

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

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|---|--|---|---|
| | | Current year quarter 31.12.2017 RM'000 | Preceding year corresponding quarter 31.12.2016 RM'000 | Current year to date 31.12.2017 RM'000 | Preceding year corresponding period 31.12.2016 RM'000 |
| Revenue | | 139,920 | 161,690 | 270,952 | 292,962 |
| Cost of sales | | (122,648) | (151,062) | (243,574) | (259,918) |
| Gross profit | | 17,272 | 10,628 | 27,378 | 33,044 |
| Other income | | 7,070 | 13,382 | 15,614 | 14,872 |
| Administrative expenses | | (9,307) | (14,685) | (17,201) | (21,796) |
| Operating profits | | 15,035 | 9,325 | 25,791 | 26,120 |
| Other operating expense | | - | (4,263) | (61) | (10,799) |
| Finance Costs | | (4,849) | (6,394) | (10,048) | (12,945) |
| Shares of profit of associates | | 30 | 3,276 | 1,022 | 805 |
| Profit before tax | | 10,216 | 1,944 | 16,704 | 3,181 |
| Tax expense | A11 | (1,257) | (614) | (1,972) | (1,223) |
| Profit net of tax | | 8,959 | 1,330 | 14,732 | 1,958 |
| Other comprehensive income: | | | | | |
| Foreign exchange translation | A16 | (177) | 552 | 132 | 5,390 |
| Total comprehensive income for the period | | 8,782 | 1,882 | 14,864 | 7,348 |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | 8,459 | 2,481 | 14,307 | 1,856 |
| Non controlling interests | | 500 | (1,151) | 425 | 102 |
| | | 8,959 | 1,330 | 14,732 | 1,958 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 8,284 | 2,435 | 14,413 | 6,437 |
| Non controlling interests | | 498 | (553) | 451 | 911 |
| | | 8,782 | 1,882 | 14,864 | 7,348 |
| Earnings per share attributable to the equity holders of the parent: | | | | | |
| Basic (sen) | B12 | 0.70 | 0.21 | 1.19 | 0.15 |
| Diluted (sen) | B12 | 0.70 | 0.21 | 1.19 | 0.15 |

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 2017 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 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Unaudited AS AT 31.12.2017 RM'000 | Audited AS AT 30.06.2017 RM'000 |
|--|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,128,667 | 1,145,607 |
| Investment in associates | | 7,221 | 7,432 |
| Other investments | | 241 | 241 |
| Other receivable | | 164,412 | 212,547 |
| Intangible asset | | 2,070 | 2,064 |
| | | 1,302,611 | 1,367,891 |
| Current assets | | | |
| Inventories | | 44,199 | 47,265 |
| Trade and other receivables | | 321,824 | 281,706 |
| Other current assets | | 4,723 | 8,465 |
| Tax recoverable | | 3,311 | 2,915 |
| Cash and cash equivalents | | 70,737 | 83,043 |
| | | 444,794 | 423,394 |
| TOTAL ASSETS | | 1,747,405 | 1,791,285 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 1,216,972 | 1,216,972 |
| Retained Earnings | | 242,509 | 228,202 |
| Treasury share | | (59) | - |
| Other reserve | | (289,202) | (288,939) |
| | | 1,170,220 | 1,156,235 |
| Non Controlling interests | | 4,051 | 3,644 |
| Total equity | | 1,174,271 | 1,159,879 |
| Non-current liabilities | | | |
| Borrowings | B9 | 73,554 | 101,632 |
| Deferred tax liabilities | | 56,551 | 55,185 |
| Deferred income | | 19,474 | 20,797 |
| | | 149,579 | 177,614 |
| Current liabilities | | | |
| Borrowings | B9 | 279,204 | 322,603 |
| Trade and other payables | | 123,337 | 130,457 |
| Other current liabilities | | 20,602 | 522 |
| Tax payable | | 412 | 210 |
| | | 423,555 | 453,792 |
| Total liabilities | | 573,134 | 631,406 |
| TOTAL EQUITY AND LIABILITIES | | 1,747,405 | 1,791,285 |
| Net assets per shares (RM) | | 0.98 | 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 2017 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 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 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 | Treasury Share RM'000 | Non- Controlling interests RM'000 |
| At 1 July 2016 | 1,170,810 | 1,150,035 | 1,200,000 | 16,972 | (289,175) | 222,864 | - | 20,321 |
| Total comprehensive income | 5,889 | 5,746 | - | - | 408 | 5,338 | - | 143 |
| Transactions with Owners: | | | | | | | | |
| Disposal of subsidiaries | (6,704) | - | - | - | - | - | - | (6,704) |
| Return of capital by a subsidiary | (8,870) | - | - | - | - | - | - | (8,870) |
| Acquisition of subsidiaries | 445 | - | - | - | - | - | - | 445 |
| Dividend paid to non-controlling interests | (1,691) | - | - | - | - | - | - | (1,691) |
| Transfer pursuant to Companies Act 2016* | - | - | 16,972 | (16,972) | - | - | - | - |
| At 30 June 2017 | 1,159,879 | 1,156,235 | 1,216,972 | - | (288,939) | 228,202 | - | 3,644 |
| At 1 July 2017 | 1,159,879 | 1,156,235 | 1,216,972 | - | (288,939) | 228,202 | - | 3,644 |
| Total comprehensive income | 14,392 | 13,985 | - | - | 263 | 14,307 | - | 407 |
| Share buy back | - | - | - | - | - | - | (59) | - |
| At 30 June 2017 | 1,174,271 | 1,170,220 | 1,216,972 | - | (289,202) | 242,509 | (59) | 4,051 |

(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 2017 and the accompanying explanatory notes attached to this report.*

Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM16,972,000 for the purposes set out in Section 618(3) of the CA 2016.

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

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Current year to date 31.12.2017 RM'000 | Preceding year 31.12.2016 RM'000 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 16,704 | 3,181 |
| Adjustment for: | | |
| Depreciation | 40,492 | 49,488 |
| (Gain)/ loss on disposal of fixed assets | (6,861) | 6,884 |
| Loss/(gain) on foreign exchange | 670 | (3,273) |
| Interest expenses | 10,048 | 12,945 |
| Interest income | (915) | (189) |
| Written off of property, plant and equipment | 1,846 | 1 |
| Profit retained in associates | (1,022) | (804) |
| Operating profit before changes in working capital | 60,962 | 68,233 |
| Working Capital Changes | | |
| Decrease/(Increase) in inventories | 3,059 | (12,941) |
| Decrease/ (increase) in receivables | (33,682) | 53,042 |
| Decrease in other current assets | 1,293 | 5,871 |
| Increase/(decrease) in payables | 5,127 | (14,605) |
| Increase/(decrease) in other current liabilities | 22,283 | (3,127) |
| Net changes in amounts due from/to related companies | 36,037 | (64,848) |
| Total changes in working capital | 34,117 | (36,608) |
| Cash generated from operations | 95,079 | 31,625 |
| Interest received | 915 | 167 |
| Interest paid | (10,048) | (12,945) |
| Income tax refund | 527 | 750 |
| Income tax paid | (522) | (1,747) |
| Total interest and tax paid | (9,128) | (13,775) |
| Net cash generated from operating activities | 85,951 | 17,850 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (45,484) | (19,916) |
| Proceeds from disposal of property, plant and equipment | 19,166 | 39,397 |
| Payment of Capital | - | (19,710) |
| Net cash used in investing activities | (26,318) | (229) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (400) | - |
| Net movement in trade financing | (34,476) | 16,969 |
| Proceeds from hire purchase | 1,697 | 2,393 |
| Repayment of hire purchase | (5,589) | (6,105) |
| Proceeds from term loans | - | 13,680 |
| Repayment of term loans | (31,412) | (46,978) |
| Purchase of treasury share | (59) | - |
| Net cash flow used in financing activities | (70,239) | (20,041) |
| Net decrease in cash and cash equivalents | (10,606) | (2,420) |
| Cash and cash equivalents at beginning of period | 52,038 | (11,745) |
| Effects of exchange rate changes | (8) | (77) |
| Cash and cash equivalents at end of period | 41,424 | (14,242) |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 10,787 | 14,629 |
| Deposit with licensed banks | 59,950 | 4,000 |
| Bank overdrafts | (29,313) | (32,871) |
| Cash and bank balances | 41,424 | (14,242) |

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 2017 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 2017.

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 2017.

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 for the current interim quarter under review except for the following:

Repurchase of shares as Treasury Shares

On 31 October 2017, the shareholders of the Company renewed their approval for the Company’s plan to repurchase its own ordinary shares. As at 31 December 2017, the Company holds 242,000 of its issued ordinary shares repurchased from open market at an overall average price at RM0.2458 per share. These shares are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.



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

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 |
|-------------------------------|--------------------|--|------------------------------|---------------------------------|-----------------------|-----------------|
| For 6 months ended | | | | | | |
| 31 December 2017 | | | | | | |
| Segment Revenue | | | | | | |
| External revenue | 236,798 | 31,335 | 2,555 | 264 | - | 270,952 |
| Inter-segment revenue | 2,791 | 19,062 | 969 | 1,687 | (24,509) | - |
| Total | <u>239,589</u> | <u>50,397</u> | <u>3,524</u> | <u>1,951</u> | <u>(24,509)</u> | <u>270,952</u> |
| Profit/(loss) from operations | 33,827 | (9,435) | 2,303 | (904) | - | 25,791 |
| Other operating expense | | | | | | (61) |
| Finance costs | | | | | | (10,048) |
| Share of profit of associates | | | | | | 1,022 |
| Profit before tax | | | | | | <u>16,704</u> |
| Tax expense | | | | | | (1,972) |
| Profit for the period | | | | | | <u>14,732</u> |
| For 6 months ended | | | | | | |
| 31 December 2016 | | | | | | |
| Segment Revenue | | | | | | |
| 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> |



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(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 |
|--|--------------------|--|------------------------------|---------------------------------|-----------------------|-----------------|
| For 3 months ended 31 December 2017 | | | | | | |
| Segment Revenue | | | | | | |
| External revenue | 121,204 | 17,195 | 1,414 | 107 | - | 139,920 |
| Inter-segment revenue | 1,481 | 8,554 | 373 | 849 | (11,257) | - |
| Total | 122,685 | 25,749 | 1,787 | 956 | (11,257) | 139,920 |
| Profit/ (loss) from operations | 18,596 | (4,359) | 1,571 | (773) | - | 15,035 |
| Other operating expense | | | | | | - |
| Finance costs | | | | | | (4,849) |
| Share of profit of associates | | | | | | 30 |
| Profit before tax | | | | | | 10,216 |
| Tax expense | | | | | | (1,257) |
| Profit for the period | | | | | | 8,959 |
| For 3 months ended 31 December 2016 | | | | | | |
| Segment Revenue | | | | | | |
| External revenue | 143,545 | 16,700 | 1,311 | 134 | - | 161,690 |
| Inter-segment revenue | 995 | 3,376 | 551 | 502 | (5,424) | - |
| Total | 144,540 | 20,076 | 1,862 | 636 | (5,424) | 161,690 |
| 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 |

Group

| | 2Q 2018 (RM’000) | 2Q 2017 (RM’000) | Changes (%) |
|-------------------|---------------------|---------------------|-------------|
| Revenue | 139,920 | 161,690 | -13.5% |
| Profit before tax | 10,216 | 1,944 | 425.5% |

Revenue of the Group for the second quarter ended 31 December 2017 decreased by 13.5% to RM139.9 million as compared to RM 161.7 million in the previous corresponding quarter.

The increase in profit before tax due to the improvement in shipping utilisation in current quarter.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

| | 2Q 2018 (RM'000) | 2Q 2017 (RM'000) | Changes (%) |
|-------------------|-----------------------------|-----------------------------|--------------------|
| Revenue | 121,204 | 143,545 | -15.6% |
| Profit before tax | 17,098 | 6,502 | 163.0% |

For the current quarter, the shipping segment’s revenue of RM121.2 million decreased by 15.6% as compared to RM 143.5 million revenue recorded in the corresponding quarter. This was mainly due to the lower volume carried from UAE shipment operations in the current quarter.

The increase in profit before tax in shipping segment mainly due to the improvement of shipping profit margin in container shipping and international shipping operations segments.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

A8. Segmental reporting (Cont’)

Shipbuilding and Ship repair

| | 2Q 2018 (RM'000) | 2Q 2017 (RM'000) | Changes (%) |
|-----------------|-----------------------------|-----------------------------|--------------------|
| Revenue | 17,195 | 16,700 | 3.0% |
| Loss before tax | (7,186) | (6,029) | -19.2% |

For the current quarter, revenue generated from shipbuilding and ship repair segments of RM17.2million marginally increased by 3.0% as compared to RM16.7million revenue recorded in the corresponding quarter.

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

Shipping agency

| | 2Q 2018 (RM'000) | 2Q 2017 (RM'000) | Changes (%) |
|-------------------|-----------------------------|-----------------------------|--------------------|
| Revenue | 1,414 | 1,311 | 7.9% |
| Profit before tax | 1,325 | 1,381 | -4.1% |

For the current quarter, the revenue from shipping agency segment increased by 7.9% compared to the preceding year’s corresponding quarter. The marginal decrease in profit before tax was mainly due to the lower in profit margin in shipping agency sector in current quarter.

Investment Holding

| | 2Q 2018 (RM'000) | 2Q 2017 (RM'000) | Changes (%) |
|---------------------------|-----------------------------|-----------------------------|--------------------|
| Revenue | 107 | 134 | -20.1% |
| (Loss)/ profit before tax | (1,021) | 90 | -1234.4% |

The revenue from Investment Holding segment was derived from the interest income from the financial institutions. For the current quarter, the loss in investment holding segment was mainly resulted from the finance costs and administrative expenses incurred during the current quarter.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

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.

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 31 Dec 2017 RM'000 | Preceding year corresponding quarter 31 Dec 2016 RM'000 | Current year to date 31 Dec 2017 RM'000 | Preceding year corresponding period 31 Dec 2016 RM'000 |
| Malaysian taxation | | | | |
| Current year tax | 247 | 386 | 606 | 664 |
| Deferred tax | 1,010 | 228 | 1,366 | 559 |
| | <u>1,257</u> | <u>614</u> | <u>1,972</u> | <u>1,223</u> |

A12. Contingent liabilities and contingent assets

The contingent liabilities of the Group as at 31 December 2017 are as follows:

| | As at 31.12.2017 RM'000 |
|---|-------------------------------|
| Corporate guarantees given to financial institutions in consideration of credit facilities granted to our subsidiaries and associates | <u>164,979</u> |

The Group does not have any contingent assets.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

A13. Material commitments

There were no material commitments during the current interim quarter under review.

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.

| | Current Quarter to date 31.12.2017 RM'000 | Balance due from/(to) As at 31.12.2017 RM'000 |
|--|--|--|
| (a) Transactions with related companies of Shin Yang Holding Sendirian Berhad | | |
| Sales of goods and services | 32,781 | 69,124 |
| Purchase of goods and services | (7,223) | (12,217) |
| (b) Transactions with companies in which certain Directors of the Company have substantial interests | | |
| Sales of goods and services | 819 | 3,937 |
| Purchase of goods and services | (901) | (4,438) |

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 2017

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

| | 2Q 2018 (RM'000) | 1Q 2018 (RM'000) | Changes (%) |
|-------------------|-----------------------------|-----------------------------|--------------------|
| Revenue | 139,920 | 131,033 | 6.8% |
| Profit before tax | 10,216 | 6,487 | 57.5% |

As compared to the immediate preceding quarter, the Group's current quarter's revenue increased by 6.8% to RM139.9 million from RM131.0 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 container shipping and international shipping operations 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 stable 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 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 2017

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 |
|----------------------------|-------------------|---------------------|-----------------|
| 1. Total borrowings | | | |
| Short-term borrowings | 220,064 | 59,140 | 279,204 |
| Long-term borrowings | 73,554 | - | 73,554 |
| | <u>293,618</u> | <u>59,140</u> | <u>352,758</u> |

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

| | Secured USD'000 | unsecured USD'000 | Total USD'000 |
|---|--------------------|----------------------|------------------|
| 2. Borrowings denominated in USD | | | |
| Short-term borrowings | 3,600 | - | 3,600 |
| Long-term borrowings | - | - | - |
| | <u>3,600</u> | <u>-</u> | <u>3,600</u> |



INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 26 February 2018.

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:

| | Current year quarter 31.12.2017 | Current year to date 31.12.2017 |
|---|--|--|
| Profit attributable to equity holders of the Company (RM'000) | 8,459 | 14,307 |
| Weighted average number of ordinary shares in issue ('000) | 1,200,000 | 1,200,000 |
| Basic earnings per share (sen) | <u>0.70</u> | <u>1.19</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.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 2017 RM'000 | Preceding year corresponding quarter 31 Dec 2016 RM'000 | Current year to date 31 Dec 2017 RM'000 | Preceding year corresponding period 31 Dec 2016 RM'000 |
| Interest income | (480) | (25) | (915) | (189) |
| Sundry income | (4,740) | (3,978) | (5,619) | (5,305) |
| Interest expenses | 4,849 | 6,394 | 10,048 | 12,945 |
| Depreciation | 19,938 | 27,901 | 40,492 | 49,488 |
| (Gain) /loss on disposal of property, Plant and equipment | (1,139) | 503 | (6,861) | 6,884 |
| Realised foreign exchange(gain) /loss | (1,347) | 922 | (1,320) | 899 |
| Unrealised foreign exchange loss/(gain) | 437 | (2,416) | 670 | (3,272) |

B14. Breakdown of realised and unrealised profit or loss

The breakdown of the retained profits of the Group as at 31 December 2017, into realised and unrealised, pursuant to a directive issued by Bursa Malaysia Securities Berhad are as follows:

| | Accumulated quarter ended 31.12.2017 (RM'000) | Accumulated quarter ended 31.12.2016 (RM'000) |
|---|---|---|
| Total retained profits of the Company and its subsidiaries | | |
| - Realized | 761,372 | 708,167 |
| - Unrealized | (34,706) | (32,107) |
| | 726,666 | 676,060 |
| Less: Consolidation adjustments | (484,157) | (451,340) |
| Total Group's retained profits | 242,509 | 224,720 |

B15. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 June 2017 was not qualified.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 2017 was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 February 2018.

By order of the Board

Richard Ling Peng Liing
Company Secretary
26 February 2018