3

Section

VALUE CREATION

OVERVIEW OF VALUE CREATION

At BHIC, value creation underpins our business strategy. As a key player in the marine, aerospace, and weapons and combat systems sectors, we are committed to delivering sustainable value to our stakeholders through the effective management of our core capitals:

- Financial
- Manufactured
- Human
- Intellectual
- Social
- Natural

Our integrated approach is designed to support long-term growth while ensuring operational excellence and sustainability across the value chain.

2025 KEY CAPITAL PERFORMANCE OVERVIEW

At BHIC, our value creation is anchored in the effective management of our six (6) key capitals—Financial, Manufactured, Intellectual, Human, Social, and Natural. Throughout 2025, we remained steadfast in leveraging these capitals to drive sustainable growth and operational excellence while addressing emerging challenges and opportunities.

INPUTS

Financial Capital

- Shareholders' equity provides long-term funding stability for the Group.
- Operating cash flows generated from core defence and aerospace contracts.
- Financing facilities utilised prudently to support long-term and capital-intensive projects.
- Disciplined capital allocation and cost management practices.

Manufactured Capital

BHIC's operational excellence is supported by strategically located facilities and specialised assets that enable the Group to deliver high-quality defence, aerospace, and weapons engineering solutions. In FY2025, these key assets included:

- Submarine maintenance, refit and yard facilities at Teluk Sepanggar Naval Base.
- BHICAS helicopter MRO centre in Subang.
- AHSC Flight Simulator facilities in Subang.
- BBA weapons workshops in Lumut and Kota Kinabalu.

Intellectual Capital

- Decades of accumulated engineering, maintenance, and programme management expertise.
- Established systems, procedures, and technical documentation supporting complex operations.
- Robust quality, safety and governance frameworks embedded across the Group.
- Collaborative engagements with technology partners, institutions and government agencies.

Human Capital

Our skilled and experienced workforce remains a cornerstone of our success. In 2025, our human capital efforts were anchored on three (3) key priorities:

- Strengthening talent management processes, including the implementation of a Group-wide salary review exercise and the introduction of a Technical Career Path to provide clearer career progression for our technical workforce.
- Enhancing employee engagement, supported by rigorous and purposeful engagement initiatives designed to cultivate a motivated, connected, and high-performing workforce.
- Advancing capability development, with programmes aligned to core, functional, and leadership competencies to ensure our people are equipped with the skills needed for current and future organisational demands.

Social Capital

- Long-standing relationships with local vendors and suppliers supporting core operations.
- Strategic partnerships with domestic vendors to strengthen supply chain resilience.
- Structured internship and protégé programmes providing on-the-job training (OJT).

Natural Capital

- Energy, water and other natural resources consumed in daily operations.
- Environmental management practices are embedded across facilities and operations.
- Vendor Code of Business Conduct (VCBC) requires environmental compliance from suppliers.

PROCESSES

Key Material Matters Addressed in 2025:

- Occupational health and safety improvements.
- Employee training and development initiatives.
- Commitment to good corporate governance and integrity.
- Enhancing product and service quality to improve customer satisfaction.
- Strengthening economic and financial sustainability efforts.
- Addressing greenhouse gas (GHG) emissions and energy management.

Key Market Trends in 2025:

- Navigating global economic recovery challenges and opportunities.
- Capitalising on growth within the local defence and security segment.
- Leveraging emerging technologies, including artificial intelligence (AI).
- Exploring new opportunities within the aerospace sector.

Key Priorities for 2025 and Beyond:

- Ongoing corporate and financial restructuring efforts.
- Expanding business diversification strategies.
- Strengthening our core business segments.
- Investing in capability enhancement and talent development.

Key Risks Managed in 2025:

- Strategic
- Finance
- Organisation Capability and Human Resource

Core Competencies

- Submarine MRO and facility upkeep
- Helicopter MRO
- Aviation training
- Weapons & Combat Systems MRO

OUTPUTS

Intellectual Capital

- Consistent delivery of safe, reliable, and compliant defence and aerospace solutions.
- Strengthening organisational knowledge and technical capability through structured processes and collaboration.
- Enhanced ability to execute complex sustainment and lifecycle support programmes while building long-term innovation capacity.

Social Capital

- 1,939 vendors registered, with 1,116 being local companies.
- 79.2% of procurement spending went to local suppliers.

Human Capital

- Zero fatalities recorded throughout the Group.
- Zero Lost Time Injuries.
- Highly skilled and experienced workforce.
- Total investment in Training and Development: RM709,835 (2024: RM348,463).
- Hours spent on Training and Development: 22,033 hours (2024: 12,693 hours).

Natural Capital

- Waste generation: 17.2 metric tonnes
- Water consumption: 1.2 megalitres
- Scope 1 GHG emissions: 191.5 tCO_2e
- Scope 2 GHG emissions: 1,589.8 tCO_2e

ENGAGING WITH STAKEHOLDERS

Our stakeholders are instrumental to our success. We are mindful of their expectations in our decision making, as we are realising our business ambitions and advancing our #BOLD30 strategy.

Key Focus Areas

- Business continuity
- Long-term sustainability and value creation
- Human capital developmentt
- Compliance with regulatory authorities
- Adoption of best practices in corporate governance

Shareholders and Investors

BHIC regards shareholders and investors as valued partners who play a crucial role in the Group's growth. Their trust and confidence in our ability to deliver sustainable financial returns and long-term value creation are fundamental to the Group.

BHIC Chairman, General Tan Sri Roslan Saad RMAF (Retired) along with Feroz Razi Ramli, CEO of BHIC attended a leadership site visit to BHIC Bofors Asia Sdn Bhd (BBA) and BHIC Submarine Engineering Services Sdn Bhd (BSES) in Lumut.

Engagement Platform

- Annual General Meeting (AGM)
- Extraordinary General Meeting (EGM)
- Integrated Report
- Sustainability Statement
- Financial Results
- Bursa Announcements
- Media Releases
- Exhibitions/Conferences
- Corporate Website
- Social Media
- Correspondences and Telecommunications
- Investor Briefings / Engagement Sessions

Our Approach

- Maintaining continued compliance of disclosures.
- Upholding best practices as per MCCG 28 April 2021.
- Promoting a corruption-free environment through 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 COEC, BHIC Directors' COEC, Fit and Proper Policy, Anti-Bribery and Anti-Corruption Policy Statement, and Whistleblowing Policy.
- Improving cost and operational efficiencies, resolving ongoing issues, and diversifying operations for long-term sustainability.
- Cultivating a workforce of highly skilled talent and promoting registration with the Malaysia Board of Technologists.

Cultivating a Collaborative and Engaged Workforce

Our workforce sits at the heart of BHIC's transformation journey. As we adopt new technologies, including automation and AI-driven solutions, we ensure our employees are equipped with the right skills through continuous upskilling and reskilling opportunities.

This people-centred approach supports not only productivity gains but also strengthens our ESG priorities by promoting equitable development, safe working conditions, and transparent engagement. With safety as our uncompromising foundation, we remain committed to nurturing a workplace where our people can thrive, innovate, and grow alongside the industry.

Key Focus Areas

- Rewards and recognition
- Safety and Health
- Information dissemination
- Talent Development

BHIC held a business strategy workshop attended by the BHIC team.

Engagement Platform

- Individual Performance Review
- Townhalls
- Management Meeting
- Trainings and workshops
- Social, Sports and Recreational Activities
- Knowledge Sharing Sessions
- Emails / Telecommunications
- Internal Memos/Circulars
- Engagement Survey 'Suara Kita'
- Regular Health Assessment

Our Approach

- Ensuring strict compliance with Health, Safety, and Environment (HSE) rules and regulations across all our facilities and workplaces.
- Conducting 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 employee to promote collaboration and alignment towards our organisational goals.
- Providing training opportunities to enable our employees to reskill and upskill.

Regulatory Authorities

BHIC recognises the importance of maintaining close and continuous engagement with regulatory authorities to ensure compliance, mitigate risks, and build trust with investors and customers. We actively collaborate with regulators to navigate evolving industry regulations effectively.

Key Focus Areas

- Compliance with rules and regulations
- Ensuring a high level of corporate governance
- Integration of sustainability into business operations and strategies

BHIC paid a courtesy visit to STRIDE to foster collaboration and knowledge sharing in defence technology and innovation.

Engagement Platform

- Integrated Report
- Financial Results
- Bursa Announcements
- Engagement with Companies
- Commission of Malaysia
- Media Releases
- Dialogue and Feedback Sessions
- Regulatory Audits and Inspections
- Correspondences and Telecommunications
- Minority Shareholders Watch Group (MSWG)

Our Approach

- Consistently strengthening Board oversight in tandem with reinforcing compliance with laws and regulations.
- Guided by best practices under the MCCG.
- Promoting a corruption-free environment via training and awareness programmes on Section 17A of the MACC Act 2009.
- Compliance with the SOP for Gifts, Sponsorships, Donations and CSR Activities.
- Ensuring strict compliance with BHIC's COEC, BHIC Directors COEC, Fit and Proper Policy, Anti-Bribery and Anti-Corruption Policy Statement, Whistleblowing Policy and BHIC Organisational Anti-Corruption Plan (OACP) 2024-2026.
- Adhering to Companies Act 2016 and Bursa Malaysia's Main Market Listing Requirements.

Customers

BHIC's sustainable growth is closely linked to our customers. By understanding their needs and expectations, we create tailored solutions that foster loyalty and trust, driving shared long-term sustainable growth.

Key Focus Areas

- Customer service
- Project deliverables
- Industry networking
- Value-added services
- Business continuity

BHICAS welcomed the Chief of Air Force, General Dato' Sri Haji Muhamad Norazlan Aris RMAF, on his official visit.

Engagement Platform

- Business Development/Meetings
- Marketing Activities
- Interactive Webinars and Virtual Events Seminars
- Forums / Seminar
- Print, Digital and Social Media
- Client Satisfaction Survey
- Conferences and Exhibitions

Our Approach

- Delivering strong infrastructure and skilled talent to boost productivity, efficiency, and on-time project delivery while surpassing customer expectations.
- Regularly engaging with customers to understand their needs and improve their experience with our services.

Local Communities

Our local communities serve as a critical pillar of support, providing both tangible resources and intangible value that enhance our operational health and well-being. We remain steadfast in our commitment to fullling our social responsibility by actively engaging with these communities to cultivate stronger, more enduring relationships.

Key Focus Areas

- Enhancing operational health
- Community outreach
- Relationship cultivation
- Employment and economic growth

BHIC Submarine Engineering Services (BSES) participatedin the Sekolah Angkat Madani programme at SK Membedai, WP Labuan.

Engagement Platform

- Community Engagements
- CSR Activities
- Donations

Our Approach

- Fostering a positive and safe work environment while safeguarding our local communities through strict compliance with HSE standards and regulations.
- Contributing to the development of childcare centres and shelter homes for the underprivileged through donations.
- Donating to schools.
- Participating in blood donation drives.

Section
MANAGEMENT DISCUSSION & ANALYSIS

2025 KEY HIGHLIGHTS

OPERATING ENVIRONMENT AND STRATEGIC CONTEXT

FY2025 unfolded amid persistent global geopolitical tensions and moderating domestic economic conditions. International conflicts and strategic realignments continued to influence defence spending priorities, supply chains and fiscal policies, reinforcing the importance of national security, asset readiness and resilient domestic industrial capabilities.

In Malaysia, economic growth remained resilient despite external headwinds. According to Bank Negara Malaysia, the economy expanded within a stable range of 4.0%–4.8%, supported by sustained private consumption, public sector spending and investment activities. Inflation remained manageable, and the Overnight Policy Rate was maintained at 2.75%, providing a stable and predictable operating environment for businesses.

A key development in the domestic defence landscape was the launch of the National Defence Industry Policy (DIPN) in January 2026. The policy reaffirmed the Government's commitment to strengthening local defence capabilities, promoting technology transfer and enhancing the sustainability of Malaysia's defence ecosystem, with direct implications for long-term defence and marine engineering activities.

Implication to BHIC

The evolving geopolitical and domestic environment directly shaped BHIC's operating conditions in FY2025. The execution of complex, long-term defence contracts particularly submarine sustainment and naval refit programmes remained challenging due to high operational intensity, tight delivery schedules, and stringent technical requirements.

Cost pressures arising from global supply chain disruptions, exchange rate volatility, and the procurement of specialised imported components continued to affect project margins and timelines.

In parallel, the introduction of DIPN heightened expectations for localisation, domestic content and capability development, requiring BHIC to further align its execution approach with national industrial objectives.

While Malaysia's stable economic growth provided predictability for planning, fiscal scrutiny and value-for-money considerations in Government contracts reinforced the need for disciplined financial management and operational efficiency across the Group.

How We Responded in 2025

In response, BHIC remained focused on stabilising and delivering its core defence programmes. Priority was given to submarine support, naval refit and sustainment activities to ensure fleet availability, mission readiness and fulfilment of contractual obligations. Project governance was strengthened through closer monitoring of costs, milestones and risks, supported by tighter contract oversight.

At the same time, BHIC continued to advance diversification into non-defence and commercial activities to reduce reliance on a single sector. Alignment with DIPN objectives was strengthened through increased focus on localisation, capability development and collaboration with industry partners. Financial discipline remained central, with prudent cost controls and careful capital allocation to preserve liquidity and operational resilience.

Collectively, these initiatives reinforced the Group's operating discipline and strengthened internal coordination across operating companies. Greater emphasis was placed on execution accountability, risk visibility, and performance transparency to ensure that key programmes progressed in a controlled and structured manner. The stabilisation efforts undertaken during the year were not limited to operational delivery but extended to governance enhancement, cost rationalisation and organisational alignment.

These measures helped stabilise operations, preserve critical institutional capabilities and maintain BHIC's role as a key defence and marine engineering partner.

Outlook and Opportunities

Looking ahead, global tensions are expected to persist, with defence and security remaining national priorities. The implementation of DIPN establishes a clear framework for the long-term development of Malaysia's domestic defence industry and creates opportunities for BHIC to strengthen its role in naval sustainment, lifecycle support and local engineering solutions.

Although fiscal discipline and competitive pressures will continue to shape the operating landscape, demand for asset availability, sustainment, and reliability is expected to remain steady. This underpins recurring activities within core defence programmes and supports greater revenue visibility.

Beyond defence, the Group continues to pursue growth in non-defence and commercial segments by leveraging existing engineering expertise, strategic partnerships, and diversification initiatives. Anchored by disciplined execution, strong governance, and alignment with national priorities, BHIC is positioned to deliver sustainable performance and long-term value creation beyond FY2025.

STRATEGIC PARTNERSHIPS AND COLLABORATIVE ECOSYSTEMS

FY2025 underscored the increasing importance of strategic partnerships and collaborative ecosystems in strengthening BHIC's capabilities and long-term competitiveness. Across the global defence and marine engineering sectors, alliances have become critical to accessing advanced technology, innovation, and specialised expertise. Domestically, collaborations with Government agencies, industry players, and technology partners supported key programmes in submarine sustainment, naval vessel refit, and engineering services. These engagements enabled the Group to explore expansion opportunities within non-defence and commercial markets.

During the year, BHIC formalised several Memoranda of Understanding (MoUs) with both domestic and international organisations. These agreements reinforced the Group's position within the defence ecosystem, facilitated technology transfer and established structured platforms for future capability development.

Implication to BHIC

The evolving partnership landscape presented both opportunities and challenges. Collaborative ecosystems enabled BHIC to access specialised capabilities, advanced technologies, broader market opportunities that would have been challenging to develop independently. At the same time, managing multiple partnerships required careful coordination, structured governance, and robust risk management. Alignment of stakeholder interests, contractual oversight, and disciplined execution were essential to ensuring that collaborative initiatives translated into measurable strategic and operational outcomes.

Operationally, synchronising activities across partners necessitated strengthened communication channels, monitoring frameworks and performance controls. Financial and schedule pressures further emphasised the importance of managing collaborations efficiently to ensure they delivered tangible strategic and operational benefits. The MoUs executed in 2025 provided clearer collaboration frameworks for mitigating uncertainties while enhancing long-term value for BHIC and its partners.

How We Responded in 2025

To maximise the value of strategic partnerships, BHIC enhanced its engagement and governance frameworks during the year. The Group continued to nurture relationships with Government agencies, international defence companies, and technology partners to ensure alignment with programme objectives and capability development priorities.

Collaboration initiatives formalised under the 2025 MoUs were structured to facilitate technology transfer, strengthen local skillsets, and build sustainable industrial capabilities. BHIC also leveraged these partnerships to expand its non-defence and commercial offerings, creating complementary revenue streams while reinforcing core defence strengths. Internally, project teams were equipped with coordination mechanisms and governance protocols to manage the complexity of multi-party engagements and to ensure timely and accountable delivery of joint initiatives.

Outlook and Opportunities

Strategic partnerships and collaborative ecosystems will remain integral to BHIC's competitiveness and growth trajectory. Looking ahead, strategic partnerships and collaborative ecosystems will remain central to BHIC's growth and competitiveness. The engagements formalised through MoUs signed in 2025 provide a foundation for deeper collaboration, access to emerging technologies, and the development of advanced engineering capabilities.

These collaborative models are also expected to support the Group's diversification strategy, enabling expansion into non-defence markets while reinforcing its role within the national defence ecosystem. Through disciplined execution, sustained partner engagement and delivery on established commitments, BHIC is well positioned to leverage its collaborative networks to drive innovation, strengthen capabilities and support long-term sustainable growth.

RECOVERY AND OPERATIONAL EXCELLENCE IN AEROSPACE

FY2025 marked a gradual recovery in the aerospace sector, positively influencing demand for maintenance, repair, and overhaul (MRO) services relevant to BHIC's aerospace operations. Malaysia's aerospace industry revenue is projected to grow by 20% to 25% in 2025, up from RM25.1 billion in 2024, reflecting expansion across manufacturing, avionics, and MRO services. The sector's growth is supported by strong export performance, with RM8.17 billion in aerospace exports recorded and RM1.5 billion in approved investments, demonstrating continued confidence in Malaysia's aerospace capabilities and skilled workforce of over 30,000 professionals.

Globally, the aerospace and defence MRO market was estimated at approximately USD 135.7 billion in 2024 and is projected to reach USD 187.3 billion by 2030 representing a compound annual growth rate of 5.6% from 2025 to 2030. Growth is driven by increased aircraft utilisation, fleet expansion and sustained lifecycle maintenance requirements across both commercial and defence segments.

Implication to BHIC

The sector's recovery provided BHIC renewed opportunities to improve utilisation across its MRO facilities particularly for Government aviation assets and specialised defence platforms. However, heightened activity levels increased operational complexity, as concurrent projects required tighter coordination, accelerated turnaround times, and strict compliance with stringent airworthiness standards. Global supply chain constraints, particularly for specialised imported components, continued to affect lead times and cost structures. These pressures reinforced the importance of disciplined planning, efficient resource allocation and enhanced supply forecasting to ensure seamless execution without compromising safety or quality.

How We Responded in 2025

In response, BHIC prioritised operational efficiency across its aerospace portfolio. Internal maintenance workflows were optimised to reduce turnaround times and improve asset and manpower utilisation. Close engagement with aircraft operators enabled better anticipation of service schedules and alignment of capacity with demand.

The Group strengthened collaboration with key suppliers through secured supply arrangements and improved inventory management practices. Workforce capability development remained a priority, with targeted upskilling initiatives for technicians and engineers to support advanced platforms and complex maintenance requirements. Collectively, these measures enhanced service reliability and operational responsiveness.

Outlook and Opportunities

Demand for aerospace sustainment services is expected to remain steady as aircraft utilisation continues to recover. With Malaysia's aerospace revenue projected to grow further. BHIC is positioned to capture sustainable service volumes through both defence and civil aviation maintenance programmes.

Long-term global MRO expansion is anticipated to support continued opportunities for portfolio enhancement and service diversification. By leveraging strengthened processes, technical capabilities and supply coordination, BHIC aims to drive efficiency and reinforce its contribution to national aviation readiness while delivering sustainable value.

NEXT GENERATION DEFENCE SOLUTIONS

FY2025 underscored the increasing emphasis of upgrading Malaysia's defence capabilities to address evolving operational and security requirements. Globally, defence forces continue to invest in advanced platforms, modernisation programmes, and integrated technologies to maintain strategic readiness. In Malaysia, sustained focus on naval capability development created demand for submarine upgrades, vessel refits, and advanced engineering support.

During the year, BHIC continued executing long-term contracts with the Royal Malaysian Navy (RMN) and other Government agencies. Key activities included submarine upgrades, naval vessel refit programmes and engineering modifications to enhance operational performance and mission readiness. These initiatives reinforced BHIC's role in supporting national defence modernisation.

Implication to BHIC

The transition towards next-generation defence platforms introduced greater technical and operational complexity. Projects required advanced engineering expertise, stringent compliance with specifications and enhanced governance oversight. Tight delivery timelines and integration of new technologies increased demands on resources and project coordination.

Exposure to specialised component procurement and supply chain volatility required prudent cost management and risk mitigation. At the same time, expectations for local capability development and value-for-money delivery necessitated alignment with national industrial objectives.

How We Responded in 2025

BHIC strengthened its technical expertise and project management frameworks to deliver next-generation solutions effectively. Investments were made in engineering capabilities, facility upgrades and workforce upskilling to support complex system integrations and refits. Governance oversight was enhanced through structured milestone tracking, cost monitoring and risk management mechanisms.

Collaboration with Government agencies, technology partners, and suppliers was intensified to facilitate knowledge transfer, secure critical components, and accelerate programme executions. The Group also maintained balance across its diversified portfolio to preserve operational resilience while building advanced capabilities

Outlook and Opportunities

Demand for advanced defence solutions is expected to remain firm, supported by ongoing naval modernisation initiatives. BHIC is well-positioned to support these requirements through its technical expertise, established partnerships, and proven project execution capabilities.

Opportunities exist to expand advanced platform upgrade programmes, integrate cutting-edge technologies, and enhance lifecycle management solutions. Through continued focus on innovation, capability development, and strategic collaboration, BHIC aims to reinforce sustainable value, strengthen national defence capabilities, and solidify its role as a key contributor to Malaysia's next-generation defence ecosystem.

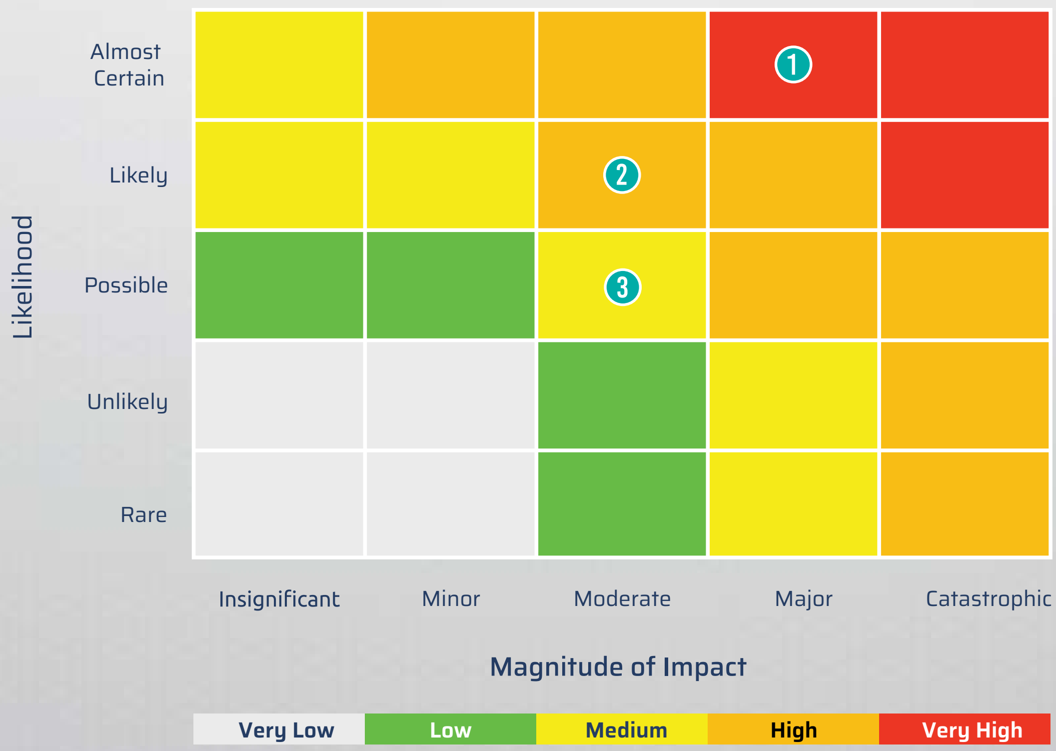
KEY RISKS AND MITIGATION

INTRODUCTION

The Board of Boustead Heavy Industries Corporation Berhad (BHIC), together with the Management, recognises that robust risk management is integral to the achievement of the Group's strategic objectives, operational resilience and long-term value creation. The key risks outlined in this section represent the most material risks that could affect the Group's financial performance, business sustainability and ability to execute its strategy.

These risks are identified, assessed and monitored through the Group's Enterprise Risk Management (ERM) framework, taking into account changes in the operating environment, regulatory requirements and industry dynamics. Appropriate mitigation strategies and controls are implemented and subject to ongoing review, with oversight provided by the Board and the Board Risk & Sustainability Committee (BRSC) to ensure continued relevance and effectiveness.

KEY RISKS FOR THE FINANCIAL YEAR ENDED 2025



No	List of Risks	Risk Rating
1	Strategic	VH
2	Finance (Liquidity)	H
3	Organisation Capability and Human Resource	M

STRATEGIC

Economic

Planned value creation projects do not materialise within the expected timeframe.

Potential Impact

- Adverse financial performance and delays in revenue recognition.
- Constraints on the expansion of BHIC's business operations, with potential implications for business continuity.
- Uncertainty over the Group's long-term strategic direction.

Key Mitigation

- **Stakeholder Engagement:** Proactive and structured engagement with the Ministry of Defence (MINDEF) and Armed Forces leadership through strategic dialogues and site visits to obtain early insights into defence priorities, capability gaps and procurement timelines. This enables alignment of proposals with customer requirements from the outset, reducing execution uncertainty and rework.

- **Project Monitoring:** Implementation of a Project Dashboard to monitor project milestones, anticipated profit and loss (P&L) recognition and delivery timelines, enabling timely management intervention and strategic recalibration where necessary.

- **Strategic Realignment:** Refocusing priorities for FY2026-FY2030 in line with the Boustead Group Roadmap 2030, with emphasis on three (3) core domains—Aerospace, Ammunition and Land Systems. This targeted focus enhances Group-wide synergies, deepens domain expertise and improves the quality and credibility of proposals, thereby accelerating the conversion of opportunities into executable projects.

- **Capability Enhancement:** Establishment of a dedicated Strategic Growth Department to drive business development initiatives and support timely project execution.

- **Continuity of Critical Services:** Ensuring uninterrupted fulfilment of key contractual obligations through alternative internal capabilities and strategic partnerships, where required, to maintain service delivery and stakeholder confidence.

- **Early Contract Renewal Strategy:** Proactive preparation of competitive renewal proposals and early engagement with customers ahead of contract expiry to expedite renewal decisions and reduce revenue gaps.

FINANCE

Economic

Liquidity constraints adversely affecting the Group's financial performance and raising concerns over its ability to sustain operational continuity and meet financial and contractual obligations.

Potential Impact

- Risk of default in payment obligations.
- Financial losses and increased cash flow pressure.
- Potential legal and regulatory repercussions.
- Deterioration in credit-worthiness.
- Disruption to business operations and failure to meet statutory obligations.

Key Mitigation

- **Strategic Growth Enablement:** Provision of financial and corporate support to the Group in the identification, evaluation, and execution of new business initiatives to accelerate revenue generation and diversify income streams.

- **Cost Rationalisation:** Closure and rationalisation of dormant companies to eliminate unnecessary operating costs, improve operational efficiency, and strengthen cost discipline across the Group.

- **Asset Monetisation:** Pursuit of monetisation opportunities across company assets to enhance liquidity and generate additional cash inflows to support strategic requirements.

- **Debt and Cash Flow Management:** Close monitoring and proactive management of principal and interest payments under existing banking facilities to maintain financial discipline, preserve lender confidence, and safeguard the Group's credit standing.

- **Contract and Performance Realignment:** Renegotiate Key Performance Indicators (KPIs) and penalty structures while strengthening delivery accountability to improve performance and reduce exposure.

ORGANISATION CAPABILITY AND HUMAN RESOURCE

Social

Organisational inefficiencies and challenges in human capital management, including workforce capacity constraints, competency gaps, unclear organisational structures, uncompetitive remuneration frameworks, and weaknesses in succession planning and recruitment processes.

Potential Impact

- Operational disruptions.
- Challenges in attracting and retaining talent.
- Potential disruptions in key roles due to a lack in succession planning.

Key Mitigation

- **Organisational Restructuring:** Implementation of a revised organisational structure aligned to functional requirements and the Group's strategic priorities, with the majority of critical roles updated and clarified to enhance accountability and effectiveness.

- **Succession Planning:** Establishment of the BHIC Talent Committee to oversee Group-wide succession planning, with identified successors for key positions to ensure leadership continuity and mitigate operational risks.

- **Employee Engagement and Employer Branding:** Execution of regular employee engagement initiatives and active employer branding efforts, including sustained presence on professional platforms, to position the Group as an employer of choice.

- **Remuneration and Career Development:** Comprehensive review of remuneration frameworks and introduction of structured technical and professional career pathways to enhance retention, support career progression and ensure competitiveness against industry benchmarks.

- **Training and Capability Development:** Design and implementation of structured training and development programmes to strengthen functional competencies, build organisational capability and support workforce upskilling in line with evolving business needs.

- **Employee Well-Being:** Promotion of work-life balance through employee well-being initiatives, improvements in performance management systems and targeted leadership development programmes to enhance overall workforce engagement and productivity.

BUSINESS REVIEW

What We Do

The MRO services that BHIC specialises in serve a number of sectors. For more details, please refer to page 7.

Business Environment

Throughout FY2025, BHIC operated within a business environment characterised by gradual global recovery and continued economic moderation. These conditions exerted indirect pressure on operational costs and MRO-related activities.

Despite these challenges, the Group secured key opportunities during the year, including extensions of defence-sector contracts supporting its MRO services, thereby providing a degree of revenue continuity.

In response to evolving operating conditions, BHIC recalibrated its strategic priorities while maintaining focus on strengthening organisational capabilities, talent development and core technical competencies. As part of its restructuring efforts, the Group divested a loss-making business unit to streamline operations, reinforce financial discipline and redirect resources towards core defence and marine engineering activities.

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Strengthening Core Business	• Focused execution of ongoing multi-year Marine, Aerospace, and Weapons & Combat Systems programmes. • Close collaboration with existing joint ventures and Original Equipment Manufacturer (OEM). • Continuous improvement in delivery, safety, and quality standards.	• Sustained delivery of submarine ISS, facilities maintenance, and weapons sustainment programmes critical to RMN fleet readiness • Continued aerospace MRO and training support for defence aviation operators.
Empowering Talent	• Group-wide harmonisation of technical roles, competencies, and progression frameworks. • Workforce realignment to strengthen critical engineering and sustainment capabilities. • Expansion of certification, skill accreditation, and Transfer of Know-How programmes. • Strong Executive Leadership Team (ELT)-led governance over talent, capability training, and succession.	• Established a common technical-based career pathway across BHIC Group to support long-term capability continuity. • Increased pool of qualified local technicians supporting submarine ISS and high-criticality MRO activities. • Improved manpower deployment, role clarity, and technical depth aligned to multi-year sustainment programmes.

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Enhancing Operational Capability	• Progressive strengthening of in-house MRO and sustainment capabilities • Capability deepening for high-value and technically complex scopes of work • Optimisation of facilities, tooling, and engineering processes	• Improved internal execution capability, reducing reliance on external resources for selected sustainment activities • Enhanced readiness to support extended contract durations and lifecycle sustainment requirements
Business Diversification Readiness	• Strategic collaborations through MoUs with selected domestic and international partners • Evaluation of adjacent defence and aerospace opportunities leveraging existing capabilities	• Continued engagement undersigned MoUs to assess future defence and aerospace-related opportunities. • Diversified business initiatives positioned as medium-to long-term options while maintaining focus on core execution.
Governance, Risk & Compliance	• Strengthening governance, compliance and risk management disciplines • Clearer accountability through ELT oversight • Alignment with regulatory, contractual and safety requirements.	• Improved governance consistency across operating entities • Strengthened risk management and compliance monitoring to support stable programme execution • Reinforced stakeholder confidence through disciplined operational control

CHALLENGES AND RISKS

Upon closer examination, the challenges were distilled and narrowed down into several key issues. Despite the setbacks, the Group stayed resilient and diligently move forward, driven by its proactive strategies and litigation.

Challenges	Mitigation	Results
Product and Branding The Group's dependence on OEMs and an intermediary-led business model limits strategic control, constrains brand differentiation, and undermines long-term competitiveness.	• Shift towards a capability-driven and product-centric business model by enhancing in-house technical and engineering expertise, supported by selective vertical integration. • Implement technology transfer and localisation initiatives, while diversifying OEM partnerships to reduce reliance on a limited number of suppliers. • Develop proprietary products and niche capabilities, with a focus on higher-value segments such as MRO and systems integration	• Strengthened strategic control and greater decision-making autonomy. • Elevated brand recognition as a comprehensive, integrated solutions provider. • Enhanced competitiveness across both defence and commercial markets. • More resilient and sustainable earnings over the long term.
Diversification into Non-Defence and Commercial Segments Expanding into non-defence and commercial segments remained a strategic challenge for BHIC as the Group continued to build new capabilities, strengthen market presence and establish sustainable revenue streams beyond its traditional defence-related activities.	• Accelerated diversification efforts through the #BOLD27 Transformation Programme, focusing on strengthening business development and expanding new revenue streams. • Leveraged in-house engineering and technical expertise to pursue opportunities in MRO, engineering solutions, manufacturing and trading across defence and non-defence markets • Entered into several MoUs with reputable industry partners to: - Explore strategic collaborations - Enhance technical capabilities - Expand market access	• Strengthened market positioning and broadened engagement with potential industry partners. • Laid the foundation for new business opportunities across both defence and non-defence markets. • Continued focus on diversification supports the Group's long-term strategy to: - Reduce reliance on defence-related income streams - Enhance overall business resilience
Talent Retaining critical defence and engineering expertise while preparing the next generation of technical and operational leaders is a strategic challenge, given the specialised nature of the Group's business and ageing workforce.	• Implement structured talent development and succession planning programmes focused on engineering, MRO, and project management. • Facilitate knowledge transfer through mentoring, protégés, and on-the-job training. • Develop Project Management Professionals (PMPs) and provide professional certification pathways. • Attract and retain younger technical talent through career development opportunities aligned with BHIC's operations.	• Established a unified technical career pathway across the BHIC Group, ensuring continuity of specialised skills. • Retained and transferred critical engineering and operational knowledge. • Enhanced project management and multi-year programme execution capability. • Expanded pool of qualified technicians supporting high-criticality MRO. • Strengthened leadership pipeline and organisational readiness for future growth.

FIVE YEAR FINANCIALS

GROUP FINANCIALS

FINANCIAL PERFORMANCE		2025	2024	2023	2022	2021
REVENUE		217,130	237,139	126,414	141,760	149,186
Profit / (loss) before taxation		6,911	19,177	(256,306)	(7,677)	18,275
Profit / (loss) after taxation		382	7,566	(265,930)	(19,924)	15,192
Profit / (loss) attributable to shareholders		382	7,566	(265,930)	(19,924)	15,192
Earnings / (loss) per share	sen	0.07	1.22	(105.93)	(8.02)	6.11
DIVIDENDS						
Dividends for the year				-	-	-
• Single-tier interim dividend of 3.0 sen per ordinary share		-	16,929	-	-	-
• Single-tier dividend of 0.5% per preference share		-	685	-	-	-
Net dividend per share						
Ordinary share	sen	3.0	3.0	-	-	-
Preference share	%	0.5	0.5	-	-	-
GEARING						
Borrowings		2,245	4,151	10,386	246,025	287,446
Net gearing ratio	times	0.02	0.04	0.07	4.06	3.57
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	18	18	27	24	32
Shareholders' equity		99,917	99,535	154,267	60,668	80,592
Total equity		99,917	99,535	154,267	60,668	80,592
Total assets		263,315	263,436	277,340	484,891	455,259

QUARTERLY PERFORMANCE

FINANCIAL PERFORMANCE		Quarter 1	Quarter 2	Quarter 3	Quarter 4	2025
REVENUE		**44,531**	**46,188**	**56,357**	**71,601**	**217,130**
Profit / (loss) before taxation		(4,761)	(1,833)	958	14,071	6,911
Profit / (loss) after taxation		(5,198)	(2,082)	176	9,010	382
Profit / (loss) attributable to shareholders		(5,198)	(2,082)	176	9,010	382
Earnings / (loss) per share	sen	(2.07)	(0.37)	0.03	1.60	0.07

Note:
All figures are in RM'000 unless stated otherwise

FINANCIAL CALENDAR

FINANCIAL YEAR

1 JANUARY 2025

Q1 — **FINANCIAL RESULTS**
Announced on
30 May 2025

Q2 — **FINANCIAL RESULTS**
Announced on
28 August 2025

Q3 — **FINANCIAL RESULTS**
Announced on
27 November 2025

31 DECEMBER 2025

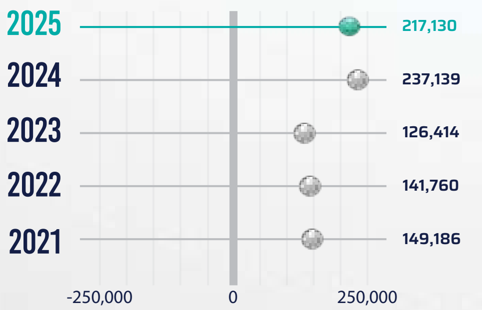
Q4 — **FINANCIAL RESULTS**
Announced on
27 February 2026

NOTICE OF AGM
29 April 2026

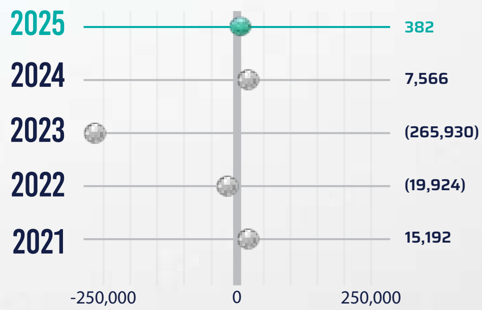
54th ANNUAL GENERAL MEETING (AGM)
24 June 2026

FINANCIAL HIGHLIGHTS

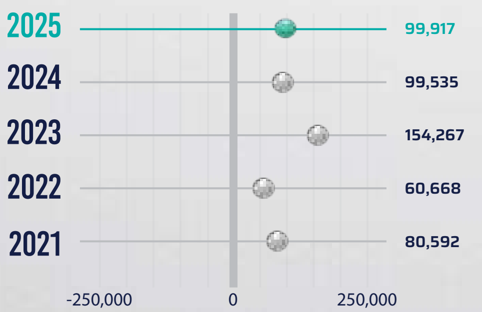
REVENUE
(RM'000)



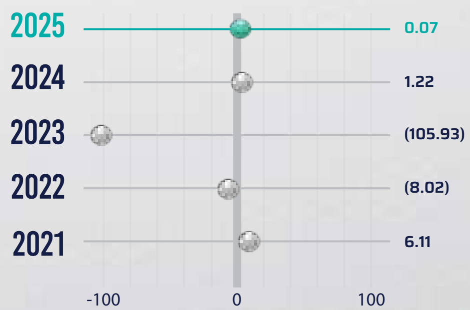
PROFIT / (LOSS) AFTER TAXATION
(RM'000)



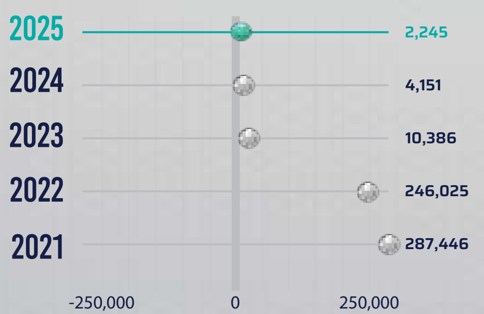
SHAREHOLDERS' EQUITY
(RM'000)



EARNINGS / (LOSS) PER SHARE
(RM'000)



BORROWINGS
(RM'000)



NET ASSETS PER SHARE
(SEN)