASTE MANAGEMENT

The amount of scheduled waste generated by the BHIC Group according to categories and the level of waste reduction achieved during the year is outlined in the table below:

No.	Scheduled Waste Code	Metric Tonnes 2022	Metric Tonnes 2021
1	SW 102 - Lead acid batteries in whole or crushed form	Nil	1.5
2	SW 104 - Dust, slag, dross or ash containing arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium, or selenium excluding slag from iron and steel factory	1.98	Nil
3	SW 109 - Waste containing mercury or its compound	50.10	Nil
4	SW 201 - Asbestos wastes in sludges, dust or fibre forms	10.24	Nil
5	SW 301 - Spent organic acids with pH less or equal to 2 which are corrosive or hazardous	0.05	Nil
6	SW 303 - Glue waste	Nil	0.0
7	SW 305 - Spent lubricating oil	61.09	70.5
8	SW 306 - Spent hydraulic oil	0.74	1.7
9	SW 307 - Spent mineral oil-water emulsion	20.25	Nil
10	SW 309 - Oil-water mixture such as ballast water	Nil	348.0
11	SW 311 - Waste oil or oily sludge	0.18	Nil
12	SW 312 - Oily residue from automotive workshop, service station oil or grease interceptor (grease)	0.04	0.1
13	SW 315 - Tar or tarry residues from oil refinery or petrochemical plant	2.00	Nil
14	SW 322 - Non-halogenated organic solvents	Nil	0.0
15	SW 325 - Uncured resin waste containing organic solvents or heavy metals including epoxy resin and phenolic resin	Nil	0.0
16	SW 409 - Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	8.51	1.0
17	SW 410 - Rags, plastics, papers or filters contaminated with scheduled wastes	0.27	0.6
18	SW 416 - Sludges of inks, paints, pigments, lacquer, dye or varnish	3.39	1.7
19	SW 417 - Waste of inks, paints, pigments, lacquer, dye or varnish	0.60	Nil
20	SW 418 - Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvent	3.41	0.2
21	SW 427 - Mineral sludges including calcium hydroxide sludges, phosphating sludges, calcium sulphite sludges and carbonates sludges (soda lime)	2.17	2.0
22	SW 429 - Chemicals that are discarded or off-specification	0.17	0.0
23	SW 501 - Any residue from treatment or recovery of scheduled wastes (benzotriazole, water up-liquid & black water (bilges))	157.00	Nil
Total		322.2	427.3

Waste and water management efforts across the BHIC Group are guided by various procedures and processes such as:

➔ **Scheduled Waste Management Procedure**

This represents our central procedure on the management of scheduled waste and defines the various processes involved including planning, notification, handling, storage, as well as disposal of scheduled waste generated through the BHIC Group's activities, products and services.

➔ **Environmental Quality (Scheduled Wastes) Regulations 2005 and Department of Environment (DOE) Guidelines**

To prevent any adverse environmental impact, we ensure that all business units within the BHIC Group are in compliance with local and standard laws as outlined by the Environmental Quality (Scheduled Wastes) Regulations 2005 and DOE Guidelines.

➔ **Waste Management and Economic Impact Survey**

In October 2022, the Group Supply Chain Management department conducted a survey to collect information and insights from all business units on waste management and its economic impact on the BHIC Group. A wide range of initiatives related to waste management and recycling were also implemented by our various business units as summarised below:

➔ **BLS**

- Utilisation of DOE's Electronic Scheduled Waste Information System (eSWIS) to ensure waste is disposed according to DOE requirements by a licensed contractor.
- BLS is also exploring hydro blasting, which can reduce an estimated 70% in raw material usage and disposal, compared to the sand blasting method commonly used at shipyards.
- Recycling of Precious Slag (PS) balls used for blasting to reduce costs of scheduled waste disposal, with approximately 30% cost savings for purchasing and disposal achieved in 2022.



Recycling of blasting material (garnet)



Recycling of blasting material (PS ball)



Hydro blasting at BLS



Recycling of blasting material (garnet)

- Repurposing of expired paints for maintenance works, yard electrical works and other yard repair work.
- Reducing paper usage by encouraging e-copy documentation.

➔ **BDNC**

- Collection of all scheduled waste disposals are fully compliant with relevant regulations with waste stored for no longer than 180 days and not exceeding 20 metric tonnes. To ensure compliance, waste inventory is monitored continuously.
- Launched an on-site chemical tracking system developed by BDNC's IT department to track the movement of chemicals from arrival to on-site distribution and disposal.
- Built an IBG tank to reduce waste disposal costs.

➔ **BHICAS**

- Recycling of scrap metal and boxes.
- Utilise compact packaging to maximise space utilisation.

➔ **BNS**

- Disposal of paper waste through selling of shredded paper.
- Periodic disposal of dirty oil and scrap metal.



Oil waste for collection by licensed contractor



Disposal of paper waste through selling of shredded paper at BNS.

SUSTAINABILITY REPORT

E-WASTE

With the rapid growth in digitalisation and technological advancements, rising e-waste such as batteries, television sets and personal computers, amongst others, have grown to become a global concern. Recognising that proper disposal of e-waste can prevent detrimental effects to the environment and a wide range of e-waste can be repurposed, reused, refurbished or recycled, we actively promote responsible e-waste consumption among our workforce through various internal activities:

➡ BHC E-Waste Collection Programme

- In 2022, we launched the BHC e-Waste Collection Programme to educate our employees on the proper treatment of e-waste as well as to inculcate better waste disposal practices across the BHC Group.

➡ International E-Waste Day Celebration

- In conjunction with International e-Waste Day, BNS promoted awareness on the responsible management of e-waste through the issuance of posters, a video explanation about e-Waste and sharing information on nearby collection centres.



Efforts to raise awareness on responsible e-waste disposal included dissemination of information on treatment of e-waste and BHC's e-Waste Collection Programme.



➡ Disposal Of E-Waste And Paper Waste At BHC Headquarters

At BHC's corporate headquarters, Menara Boustead, we have long established eco-friendly paper and e-waste disposal techniques. All electronic workplace equipment such as phones, monitors, keyboards, laptops, printers and paper are recycled by certified contractors or shipped to permitted paper and e-recycling facilities. Furthermore, we support our employees' efforts to recycle old personal electronics by providing e-waste collection bins at the building. We also communicate the value of recycling paper and e-waste as well as the responsible use of paper through e-mail notifications and our periodical Sustainability Newsletters.



E-waste and paper waste activities at Menara Boustead.



WATER MANAGEMENT

Understanding the significance of water conservation, we are consistently striving to cultivate appreciation for its scarcity by encouraging our employees to use water responsibly. Among others, our efforts include posting reminders in restrooms and our Sustainability newsletters, as well as undertaking regular maintenance of water pipes with immediate rectification of any identified leakages.

	2022	2021
Water Consumption (m³)	230,028	224,874

In 2022, we recorded a 2.3% increase in water consumption due to an increased number of vessels during the year. This includes the four emergency MRO projects received by BNS from RMN, which required upslipping and a high pressure wash to remove barnacles and marine organisms before proceeding with other activities.

Other significant activities that consumed high volume of water were bilge cleaning for KD HANG TUAH; tank cleaning for KD HANG TUAH, KD KASTURI and KD LEDANG; wet blasting for KD LEDANG and overall ship cleaning upon completion of blasting for KD HANG TUAH. There were also a series of pipe leakages in the shipyard due to aging pipes which has since been rectified.

GREENHOUSE GAS (GHG) EMISSIONS & ENERGY MANAGEMENT



In order to reduce our GHG emissions and map out relevant initiatives, as well uphold transparency to stakeholders, we believe it is important for us to track our Scope 1 and Scope 2 GHG emissions. The tables below details our GHG emissions for both scopes:

Emissions by BHIC Group according to source.

Scope 1 emissions (TCO ₂ e)	2022	2021
Heavy Machineries	194.37	156.00
Welding and Oxygen-Cutting	11.63	11.10
Refrigerants Fugitive	279.11	Nil
Cars and Motorcycles	61.25	46.00
Light and Heavy Goods Vehicles	153.64	110.40
TOTAL	700.00	323.50

Scope 2 emissions (TCO ₂ e)	2022	2021
Purchased electricity (kWH)	9,915,561.76	8,627,138.00
Emissions (TCO₂e)	6,756.77	6,099.30



SUSTAINABILITY REPORT

The 116.4% increase in Scope 1 emissions is mainly attributed to an increase in operational activities, namely the use of two skylifts in heavy machineries, as well as frequent usage of cars, light goods vehicles and vans. Meanwhile, Scope 2 emissions increased by 10.8% due to an increase in operational activities. This consisted of three refit projects as part of MRO works and the four emergency projects from RMN which required emergency upslips and downslips in 2022. Further contributing to Scope 2 emissions were major activities such as welding, heavy lifting activities by cranes, alongside upslip and downslip activities performed by the shiplift.

We aspire to maintain a high level of energy efficiency across our operations to mitigate our carbon footprint. To achieve this goal, we thoroughly analyse our energy-intensive activities and proactively seek opportunities to optimise our efficiencies, thereby curbing our overall energy consumption.

The following are among our efforts to improve energy efficiency across BHIC:

- Proper asset management and maintenance including ensuring equipments are able to function at optimum levels of energy efficiency.
- Ensuring utilities such as air conditioners and lights are switched off when not in use, as well as after office hours.

➔ BLS Going Green Initiative

• LED & Solar Streetlights

BLS has a total of 17 LED streetlights installed around its property, which has enabled the unit to reduce its electricity usage by almost 50%. Additionally, two solar-powered streetlights have also been installed at its finger jetty. The unit also intends to replace its hangar spotlights with LED and solar-powered bulbs to further decrease electricity consumption.



Changing from normal to LED streetlights and solar streetlights at BLS' finger jetty.

➔ BNS Going Green Initiative

• World Earth Day Tree Planting

In support of World Earth Day, BNS took a proactive step towards environmental preservation by planting trees at its shipyard. By participating in this global celebration, the company aims to support the reduction of GHG emissions while creating awareness among its employees about the importance of preserving the environment.



Planting trees around BNS

➔ Transitioning To Paperless Documentation

BNS has taken measures to maximise the use of Multi-Function Printers (MFP) in order to achieve its goal of reducing printing costs and paper consumption by transitioning into a paperless working environment. Supporting this transition, the BNS Asset Disposal Committee has identified non-MFP printers that will be disposed, which will also support the unit in reducing its carbon footprint and GHG emissions.



Several non-MFP printers have been identified for disposal.

➔ **Replacing conventional lights with LED lighting**

With an aim of reducing energy consumption while maintaining workers' visual health at BNS, the unit has replaced its fluorescent lights with more energy efficient LED light bulbs, as well as reduced the number of lamps used indoors.

➔ **Exploring Solar Energy**

As a potential alternative electricity source, BNS is also looking into solar energy with the guidance of Tenaga Nasional Berhad (TNB). Towards this end and as part of efforts to solidify its business partnership with TNB, BNS hosted a visit from TNB in June 2022.



Reducing energy consumption by utilising energy efficient LED light bulbs.



Discussion with TNB to explore potential adoption of Solar Energy as an energy alternative

SOCIAL PERFORMANCE



As we prioritise the well-being of our employees, local communities and society, we seek to create a safe, fair and inclusive work environment throughout the Group. Further demonstrating how we value our employees, we offer competitive compensation, benefits and training opportunities, with the goal of building a highly motivated and high-performing team that is aligned with our core values and objectives.

Beyond our workforce, our corporate social responsibility initiatives are aimed at giving back to the communities where we operate with a primary focus on veterans and serving members of the Malaysian Armed Forces and their families. In tandem, we also make an active effort to contribute to the wider community.

EMPLOYEE DIVERSITY

At BHIC, we embrace diversity and equality in our workforce. We believe that diversity is a strength and that our people's varied backgrounds and demographics contribute to a vibrant and dynamic work environment. By drawing on the skills, talent and capabilities of our diverse team members, we believe we can provide innovative solutions to better serve our clients.

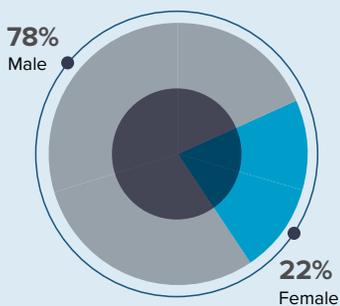
Demonstrating this is the BHIC Human Capital Management on Talent Acquisition Policy, which ensures that our hiring practices are non-discriminatory with equal employment opportunity provided to all candidates regardless of gender, age, nationality, race, religious beliefs, cultural background, marital status or physical ability.



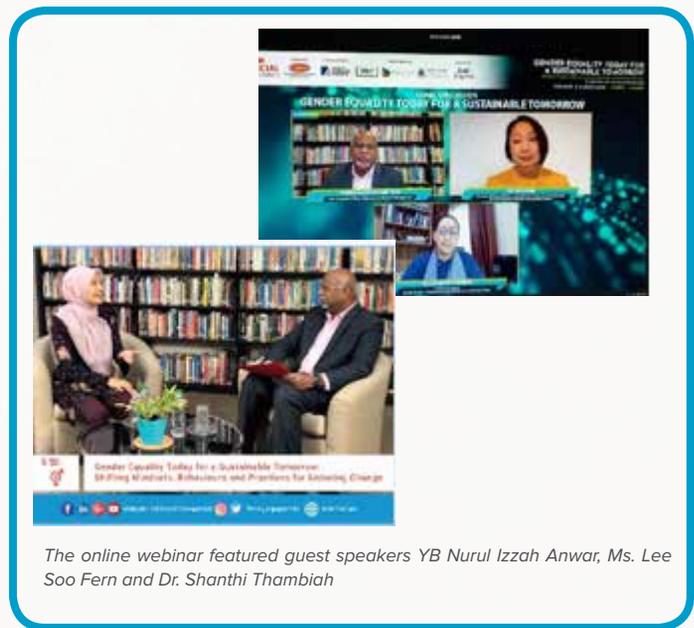
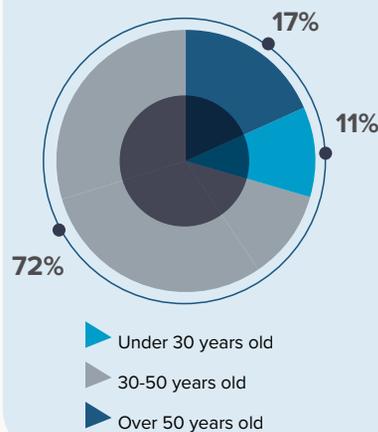
Online Webinar – ‘Gender Equality Today for a Sustainable Tomorrow: Shifting Mindsets, Behaviours and Practises for Enduring Change’

In support of gender diversity and equality, BNS promoted an event to celebrate women employees in conjunction with International Women’s Day (IWD), which is celebrated annually on March 8 to commemorate the achievements of women. Its female employees participated in an online webinar entitled ‘Gender Equality Today for a Sustainable Tomorrow: Shifting Mindsets, Behaviours and Practises for Enduring Change’ on 8 March 2022 organised by the Malaysian Institute Of Management. The event featured YB Nurul Izzah Anwar, Member of Parliament for Permatang Pau; Ms. Lee Soo Fern, Partner and Malaysia Talent Leader of Ernst & Young Consulting Sdn. Bhd. and EY Asean Diversity, Equity & Inclusiveness Leader; and Dr. Shanthy Thambiah, Associate Professor, Universiti Malaya. They shared captivating stories of how they balance the demands of being a women with their ventures and jobs. Further inspiring women at BNS, the speakers shared their optimism about women and their strengths as changemakers without compromising the responsibilities and uniqueness of women.

Employee Profile by Gender



Employee Profile by Age Group



SUSTAINABILITY REPORT



OCCUPATIONAL HEALTH & SAFETY

Our top priority is to create a safe and secure work environment for our employees, vendors and contractors, whether they are on our office premises or at project sites. We achieve this by adhering to the highest health, safety and environmental (HSE) standards and complying with all applicable regulations and laws, as well regularly conducting risk assessments and workplace safety inspections to ensure that all HSE procedures and regulations are being followed.

→	Registered Safety Officer	8
→	Internal Safety Audits	3
→	Workplace Inspections	218

Safety Performance

The Group recorded eight lost time injury (LTI) incidents and zero fatalities across all operations in 2022. The LTI injuries were non-life threatening and consisted of sprains and bruises.

Our Health, Safety and Environment Policy adheres to the Occupational Safety and Health (OSH) Act of 1994 and incorporates national and international standards including the International Labour Organization (ILO) and Malaysia’s Department of Occupational Safety and Health (DOSH). Our internal policy ensures that all necessary safety and health precautions are incorporated into our operations.

Reflecting our robust safety management, BNS and BDNC have attained ISO 45001:2018 Occupational Health & Safety Management certifications.

In 2022, BHIC and our subsidiaries conducted various activities to ensure the safety, health and well-being of our people, including:

BNS

Safety Walkaround Session

To continuously promote a safe and healthy working environment throughout the shipyard, the BNS HSE Mainboard Committee conducts a safety walkaround session before every quarterly meeting. During these sessions, the committee members, who comprise of management staff as well as other appointed staff, observe and immediately alert on-site staff to inconsistencies in occupational safety and advise them as necessary. Issues that are not resolved during the inspections are recorded for further discussion or brought to the attention of management.



Fire Drill Exercises

As part of BNS’ Annual Safety Plan, its HSE Department organised a fire drill in June 2022 to enable stakeholders to practice emergency procedures, learn how to respond calmly in emergencies, and evacuate swiftly and safely during fire incidents or other emergencies.

A second fire drill was conducted at the BNS floating jetty in July 2022 by the RMN KD TERENGGANU Project Team as part of their sea adaptation training. The fire drill was executed in the form of a simulation involving the HSE Department, security forces, medics, shipyard services, firefighters and personnel from the RMN base military hospital.



Basic Occupational First Aid Training

On 30 June 2022, BNS organised a course on Basic Occupational First Aid Training (BOFA), cardiopulmonary resuscitation (CPR) and the use of automated external defibrillators (AED) with the Manjung District Health Department, as well as a course on Chemical Safety and Spillage Control through FMM Institute and a refresher course for Authorised Attendants and Confined Space Preparedness (AESP) with the National Institute of Occupational Safety and Health (NIOSH) Manjung.



Fire Watcher Refresher Course

On 30 June 2022, BNS organised a course on Basic Occupational First Aid Training (BOFA), cardiopulmonary resuscitation (CPR) and the use of automated external defibrillators (AED) with the Manjung District Health Department, as well as a course on Chemical Safety and Spillage Control through FMM Institute and a refresher course for Authorised Attendants and Confined Space Preparedness (AESP) with the National Institute of Occupational Safety and Health (NIOSH) Manjung.



Daily General Health Check-Ups at BNS

In addition to responding to incidents, accidents and emergencies, the paramedic team at BNS consists of a group of highly trained medical experts who also provide general health check-ups to staff at the clinic to detect early signs of illness and encourage staff to seek early treatment. These check-ups include taking blood pressure readings, checking blood sugar levels and conducting the newly launched Healthy Body Mass Index (BMI) Programme. These services are available for BNS members, as well as subcontractors and RMN personnel working on the premises.



BNS paramedic team conducted daily health check-ups

SUSTAINABILITY REPORT

BDNC

BDNC OSH Week 2022

BDNC's Quality, Health, Safety and Environment (QHSE) Department organised the BDNC OSH Week 2022 to further promote a culture of occupational safety and health. With the theme of 'Acting Together to Build a Positive Safety and Health Culture', the initiative focused on the role of every employee in promoting a culture of safety and health through a series of events organised in collaboration with the RMN alongside other public and private organisations. Among others, this included blood donation drives, audiometric screenings, lectures on ergonomics and audiometry, as well as games to test employees' general knowledge on occupational safety and health.



BDNC

Borneo Occupational Safety and Health Conference and Exhibition

Promoting safety beyond our business, BDNC's Head of Quality, Health, Safety and Environment (QHSE), Ahmad Fithri Ahmad Yahya, shared BDNC's knowledge in the OSH field as a speaker at the NIOSH's 7th Borneo Occupational Safety and Health Conference and Exhibition (BOSH 2022) on 2 November 2022. The talk covered relevant safety topics such as subterranean living, employment and occupational hygiene, as well as subsea maintenance, repair and overhaul (MRO) in accordance with ISO requirements.



Ahmad Fithri receiving momenta for participation as a speaker for OSH 2022

BDNC Wellness Programme

The BDNC Wellness Programme consisted of a series of health related initiatives including a blood donation drive with the Ministry of Health, the Jesselton Medical Centre (JMC) Health Talk and a Befrienders Programme (Program Minda Sihat).

Drill (Submarine)

Environment Management - Proper Packaging of Scheduled waste and Types of Packaging

Fire Hose Reel Training

HSE Virtual Talk: Introduction to Hazard Identification, Risk Assessment and Risk Control (HIRARC)

First Aid Training

Ergonomic Awareness

Working at Height in Submarine Awareness

Hearing Conservation Training - Hearing Conservation Awareness, Noise Risk Assessment and Recommendation Action Awareness

Chemical Handling

BHICAS

- Monthly HSE newsletters

BSES

- Induction training on on-site safety for all visitors, contractors and new employees
- Continuous training on Working at Heights, Working in Confined Spaces, Hot Work and Unsafe Acts (UA) or Unsafe Conditions (UC)

BLS

- Noise Risk Assessment
- Medical Surveillance and briefing by Occupational Health Doctor (OHD)

EMPLOYEE TRAINING, EDUCATION & DEVELOPMENT



We value our employees and recognise that their development is crucial to our success. To this end, we spare no effort in providing our workforce with comprehensive training and opportunities to attend courses and programmes specific to their job functions and areas of expertise. By equipping them with the latest knowledge and skills, we ensure that they can perform their tasks efficiently, productively and safely. This commitment to employee development is in line with our Reinventing Boustead strategy, which is aimed at transforming the Group into a high-performing organisation.

	Amount Invested in Training & Development (RM)	No. of Hours Spent on Training & Development
2022	296,842	18,690
2021	501,041	23,159

Training expenditure, according to employee grade/level

Level	2022(RM)	2021 (RM)
Senior Management	22,241	18,035
Middle Management	18,532	66,357
Executive	106,362	298,129
Non-Executive	149,707	118,520
Total	296,842	501,041

The decrease in cost of training in 2022 was a result of the Group’s decision to focus on professional certifications which are required for certain roles as well as the implementation of a right-sizing exercise and the availability of the online BHIC MyLearning through the Learning Management Systems platform.

Additionally, we also encourage our employees to pursue certified and professional skills-based training to improve their knowledge and marketability. In 2022, two Technical Supervisors from our Accommodation and Outfitting Workshop attained certified recognition as Blasting and Painting Supervisors while a HSE Executive was awarded Authorized Gas Tester Entry Supervisor (AGTES) by NIOSH.

Transfer of Knowledge and Technology (TOKT) programme

BNS and BMTA, are committed to providing high-quality training through their Industrial Collaboration Programme (ICP). In line with their obligation to the Littoral Mission Ship (LMS) project, the ICP entails a TOKT programme, which focuses on the ship construction processes and technology necessary for LMS vessel production. The training was designed to benefit both the RMN and local vendors. To date, BNS has completed the first four parts of the TOKT programme with a total of 12 participants undergoing the training between 4 and 8 July 2022.

In March 2022, BDNC celebrated a significant milestone with its seventh Transfer of Know-How (TOKH) Graduation Ceremony. The ceremony marked the graduation of 61 BDNC personnel, including individuals from RMN and the Science & Technology Research Institute for Defence (STRIDE). This historic event demonstrated the strong commitment of our business units to ensuring that submarines remain operationally available for RMN, while also cultivating local talent and businesses. These efforts will enable us to transform these individuals and organisations into key players in our submarine MRO business, taking it to new heights.



TOKT programme held between 4 and 8 July 2022

SUSTAINABILITY REPORT

Other technical skills and soft skills development programmes conducted in 2022:

Date	Programme
25 January 2022	Life Saving Basic Life Support
28 January 2022	Basic Rigging and Slings (Competency)
7 February 2022	Intermediate CNC Machine Training
8 February 2022	ISO 9001:2015 Quality Management Representative (QMR) Training
15 February 2022	Post Section 17A and the Challenges in Establishing Adequate Procedures for Corporate and SMEs
22 February 2022	Innovative and Creative Mindset at Work: Working at New Era
7 March 2022	CSWIP 3.1: Welding Inspector Level 2
16 March 2022	Influencing and Negotiation Skills for Accounting and Finance Professional
28 March 2022	Authorised Gas Tester & Enter Supervisor for Confined Space Refresher
29 March 2022	Lean Six Sigma (White Belt)
4 April 2022	API 510 Pressure Vessel Inspector
4 April 2022	Ultrasonic Testing PCN Level 2
21 April 2022	Authorised Entrant and Standby Person for Confined Space Refresher
28 April 2022	ERT Building first Aid
9 May 2022	Train The Trainer
12 May 2022	Key Changes Amendment to Malaysia's Employment Act
13 May 2022	CSWIP 3.0 Plus: Visual Welding Inspector with Practical Module
4 April 2022	Reduce Stress Through Time Management
18 May 2022	Refresher Safety Induction Course

LABOUR PRACTICES AND HUMAN RIGHTS



As a socially responsible corporate citizen, we understand our obligation to promote good labour practices and safeguard human rights throughout our operations. Our commitment to these values is evident in our adherence to local laws and international standards, such as the Sabah Labour Ordinance, Employment Act 1955, Trade Union Act 1959, and Contracts Act 1950 alongside the implementation of BHIC's Code of Ethics and Conduct. We also conduct regular meetings between unions and management to ensure we remain informed about their members' concerns, as well directly engage our employees through townhall meetings.

The following are among the key engagement activities undertaken in 2022 to support labour practices and the protection of human rights at BHIC:

BHIC Group

Townhall Sessions

A series of townhall sessions were conducted on 22 April, 4 August and 29 November 2022. These townhall sessions provided an avenue for management to share latest developments on the status of projects and business directions in a transparent and candid manner. Employees were also able to utilise these sessions to air their grievances, seek clarification on matters pertaining to the Group and provide suggestions for workplace improvements.

Additionally, the townhall sessions also served as a platform for Heads of Business Units to share knowledge and updates on initiatives conducted within their respective units. For example, one townhall session featured a knowledge sharing session on the digitalisation efforts undertaken by BNS.

BNS

- Engagement with Unions - Perjumpaan Antara Pihak Pengurusan Bersama AJK Tertinggi Kesatuan BNS & BPS on 8 February 2022 and 21 March 2022

BHICAS

- Monthly meetings between upper management and working level employees.

COMMUNITY CONTRIBUTIONS AND DEVELOPMENT



We believe that the local communities in which we operate are integral to our operations, and we value their contributions to our business. Towards this end, we are committed to giving back to society by engaging in various social activities and community engagement programmes. Through these initiatives, we seek to make a positive impact on the lives of those in our community. Additionally, we provide donations to the less fortunate, including underprivileged individuals and children. Our goal is to create a strong bond between BHIC and the local community while demonstrating our commitment to being a responsible corporate citizen.

REACHING OUT TO OUR COMMUNITY

BNS

Book Donation to Universities

In May 2022, BNS donated several academic reference books to four universities namely Universiti Kuala Lumpur MIMET, Universiti Teknologi PETRONAS, Universiti Tunku Abdul Rahman (UTAR) and Quest International University (QIU). These universities were selected based on the degree programmes offered with a focus on those offering electrical and electronic engineering courses. BNS donated seven book titles with a total of 86 books to the libraries of each university.



Donation to Schools and Welfare Homes

On 21 and 24 November 2022, BNS made financial donations to SMK Seri Samudera and Children Welfare Home of Sanathana Dharma Ashram to help both institutions improve their facilities.



Blood Donation Drive

In collaboration with Hospital Seri Manjung, BNS organised a blood donation campaign on 3 August 2022 to help address the critical blood shortage in Malaysia. This is part of an ongoing initiative organised by BNS since 2010. In 2022, a total of 36 BNS volunteers donated their blood through this campaign.



BDNC

Contributions to Hospital Angkatan Tentera Wilayah Kota Kinabalu (HATWKK) and Detasemen Keselamatan Medan Sepanggar

In conjunction with Nurses Day celebrations and in recognition of the vital role of nurses as healthcare frontliners, BDNC donated to HATWKK. BDNC also contributed printers to both HATWKK and Detasemen Keselamatan Medan Sepanggar.



SUSTAINABILITY REPORT

Sponsorship of the Navy Junior Football Academy

As a strategic partner of RMN, BDNC has sponsored for the Navy Junior Football Academy, with the aim of supporting the local community and providing opportunities for young children to fulfil their potential.



Iftar at Masjid Ibnu Battuta, Pangkalan TLDM Kota Kinabalu

BDNC hosted an iftar on 26 April 2022 with RMN and tahfiz students at Masjid Ibnu Battuta, Pangkalan TLDM Kota Kinabalu. More than 250 people attended the event, including BHIC Submarine Engineering Services Sdn. Bhd. (BSES) employees, RMN officers and staff, BDNC associates and tahfiz students. As part of the event, BDNC also contributed cash donations to the tahfiz students.



Borneo Ultra Ocean Clean Up 2022

BDNC contributed volunteers to the Borneo Ultra Ocean Clean Up 2022 co-organised by the Borneo Marine Research Institute of Universiti Malaysia Sabah and the RMN Submarine Command Headquarters at Taman Teluk Awam Likas on 27 August 2022.



On 20 April 2022, BDNC hosted an iftar with the children of Rumah Anak Yatim Home Tuaran in collaboration with Sabah Orphans Welfare Network Association. This was part of BDNC's annual BDNCare project, which aims to give back to those in need, particularly during the holy month of Ramadhan.



THE WAY FORWARD

As we continue on our ESG journey, we will endeavour to better our sustainability practices and strengthen the processes and systems we have in place to collect, measure and monitor key data. Our efforts are focused on creating value for our stakeholders while operating in a sustainable and responsible manner. In order to effectively address our internal and global pressing issues in the areas of ESG such as climate change, such as poverty, social injustice and unequal access to healthcare and education, we will continue to improve and align our material concerns, initiatives and sustainability goals with UNSDGs. In this manner, we are positioning ourselves as a value-driven, socially responsible organisation that contributes to the resolution of major global and national issues.

This Sustainability Statement has been made in accordance with a resolution of the Board of Directors dated 25 April 2023.



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SECTION

08

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

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 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss net of tax	(19,924)	(21,860)

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

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

DIRECTORS

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

Rozi Binti Baharudin*

Tan Sri Dato' Wira Aziah Binti Ali*

(Dr.) Salihin Bin Abang*

Hajah Saadatul Nafisah Binti Bashir Ahmad*

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

Izaddeen Bin Daud

Dato' Ahmad Nazim Bin Abd Rahman

Irfan Bin Hashim

Fahmy Bin Ismail

Dato' Maznah Binti Abdul Jalil*

Dato' Sri Mohammed Shazalli Bin Ramly

Datuk Norliza Binti Abdul Rahim

Datuk Haji Nasarruddin Bin Dato' M. Zin

(Appointed on 22 February 2023)

(Retired on 1 November 2022)

(Resigned on 30 November 2022)

(Resigned on 16 January 2023)

(Appointed on 27 January 2022

and resigned on 16 January 2023)

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

DIRECTORS' REPORT

DIRECTORS (CONT'D.)

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

Vice Admiral Dato' Seri Panglima Mohammed Noordin Bin Ali (Retired)	
Major General Dato' Che Yahaya Bin Idris (Retired)	
Major General Dato' Ahmad Rodi Bin Zakaria (Retired)	
Dato' Tuan Mustapha Bin Hj Tuan Hussin	
Annuar Faisal Bin Yusuf	
Azhar Bin Abdullah	
Deva Dass A/L Baboo	
Jeffry Bin Faisal	
Mohamad Bin Mustafa	
Puti Mazura Binti Mashudi	
Sarimah Binti Mat Isa	
Sharifuddin Bin Md. Zaini Al-Manaf	
Syahida Binti Abdul Kadir	
Zainal Abidin Bin Ahmad	
Ahmad Fazril Bin Mohd Fauzi	
Commander Dato' Abdul Rahman Bin Husain (Retired)	(Resigned on 26 January 2022)
Ir. Ee Teck Chee	(Resigned on 26 January 2022)
Ir. Hairutdin Bin Ayob	(Resigned on 20 July 2022)
Datuk Haji Abdul Razak Bin Haji Abdul Rahman	(Appointed on 28 January 2022 and resigned on 16 January 2023)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

The directors' benefits were as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-executive directors' remuneration:				
Fees	1,494	1,504	1,308	1,274
Allowances	250	305	241	284
Total directors' remuneration	1,744	1,809	1,549	1,558

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 2022 was RM65,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

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

The Company	Number of ordinary shares			
	1.1.2022	Bought	Sold	31.12.2022
Direct interest:				
Rozi Binti Baharudin	5,000	–	–	5,000

HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

- (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 33 to the financial statements.
- (f) Saved as disclosed in Note 2.1 to the financial statements, in the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events is disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT

AUDITORS

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

Auditors' remuneration is as below.

	Group	Company
	RM'000	RM'000
Auditors' remuneration paid to Ernst& Young PLT		
- Statutory audit	487	195
- Others	25	25
	512	220

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2023

(DR.) SALIHIN BIN ABANG

ROZI BINTI BAHARUDIN

STATEMENT BY DIRECTORS

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

We, (Dr.) Salihin Bin Abang and Rozi Binti Baharudin, 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 168 to 249 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 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 28 April 2023.

(DR.) SALIHIN BIN ABANG

ROZI BINTI BAHARUDIN

STATUTORY DECLARATION

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

I, Ahmad Fazril Bin Mohd Fauzi (MIA No: 35651), being the officer primarily responsible for the financial management of Boustead Heavy Industries Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 168 to 249 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ahmad Fazril Bin Mohd Fauzi at Kuala Lumpur in the Federal Territory on 28 April 2023.

AHMAD FAZRIL BIN MOHD FAUZI
(MIA 35651)

Before me,

SHI' ARATUL AKMAR BINTI SAHARI
(No W788)
1-1-2022 to 31-12-2024
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

Boustead Heavy Industries Corporation Berhad (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 168 to 249.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements 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.

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

Impairment assessment of investment in a subsidiary

Boustead Penang Shipyard Sdn Bhd ("BPS") and its subsidiaries ("BPS Group") has been in a continuous loss position with a loss of RM2.2 million during the year, indicating that the carrying amount of the investment in subsidiary amounting to RM267.5 million as at 31 December 2022 may be impaired. Accordingly, the Company has performed an impairment assessment and estimated the recoverable amount of the cash generating unit ("CGU") based on the value-in-use ("VIU") method.

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

INDEPENDENT AUDITORS' REPORT

To the Members of Boustead Plantations Berhad (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

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

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

- We assessed the key assumptions on which the cash flow projections are based, amongst others and where relevant, by comparing them against historical trends, existing contracts, order book, useful lives of the assets and contract sum value. We also evaluated the probability of securing significant future contracts by making enquiries with the project teams and reviewing project proposals to obtain an understanding of the status of negotiations and the likelihood of securing the contracts;
- We also assessed the discount rate used to determine the present value of the cash flows that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive; and
- We evaluated the adequacy of disclosures in the financial statements on the impairment of investment in the subsidiary as disclosed in Notes 3(v) and 15 to the financial statements.

Impairment assessment of amount due from an associate

As at 31 December 2022, the net carrying amount due from an associate of the Group amounted to RM314,342,000, representing 65% of the Group's total assets, as disclosed in Note 20(a) to the financial statements. The carrying value of the said associate is after adjusting for an accumulated impairment loss of RM73,377,000.

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

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

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

- We obtained an understanding of the approach applied and evaluated the key assumptions used by the Group in the calculation of ECL allowance such as the assigned loss given default and probability of default;
- We assessed the cash flows availability of BNS based on its cash flow projections and assessed the reasonableness of the expected timing and amount of repayment made by BNS;

INDEPENDENT AUDITORS' REPORT

To the Members of Boustead Plantations Berhad (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Impairment assessment of amount due from an associate (cont'd.)

Our procedures in assessing the ECL allowance are, inter alia, the following: (cont'd.)

- In respect of BNS's cash flow projections, we assessed the key assumptions on which the cash flow projections of BNS are based on, amongst others and where relevant, by comparing them against historical trends, existing contracts, order book, and contract sum value and evaluated the probability of the associate in securing the continuation of the LCS project; and
- We evaluated the adequacy of disclosures in the financial statements on the impairment for amount due from BNS as disclosed in Notes 3(iv), 20(a) and 34(a) to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statement

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Boustead Plantations Berhad (Incorporated In Malaysia)

REPORT ON 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 skepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (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.

INDEPENDENT AUDITORS' REPORT

To the Members of Boustead Plantations Berhad (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS (CONT'D.)

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

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

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

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

OTHER MATTERS

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

ERNST & YOUNG PLT

202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

NG YEE YEE

No. 03176/05/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 April 2023

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	141,760	149,186	2,587	1,301
Operating costs	5	(103,282)	(103,549)	(6,613)	(4,934)
(Allowance for)/reversal of expected credit losses	6	(32,615)	(9,597)	(3,259)	5,424
Results from operations		5,863	36,040	(7,285)	1,791
Interest income		65	86	-	-
Finance costs	9	(18,017)	(15,323)	(14,575)	(11,263)
Share of results of joint ventures	17	4,412	(2,528)	-	-
(Loss)/profit before taxation		(7,677)	18,275	(21,860)	(9,472)
Income tax expense	10	(12,247)	(3,083)	-	-
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year, net of tax		(19,924)	15,192	(21,860)	(9,472)
Basic/diluted (loss)/profit per share attributable to shareholders for the Company (sen)	11	(8.02)	6.11		

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	5,117	6,056	215	238
Investment property	13	10,153	10,828	-	-
Intangible asset	14	-	-	-	-
Right-of-use assets	28	22,119	33,436	7,081	7,159
Investments in subsidiaries	15	-	-	267,500	267,500
Investments in associates	16	-	-	-	-
Investments in joint ventures	17	83,360	79,458	-	-
Trade and other receivables	20	255,357	201,330	682	-
Deferred tax assets	26	185	4,408	-	-
		376,471	335,516	275,478	274,897
Current assets					
Inventories	19	2,942	2,912	-	-
Trade and other receivables	20	72,243	101,896	111,092	61,890
Contract assets	21	6,461	6,516	-	-
Tax recoverable		422	383	-	-
Cash and bank balances	22	26,352	4,151	1,471	61
		108,420	115,858	112,563	61,951
Non-current assets held for sale	18	-	3,885	-	-
		108,420	119,743	112,563	61,951
Total assets		484,891	455,259	388,041	336,848

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	23	248,458	248,458	248,458	248,458
Accumulated losses		(187,790)	(167,866)	(186,680)	(164,820)
Total shareholders' funds		60,668	80,592	61,778	83,638
Non-controlling interests		-	-	-	-
Total equity		60,668	80,592	61,778	83,638
Non-current liabilities					
Loans and borrowings	25	63,285	83,512	63,079	82,186
Deferred tax liabilities	26	22	-	-	-
Lease liabilities	28	6,829	7,289	-	-
		70,136	90,801	63,079	82,186
Current liabilities					
Provisions	24	14,122	14,867	141	13
Loans and borrowings	25	182,740	203,934	161,120	154,314
Trade and other payables	27	145,512	57,874	101,923	16,697
Tax payable		10,855	6,533	-	-
Lease liabilities	28	858	658	-	-
		354,087	283,866	263,184	171,024
Total liabilities		424,223	374,667	326,263	253,210
Total equity and liabilities		484,891	455,259	388,041	336,848

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 2022

	Attributable to equity holders of the Company		
	Share capital (Note 23)	Accumulated loss	Total
	RM'000	RM'000	RM'000
Group			
At 1 January 2021	248,458	(183,058)	65,400
Total comprehensive income for the year	-	15,192	15,192
At 31 December 2021	248,458	(167,866)	80,592
At 1 January 2022	248,458	(167,866)	80,592
Total comprehensive loss for the year	-	(19,924)	(19,924)
At 31 December 2022	248,458	(187,790)	60,668
Company			
At 1 January 2021	248,458	(155,348)	93,110
Total comprehensive loss for the year	-	(9,472)	(9,472)
At 31 December 2021	248,458	(164,820)	83,638
At 1 January 2022	248,458	(164,820)	83,638
Total comprehensive loss for the year	-	(21,860)	(21,860)
At 31 December 2022	248,458	(186,680)	61,778

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 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities					
Cash receipts from customers		104,090	99,794	-	-
Cash paid to suppliers and employees		(124,393)	(84,363)	(5,768)	(4,753)
Receipts/(payment) with related companies		4,444	3,844	46,070	16,477
Net cash (used in)/generated from operations		(15,859)	19,275	(51,838)	11,724
Interest paid		(14,954)	(15,714)	(11,251)	(11,308)
Net income taxes (paid)/refunds		(3,719)	962	-	-
Net cash (used in)/generated from operating activities		(34,532)	4,523	(63,089)	416
Cash flows from investing activities					
Interest received		-	31	-	2
Proceeds from disposal of property, plant and equipment		28	129	-	-
Proceeds from disposal of asset held for sale		3,948	-	-	-
Proceeds from disposal of right-of-use assets		18,017	-	-	-
Purchase of property, plant and equipment for cash		(150)	(233)	-	-
Dividend received from joint ventures		510	510	-	-
Net cash generated from investing activities		22,353	437	-	2
Cash flows from financing activities					
Lease payment		(1,001)	(686)	-	-
Repayment of borrowings		(41,421)	(3,620)	(12,301)	(500)
Advance from holding company		76,800	-	76,800	-
Net cash generated from/(used in) financing activities		34,378	(4,306)	64,499	(500)
Net increase/(decrease) in cash and cash equivalents					
		22,199	654	1,410	(82)
Effect of foreign exchange rate changes		2	(1)	-	-
Cash and cash equivalents at beginning of year		4,151	3,498	61	143
Cash and cash equivalents at end of year	22	26,352	4,151	1,471	61

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 15.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) as issued by Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

As at 31 December 2022, the Group and the Company is in a net current liabilities position of RM245,667,000 and RM150,621,000 (2021: RM164,123,000 and RM109,073,000) respectively. The Directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements based on the following:

- Included in the total assets of the Group is the amount due from associate of RM314,242,000 (2021: RM292,671,000). The Group expects to be paid in full for the amount due from associate but later than contractually due as further disclosed in Note 3(iv), Note 20(a) and Note 34(a), as the directors are of the view that the associate is expected to resume the construction of the Littoral Combat Ships ("LCS") in FY2023.
- The planned disposal of certain assets are expected to be completed in FY2023.
- Its holding company, Boustead Holdings Berhad, has agreed not to demand repayment of the debts due within the next twelve months and to provide financial support to enable the Group to meet its obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 Changes in accounting policies

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

On 1 January 2022, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS16 Leases)
- Amendments to MFRS 1 (First-time Adoption of Malaysian Financial Reporting Standards), MFRS 9 (Financial Instruments) and MFRS 141 (Agriculture): Annual Improvements to MFRS Standards 2018–2020
- Amendments to MFRS 3 (Business Combinations): Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment : Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts - Cost of Fulfilling a Contract

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.

2.3 Standards issued but not yet effective

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

Effective for annual period beginning on or after 1 January 2023

- MFRS 17 (Insurance Contracts)
- Amendments to MFRS 17 : Initial application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 101 (Presentation of Financial Statements) : Classification of Liabilities as Current or Non-current (Insurance Contracts)
- Annual Improvements to MFRS Standards 2018 - 2020
- Amendments to MFRS 101 (Disclosure of Accounting Policies)
- Amendments to MFRS 108 (Definition of Accounting Estimates)
- Amendments to MFRS 112 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Effective for annual period beginning on or after 1 January 2024

- Amendments to MFRS 101 (Presentation of Financial Statements) : Non-current Liabilities with Covenants
- Amendments to MFRS 16 (Leases) : Lease Liability in a Sale and Leaseback

Deferred

- Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures) (Sales or Contribution of Asset between Investor and its Associates or Joint Venture)

The directors expect that the adoption of the above standards and interpretation will not have a material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 Basis of consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. All 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 Basis of consolidation (cont'd.)

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

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss in accordance with MFRS 9. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

2.5 Transactions with non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 Subsidiaries

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

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

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

2.7 Investments in associates and joint ventures

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

2.8 Fair value measurement

The fair values of financial instruments at amortised cost are disclosed in Note 13 and Note 29(d).

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.8 Fair value measurement (cont'd.)

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

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

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

2.9 Currency conversion

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

Foreign currency transactions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.9 Currency conversion (cont'd.)

Foreign currency transactions (cont'd.)

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

2.11 Investment property

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.11 Investment property (cont'd.)

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

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

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

2.12 Intangible assets

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

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

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

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

2.13 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Impairment losses are recognised in profit or loss.

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

2.14 Financial assets

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

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS

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

2.14 Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost ("debt instruments");
- Financial assets at fair value through OCI with recycling of cumulative gains and losses ("debt instruments");
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition ("equity instruments"); or
- Financial assets at fair value through profit or loss.

The Group and the Company do not have any financial assets carried at fair value through OCI or profit or loss for both debt and equity instruments.

Financial assets at amortised cost ("debt instruments")

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade receivables and other receivables included under other non-current financial assets and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

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

2.14 Financial assets (cont'd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.15 Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.15 Impairment of financial assets (cont'd.)

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

2.16 Cash and cash equivalents

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

2.17 Inventories

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

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

2.18 Provisions

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

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

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, if any.

NOTES TO THE FINANCIAL STATEMENTS

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

2.19 Financial liabilities (cont'd.)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.20 Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.21 Employee benefits

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

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

2.22 Leases

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

Group as lessee

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.22 Leases (cont'd.)

(b) Lease liabilities

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

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

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

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

Group as lessor

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

2.23 Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects that consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

NOTES TO THE FINANCIAL STATEMENTS

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

2.23 Revenue (cont'd.)

Revenue from contracts with customers (cont'd.)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group and the Company receive short-term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also provides warranties for defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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

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

Revenue from heavy engineering construction contracts, repair and maintenance and rendering of services comprise multiple deliverables which represent a combined output for which the customer has contracted for or is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. It is therefore recognised as a single performance obligation.

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

(b) Management fees

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd.)

2.23 Revenue (cont'd.)

Contract balances

(a) Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Where revenue is recognised over time, contract asset is the excess of cumulative revenue earned over the billings to date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

(b) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(c) Contract liabilities

Contract liability is the obligation to transfer goods or services to customer for which the consideration has been received or has been billed to the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Where revenue is recognised over time, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include the downpayments received from customers and other deferred income where the entity has billed or has collected the payment before the goods are delivered or services are provided to the customers.

Revenue from other sources

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.24 Income taxes

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

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

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

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.24 Income taxes (cont'd.)

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.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their activities, products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The respective segment managers report directly to the Chief Executive Officer ("CEO") who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31.

2.26 Share capital and share issuance expenses

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

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

2.27 Non-current assets classified as held for sale

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

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

Further details on non-current assets classified as held for sale are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

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

2.28 Current vs non-current classification

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

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

All other assets are classified as non-current.

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

(ii) Application of input method for revenue recognition over time

Where the performance obligations are satisfied over time, the Group recognises contract revenue and costs in the income statement by using the input method by reference to the proportion of cost incurred for work performed to date to the estimated total costs to measure progress towards the satisfaction of performance obligation.

Significant judgement is required in determining the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. Further, significant judgement is also required in determining contract modification with approved change in the scope of work, but with contract price that has yet to be fixed. In making these judgements, the Group evaluates by relying on past experience, correspondence with customer and the work of internal specialists. Information on the Group's long term and construction contracts assets and liabilities is presented in Note 21.

(iii) Deferred tax assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(iii) Deferred tax assets (cont'd.)

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

(iv) Provision for expected credit losses of trade receivables, other receivables and contract assets

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, the Group considers factors such as the individual historical credit loss experience with forward-looking information. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Where there is a significant increase in credit risk, the Group determines the lifetime expected credit losses (ECL) by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. In assessing the ECLs of the receivables, especially on the amount due from associates (trade), the Group considers the ECLs arising from timing of payments from expected future cash flows as a credit loss arises even if the Group expects to be paid in full but later than contractually due. Further details as disclosed in Note 34(a).

The carrying amounts of the receivables and contract assets as well as the movements in their respective ECL allowances are disclosed in Note 20 and Note 21 respectively.

(v) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Investment in subsidiaries

The carrying amount of the Company's investments in subsidiaries as at 31 December 2022 of RM267,500,000 (2021: RM267,500,000) is in relation to its investment in Boustead Penang Shipyard Sdn Bhd.

The Company reviews the carrying amounts of its investments in subsidiary companies at each reporting date to determine whether there is any indication of impairment. The continuous losses reported by Boustead Penang Shipyard Sdn Bhd and its subsidiaries ("BPS Group") with a loss of RM2,258,000 during the year indicated that the investment in the subsidiary amounting to RM267,500,000 as at 31 December 2022 may be impaired.

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

Determining the VIU of CGU or groups of CGU require the estimation of future cash flows expected to be derived from continuing use of the assets and from the ultimate disposal of such assets. In estimating the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2021: 13%) that reflects current market assessments of the time value of money, and the risks specific to the asset. The future cash flows do not include restructuring activities that the Group or Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. There is no further impairment loss recognised on investment in subsidiaries of the Company in the current financial year (2021: RM NIL).

If the pre-tax discount rate increases to 11%, it would result in an impairment of RM2,552,000.

Other non-financial assets

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

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

The accumulated impairment losses for property, plant and equipment, investment in subsidiaries, investment in an associate and right-of-use assets are disclosed in Notes 12, 15, 16 and 28 respectively.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Repair and maintenance	53,180	62,495	-	-
Rendering of services	85,115	83,200	-	-
Management fee	118	144	-	-
Rental income	3,347	3,347	-	-
Interest income	-	-	2,587	1,301
	141,760	149,186	2,587	1,301

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

Segments	2022			
	Commercial RM'000	Defence and Security RM'000	Others RM'000	Total RM'000
Repair and maintenance	37	53,143	-	53,180
Rendering of services	-	85,115	-	85,115
Management fees	-	-	118	118
Rental income	-	3,347	-	3,347
Total revenue from contract with customers	37	141,605	118	141,760

Timing of revenue recognition

Goods/services transferred

- at a point in time	-	725	118	843
- over time	37	140,880	-	140,917
Total revenue from contract with customers	37	141,605	118	141,760

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE (CONT'D.)

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

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

NOTES TO THE FINANCIAL STATEMENTS

6. ALLOWANCE FOR/(REVERSAL OF) EXPECTED CREDIT LOSSES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Allowance for expected credit losses of:				
– trade receivables (Note 20(b))	32,221	11,179	-	-
– other receivables (Note 20(e))	394	190	3,259	-
Reversal of expected credit losses of:				
– other receivables (Note 20(e))	-	(1,772)	-	(5,424)
	32,615	9,597	3,259	(5,424)

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	47,017	47,781	2,297	1,324
Social security contribution	673	696	2	2
Defined contribution plan	5,868	6,333	37	176
Termination benefit	3,449	-	-	-
Others	5,906	5,679	55	79
	62,913	60,489	2,391	1,581
Less: Employee benefit expense capitalised in long term and construction contract costs	(8,834)	(9,137)	-	-
	54,079	51,352	2,391	1,581

8. DIRECTORS' REMUNERATION

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration:				
Fees	1,494	1,504	1,308	1,274
Allowances	250	305	241	284
Total non-executive directors' remuneration (Note 5)	1,744	1,809	1,549	1,558
Total directors' remuneration	1,744	1,809	1,549	1,558

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Term loans	4,830	4,825	4,737	4,668
Revolving credits	9,756	10,013	6,743	6,423
Lease liability	463	464	-	-
Others	2,968	21	3,095	172
Finance cost recognised in profit or loss	18,017	15,323	14,575	11,263

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Statement of comprehensive income:				
Malaysian income tax:				
Current income tax	7,340	7,974	-	-
Under/(over) provision in prior years	53	(482)	-	-
Total income tax	7,393	7,492	-	-
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	2,953	(4,409)	-	-
Overprovision of deferred tax asset in prior years	1,292	-	-	-
Total deferred tax	4,245	(4,409)	-	-
Real property gains tax ("RPGT")	609	-	-	-
Income tax recognised in profit or loss	12,247	3,083	-	-

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/profit before taxation	(7,677)	18,275	(21,860)	(9,472)
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	(1,842)	4,386	(5,246)	(2,273)
Expenses not deductible for tax purposes	7,795	4,794	5,246	2,273
Income not subject to tax	-	(22)	-	-
Effect of income subject to different tax rates	(1,154)	-	-	-
Utilisation of previously unrecognised tax losses and capital allowances	-	(4,482)	-	-
Share of results of joint ventures	(1,059)	607	-	-
Derecognition of previously recognised deferred tax assets	-	-	-	-
Deferred tax assets recognised on unutilised business losses	(85)	(1,718)	-	-
Deferred tax assets not recognised in respect of tax losses, unabsorbed capital allowances and others	7,247	-	-	-
Under/(over) provision of income tax expense in prior years	53	(482)	-	-
Overprovision of deferred tax asset in prior years	1,292	-	-	-
Income tax expense recognised in profit or loss	12,247	3,083	-	-

NOTES TO THE FINANCIAL STATEMENTS

11. (LOSS)/PROFIT PER SHARE

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

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

	Group	
	2022	2021
	RM'000	RM'000
(Loss)/profit for the year attributable to shareholders of the Company	(19,924)	15,192
	'000	'000
Weighted average number of ordinary shares in issue	248,458	248,458
	sen	sen
Basic and diluted (loss)/profit per share for:		
(Loss)/profit for the year attributable to shareholders of the Company	(8.02)	6.11

Diluted earnings per ordinary share is identical to basic earnings per share as the Company has no potential dilutive ordinary shares as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings*	Plant and machinery	Equipment, fittings, renovation, motor vehicles and others	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Cost				
At 1 January 2021	38,758	2,554	14,233	55,545
Additions	-	34	199	233
Disposals	-	-	(283)	(283)
At 31 December 2021/ 1 January 2022	38,758	2,588	14,149	55,495
Additions	-	49	101	150
Disposals	-	(43)	(130)	(173)
At 31 December 2022	38,758	2,594	14,120	55,472
Accumulated depreciation and impairment				
At 1 January 2021	32,849	2,407	13,018	48,274
Depreciation charge for the year (Note 5)	724	75	572	1,371
Disposals	-	-	(206)	(206)
At 31 December 2021/ 1 January 2022	33,573	2,482	13,384	49,439
Depreciation charge for the year (Note 5)	656	89	293	1,038
Impairment (Note 5)	51	-	-	51
Disposals	-	(43)	(130)	(173)
At 31 December 2022	34,280	2,528	13,547	50,355
Representing:				
Accumulated depreciation	27,279	2,528	13,547	43,354
Accumulated impairment	7,001	-	-	7,001
At 31 December 2022	34,280	2,528	13,547	50,355
Net carrying amount				
At 31 December 2022	4,478	66	573	5,117
At 31 December 2021	5,185	106	765	6,056

NOTES TO THE FINANCIAL STATEMENTS

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

* Buildings of the Group comprise:

	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group			
Cost			
At 1 January 2021/31 December 2021/1 January 2022/31 December 2022	22,955	15,803	38,758
Accumulated depreciation and impairment			
At 1 January 2021	17,181	15,668	32,849
Depreciation charge for the year	634	90	724
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022	17,815	15,758	33,573
Depreciation charge for the year	633	23	656
Impairment	51		51
At 31 December 2022	18,499	15,781	34,280
Representing:			
Accumulated depreciation	11,498	15,781	27,279
Accumulated impairment	7,001	-	7,001
At 31 December 2022	18,499	15,781	34,280
Net carrying amount			
At 31 December 2022	4,456	22	4,478
At 31 December 2021	5,140	45	5,185

NOTES TO THE FINANCIAL STATEMENTS

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

	Equipment RM'000
Company	
Cost	
At 1 January 2021/31 December 2021/1 January 2022	2,281
Disposal	(5)
At 31 December 2022	2,276
Accumulated depreciation	
At 1 January 2021	2,010
Depreciation charge for the year (Note 5)	33
At 31 December 2021/1 January 2022	2,043
Depreciation charge for the year (Note 5)	23
Disposal	(5)
At 31 December 2022	2,061
Net carrying amount	
At 31 December 2022	215
At 31 December 2021	238

13. INVESTMENT PROPERTY

	Hangar RM'000
Group	
Cost	
At 1 January 2021/31 December 2021/1 January 2022 31 December 2022	14,898
Accumulated depreciation	
At 1 January 2021	3,395
Depreciation charge for the year (Note 5)	675
At 31 December 2021/1 January 2022	4,070
Depreciation charge for the year (Note 5)	675
At 31 December 2021/1 January 2022	4,745
Net carrying amount	
At 31 December 2022	10,153
At 31 December 2021	10,828

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTY (CONT'D.)

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

	Date of valuation	Fair value measurement using significant unobservable inputs (Level 3) RM'000
At 31 December 2022		
Hangar	31 December 2022	14,500
At 31 December 2021		
Hangar	31 December 2021	14,500

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

The property is valued by reference to the current gross replacement or reproduction costs of improvements, with appropriate adjustments made for the factors of obsolescence, optimisation and existing physical condition of the building. The significant unobservable input is the construction cost per square metre.

The Group's investment property is secured against the term loan as disclosed in Note 25.

14. INTANGIBLE ASSET

	Group RM'000
Ship design right, at cost	
At 1 January 2021, 31 December 2021/1 January 2022 and 31 December 2022	2,631
Accumulated impairment	
At 1 January 2021, 31 December 2021/1 January 2022 and 31 December 2022	(2,631)
Net carrying amount	
At 31 December 2021 and 31 December 2022	-

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

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

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	RM'000
Unquoted shares, at cost	701,801	701,801
Accumulated impairment losses		
At 1 January/31 December	(434,301)	(434,301)
Total carrying amount	267,500	267,500

The shares in a subsidiary with a carrying value of RM2,636,000 (2021: RM2,636,000) is pledged to financial institutions for banking facilities granted to a former corporate shareholder.

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

Name of subsidiaries	Principal activities	Paid up capital	Percentage of ownership interest held by the group	
			2022	2021
			%	%
BHIC Asset Holdings Sdn. Bhd. ("BHIC Assets")	Dormant	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.	Dormant	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.	Dormant	RM500,000	100	100

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid up capital	Percentage of ownership interest held by the group	
			2022 %	2021 %
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
Malaysian Heavy Industry Group Sdn. Bhd.	Dormant	RM25,000	60	60
BHIC Navaltech Sdn. Bhd.	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	100	100
BHIC Shipbuilding and Engineering Sdn. Bhd.	Ship repair, shipbuilding and fabrication of steel structures	RM500,000	100	100
BHIC Marine Technology Academy Sdn. Bhd.	Provision of marine and defence business management training and similar educational projects	RM500,000	100	100
BHIC Marine Ventures Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	100	100
BHIC Marine Transport Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	100	100

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid up capital	Percentage of ownership interest held by the group	
			2022 %	2021 %
Held by BHIC Defence:				
BHIC Defence Techservices Sdn. Bhd. ("BHIC Defence Techservices")	Provision of maintenance and services for arsenal, and other defence related products	RM1,000,000	100	100
BHIC Allied Defence Technology Sdn. Bhd.	Supply of electronics and system technology to defence related industry	RM510,000	100	100
Naval and Defence Communication System Sdn. Bhd.*	Provision of maintenance and services for telecommunication systems	RM100,000	-	100
BHIC Electronics and Technologies Sdn. Bhd.	Provision of maintenance and services for defence weapons and related products	RM2,329,897	100	100
BHIC Submarine Engineering Services Sdn. Bhd.	Provision of maintenance and services of submarines	RM500,000	100	100

* Dissolved on 26 January 2022

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	54,840	54,840	1,250	1,250
Cumulative share of post acquisition losses	(22,012)	(22,012)	-	-
	(22,012)	(22,012)	-	-
Less: Accumulated impairment losses	(32,828)	(32,828)	(1,250)	(1,250)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

16. 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	
			2022 %	2021 %
Held by the Company:				
Tohwa-Sedap Food Industry Sdn. Bhd. (In Members' Voluntary Liquidation)	Dormant	RM2,500,000	50.00	50.00
Held by Perstim Industries Sdn. Bhd.:				
Boustead Naval Shipyard Sdn. Bhd. ("BNS")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	RM130,000,003	20.77	20.77
Held by BP Shipyard:				
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	THB100,000	48.80	48.80
Held by BNS:				
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

16. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	2022	2021
	RM'000	RM'000
Assets and liabilities		
Current assets	911,541	1,215,638
Non-current assets	282,373	298,497
Total assets	1,193,914	1,514,135
Current liabilities	1,959,105	2,045,161
Non-current liabilities	86,892	167,309
Total liabilities	2,045,997	2,212,470
Net liabilities	(852,083)	(698,335)
	2022	2021
	RM'000	RM'000
Results		
Revenue	65,896	302,147
Loss for the year	(153,748)	(52,712)

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

	Note	2022	2021
		RM'000	RM'000
Net liabilities at 1 January		(698,335)	(645,623)
Loss for the year		(153,748)	(52,712)
Net liabilities at 31 December		(852,083)	(698,335)
Interest in associate		20.77%	20.77%
Group's share of net liabilities	(i)	(176,978)	(145,044)
Goodwill		162,724	162,724
Impairment	(iii)	(32,828)	(32,828)
Cumulative share of unrecognised losses	(ii)	47,082	15,148
Carrying value of Group's investment in associates	(i)	-	-

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN ASSOCIATES (CONT'D.)

(i) The Group has recognised its shares of losses of interest in BNS when applying the equity method up to its interest in the associates.

(ii) Unrecognised shares of losses in BNS

	2022	2021
	RM'000	RM'000
Unrecognised shares of loss for the year	31,934	10,948
Cumulative share of unrecognised losses	47,082	15,148

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

17. INVESTMENTS IN JOINT VENTURES

	Group	
	2022	2021
	RM'000	RM'000
Unquoted shares, at cost	45,591	45,591
Cumulative share of post acquisition profits	33,867	36,905
Share of current year's post acquisition profits/(losses)	4,412	(2,528)
Less: Dividend paid (Note 35 (a))	(510)	(510)
	37,769	33,867
	83,360	79,458

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.

NOTES TO THE FINANCIAL STATEMENTS

17. 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:

Name of joint ventures	Principal activities	Paid up capital	Percentage of ownership interest held by the group	
			2022 %	2021 %
Held by BHIC Defence:				
BHIC Bofors Asia Sdn. Bhd. ("BOFORS")	Provision of integrated logistics support services on BOFORS weapons systems	RM1,000,000	51	51
BHIC AeroServices Sdn. Bhd. ("BHICAS")	To carry on business of maintenance, repair and overhaul of rotary and fixed wing aircraft	RM2,000,000	51	51
Boustead DCNS Naval Corporation Sdn. Bhd. ("BDNC")	Vessel maintenance	RM10,000,000	60	60
BYO Marine Sdn. Bhd.	Construction of vessels	RM500,000	51	51
Contraves Advanced Devices Sdn. Bhd. ("CAD")*	Manufacturing of electronic products	RM5,000,000	51	51
BHIC MSM Sdn. Bhd.	Provision of maintenance and repair of MTU products	RM1,000,000	60	60
Pyrotechnical Ordnance Malaysia Sdn. Bhd.	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	RM50,002	49	49
BHIC Systems Integration	To set-up, establish and run the activities relating to business of project management, contract administration, and related services for defence industry in Malaysia, especially but not limited to the Littoral Combat Ship ("LCS") for the Royal Malaysian Navy, Combat System Equipment and Combat Management System Procurement, Combat System Engineering and Combat System Integration activities	RM1,000,000	51	51

NOTES TO THE FINANCIAL STATEMENTS

17. 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	
			2022 %	2021 %
Held by BHIC Defence: (cont'd.)				
Airbus Helicopters Simulation Center Sdn. Bhd.*	Providing, organising, conducting, operating, maintaining, establishing, promoting a flight training centre with simulator and conducting classes, seminars, demonstrations and training programmes in the field of aviation training	RM37,525,000	30	30
Held by CAD:				
Contraves Sdn. Bhd.*	Property rental	RM100,000	51	51
Contraves Electrodynamics Sdn. Bhd.* ("CED")	Provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors, manufactures, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus	RM1,000,000	51	51

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

* Joint ventures not audited by Ernst & Young PLT.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Summarised financial information

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

(i) Summarised statements of financial position

	<-----2022----->		<-----2021----->	
	CAD RM'000	BOFORS RM'000	CAD RM'000	BOFORS RM'000
Group				
Non-current assets	333,327	829	410,682	1,764
Cash and cash equivalent	58,416	13,795	73,496	14,272
Other current assets	145,244	10,004	63,062	5,877
Total current assets	203,660	23,799	136,558	20,149
Total assets	536,987	24,628	547,240	21,913
Trade and other payables and provisions	289,366	4,382	296,145	3,099
Total current liabilities	289,366	4,382	296,145	3,099
Non-current liabilities	134,896	412	143,119	243
Total liabilities	424,262	4,794	439,264	3,342
Net assets	112,725	19,834	107,976	18,571

NOTES TO THE FINANCIAL STATEMENTS

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

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

(ii) Summarised statements of comprehensive income

	<-----2022----->		<-----2021----->	
	CAD RM'000	BOFORS RM'000	CAD RM'000	BOFORS RM'000
Group				
Revenue	49,320	13,289	74,529	11,340
Depreciation	(3,148)	(558)	(11,834)	(461)
Interest income	1,108	206	1,357	178
Finance costs	(10)	(27)	(64)	(20)
Profit/(loss) before tax from continuing operations	7,079	2,938	(1,327)	2,698
Income tax expense	(2,330)	(675)	(12)	(665)
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year, net of tax	4,749	2,263	(1,339)	2,033
Dividend received from joint ventures during the year	-	510	-	510

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

		<-----2022----->		<-----2021----->	
	Note	CAD RM'000	BOFORS RM'000	CAD RM'000	BOFORS RM'000
Group					
Net assets at 1 January		107,976	18,571	109,315	17,538
Profit/(loss) for the year		4,749	2,263	(1,339)	2,033
Dividend		-	(1,000)	-	(1,000)
Net assets at 31 December		112,725	19,834	107,976	18,571
Interest in joint ventures (%)		51	51	51	51
Goodwill		3,849	-	3,849	-
Carrying value of Group's interest in joint ventures		61,339	10,115	58,917	9,471

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN JOINT VENTURES (CONT'D.)**(c) Aggregate information of joint ventures that are not individually material**

	2022	2021
	RM'000	RM'000
The Group's share of profit before tax	1,091	629
The Group's share of profit after tax, representing total comprehensive income	826	458
Carrying value of Group's interest in joint ventures	11,905	11,079

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 22 December 2020, the Group's wholly owned subsidiary, Boustead Penang Shipyard Sdn. Bhd. entered into agreements with purchasers to dispose plant and equipments amounting to RM3,885,000.

The disposal was completed during the financial year with a total proceed of RM3,948,000. The gain on disposal of RM63,000 was recognised during the year.

Statement of financial position disclosure

The non-current assets classified as held for sale are as follows:

	Group
	RM'000
At 1 January 2021/31 December 2021/1 January 2022	3,885
Disposed during the year	(3,885)
At 31 December 2022	–

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

19. INVENTORIES

	2022	2021
	RM'000	RM'000
Consumables		
At cost	2,942	2,912

NOTES TO THE FINANCIAL STATEMENTS

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Trade receivables				
Due from associate	325,433	241,671	-	-
Less: Allowance for expected credit losses	(70,578)	(40,341)	-	-
Trade receivables, net	254,855	201,330	-	-
Other receivables				
Due from associate	978	-	978	-
Less: Allowance for expected credit losses	(296)	-	(296)	-
Other receivables, net	682	-	682	-
Total trade and other receivables (non-current)	255,537	201,330	682	-
Current				
Trade receivables				
Third parties	6,582	3,861	-	-
Due from related parties:				
– Associate	58,805	89,002	-	-
– Joint ventures	8,369	8,806	-	-
	73,756	101,669	-	-
Unbilled receivables due from:				
– Third parties	-	105	-	-
– Associate	751	893	-	-
Less: Allowance for expected credit losses:				
– Third parties	(3,317)	(3,294)	-	-
– Associate	(2,503)	(548)	-	-
– Joint ventures	(5,308)	(5,307)	-	-
Trade receivables, net	63,379	93,518	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current (cont'd.)				
Other receivables				
Due from related parties:				
– Subsidiaries	-	-	74,490	21,660
– Joint ventures	29,607	29,733	5	260
– Associates	1,780	2,022	-	453
– Related companies	114	89	20	6
Dividend receivable	-	-	45,500	45,500
	31,501	31,844	120,015	67,879
Deposits	954	981	-	-
Prepayments	128	213	23	-
Sundry receivables	3,875	2,971	9	4
Advances to suppliers	1,811	1,676	-	-
	38,269	37,685	120,047	67,883
Less: Allowance for expected credit losses:				
– Subsidiaries	-	-	(8,955)	(5,993)
– Joint ventures	(27,891)	(27,793)	-	-
– Associates	(28)	(28)	-	-
– Sundry receivables	(276)	(418)	-	-
– Advance to suppliers	(1,210)	(1,068)	-	-
	(29,405)	(29,307)	(8,955)	(5,993)
Other receivables, net	8,864	8,378	111,092	61,890
Total trade and other receivables (current)	72,243	101,896	111,092	61,890
TOTAL TRADE AND OTHER RECEIVABLES	327,780	303,226	111,774	61,890
Add: Cash and bank balances (Note 22)	26,352	4,151	1,471	61
Less: Prepayments	(128)	(213)	(23)	-
Less: Advances to suppliers	(601)	(608)	-	-
Less: GST recoverable	(1)	(1)	-	-
Total debt instruments at amortised cost	353,402	306,555	113,222	61,951

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Amount due from an associate

The net carrying value of the amount due from associate, Boustead Naval Shipyard Sdn. Bhd., as at 31 December 2022 is RM314,342,000, after adjusting for accumulated impairment losses of RM73,377,000.

Due to the delay in delivering the LCS by the associate, the Group expects that the amount due from associate will be paid in full but later than contractually due. As the amount is not expected to be realised in full within the twelve months after the reporting date, RM255,537,000 of the amount due from associate has been classified as non-current receivables as at 31 December 2022.

(b) Allowances for expected credit losses

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

	2022	2021
	RM'000	RM'000
Trade receivables - nominal value	384,175	340,168
Less: Allowance for expected credit losses	(81,706)	(49,490)
	302,469	290,678

Movement in allowance account:

	2022	2021
	RM'000	RM'000
At 1 January	49,490	38,311
Charge for the year (Note 6)	32,221	11,179
Written off	(5)	-
At 31 December	81,706	49,490

The information about the credit exposure are disclosed in Note 29(c).

(c) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's credit period is generally for a period of 30 days (2021: 30 days), extending up to 90 days (2021: 90 days) for major customers. The Group seeks to maintain strict control over its outstanding receivables and strives to minimise credit risk. Overdue balances are reviewed regularly by senior management. The details are disclosed in Note 29.

(d) Amounts due from related parties

All receivables from related parties are unsecured, repayable upon demand, settled in cash and non-interest bearing except for an amount due from a related party which bear weighted average effective interest at rate of 5.37% (2021: 5.19%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

20. 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables - nominal value	30,438	29,307	56,185	45,744
Less: Allowance for expected credit losses	(29,701)	(29,307)	(9,252)	(5,993)
	737	-	46,934	39,751

Movement in allowance account:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	29,307	30,889	5,993	11,417
Charge for the year (Note 6)	394	190	3,259	-
Reversal of expected credit losses (Note 6)	-	(1,772)	-	(5,424)
At 31 December	29,701	29,307	9,252	5,993

The information about the credit exposure are disclosed in Note 29(c).

21. CONTRACT BALANCES**Contract assets**

	Group	
	2022 RM'000	2021 RM'000
Current assets		
Contract assets	6,461	6,516

Information on trade receivables balances from contracts with customers is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

21. CONTRACT BALANCES (CONT'D.)

Set out below is the amount of revenue recognised from:

	Group	
	2022	2021
	RM'000	RM'000
Amounts included in contract liabilities at the beginning of the year	-	18

As at 31 December 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of RM13,376,000 (2021: RM47,574,000) relates to the contracts with customers for repair and maintenance and rendering of services.

22. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	26,352	4,151	1,471	61

The amount of deposit placed with the financial institutions which are Government-related entities amount to RM26,344,000 (2021: RM4,145,000).

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

23. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Issued and fully paid ordinary shares:				
As at 1 January/31 December	248,458	248,458	248,458	248,458

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

NOTES TO THE FINANCIAL STATEMENTS

24. PROVISIONS

Group	Provision for onerous contract	Others	Total
	(Note a) RM'000	RM'000	RM'000
At 1 January 2021	12,654	-	12,654
Arising during the year	1,722	491	2,213
At 31 December 2021/ 1 January 2022	14,376	491	14,867
Arising during the year	-	1,113	1,113
Utilised during the year	(1,722)	(136)	(1,858)
At 31 December 2022	12,654	1,468	14,122

Company	Others	Total
	RM'000	RM'000
At 1 January 2021	-	-
Arising during the year	13	13
At 31 December 2021/1 January 2022	13	13
Arising during the year	131	131
Utilised during the year	(3)	(3)
At 31 December 2022	141	141

(a) Provision for onerous contract

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

NOTES TO THE FINANCIAL STATEMENTS

25. LOANS AND BORROWINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short term borrowings				
Secured:				
Term loans	1,120	1,120	-	-
Unsecured:				
Term loans	19,120	2,314	19,120	2,314
Revolving credits	162,500	200,500	142,000	152,000
	182,740	203,934	161,120	154,314
Long term borrowings				
Secured:				
Term loans	206	1,326	-	-
Unsecured:				
Term loans	63,079	82,186	63,079	82,186
	63,285	83,512	63,079	82,186
Total borrowings:				
Term loans	83,525	86,946	82,199	84,500
Revolving credits	162,500	200,500	142,000	152,000
	246,025	287,446	224,199	236,500

NOTES TO THE FINANCIAL STATEMENTS

25. LOANS AND BORROWINGS (CONT'D.)

Reconciliation of liabilities arising from financing activities

Group	Term loan RM'000	Revolving credits RM'000	Lease liabilities (Note 28) RM'000	Total RM'000
At 1 January 2021	88,566	202,500	7,809	298,875
Addition	-	-	824	824
Repayment	(1,620)	(2,000)	(686)	(4,306)
At 31 December 2021/ 1 January 2022	86,946	200,500	7,947	295,393
Addition	-	-	766	766
Repayment	(3,421)	(38,000)	(1,001)	(42,422)
Payable	-	-	(25)	(25)
At 31 December 2022	83,525	162,500	7,687	253,712

Company	Term loan RM'000	Revolving credits RM'000	Total RM'000
At 1 January 2021	85,000	152,000	237,000
Repayment	(500)	-	(500)
At 31 December 2021/ 1 January 2022	84,500	152,000	236,500
Repayment	(2,301)	(10,000)	(12,301)
At 31 December 2022	82,199	142,000	224,199

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

The secured term loan of the Group is secured against an investment property as disclosed in Note 13.

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 RM228,525,000 (2021: RM243,946,000).

In the current year, there was a breach of the financial covenants of an interest-bearing borrowing with a carrying amount of RM102,000,000. Subsequent to year end, the Group obtained from the lender a waiver to comply with the financial covenant.

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAXATION

	Group	
	2022 RM'000	2021 RM'000
At 1 January	(4,408)	1
Recognised in profit or loss (Note 10)	4,245	(4,409)
At 31 December	(163)	(4,408)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(185)	(4,408)
Deferred tax liabilities	22	-
	(163)	(4,408)

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

	Unused tax losses and unabsorbed capital allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
Deferred tax assets				
At 1 January 2021	(4,366)	(1,769)	(63)	(6,198)
Recognised in profit or loss	(2,983)	(132)	-	(3,115)
At 31 December 2021/ 1 January 2022	(7,349)	(1,901)	(63)	(9,313)
Recognised in profit or loss	4,480	(1,766)	-	2,714
At 31 December 2022	(2,869)	(3,667)	(63)	(6,599)

	Right-of-use asset RM'000	Property; plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities				
At 1 January 2021	1,535	1,874	2,790	6,199
Recognised in profit or loss	132	(1,439)	13	(1,294)
At 31 December 2021/ 1 January 2022	1,667	435	2,803	4,905
Recognised in profit or loss	1,445	145	(59)	1,531
At 31 December 2022	3,112	580	2,744	6,436

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAXATION (CONT'D.)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Temporary differences arising from:				
- unused tax losses	(111,024)	(107,057)	(47)	(47)
- unabsorbed capital allowances	(44,000)	(43,941)	-	-
- others	(126,254)	(100,084)	(489)	(489)
	(281,278)	(251,082)	(536)	(536)

Tax losses for which the tax effects have not been recognised in the financial statements:

- Expiring within 10 years	(111,024)	(107,057)	(47)	(47)
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The unused tax losses and unabsorbed capital allowances of the Group and of the Company are available for offset against future taxable profits subject to guidelines issued by the tax authority. Deferred tax assets have been recognised in respect of unused tax losses, to the extent that future taxable profits are probable to be utilised in the foreseeable future.

The Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses. Based on the latest Finance Act gazetted on 31 December 2021, the time limit for the carry forward of the unutilised tax losses has been extended from 7 years to 10 years.

As a result of this change, the unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 10 consecutive years of assessment (i.e. from years of assessment 2019 to 2028) and any balance of the unutilised losses thereafter shall be disregarded.

However, any unutilised tax losses that originated from the year of assessment 2019 onwards are allowed to be carried forward for a maximum period of 10 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

NOTES TO THE FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables				
Third parties	24,340	27,979	-	-
Due to related parties:				
- Associate	433	5	-	-
- Joint ventures	2,312	2,313	-	-
	27,085	30,297	-	-
Other payables				
Due to related parties:				
- Subsidiaries	-	-	8,672	8,294
- Holding company	88,498	4,344	88,104	4,033
- Joint ventures	3,189	3,299	749	823
- Associate	2,102	1,106	2	2
- Related companies	878	795	23	10
	94,667	9,544	97,550	13,162
Accruals	8,418	4,965	2,074	1,822
Sundry payables	15,342	13,068	2,299	1,713
	118,427	27,577	101,923	16,697
Total trade and other payables	145,512	57,874	101,923	16,697
Total trade and other payables	145,512	57,874	101,923	16,697
Add: Loans and borrowings (Note 25)	246,025	287,446	224,199	236,500
Add: Lease liabilities (Note 28)	7,687	7,947	-	-
Total financial liabilities carried at amortised costs	399,224	353,267	326,122	253,197

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2021: 30 to 90 days).

(b) Non trade balances due to related parties.

All payables to related parties are unsecured, payable upon demand, settled in cash and non-interest bearing.

Further details on related party transactions are disclosed in Note 35.

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

NOTES TO THE FINANCIAL STATEMENTS

28. LEASES

(a) Right-of-use assets

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

Group as a lessee

	Land and buildings RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount			
At 1 January 2021	33,923	152	34,075
Additions	824	-	824
Depreciation expense for the financial year (Note 5)	(1,381)	(82)	(1,463)
At 31 December 2021/ 1 January 2022	33,366	70	33,436
Additions	766	-	766
Depreciation expense for the financial year (Note 5)	(1,355)	(55)	(1,410)
Disposal	(10,673)	-	(10,673)
At 31 December 2022	22,104	15	22,119

Company as a lessee

	Land and buildings RM'000
Carrying amount	
At 1 January 2021	7,237
Depreciation expense for the financial year (Note 5)	(78)
At 31 December 2021/1 January 2022	7,159
Depreciation expense for the financial year (Note 5)	(78)
At 31 December 2022	7,081

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

Included in land is a piece of land in Bentong, Pahang with carrying amounts of RM7.1 million (2021: RM7.2 million) respectively whose land title is still in the process of being transferred to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

28. LEASES (CONT'D.)

(b) Lease liabilities

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

	Note	2022 RM'000	2021 RM'000
At 1 January		7,947	7,809
Additions		766	824
Accretion of interest	9	463	464
Payments		(1,464)	(1,150)
Payables		(25)	–
At 31 December		7,687	7,947
Analysed as:			
Current		858	658
Non-current		6,829	7,289
		7,687	7,947

The maturity analysis of lease liabilities are disclosed in Note 29.

The following are the amounts recognised in profit or loss:

	2022 RM'000	2021 RM'000
Depreciation expenses of right-of-use assets	1,410	1,463
Interest expense on lease liabilities	463	464
Expenses relating to short-term leases	1,217	1,368
Expenses relating to leases of low-value assets	123	131
Total amount recognised in profit or loss	3,213	3,426

The Group has total cash outflow for leases amounting to RM1,464,000 (2021: RM1,150,000). Further details are disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

28. LEASES (CONT'D.)

(c) Group as a lessor

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2022 are as follows:

	2022	2021
	RM'000	RM'000
Operating lease		
Within 1 year	2,667	2,667
Later than 1 year but not later than 5 years	1,889	4,556
	4,556	7,223

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 Chief Executive Officer and Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 2022							
Floating rate							
Term loans	25	5.57%	(20,240)	(20,605)	(42,680)	-	(83,525)
Revolving credits	25	5.22%	(162,500)	-	-	-	(162,500)
Lease liabilities	28	5.32%	(858)	(634)	(1,824)	(4,371)	(7,687)
At 31 December 2021							
Floating rate							
Term loans	25	5.50%	(3,434)	(20,455)	(63,057)	-	(86,946)
Revolving credits	25	4.98%	(200,500)	-	-	-	(200,500)
Lease liabilities	28	5.75%	(658)	(709)	(1,455)	(5,125)	(7,947)
Company							
At 31 December 2022							
Floating rate							
Term loans	25	5.58%	(19,120)	(20,399)	(42,680)	-	(82,199)
Revolving credits	25	4.84%	(142,000)	-	-	-	(142,000)
At 31 December 2021							
Floating rate							
Term loans	25	5.53%	(2,314)	(19,335)	(62,851)	-	(84,500)
Revolving credits	25	4.21%	(152,000)	-	-	-	(152,000)

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group and the Company's profit net of tax would have been RM964,000 (2021: RM1,122,000) and RM852,000 (2021: RM899,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity and cash flow risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2022				
Group				
Financial liabilities				
Trade and other payables (Note 27)	145,512	-	-	145,512
Loans and borrowings	189,641	93,844	-	283,485
Lease liabilities	1,288	3,751	5,100	10,139
Total undiscounted financial liabilities	336,441	97,595	5,100	439,136
Company				
Financial liabilities				
Trade and other payables (Note 27)	101,923	-	-	101,923
Loans and borrowings	167,841	93,628	-	261,469
Total undiscounted financial liabilities	269,764	93,628	-	363,392
At 31 December 2021				
Group				
Financial liabilities				
Trade and other payables (Note 27)	57,874	-	-	57,874
Loans and borrowings	209,774	96,428	-	306,202
Lease liabilities	1,079	3,548	6,124	10,751
Total undiscounted financial liabilities	268,727	99,976	6,124	374,827
Company				
Financial liabilities				
Trade and other payables (Note 27)	16,697	-	-	16,697
Loans and borrowings	159,790	95,027	-	254,817
Total undiscounted financial liabilities	176,487	95,027	-	271,514

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from its deposits with licensed banks and other financial institutions, receivables from customers and amounts due from related parties. Credit risks are controlled by individual subsidiaries in line with the Group policies and guidelines.

Deposits with licensed banks and other financial institutions

Deposits with licensed banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Amounts due from related parties

The Company provides advances to its related parties. The Company monitors the results of the related parties regularly. As at the end of the reporting period, the maximum exposure to credit risk arising from the related parties is represented by their carrying amounts in the statements of financial position.

Receivables

The Group minimises credit risk by ensuring that all potential third party counterparties are subject to credit assessment and approval prior to any transaction being concluded. Existing third party counterparties are also subject to regular reviews, including re-appraisal. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information.

Depending on the types of transactions and counterparty creditworthiness, the Group further mitigates and limits risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

NOTES TO THE FINANCIAL STATEMENTS

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 trade receivables at the reporting date are as follows:

	Group		Company	
	2022 RM'000	2021 % of total	2022 RM'000	2021 % of total
By country:				
Malaysia	318,234	100.0%	294,848	100.0%
By industry sector:				
Defence and security	318,234	100.0%	294,838	99.9%
Commercial	-	0.0%	10	0.1%
	318,234	100.0%	294,848	100.0%

The Group uses ageing analysis to monitor the credit quality of trade receivables.

The Group performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Group considers the loss given default and the probability of default assigned to each counterparty customer. The probability of default is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's historical experience.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; and
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(c) Credit risk (cont'd.)**Credit risk concentration profile (cont'd.)

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets.

31 December 2022

	<-----Trade receivables----->						Total
	Contract asset RM'000	Current RM'000	<-----Days past due ----->				
<30 days RM'000			31-60 days RM'000	61-90 days RM'000	>91 days RM'000		
Estimated total gross receivables	6,461	38,240	10,947	22	106	350,625	399,940
Less: Expected credit losses (Note 20)	-	-	-	-	-	(81,706)	(81,706)
Net receivables	6,461	38,240	10,947	22	106	268,919	318,234

31 December 2021

	<-----Trade receivables----->						Total
	Contract asset RM'000	Current RM'000	<-----Days past due ----->				
<30 days RM'000			31-60 days RM'000	61-90 days RM'000	>91 days RM'000		
Estimated total gross receivables	6,516	35,736	12,814	286	157	295,345	344,338
Less: Expected credit losses (Note 20)	-	-	-	-	-	(49,490)	(49,490)
Net receivables	6,516	35,736	12,814	286	157	245,855	294,848

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Fair value of financial instruments

Determination of fair value

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

	Note
Trade and other receivables	20
Loans and borrowings	25
Trade and other payables	27

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

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

(e) Foreign exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS

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 2022				
USD	-	-	(437)	(437)
EUR	4	1,307	(5,904)	(4,593)
SGD	-	-	(33)	(33)
	4	1,307	(6,374)	(5,063)
At 31 December 2021				
USD	-	-	(44)	(44)
EUR	22	1,330	(5,937)	(4,585)
SGD	-	-	(22)	(22)
	22	1,330	(6,003)	(4,651)

Sensitivity analysis for foreign exchange risk

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

		Group (Loss)/profit net of tax	
		2022	2021
		RM'000	RM'000
USD/RM	- strengthened 5%	(17)	(2)
	- weakened 5%	17	2
EUR/RM	- strengthened 5%	(175)	(174)
	- weakened 5%	175	174
SGD/RM	- strengthened 5%	(1)	(1)
	- weakened 5%	1	1

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 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 25) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 25) over the aggregate of the equity held by shareholders and non-controlling interests is 4.06 times (2021: 3.57 times).

31. SEGMENTAL INFORMATION

The Group's business is re-organised based on two main distinct divisions, namely Defence and Security and Commercial. The others category refers to investment holding entities. For each of the segments, the CEO reviews the internal management reports at least on a quarterly basis. The following summary describes the operations of each of the Group's segments:

Defence and Security — The business units under this segment are principally engaged in shipbuilding and maintenance, repair and overhaul ("MRO") of the Royal Malaysian Navy's patrol vessels. In addition, this segment is also involved in manufacturing, supply and maintenance of defence related electronic products;

Commercial — The business units under this segment is principally engaged in the heavy engineering, shipbuilding, MRO of non-defence related vessels, providing trainings, trading of goods and MRO of aircraft wheels and brakes; and

Others — The business units under this segment is principally engaged in interest income charged to the subsidiaries on the advances provided and the management fee charged to subsidiaries and joint ventures.

Included in the Defence and Security segment, the revenue of approximately RM141,605,000 (2021: RM148,928,000) 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 two Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the tables below:

	Defence and Security RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2022					
Group total sales	141,605	37	3,535	(3,417)	141,760
Inter-segment sales	-	-	(3,417)	3,417	-
External Revenue	141,605	37	118	-	141,760
(Operating costs)/other income	(90,898)	5,599	(24,065)	6,082	(103,282)
Allowance for expected credit loss	(32,319)	-	(296)	-	(32,615)
Results from operations	18,388	5,636	(24,243)	6,082	5,863
Interest income	1,466	-	2,534	(3,935)	65
Finance costs	(1,616)	(1,734)	(21,185)	6,518	(18,017)
Share of result in joint ventures	4,412	-	-	-	4,412
Loss before tax	22,650	3,902	(42,894)	8,665	(7,677)
Income tax expense					(12,247)
Loss net of tax					(19,924)

	Defence and Security RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2021					
Group total sales	148,993	114	2,294	(2,215)	149,186
Inter-segment sales	(65)	-	(2,150)	2,215	-
External Revenue	148,928	114	144	-	149,186
Operating costs	(90,879)	(1,522)	(4,558)	(6,590)	(103,549)
(Allowance for)/reversal of expected credit loss	(11,532)	(2)	1,772	165	(9,597)
Results from operations	46,517	(1,410)	(2,642)	(6,425)	36,040
Interest income	1,015	-	2,156	(3,085)	86
Finance costs	(947)	(1,658)	(17,102)	4,384	(15,323)
Share of result in joint ventures	(2,528)	-	-	-	(2,528)
Profit before tax	44,057	(3,068)	(17,588)	(5,126)	18,275
Income tax expense					(3,083)
Profit net of tax					15,192

NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL COMMITMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Approved but not contracted for:				
- Property, plant and equipment	3,137	2,299	1,922	-
Approved and contracted for:				
- Property, plant and equipment	5	35	-	-

33. CONTINGENT LIABILITIES

(a) 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 Ascertained Damages (“LAD”) amounting to RM53.2 million and EUR19.3 million for the ISS for the Royal Malaysian Navy SCORPENE Submarine contract.

On 28 June 2019, BDNC received a letter from MINDEF claiming for LAD amounting to RM22.4 million and EUR8.8 million for the refit works on KD TUNKU ABDUL RAHMAN.

On 29 May 2020, BDNC received a letter from MINDEF claiming for LAD amounting to RM11.6 million and EUR6.5 million for the breach of obligations under the first supplemental contract of the In-Service Support for two (2) units of Prime Minister Class for the Royal Malaysian Navy Submarines Contract (Extended ISS Contract).

On 13 April 2021, MINDEF had issued a notice to BDNC to set off the LAD claims in full against the future progress billing issued by BDNC to MINDEF.

The Company has made full provision for the LAD claims based on the above. The total provisions for LAD as at 31 December 2022, after offsetting against billings issued, is RM60,035,000 (2021:RM68,535,000).

To date, BDNC is still in the midst of negotiating and finalising the payment plan for the LAD claims.

The Group has recognised its shares of losses of interest in BDNC when applying the equity method up to its interest in the joint venture since the previous financial year.

(b) Material litigation

On 27 September 2022, Contraves Advanced Devices Sdn Bhd (“CAD”) and Contraves Electrodynamics Sdn Bhd (“CED”) (“Plaintiffs”) filed a Writ of Summons and Statement of Claim against BHIC, BHIC Defence Technologies Sdn Bhd (“BHICDT”) and Boustead Naval Shipyard Sdn Bhd (“BNS”) and two BHICDT Nominee Directors in CAD. The Plaintiffs seek several reliefs, including a declaration that the 12 letters of award to CAD from BNS are still valid and subsisting, payment of outstanding amounts, damages and injunctions to restrain the defendants from various actions.

NOTES TO THE FINANCIAL STATEMENTS

33. CONTINGENT LIABILITIES (CONT'D.)

(b) Material litigation (cont'd.)

The litigation timeline includes several defences and subsequently BHIC as well as other defendants had filed an application to strike out the claims, with a case management held on 30 November 2022.

The striking out applications was heard on 5 April 2023, and the Court had fixed the subsequent hearing to be on 3 May 2023 where the decision will be delivered on the application.

BHIC, BHICDT and BNS categorically deny the allegations made by the Plaintiffs. The Boards of BHIC, BHICDT and BNS, based on the advice from the solicitors, are of the view that they have a fair chance to strike off the claim.

34. SIGNIFICANT EVENTS

(a) Project delay for Second Generation Patrol Vessel - LCS

On 16 December 2011, BNS, an associate of BHIC received an LOA from the Government of Malaysia ("GOM") to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of LCS with combatant capabilities for Royal Malaysian Navy ("RMN") at a ceiling price of RM9.0 billion. The formal contract with GOM was signed on 17 July 2014.

In 2019, the Minister of Defence at that time made a statement in the Parliament on the delay in delivering the LCS. It was announced that BNS has requested a variation order to complete the project. A series of discussions and negotiations were held between GOM and BNS.

On 3 March 2021, the Group had submitted a formal proposal on the way forward in relation to the building and maintenance of the LCS. Subsequently, on 5 May 2021, the LCS project was discussed and deliberated in the cabinet meeting. Based on the press announcement made by Ministry of Defence on 7 May 2021, GOM has agreed that the Group will resume and continue with the LCS project with conditions to be complied by the Group. It was mentioned that the GOM's decision has taken into consideration the interest of employees, vendors, suppliers, LTAT's beneficiaries and bankers.

Given the nature of the project, the Group had actively engaged with MINDEF and various government agencies since 7 May 2021 via a series of discussions and workshops to deliberate on mechanism to resume the LCS project. This has culminated in the announcement by the Senior Minister of Defence on 20 April 2022 that the Cabinet has approved the continuance of the project.

On 31 May 2022, BNS and MINDEF have entered into the 5th Supplementary Agreement to remobilise the Project, amongst others, to resume payment to creditors, being the Original Equipment Manufacturers, vendors and financial institutions. Apart from the activities to be undertaken by BNS towards remobilising the Project, there are no significant differences between the substance of the main contract and the Supplementary Agreement.

BNS had conducted various workshops with the Government since then to discuss and finalise the clauses of the 6th Supplementary Agreement. BNS has completed the remobilisation phase and will be able to restart the LCS project once the 6th Supplementary Agreement has been signed. However, due to the change in the Cabinet, a re-validation of the decision taken by the previous cabinet was undertaken. Currently, the decision to resume the LCS project is pending Government's approval.

NOTES TO THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS (CONT'D.)

(a) Project delay for Second Generation Patrol Vessel - LCS (cont'd.)

Several group companies act as vendors to BNS in respect of the LCS project. As at 31 December 2022, the amount owing by BNS to various group companies stood at RM387,719,000 against which an allowance for ECL of RM32,488,000 has been made during the year. Based on the recent developments as mentioned above, the Group is of the opinion that the accumulated allowance of ECL of RM73,377,000 is sufficient and no further allowance of ECL is required to be made in the Group for amounts due from BNS.

(b) Disposal of land

On 23 September 2022, the Group's wholly owned subsidiary, BHIC Shipbuilding & Engineering Sdn Bhd ("BSE"), entered into a conditional sale and purchase agreement ("SPA") with Jantoco Realty Sdn Bhd ("Jantoco") for the proposed disposal of land measuring 9.782 acres known as Lot 6, Industrial Zone 7, KKIP, in the locality of Telipok and locality of Jalan Sepanggar Menggatal in the District of Kota Kinabalu, off Jalan Tuaran, State of Sabah for a total cash consideration of Ringgit Malaysia Eighteen Million and Eight Hundred Thousand (RM18,800,000) only subject to the terms and conditions contained in the SPA.

The disposal was completed on 27 December 2022 with a discount of RM250,000 resulting in a total consideration of RM18,550,000.

(c) Right-sizing exercise and Internal business reorganisation

An exercise was undertaken to identify the optimal organisational structure for the Group. An obvious component of this exercise was a critical review of appropriate human capital resources, which impacted the entire Group. Specific right-sizing initiatives, based on the Group's established performance appraisal processes, commenced in all primary operating facilities, including the Head Office, and led to a reduction in overall employee headcount. This exercise was completed on 31 December 2022, involving 46 personnel with a total payment of RM3.4 million.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income				
Subsidiaries	-	-	2,586	1,299
Government-related financial institutions	-	30	-	2
Joint ventures	65	55	-	-
Associate	-	1	-	-
Dividend income				
Joint ventures (Note 17)	510	510	-	-
Sales of goods/Rendering of services				
Associate	66,265	75,523	-	-
Joint venture	31,523	30,955	-	-
Purchases of goods/Rendering of services				
Immediate holding company	(714)	(932)	(636)	(632)
Related companies	(520)	(521)	-	-
Associate	(1,466)	(1,827)	-	-
Management fees				
Joint ventures	118	144	-	-
Rental income				
Joint venture	3,347	3,347	-	-
Interest expense paid to:				
Subsidiaries	-	-	(128)	(151)
Immediate holding company	(2,967)	(21)	(2,967)	(21)
Government-related financial institutions	(11,794)	(11,545)	(11,480)	(11,091)

NOTES TO THE FINANCIAL STATEMENTS

35. 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 2022 are disclosed in Notes 20 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages and salaries	2,821	2,325	2,297	1,419
Defined contribution plan	107	203	37	81
Others	2,124	2,389	1,606	1,679
	5,052	4,917	3,940	3,179

(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 GOM through its Government authorities, agencies, affiliations and other organisations, collectively referred to as Government-related entities. These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not Government related. The Group has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are Government-related entities or not.

(i) Individually significant transactions because of size of transactions

- On 16 December 2011, BNS, an associate of the Group, received a LOA from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of "Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class)" ("LCS") at a contract value of RM9.0 billion. The contract was finalised on 17 July 2014. Further details as disclosed in Note 34(a).

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Government-related entities (cont'd.)

(i) Individually significant transactions because of size of transactions (cont'd.)

- On 26 June 2013, BHICAS, a joint venture of the Group, received a LOA for the Integrated Maintenance and Logistic Support Services for three (3) units of Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters for a period of 3 years from the date of acceptance of the award at a ceiling contract value of RM65.0 million. On 12 October 2016, BHICAS received a Letter of Acceptance from GOM for the provision of Integrated Maintenance and Logistic Support Services for three (3) units of Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters at a ceiling contract value of RM62.6 million (inclusive of Goods and Services Tax) for a period of two (2) years and nine (9) months, effective from 1 October 2016. Kementerian Dalam Negeri Malaysia (“KDNM”), representing the GOM extended the contract for another year from 1 July 2020 to 30 June 2021 at a ceiling contract value of RM70.7 million. On 30 June 2021, KDNM further extended the contract for another year from 1 July 2021 to 30 June 2022 with a new total ceiling contract valued at RM96.0 million.
- On 20 March 2014, BHICAS, a joint venture of the Group, received a LOA for the ISS contract for the maintenance and supply of spare parts for the Royal Malaysian Air Force EC725 Helicopters at a contract value of RM220.0 million for a period of 3 years from the date of acceptance of the award. On 20 July 2017, BHICAS received a LOA for the extension of this contract until 31 March 2020 with an additional contract value of RM215.0 million. On 12 August 2020, BHICAS received an LOA for the extension of this contract until 31 March 2023 with an additional contract value of RM113.2 million.
- On 10 April 2018, BNS, an associate of the Group, executed a Letter of Work dated 14 March 2018 from MINDEF for the maintenance and upgrading of Combat Management System for KD JEBAT at a contract value of RM44.8 million.
- On 20 June 2019, BNS, an associate of the Group, accepted a Letter dated 14 June 2019 from MINDEF for the Refit works on KD TERENGGANU at a contract value of RM96.0 million.
- On 26 February 2021, BNS accepted a Letter of Work from MINDEF for the Refit works on KD KASTURI at a contract value of RM40.8 million.
- On 26 April 2021, BNS accepted a Letter of Work from MINDEF for the Refit works on KD LEDANG at a contract value of RM52.0 million.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Government-related entities (cont'd.)

(i) *Individually significant transactions because of size of transactions (cont'd.)*

- On 16 June 2020, BDNC, a joint venture of the Group, received a contract from MINDEF to undertake In Service Support for Royal Malaysian Navy's Prime Minister Class Submarine amounting to RM154.3 million for a contract period of 1 year from 1 January 2020. On 19 July 2021, BDNC received an additional Letter of Acceptance from MINDEF for the extension of this contract for another year until 31 December 2021 with a contract value of RM159.1 million. On 14 July 2022, BDNC received an additional Letter of Acceptance from MINDEF for another extension of this contract period for 9 months, starting 1 January 2022 to 30 September 2022 with the extended contract value of RM79.3 million.
- On 21 April 2021, BSES, a wholly owned subsidiary of the Group, received the Letter of Acceptance dated 7 April 2021 from MINDEF representing the GOM awarding BSES a contract for the Submarine Facilities Upkeep for the Royal Malaysian Navy at a contract value of RM78.1 million for a period of 24 months from 1 January 2021 until 31 December 2022. A formal contract between the GOM and BSES was executed on 30 September 2021.
- On 12 September 2022, BHIC Bofors Asia Sdn Bhd, a joint venture of the Group, accepted a Letter of Acceptance from the MINDEF awarding the supply and delivery of spares, maintenance and training for Royal Malaysian Navy's Bofors 57MM/L70 Gun. The total contract value is RM15.7 million for a period of three years.

36. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 28 April 2023.

SHAREHOLDINGS STATISTICS

as of 31 March, 2023

Issued Share Capital : RM248,457,614 represented by 248,457,614 Ordinary shares
 Class of Share : Ordinary shares
 Voting Right : One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of holders	%	No. of shares	%
1 – 99	1,010	28.110	16,301	0.006
100 – 1,000	1,064	29.613	521,608	0.209
1,001 – 10,000	1,052	29.279	4,728,890	1.903
10,001 – 100,000	379	10.548	11,864,600	4.775
100,001 – 12,422,879(*)	86	2.393	49,561,967	19.947
12,422,880 and above(**)	2	0.055	181,764,248	73.157
Total	3,593	100.000	248,457,614	100.000

Remark: * – less than 5% of issued shares

** – 5% and above of issued shares

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS

Size of Holdings	No. of shares direct	%
Boustead Holdings Berhad	161,497,448	64.999
Account Non-Trading		
Lembaga Tabung Angkatan Tentera	20,266,800	8.157

INFORMATION ON DIRECTORS HOLDINGS

Name of Directors	No. of shares direct	%
Rozi Baharudin	5,000	0.002

LIST OF TOP 30 HOLDERS

(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	161,497,448	64.999
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,266,800	8.157
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (MAYBANK 1)	5,719,634	2.302
4	TAN HAN CHONG	3,197,000	1.286

SHAREHOLDINGS STATISTICS

LIST OF TOP 30 HOLDERS (CONT'D.)

(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of shareholders	No. of shares	%
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (NOMURA 1)	3,118,200	1.255
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 1)	2,564,633	1.032
7	RINNIE NOR BINTI AHMAD RAMLI	2,013,300	0.810
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)	2,000,300	0.805
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)	2,000,000	0.804
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	1,791,000	0.720
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUA ENG HO WA'A @ CHUA ENG WAH	1,718,200	0.691
12	NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN	1,515,000	0.609
13	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR ROYAL BANK OF CANADA HONG KONG BRANCH (CLT A/C-FOREIGN)	1,100,000	0.442
14	LIEW CHEE CHEONG	1,000,000	0.402
15	LIEW SIEW LAN	1,000,000	0.402
16	LIEW SIEW LAN	975,900	0.392
17	B & A FAMILY HOLDINGS SDN BHD	900,000	0.362
18	CHOW KWAI KENG	852,900	0.343
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)	831,000	0.334
20	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	639,000	0.257
21	TAN CHING LING	572,400	0.230
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK BENG (E-BMM)	570,000	0.229
23	LOOI TEIK AUN	428,000	0.172
24	CHEONG YEW KEONG	425,900	0.171
25	MONINDAR KAUR A/P HARCHARAN SINGH	424,000	0.170
26	JULIAN JAMES ARMSTRONG	400,000	0.160
27	TAN LEE HWA	390,000	0.156
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)	388,600	0.156
29	MAVIS TAN KENG MUN	383,000	0.154
30	ONG TONG PHENG @ ENG AH TOON	376,000	0.151
	TOTAL	219,058,215	88.167

GROUP PROPERTY LIST

As At 31 December 2022

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	Shipyards	20.2 acres	Leasehold expiring on 24/01/2072	51 Years	11,898
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	51 Years	1,324
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	22 Years	–
SM 3558 Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang	Building	0.8 acre	Leasehold expiring on 15/11/2073	9 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	10 Years	10,153

Note:

The Group purchased one (1) piece of land at Bentong, Pahang with total cost of RM7.79 million.
The transfer of land title is still in progress.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 51st Annual General Meeting of the Company will be held on a fully virtual basis through live streaming via remote participation and electronic voting (collectively referred hereinafter as Virtual AGM) on 13 June 2023 at 9.30 a.m. The Broadcast Venue for the Virtual AGM will be at Amphitheatre, The Bousteador, Level 23, No.10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor, Malaysia. The Virtual AGM will be conducted for the purpose of considering and if thought fit, passing the following resolutions:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors' Report and Auditors' Report thereon. **(Please refer Note 1)**
2. To re-elect the following Directors who retire in accordance with Article 107 of the Company's Constitution and who being eligible, offer themselves for re-election: -
 - (a) Rozi Baharudin **Resolution 1**
 - (b) Izaddeen Daud **Resolution 2**
3. To re-elect the following Director, who was appointed as Director after last year's Annual General Meeting (AGM) and retire in accordance with Article 100 of the Company's Constitution and who being eligible, offer himself for re-election:-
 - (a) Fahmy Ismail **Resolution 3**
4. To approve the payment of Directors' fees, Directors' benefits and meeting allowances to the Directors of the Company for the period from 14 June 2023 until the conclusion of the next AGM. **Resolution 4**
5. To re-appoint Messrs. Ernst & Young PLT, having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration. **Resolution 5**

SPECIAL BUSINESS:

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

(A) AUTHORITY TO ALLOT SHARES

"THAT subject always to the Companies Act 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 6

NOTICE OF ANNUAL GENERAL MEETING

B) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

- (i) **“THAT** subject to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and are hereby given for the renewal of the mandate granted by the shareholders of the Company on 15 June 2022, authorising the Company and its subsidiaries (“Group”) to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 28 April 2023, PROVIDED THAT such transactions are necessary for the day to day operations and/or in the ordinary course of business of the Group and at arm’s length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.
- (ii) **THAT** such approval shall continue to be in force until:
- (a) the conclusion of the next AGM of the Company following the general meeting at which time it will lapse, unless by a resolution passed at the said AGM, the authority conferred by this resolution is renewed;
 - (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

Resolution 7

whichever is earlier.

- (iii) **AND THAT** the Directors of the Company and its subsidiaries be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders’ Mandate as authorised by this Resolution.

7. To transact any other business of which due notice shall be given in accordance with Companies Act 2016 and the Company’s Constitution.

BY ORDER OF THE BOARD

ROZANA ISMAIL

(LS 0008847)

SSM Practicing Certificate No: 201908003365

Secretary

Kuala Lumpur

28 April 2023

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

1. Note 1 -Audited Financial Statements

The Audited Financial Statements laid at this meeting is meant for discussion only as the provision of Section 340(1) (a) of the Companies Act 2016 (“Act”) does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this matter will not be put forward for voting.

2. Resolutions 1 and 2 -Proposed Re-election of Directors in accordance with Article 107 of the Company’s Constitution

Article 107 of the Company’s Constitution provides amongst others that at least one-third of the Directors who are subject to retirement by rotation or, if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office provided always that all Directors shall retire from office once at least in every three (3) years and shall be eligible for re-election.

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 51st AGM of the Company.

The following Directors are standing for re-election pursuant to Article 107 of the Company’s Constitution

- (a) Rozi Baharudin
- (b) Izaddeen Daud

The Board and the Nominating and Remuneration Committee (“NRC”) have considered the performance and contribution of each Director and as such, the Board recommended for their re-election on the Board of the Company.

The profiles of the abovenamed Directors are stated in the Directors Profile of the Integrated Report.

3. Resolution 3 – Proposed Re-election of Directors in accordance with Article 100 of the Company’s Constitution

Article 100 of the Company’s Constitution provides amongst others that the Directors shall have power at any time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with these Articles. Any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

The following Director is standing for re-election pursuant to Article 100 of the Company’s Constitution.

- (a) Fahmy Ismail

The profiles of the abovenamed Director is stated in the Directors Profile of the Integrated Report.

4. Resolution 4 – Directors’ Remuneration

Section 230(1) of the Act stipulates amongst others, that the fees and benefits payable to the Directors of listed companies and its subsidiaries shall be approved at a general meeting.

In this respect, the Board had agreed that the shareholders’ approval shall be sought at the Company’s 51st AGM on the Directors’ remuneration for the period from 14 June 2023 until the conclusion of the next AGM of the Company.

As regards the Directors’ fee for its subsidiaries, approval will be sought at the respective companies’ members’ meeting and will not be consolidated at the Company’s level.

NOTICE OF ANNUAL GENERAL MEETING

(a) Boustead Heavy Industries Corporation Berhad

Description		Directors' Fees (Annual) (RM)	Meeting Allowance (per meeting) (RM)	Benefits in kind
Board of Directors	Chairman	90,000	2,000	<ul style="list-style-type: none"> • Company car (including petrol and toll charges) and a driver. • Group Hospitalisation – Plan 1 with premium cost RM1,372.92 per year. • Outpatient limits and Dental be capped at RM6,500 per year. Entitlement for self only
	Non-Executive Director	75,000	1,000	Nil
Audit Committee	Chairman	35,000	1,500	Nil
	Member	25,000	1,000	Nil
Other Board Committees	Chairman	5,000	1,500	Nil
	Member	3,000	1,000	Nil

(b) Subsidiaries of Boustead Heavy Industries Corporation Berhad

Description		Directors' Fees (Annual) (RM)	Meeting Allowance (per meeting) (RM)
Board of Directors	Chairman	48,000	1,500
	Member	36,000	1,000

5. Resolution 5– Re-appointment of Auditors

The Board and the Audit Committee have assessed the performance of Messrs. Ernst & Young PLT (“EY”) and are satisfied with the quality of service rendered and the competency, independency, professionalism, and sufficiency of resources provided to the Company. The Board at its meeting held on 19 April 2023 agreed to recommend to the shareholders of the Company to approve the re-appointment of EY as the Company’s external auditors for the financial year 2023.

6. Resolution 6 – Authority for Directors to Allot Shares

The Proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM to allot not more than 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company.

This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM.

NOTICE OF 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, repayment of bank borrowings and/or acquisitions.

As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the 50th AGM held on 15 June 2022, the mandate of which will lapse at the conclusion of the 51st AGM to be held on 13 June 2023.

7. **Resolution 7 – Renewal Of Shareholders’ Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (“Proposed Shareholders’ Mandate”)**

Ordinary Resolution 7, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 28 April 2023 PROVIDED THAT such transactions are necessary for the day to day operations and/or in the ordinary course of business of the Group and at arm’s length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

NOTES:

1. As part of the Company’s initiatives to curb the spread of COVID-19, the 51st AGM will be conducted on **a fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities. Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd’s TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the 51st AGM via the RPV provided by Tricor via its TIIH Online website at <https://tiih.online>.

2. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and Section 327(1) of the Companies Act 2016 allow a general meeting to be held at more than (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. No shareholders/proxy(ies)/corporate representatives from the public to be physically present at or admitted to the RPV on the day of the meeting.
3. For the purpose of determining who shall be entitled to participate in the 51st AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 7 June 2023. Only members registered in the Record of Depositors shall be entitled to participate and voted in the 51st AGM via RPV or appoint proxies to participate and/or vote on his/her behalf.
4. A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

NOTICE OF ANNUAL GENERAL MEETING

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. A member who has appointed a proxy or attorney or authorised representative to participate, speak and vote at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tjih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.
9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Sunday, 11 June 2023 at 9.30 a.m.
 - (ii) By electronic form
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tjih.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed a representative, please deposit the original certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of the 51st AGM will be put to the vote by poll.

ADMINISTRATIVE NOTES

for the Fifty-First Annual General Meeting of Boustead Heavy Industries Corporation Berhad

DATE

Tuesday, 13 June 2023

Time

9.30 a.m.

Venue

Amphitheatre, Level 23,
The Bousteador,
No. 10, Jalan PJU 7/6,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor, Malaysia

MODE OF MEETING

In view of the COVID-19 pandemic outbreak and as part of the safety measures, the 51st Annual General Meeting of Boustead Heavy Industries Corporation Berhad (51st AGM) will be conducted on a **virtual basis through live streaming whilst the online remote voting** will be via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's (Tricor) TIIH Online website at <https://tiih.online>. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021, that listed issuers are encouraged to continue leveraging technology in conducting general meetings beyond Movement Control Order.

The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.

REMOTE PARTICIPATION AND VOTING

Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM using RPV provided by Tricor via its TIIH Online website at <https://tiih.online>.

Shareholders who appoint proxies to participate via RPV in the AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than Sunday, **11 June 2023** at 9.30 a.m.

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than Sunday, **11 June 2023** at 9.30 a.m. to participate via RPV in the AGM. Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than Sunday, **11 June 2023** at 9.30 a.m to participate via RPV in the AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

As the AGM is a virtual Meeting, members who are unable to participate in the Meeting may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the AGM using the RPV facilities:

Procedure	Action
BEFORE THE AGM DAY	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”, select the “Sign Up” button and followed by “Create Account by Individual Holder”. Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one (1) working day and you will be notified via e-mail. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b) Submit your request to attend AGM remotely	<ul style="list-style-type: none"> Registration is open from Friday, 28 April 2023 until the day of the AGM on Tuesday, 13 June 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV. Login with your user ID and password and select the corporate event: (Registration) Boustead Heavy Industries Corporation Berhad 51st AGM. Read and agree to the Terms & Conditions and confirm the Declaration. Select “Register for Remote Participation and Voting” Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at 7 June 2023, the system will send you an e-mail on or after 11 June 2023 to approve or reject your registration for remote participation <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i>
ON THE DAY OF THE AGM	
(c) Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 51st AGM at any time from 8.30 a.m. i.e. 1 hour before the commencement of meeting at 9.30 a.m. on Tuesday, 13 June 2023.
(d) Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Streaming Meeting) Boustead Heavy Industries Corporation Berhad 51st AGM to engage in the proceedings of the AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e) Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 9.30 a.m., Tuesday, 13 June 2023 until a time when the Chairman announces the completion of the voting session at the 51st AGM. Select the corporate event: (Remote Voting) Boustead Heavy Industries Corporation Berhad 51st AGM. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(f) End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

ADMINISTRATION NOTES

Note to users of the RPV facilities:

1. We will make available to you the rights to join the live streamed meeting and to vote remotely once your application to join the meeting is approved. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at 7 June 2023 shall be eligible to attend, speak and vote at the AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the AGM yourself, please do not submit any Form of Proxy for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Sunday, 11 June 2023 at 9.30 a.m:**

i. **In hard copy form:**

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

ii. **By electronic form:**

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please do refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: “Boustead Heavy Industries Corporation Berhad 51st AGM – Submission of Proxy Form”. Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(s) appointment. Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the “Sign Up” button and followed by “Create Account by Representative of Corporate Holder”. Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>(Note: The Representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</i></p>
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> Login to TIIH Online at https://tiih.online. Select the corporate exercise name: “Boustead Heavy Industries Corporation Berhad 51st AGM – Submission of Proxy Form”. Agree to the Terms & Conditions and Declaration. Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Login to TIIH Online, select corporate exercise name: “Boustead Heavy Industries Corporation Berhad 51st AGM – Submission of Proxy Form”. Proceed to upload the duly completed proxy appointment file. Select “Submit” to complete your submission. Print the confirmation report of your submission for your record.

ADMINISTRATION NOTES

Pre-Meeting Submission of Questions to the Board of Directors

- In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor's TIH Online website at <https://tiah.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than 11 June 2023 at 9.30 a.m. The Board of Directors will endeavour to address the questions received at the AGM.

No Breakfast/Lunch Pack, Door Gift or Food Voucher

- There will be no distribution of breakfast/lunch packs, door gifts or food vouchers during the AGM since the meeting is being conducted on a virtual basis.

Annual Report

- The Annual Report is available on the Company's website at www.bhic.com.my and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://tiah.online> by selecting "Request for Annual Report" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affects every human, animal and nation on this planet.

Boustead Heavy Industries Corporation Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

Enquiry

If you have any enquiries on the above, please contact our Share Registrar during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com

PROXY FORM



Boustead Heavy Industries Corporation Berhad
197101000758 (11106-V)
(Incorporated in Malaysia)

I/We _____ NRIC (New)/Company No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being a member of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**, hereby appoint

• _____ NRIC (New) No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

_____ (FULL ADDRESS)

and _____ NRIC (New) No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

_____ (FULL ADDRESS)

*or failing him/her, the Chairman of the Meeting as my proxy to attend and vote for me on my behalf, at the 51st Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Amphitheatre, Level 23, The Bousteador, No. 10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor, Malaysia on Tuesday, 13 June 2023 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

NO	AGENDA			
1	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors' Report and Auditors' Report thereon			
ORDINARY BUSINESS		RESOLUTION	For	Against
Re-election of the following Directors who retire in accordance with Article 107 of the Constitution of the Company				
2	Re-election of Rozi Baharudin	Ordinary Resolution 1		
3	Re-election of Izaddeen Daud	Ordinary Resolution 2		
Re-election of the following Director who retire in accordance with Article 100 of the Constitution of the Company				
4	Re-election of Fahmy Ismail	Ordinary Resolution 3		
ORDINARY BUSINESS				
5	Approval of Directors' fees, meeting allowances and other benefits from 14 June 2023 until the conclusion of the next AGM	Ordinary Resolution 4		
6	Re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
SPECIAL BUSINESS				
7	Approval for Directors to allot and issue shares	Ordinary Resolution 6		
8	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature	Ordinary Resolution 7		

Dated this _____ day of _____ 2023

Signature(s) of Shareholder(s) or Common Seal

No. of ordinary shares held:	
CDS account no. of authorised nominee:	
Proportion of shareholdings to be represented by proxies	First Proxy: _____% Second Proxy: _____%
Contact No.:	

Notes:

1. As part of the Company's initiatives to curb the spread of COVID-19, the 51st AGM will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tjih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.
Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the 51st AGM via the RPV provided by Tricor via its TIH Online website at <https://tjih.online>.
2. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and Section 327(1) of the Companies Act 2016 allow a general meeting to be held at more than (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. No shareholders/proxy(ies)/corporate representatives from the public to be physically present at or admitted to the RPV on the day of the meeting.
3. For the purpose of determining who shall be entitled to participate in the 51st AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 7 June 2023. Only members registered in the Record of Depositors shall be entitled to participate and voted in the 51st AGM via RPV or appoint proxies to participate and/or vote on his/her behalf.

4. A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. A member who has appointed a proxy or attorney or authorised representative to participate, speak and vote at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online website at <https://tjih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

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STAMP

Share Registrar of Boustead Heavy Industries Corporation Berhad

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3, Bangsar South

No. 8 Jalan Kerinchi

59200 Kuala Lumpur

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9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Sunday, 11 June 2023 at 9.30 a.m.
 - (ii) By electronic form
The proxy form can be electronically lodged with the Share Registrar of the Company via TIH Online at <https://tjih.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIH Online.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed a representative, please deposit the original certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of the 51st AGM will be put to the vote by poll.

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**BOUSTEAD HEAVY INDUSTRIES
CORPORATION BERHAD**

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