

**SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A**  
**(Incorporated in Malaysia)**

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Individual Quarter		Cumulative Quarter	
		Current year quarter 31.12.2016 RM'000	Preceding year corresponding quarter 31.12.2015 RM'000	Current year to date 31.12.2016 RM'000	Preceding year corresponding period 31.12.2015 RM'000
Revenue		161,690	178,359	292,962	362,260
Cost of sales		(151,062)	(150,464)	(259,918)	(314,595)
Gross profit		10,628	27,895	33,044	47,665
Other income		13,382	3,065	14,872	13,214
Administrative expenses		(14,685)	(15,197)	(21,796)	(28,791)
Operating profits		9,325	15,763	26,120	32,088
Other operating expense		(4,263)	(4)	(10,799)	(7)
Finance Costs		(6,394)	(8,648)	(12,945)	(16,683)
Shares of profit / (loss) of associates		3,276	(1,647)	805	(3,699)
<b>Profit before tax</b>		<b>1,944</b>	<b>5,464</b>	<b>3,181</b>	<b>11,699</b>
Tax expense	A11	(614)	(1,988)	(1,223)	(4,088)
<b>Profit net of tax</b>		<b>1,330</b>	<b>3,476</b>	<b>1,958</b>	<b>7,611</b>
<b>Other comprehensive income:</b>					
Foreign exchange translation	A16	552	(499)	5,390	12,704
Total comprehensive income for the period		1,882	2,977	7,348	20,315
<b>Profit attributable to:</b>					
Equity holders of the parent		2,481	4,867	1,856	8,972
Non controlling interests		(1,151)	(1,391)	102	(1,361)
		1,330	3,476	1,958	7,611
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		2,435	4,466	6,437	20,026
Non controlling interests		(553)	(1,489)	911	289
		1,882	2,977	7,348	20,315
Earnings per share attributable to the equity holders of the parent:					
Basic (sen)	B12	0.21	0.41	0.15	0.75
Diluted (sen)	B12	0.21	0.41	0.15	0.75

**Notes:**

(a) *The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this report.*

**SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A**  
**(Incorporated in Malaysia)**

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited AS AT 31.12.2016 RM'000	Audited AS AT 30.06.2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,323,648	1,383,652
Investment in associates		2,421	1,837
Other investments		44	44
Intangible asset		2,015	2,070
		<b>1,328,128</b>	<b>1,387,603</b>
<b>Current assets</b>			
Inventories		58,045	44,968
Trade and other receivables		509,526	466,330
Other current assets		15,677	22,711
Tax recoverable		2,451	1,063
Cash and cash equivalents		18,629	30,447
		<b>604,328</b>	<b>565,519</b>
<b>TOTAL ASSETS</b>		<b>1,932,456</b>	<b>1,953,122</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,200,000	1,200,000
Share premium		16,972	16,972
Retained Earnings		224,720	222,864
Other reserve		(289,237)	(289,347)
		1,152,455	1,150,489
<b>Non Controlling interests</b>		12,651	20,321
<b>Total equity</b>		<b>1,165,106</b>	<b>1,170,810</b>
<b>Non-current liabilities</b>			
Borrowings	B9	114,245	134,770
Deferred tax liabilities		58,565	58,006
Deferred income		6,561	7,089
		<b>179,371</b>	<b>199,865</b>
<b>Current liabilities</b>			
Borrowings	B9	366,636	374,096
Trade and other payables		220,748	204,931
Other current liabilities		-	3,127
Tax payable		595	293
		<b>587,979</b>	<b>582,447</b>
<b>Total liabilities</b>		<b>767,350</b>	<b>782,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,932,456</b>	<b>1,953,122</b>
Net assets per shares (RM)		0.96	0.96

**Notes:**

(a) *The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this report.*

**SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A**  
**(Incorporated in Malaysia)**

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the Parent						
	Non distributable			Distributable			
	Equity, total RM'000	Equity attributable to owners of the parents, total RM'000	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Retained earnings RM'000	Non- controlling interests RM'000
<b>At 1 July 2015</b>	1,160,167	1,138,305	1,200,000	16,972	(293,353)	214,686	21,862
<b>Total comprehensive Income</b>	11,442	12,184	-	-	4,006	8,178	(742)
<b>Transactions with Owners:</b>							
Dividend paid to non-controlling interests	(799)	-	-	-	-	-	(799)
<b>At 30 June 2016</b>	<u>1,170,810</u>	<u>1,150,489</u>	<u>1,200,000</u>	<u>16,972</u>	<u>(289,347)</u>	<u>222,864</u>	<u>20,321</u>
<b>At 1 July 2016</b>	1,170,810	1,150,489	1,200,000	16,972	(289,347)	222,864	20,321
<b>Total comprehensive Income</b>	2,877	1,966	-	-	110	1,856	911
<b>Owners:</b>							
Acquisition of a subsidiary	289	-	-	-	-	-	289
Reduction of share capital	(8,870)	-	-	-	-	-	(8,870)
<b>At 31 December 2016</b>	<u>1,165,106</u>	<u>1,152,455</u>	<u>1,200,000</u>	<u>16,972</u>	<u>(289,237)</u>	<u>224,720</u>	<u>12,651</u>

(Note B14)

**Notes:**

- (a) *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this report.*

**SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A**  
(Incorporated in Malaysia)

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Current year to date 31.12.2016 RM'000	Preceding year 31.12.2015 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,181	11,699
Adjustment for:		
Depreciation	49,488	51,096
Dividend income	-	(1)
Loss / (gain) on disposal of fixed assets	6,884	(397)
(Gain)/ Loss on foreign exchange	(3,273)	643
Interest expenses	12,945	16,683
Interest income	(189)	(636)
Fixed asset written off	1	-
(Gain)/ Loss retained in associates	(804)	3,699
<b>Operating profit before changes in working capital</b>	<b>68,233</b>	<b>82,786</b>
<b>Working Capital Changes</b>		
Increase in inventories	(12,941)	(16,139)
Decrease / (Increase) in receivables	53,042	(54,650)
Decrease in other current assets	5,871	16,288
(Decrease)/ Increase in payables	(14,605)	46,693
(Decrease)/ Increase in other current liabilities	(3,127)	840
Net changes in amounts due from/to related companies	(64,848)	2,475
Total changes in working capital	(36,608)	(4,493)
<b>Cash generated from operations</b>	<b>31,625</b>	<b>78,293</b>
Interest received	167	636
Interest paid	(12,945)	(16,683)
Income tax refunded	750	-
Income tax paid	(1,747)	(1,863)
<b>Total interest and tax paid</b>	<b>(13,775)</b>	<b>(17,910)</b>
<b>Net cash generated from operating activities</b>	<b>17,850</b>	<b>60,383</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	-	1
Capital expenditure	(19,916)	(17,737)
Proceeds from disposal of property, plant and equipment	39,397	463
Payment of Capital	(19,710)	-
<b>Net cash used in investing activities</b>	<b>(229)</b>	<b>(17,273)</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net movement in trade financing	16,969	(20,323)
Proceeds from hire purchase	2,393	1,635
Repayment of hire purchase	(6,105)	(12,168)
Proceeds from term loan	13,680	-
Repayment of term loans	(46,978)	(53,871)
<b>Net cash flow used in financing activities</b>	<b>(20,041)</b>	<b>(84,727)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,420)</b>	<b>(41,617)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(11,745)</b>	<b>25,603</b>
<b>Effects of exchange rate changes</b>	<b>(77)</b>	<b>256</b>
<b>Cash and cash equivalents at end of period</b>	<b>(14,242)</b>	<b>(15,758)</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	14,629	11,183
Deposit with licensed banks	4,000	34,098
Bank overdrafts	(32,871)	(58,039)
Cash at bank restricted in use	-	(3,000)
<b>Cash and bank balances</b>	<b>(14,242)</b>	<b>(15,758)</b>

**Notes:**

(a) *The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to this report.*

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standards (“MFRS”) MFRS 134: “Interim Financial Reporting” and Chapter 9 Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the annual audited financial statements of Shin Yang Shipping Corporation Berhad (“SYSCorp” or “the Company”) and its subsidiaries (“the Group”) for the financial year ended 30 June 2016.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2016.

**A2. Auditor’s report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and of its subsidiaries on the preceding annual financial statements.

**A3. Seasonal or cyclical factors**

The Group’s operations were not significantly affected by seasonal or cyclical factors.

**A4. Unusual items**

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current interim quarter under review

**A5. Material changes in estimates**

There were no changes in estimates of amounts that have had a material effect in the current interim quarter under review.

**A6. Debt and equity securities**

There is no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares for the current interim quarter under review.

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**(Incorporated in Malaysia)**

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A7. Dividends**

There were no dividend was paid during the current interim quarter under review.

**A8. Segmental reporting**

Segmental information in respect of the Group’s business segments comprising shipping, shipbuilding, ship repair & metal fabrication, shipping agency and investment holding are presented as follows:

	Shipping RM’000	Shipbuilding, Ship repair and Metal Fabrication RM’000	Shipping agency RM’000	Investment holding RM’000	Elimination RM’000	Total RM’000
<b>For 6 months ended</b>						
<b>31 December 2016</b>						
<b>Segment Revenue</b>						
External revenue	254,564	35,704	2,431	263	-	292,962
Inter-segment revenue	3,288	9,243	1,136	1,004	(14,671)	-
Total	<u>257,852</u>	<u>44,947</u>	<u>3,567</u>	<u>1,267</u>	<u>(14,671)</u>	<u>292,962</u>
Profit/ (loss) from operations	30,772	(6,902)	2,393	(143)	-	26,120
Other operating expense						(10,799)
Finance costs						(12,945)
Share of profit of associates						805
Profit before tax						<u>3,181</u>
Tax expense						(1,223)
Profit for the period						<u>1,958</u>
<b>For 6 months ended</b>						
<b>31 December 2015</b>						
<b>Segment Revenue</b>						
External revenue	294,366	65,261	2,378	255	-	362,260
Inter-segment revenue	3,406	42,248	1,097	1,004	(47,755)	-
Total	<u>297,772</u>	<u>107,509</u>	<u>3,475</u>	<u>1,259</u>	<u>(47,755)</u>	<u>362,260</u>
Profit/ (loss) from operations	27,909	3,688	1,850	(1,359)	-	32,088
Other operating expense						(7)
Finance costs						(16,683)
Share of loss of associates						(3,699)
Profit before tax						<u>11,699</u>
Tax expense						(4,088)
Profit for the period						<u>7,611</u>

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**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A8. Segmental reporting (Cont’)**

	Shipping RM’000	Shipbuilding, Ship repair and Metal Fabrication RM’000	Shipping agency RM’000	Investment holding RM’000	Elimination RM’000	Total RM’000
<b>For 3 months ended 31 December 2016</b>						
<b>Segment Revenue</b>						
External revenue	143,545	16,700	1,311	134	-	161,690
Inter-segment revenue	995	3,376	551	502	(5,424)	-
<b>Total</b>	<b>144,540</b>	<b>20,076</b>	<b>1,862</b>	<b>636</b>	<b>(5,424)</b>	<b>161,690</b>
Profit/ (loss) from operations	10,403	(2,737)	1,381	278	-	9,325
Other operating expense						(4,263)
Finance costs						(6,394)
Share of profit of associates						3,276
Profit before tax						1,944
Tax expense						(614)
Profit for the period						1,330
<b>For 3 months ended 31 December 2015</b>						
<b>Segment Revenue</b>						
External revenue	152,952	24,090	1,196	121	-	178,359
Inter-segment revenue	1,511	12,555	578	502	(15,145)	-
<b>Total</b>	<b>154,463</b>	<b>36,645</b>	<b>1,774</b>	<b>623</b>	<b>(15,145)</b>	<b>178,359</b>
Profit/ (loss) from operations	10,226	5,357	1,026	(846)	-	15,763
Other operating expense						(4)
Finance costs						(8,648)
Share of loss of associates						(1,647)
Profit before tax						5,464
Tax expense						(1,988)
Profit for the period						3,476

**Group**

	2Q 2017 (RM’000)	2Q 2016 (RM’000)	Changes (%)
Revenue	161,690	178,359	-9.3%
Profit before tax	1,944	5,464	-64.4%

Revenue of the Group for the second quarter ended 31 December 2016 decreased by 9.3% to RM161.7 million as compared to RM178.3 million in the previous corresponding quarter.

The decrease was mainly due to the lower revenue generated from the shipbuilding operations and UAE shipping segments in the current quarter.

The decrease in profit before tax due to the decrease in margin in UAE segments in current quarter.

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A8. Segmental reporting (Cont’)**

Performance and prospects of each operating segment are discussed below:

**Shipping**

	<b>2Q 2017 (RM'000)</b>	<b>2Q 2016 (RM'000)</b>	<b>Changes (%)</b>
Revenue	143,545	152,952	-6.2%
Profit before tax	6,502	4,116	57.9%

For the current quarter, the shipping segment’s revenue of RM143.5million decreased by 6.2% as compared to RM 152.9 million revenue recorded in the corresponding quarter. This was mainly due to the lower volume carried from bulk shipment operations and UAE shipment operations in the current quarter.

The increase in profit before tax in shipping segment due to the increase in margin in domestic and container shipping segments in current quarter.

**Shipbuilding and Ship repair**

	<b>2Q 2017 (RM'000)</b>	<b>2Q 2016 (RM'000)</b>	<b>Changes (%)</b>
Revenue	16,700	24,090	-30.7%
(Loss)/ Profit before tax	(6,029)	1,491	-504.4%

For the current quarter, revenue generated from shipbuilding and ship repair segments of RM16.7million decreased by 30.7% as lower compared to RM24.0million revenue recorded in the corresponding quarter. The decrease in revenue was mainly due to less vessel’s work in progress for external parties to be delivered in the following quarters.

The loss before tax in Shipbuilding and ship repair segment were mainly due the lesser vessels under work in progress during construction.

**Shipping agency**

	<b>2Q 2017 (RM'000)</b>	<b>2Q 2016 (RM'000)</b>	<b>Changes (%)</b>
Revenue	1,311	1,196	9.6%
Profit before tax	1,381	1,025	34.7%

For the current quarter, the revenue from shipping agency segment increased by 9.6% compared to the preceding year’s corresponding quarter. The profit before tax was mainly due to the improvement in profit margin in current quarter.



INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

**A8. Segmental reporting (Cont’)**

**Investment Holding**

	2Q 2017 (RM'000)	2Q 2016 (RM'000)	Changes (%)
Revenue	134	121	10.7%
Profit /(Loss) before tax	90	(1,168)	107.7%

The revenue from Investment holding segment was derived from the interest income from the financial institutions.

**A9. Material events subsequent to the end of the quarter period**

There were no significant material events have arisen during the interval between the end of the current interim quarter and the date of this announcement that have not been reflected in the current interim quarter report.

**A10. Changes in the composition of the Group**

There were no changes in the composition of the Group for current interim quarter under review except that:

Shin Yang Shipping Sdn Bhd (“**SYSSB**”), a 100%-owned subsidiary of SYSCORP, had on 22<sup>nd</sup> December 2016, incorporated a 60% owned subsidiary company in Malaysia under the Companies Act, 1965 (“**Act**”), namely Gemilang Raya Maritime Sdn Bhd (“**GRMSB**”). GRM Venture Sdn. Bhd. (“**GRMVS**”) owns the remaining 40% of shareholding in GRMSB.

The authorized and issued and paid-up share capital of GRMSB is RM 5,000,000.00 divided into 5,000,000 ordinary shares of RM 1.00 each of which 1,000,000 ordinary shares of RM 1.00 each have been issued.

The principal activity of GRMSB is engaging in investment holding and as the commercial and technical ship managers for international fleets operation.

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A11. Tax expense**

The taxation of the Group for the current interim quarter under review is as follows:-

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation				
Current year tax	386	151	664	3,613
Deferred tax	228	1,837	559	475
	<u>614</u>	<u>1,988</u>	<u>1,223</u>	<u>4,088</u>

**A12. Contingent liabilities and contingent assets**

The contingent liabilities of the Group as at 31 December 2016 are as follows:

	<b>As at 31.12.2016 RM'000</b>
Corporate guarantees given to financial institutions in consideration of credit facilities granted to our subsidiaries and associates	<b><u>215,118</u></b>

The Group does not have any contingent assets.

**A13. Material commitments**

Material commitments of the Group as at 31 December 2016 are as follow:

**Lease commitments**

On 1 July 2009, the Group entered into a lease contract with SAQR Port Authority, Hulayla Industrial Park, United Arab Emirates to lease an industrial plot of land for the purpose of carrying out shipbuilding, offshore fabrication and marine related services. The contract will be for 25 years, commencing from the date of the contract or the date at which Hulayla Industrial Park becomes operational, whichever is the latest, at an annual rent of AED5,100,000.00.

**PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

**A14. Significant related party transactions**

Related parties are those defined under FRS 124: Related Party Disclosures. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and on commercial terms that are no more favourable than those available to other third parties.

	<b>Current Quarter to date 31.12.2016 RM'000</b>	<b>Balance due from/(to) As at 31.12.2016 RM'000</b>
(a) Transactions with related companies of Shin Yang Holding Sendirian Berhad		
Sales of goods and services	36,539	133,750
Purchase of goods and services	(8,456)	(30,913)
(b) Transactions with companies in which certain Directors of the Company have substantial interests		
Sales of goods and services	2,733	11,780
Purchase of goods and services	(464)	(5,979)

The related party transactions reflect transactions of all the subsidiaries with the respective group of companies.

**A15. Significant events**

There were no material events subsequent to the end of the current interim reporting quarter that have not been reflected in the financial statements for the current interim quarter under review.

**A16. Other Comprehensive Income**

Foreign exchange translation gain/(loss) represents the surplus/(shortfall) arising from restating payables, receivables and bank balances denominated in foreign currency to Ringgit using foreign exchange rates prevailing at period end rate.

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS**

**B1. Review of performance**

Explanatory comment on the performance of each of the Group's business activities is provided in Note A8

**B2. Material changes in the profit after tax for the current quarter as compared with the immediate preceding quarter**

	<b>2Q 2017 (RM'000)</b>	<b>1Q 2017 (RM'000)</b>	<b>Changes (%)</b>
Revenue	161,690	131,272	23.2%
Profit before tax	1,944	1,236	57.3%

As compared to the immediate preceding quarter, the Group's current quarter's revenue increased by 23.2% to RM161.6 million from RM131.2 million recorded in the immediate preceding quarter.

The Group's profit before tax increase as compared to the immediate preceding quarter is mainly due to the increase in margin in domestic shipping and container shipping segments in current quarter.

**B3. Commentary on Prospects**

The performance of the Group is largely dependent on the volatility of world fuel market price, quality of crews' standard, domestic & regional demand for transportation of dry bulk and general cargoes, movement of Ringgit Malaysia and world economic situations.

Vessel overcapacity and demand continues to put dry bulk cargo rates under pressure over the short term. The Group has prepared itself for the continuing uncertainties in global economic situations. The prospects for the shipping industry continue to remain challenging and positive with the recent decline in crude oil price and the Group is prepared with a sustainable and market driven routes for its fleet movements. The Group is confident in the stability of the domestic, coastal and container shipping and challenging development in Middle East operations. The continuous improvement in terms of operational costs management, fleet efficiency and routes enhancement would be an important priority in the next few quarters ahead.

The other dependents for shipbuilding operations include the corresponding price movement of the marine mild steel plates, other heavy equipments, machineries and global trend of demand for newly constructed vessels, especially from the niche markets in oil and gas industry. The emphasis is on taking steps to aggressively to carry out repair and maintenance and fabrication works to meet the requirements of the niche markets from operating expenditures in the oil and gas industry and also to meet the potential requirements of the resource based sectors.

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

**PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS**

**B4. Statements by Directors**

The Group did not disclose or announce any profit forecast or projection in any public document in the current quarter or prior financial year.

**B5. Profit forecast or profit guarantee**

Not applicable as the Group did not publish any profit forecast or profit guarantee.

**B6. Sales of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties during the current interim quarter under review.

**B7. Quoted securities**

There were no purchase or disposal of quoted securities during the current interim quarter under review.

**B8. Corporate proposals**

There was no corporate proposal announced at the date of this quarterly report.

**B9. Borrowings and debt securities**

	Secured RM'000	unsecured RM'000	Total RM'000
<b>1. Total borrowings</b>			
Short-term borrowings	283,231	83,405	366,636
Long-term borrowings	114,245	-	114,245
	<u>397,476</u>	<u>83,405</u>	<u>480,881</u>

Included in the total borrowings are borrowings denominated in USD as follows:

	Secured USD'000	unsecured USD'000	Total USD'000
<b>2. Borrowings denominated in USD</b>			
Short-term borrowings	5,921	-	5,921
Long-term borrowings	-	-	-
	<u>5,921</u>	<u>-</u>	<u>5,921</u>

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

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PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

**B10. Off balance sheet financial instruments**

There were no off balance sheet financial instruments as at 27 February 2017.

**B11. Changes in material litigation**

There were no material litigations during the current interim quarter up to the date of this interim report.

**B12. Earnings per share**

**(a) Basic**

The basic earnings per share for the current interim quarter and current financial year-to-date are computed as follows:

	<b>Current year quarter 31.12.2016</b>	<b>Current year to date 31.12.2016</b>
Profit attributable to equity holders of the Company (RM'000)	2,481	1,856
Weighted average number of ordinary shares in issue ('000)	1,200,000	1,200,000
Basic earnings per share (sen)	<u>0.21</u>	<u>0.15</u>

Earnings per share is computed based on the weighted average number of 1,200,000,000 shares issued for the interim quarter under review.

**(b) Diluted**

The Group has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share is presented as equal to basic earnings per share.

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**PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS**

**B13. Notes to the Condensed Consolidated Statement of Comprehensive Income**

The profit of the Group for the interim quarter is arrived at after (charging)/crediting:-

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 Dec 2016 RM'000	Preceding year corresponding quarter 31 Dec 2015 RM'000	Current year to date 31 Dec 2016 RM'000	Preceding year corresponding period 31 Dec 2015 RM'000
Interest income	(25)	(131)	(189)	(636)
Sundry income	(3,978)	(305)	(5,305)	(2,103)
Interest expenses	6,394	8,648	12,945	16,683
Depreciation	27,901	27,980	49,488	51,096
Loss/(gain) on disposal of property, Plant and equipment	503	(160)	6,884	(397)
Realised foreign exchange loss/ (gain)	922	(6,109)	899	(4,042)
Unrealised foreign exchange (gain)/loss	(2,416)	5,217	(3,272)	(2,099)

**B14. Breakdown of realised and unrealised profit or loss**

The breakdown of the retained profits of the Group as at 31 December 2016, into realised and unrealised, pursuant to a directive issued by Bursa Malaysia Securities Berhad are as follows:

	Accumulated quarter ended 31.12.2016 (RM'000)	Accumulated quarter ended 31.12.2015 (RM'000)
<b>Total retained profits of the Company and its subsidiaries</b>		
- Realized	708,167	720,821
- Unrealized	(32,107)	(38,078)
	<b>676,060</b>	<b>682,743</b>
Less: Consolidation adjustments	(451,340)	(459,085)
<b>Total Group's retained profits</b>	<b>224,720</b>	<b>223,658</b>

**B15. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 30 June 2016 was not qualified.

**INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016**

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**PART C – ADDITIONAL DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT (“FRS 139”)**

**C1. Disclosure of Derivatives**

The Group does not have any outstanding derivatives as at the end of the current interim quarter under review

**C2. Disclosure of gains/losses arising from fair value changes of financial liabilities**

There is no material effect to the Company's financial results upon adoption of FRS139

**C3. Disclosure of breakdown of realised and unrealised gains/losses arising from fair value changes of financial liabilities**

There is no material effect to the Company's financial results upon adoption of FRS139.

**Authorised for issue**

The interim report for the second quarter ended 31 December 2016 was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2017.

By order of the Board

Richard Ling Peng Liing  
Company Secretary  
27 February 2017