

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 March 2016	Note	Current Period		Cumulative Year	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Continuing operations</b>					
Revenue	A7	62,992	61,092	62,992	61,092
Operating cost		(61,453)	(49,156)	(61,453)	(49,156)
Profit from operations	B18	1,539	11,936	1,539	11,936
Interest income		1,377	138	1,377	138
Finance cost		(5,173)	(4,385)	(5,173)	(4,385)
Share of results of joint ventures		(2,976)	6,565	(2,976)	6,565
Share of results of associates		(10,817)	(3,005)	(10,817)	(3,005)
<b>(Loss) / profit before taxation from continuing operations</b>	A7	<b>(16,050)</b>	11,249	<b>(16,050)</b>	11,249
Taxation	B19	(154)	(149)	(154)	(149)
<b>(Loss) / profit for the period from continuing operations</b>		<b>(16,204)</b>	11,100	<b>(16,204)</b>	11,100
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax		(2,838)	(2,682)	(2,838)	(2,682)
<b>(Loss) / profit for the period</b>		<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418
Attributable to:					
Shareholders of the Company		(19,042)	8,418	(19,042)	8,418
Non-controlling interests		-	-	-	-
<b>Net (loss) / profit for the period</b>		<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418
<b>Basic/diluted (loss) / earnings per share attributable to shareholders of the Company (sen):</b>					
Total	B27	(7.66)	3.39	(7.66)	3.39
Continuing operations		(6.52)	4.47	(6.52)	4.47
Discontinued operation		(1.14)	(1.08)	(1.14)	(1.08)

The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

## Boustead Heavy Industries Corporation Berhad (11106-V)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2016	Current Period		Cumulative Year	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>(Loss) / profit for the period</b>	<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418
Foreign currency translation	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418
<b>Total comprehensive (loss) / income attributable to:</b>				
Shareholders of the Company	<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418
Non-controlling interests	-	-	-	-
<b>Net (loss) / profit for the period</b>	<b>(19,042)</b>	8,418	<b>(19,042)</b>	8,418

The Unaudited Condensed Consolidated Statements Of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March	As at 31 December
		2016 RM'000	2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		64,674	65,103
Investment property		13,867	13,989
Design rights		56	-
Deferred tax assets		18,891	18,891
Joint ventures		83,575	86,552
Associates		153,567	164,384
		<u>334,630</u>	<u>348,919</u>
<b>Current assets</b>			
Inventories		3,581	3,641
Receivables		244,680	250,278
Tax recoverable		9,456	9,391
Cash and bank balances		40,056	54,075
Non-current assets held for sale		72,625	72,627
		<u>370,398</u>	<u>390,012</u>
<b>TOTAL ASSETS</b>		<u>705,028</u>	<u>738,931</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		248,458	248,458
Retained earnings		2,320	21,361
<b>Shareholders' funds</b>		<u>250,778</u>	<u>269,819</u>
Non-controlling interests		1	1
<b>Total equity</b>		<u>250,779</u>	<u>269,820</u>
<b>Non-current liabilities</b>			
Long term borrowings	B21	8,646	8,255
Deferred tax liabilities		76	76
		<u>8,722</u>	<u>8,331</u>
<b>Current liabilities</b>			
Borrowings	B21	321,357	346,777
Trade and other payables		123,709	113,087
Tax payables		461	916
		<u>445,527</u>	<u>460,780</u>
<b>Total liabilities</b>		<u>454,249</u>	<u>469,111</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>705,028</u>	<u>738,931</u>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<u>1.01</u>	<u>1.09</u>

The Unaudited Condensed Consolidated Statements Of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

## Boustead Heavy Industries Corporation Berhad (11106-V)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the quarter ended 31 March 2016	← Attributable to equity holders of the → Company				
	Share Capital	Distributable Retained Earnings	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	248,458	21,361	269,819	1	269,820
Total comprehensive loss for the year	-	(19,042)	(19,042)	-	(19,042)
Total transaction with owners	-	1	1	-	1
<b>Balance at 31 March 2016</b>	<b>248,458</b>	<b>2,320</b>	<b>250,778</b>	<b>1</b>	<b>250,779</b>
At 1 January 2015	248,458	52,099	300,557	36	300,593
Total comprehensive income for the year	-	8,418	8,418	-	8,418
<b>Balance at 31 March 2015</b>	<b>248,458</b>	<b>60,517</b>	<b>308,975</b>	<b>36</b>	<b>309,011</b>

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 March	As at 31 March
	2016	2015
	RM'000	RM'000
<b>Operating Activities</b>		
Receipts from customers	83,492	53,758
Cash paid to suppliers and employees	(70,096)	(49,224)
Cash paid to related companies	(189)	(405)
Cash generated from operations	13,207	4,129
Interest paid	(3,965)	(4,419)
Tax paid less refunds	(674)	(466)
Net cash generated from / (used in) operating activities	8,568	(756)
<b>Investing Activities</b>		
Interest received	1,377	139
Proceed from disposal of property, plant and equipment	18	-
Purchase of property, plant and equipment and investment property	(1,173)	(1,025)
Upliftment of pledged fixed deposits and more than 90 days, net	-	1,895
Purchase of intangible asset	(56)	(19)
Net cash generated from investing activities	166	990
<b>Financing Activities</b>		
Repayment of borrowings	(55,158)	(3,522)
Proceed from drawdown of term loan/ revolving credits/ hire purchases	30,868	524
Net cash used in financing activities	(24,290)	(2,998)
Net decrease in cash and cash equivalents	(15,556)	(2,764)
Effect of foreign exchange rate changes	1,537	810
Cash and cash equivalents at beginning of period	51,399	61,529
<b>Cash and Cash Equivalents at End of Period</b>	<b>37,380</b>	<b>59,575</b>
<b>Cash and Cash Equivalents at End of Period Comprise:</b>		
Deposits with licensed banks	27,797	40,462
Cash and bank balances	12,259	19,682
Total cash and bank balances	40,056	60,144
Less: Deposits with licensed banks pledged and more than 90 days	(2,676)	(569)
<b>Cash and Cash Equivalents at End of Period</b>	<b>37,380</b>	<b>59,575</b>

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Boustead Heavy Industries Corporation Berhad (11106-V)**  
**Notes to the Interim Financial Report for the Quarter Ended 31 March 2016**

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**Part A Explanatory Notes Pursuant to MFRS 134**

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**A1. Basis of Preparation**

These condensed consolidated interim financial statements, for the financial period ended 31 March 2016, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2015. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those in the audited financial statements for the year ended 31 December 2015 except as follows:

<b>Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 7	Financial Instruments Disclosures (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 10 (Consolidated Financial Statements), MFRS 12 (Disclosure of Interests in Other Entities) and MFRS 128 (Investments in Associates and Joint Ventures)	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11 (Joint Arrangement)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101 (Presentation of Financial Statements)	Disclosure Initiative (Amendments to MFRS 101)	1 January 2016

## A2. Changes in Accounting Policies (cont'd.)

<b>Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 116 (Property, plant and equipment) and MFRS 138 (Intangible Assets)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127 (Separate Financial Statements)	Equity method in Separate Financial Statements	1 January 2016

The adoption of the above does not have material impact on the financial statements of the Group in the period of initial application.

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

<b>MFRS and Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 107 (Statement of Cash Flows)	Disclosure Initiative	1 January 2017
Amendments to MFRS 112 (Income Taxes)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material impact to the financial statements of the Group upon initial application, except as discussed below:

### **MFRS 9: Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139: Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

## **A2. Changes in Accounting Policies (cont'd.)**

### **MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group’s and the Company’s financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

## **A3. Comments about Seasonal or Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

## **A4. Unusual Items Due to Their Nature, Size or Incidence**

Pursuant to the Circular to Shareholders dated 8 March 2016 for the proposed sale of three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 to Jasa Merin (Labuan) PLC for a total cash consideration of USD17.1 million (“the Sale”) and the approval obtained from the shareholders at the Group’s annual general meeting on 30 March 2016, the sale has been completed on 6 May 2016 following the receipt of the balance disposal consideration of USD11.97 million.

## **A5. Change in Estimates**

There was no material change in estimates of amounts reported in the prior interim periods of the current or in the previous financial year.

## **A6. Dividends Paid**

There was no dividend paid during the current financial quarter ended 31 March 2016.



## A7. Operating Segments

Segment information for the cumulative period is presented in respect to the Group's business segments as follows:

	<b>Heavy engineering RM'000</b>	<b>Manufacturing RM'000</b>	<b>Chartering RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>2016</b>					
<b>Continuing operations</b>					
<b>Revenue</b>					
External revenue	62,992	-	-	-	62,992
<b>Results</b>					
Segmental results – external	1,539	-	-	-	1,539
Interest income	1,377	-	-	-	1,377
Finance cost	(5,173)	-	-	-	(5,173)
Share of results in joint ventures	(4,330)	1,354	-	-	(2,976)
Share of results in associates	(10,817)	-	-	-	(10,817)
(Loss) / profit before taxation from continuing operations	(17,404)	1,354	-	-	(16,050)
Taxation					(154)
<b>Loss for the period from continuing operations</b>					(16,204)
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	-	-	(2,838)	-	(2,838)
Loss for the period					<b>(19,042)</b>

**A7. Operating Segments (Cont'd.)**

	<b>Heavy engineering RM'000</b>	<b>Manufacturing RM'000</b>	<b>Chartering RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>2015</b>					
<b>Continuing operations</b>					
<b>Revenue</b>					
External revenue	61,092	-	-	-	61,092
<b>Results</b>					
Segmental results – external	11,936	-	-	-	11,936
Interest income	138	-	-	-	138
Finance cost	(4,385)	-	-	-	(4,385)
Share of results in joint ventures	(142)	6,707	-	-	6,565
Share of results in associates	(3,005)	-	-	-	(3,005)
Profit before taxation from continuing operations	4,542	6,707	-	-	11,249
Taxation					(149)
<b>Profit for the period from continuing operations</b>					<b>11,100</b>
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	-	-	(2,682)	-	(2,682)
Profit for the period					<b>8,418</b>

**A8. Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

**A9. Carrying Amount of Revalued Assets**

There has been no revaluation of property, plant and equipment during the current quarter.

## **A10. Subsequent Material Events**

An exercise was undertaken to identify the optimal organisational structure for the Group. An obvious component of this exercise is a critical review of appropriate human capital resources, which will impact the entire Group. Specific right-sizing initiatives, based on the Group's established performance appraisal processes, have commenced in all primary operating facilities, including head office and will lead to a reduction in overall employee headcount.

A total of 78 personnel had accepted the mutual separation scheme offered by the Group as at to date with a total actual payment of approximately RM5.0 million. The increase of RM0.7 million from the announcement made on 29 February 2016 was due to additional staff related expenses incurred under the mutual separation scheme.

## **A11. Changes in Group Composition**

### **i) Proposed acquisition of 30% shares of Airbus Helicopters Simulation Centre Sdn Bhd**

On 18 March 2015, the Group's wholly owned subsidiary, BHIC Defence Technologies Sdn Bhd ("BHICDT") (a subsidiary held via Boustead Penang Shipyard Sdn Bhd) signed a Share Purchase Agreement and Joint Venture Agreement ("JVA") with Airbus Helicopters Malaysia Sdn Bhd ("AHM") for the purpose of providing Full Flight Simulator training services to pilots of EC225/EC725 helicopters in Malaysia. Included in the JVA, AHM is offering 30% of the issued and paid-up capital of Airbus Helicopters Simulation Centre Sdn Bhd for a total consideration of EUR2,300,000. The acquisition of this entity will be made through both internally generated funds and bank borrowing.

The key salient terms of the JVA has been disclosed in the announcement at Bursa Malaysia website on 18 March 2015. To date, the conditions precedent of the JVA are not met.

### **ii) BHIC Group Reorganisation of Corporate Structure**

On 21 August 2015, the Group announced the reorganisation of its corporate structure, in order to achieve better operational efficiencies, organisational clarity and focus on its core businesses. The proposed revised BHIC Group structure will be divided into three distinct divisions namely the Defence and Security Division, Commercial Division and Energy Division.

As at to date, the Group had procured all required consents and approvals from parties concerned as part of the conditions precedent imposed under the Internal Reorganisation exercise. Most dormant companies under the Group are currently in liquidation process.

The proposed Internal Reorganisation exercise is expected to be completed by 30 June 2016.

### **iii) Acquisition of a subsidiary**

On 11 March 2016, the Group incorporated a new subsidiary, BHIC AeroTech Sdn Bhd ("BHICAT") and presently has an authorised share capital of RM500,000 comprising of 500,000 ordinary shares of RM1.00 each. The principal activity of BHICAT is to carry on the business of maintenance, repair and overhaul of rotary and fixed wing aircraft.

## A11. Changes in Group Composition (cont'd.)

### iv) Commencement of Member's Voluntary Liquidation of Desa BHIC Sdn Bhd

On 8 March 2016, the Group's subsidiary Desa BHIC Sdn Bhd (Company No: 418601-K) had wound-up voluntarily and that Ms Khoo Pek Ling and Mr Leong Kok Tong of Folks Corporate Services Sdn Bhd were appointed as the Liquidators of Desa BHIC Sdn Bhd ("Desa BHIC").

Desa BHIC was incorporated on 23 January 1997 and is currently dormant.

The voluntary liquidation of Desa BHIC will not have any material effect on the earnings or net assets of the Group for the financial year ending 31 December 2016.

Save as disclosed above, there were no other changes in the composition of the Group during the period under review.

## A12. Changes in Contingent Liabilities

A customer of the Group, issued a notice of arbitration dated 7 December 2012 against a subsidiary of the Group for alleged breach of contract. The subsidiary, in response, has initiated a counter-claim against the customer.

The customer is claiming USD4,935,000 (RM21,171,000 equivalent) together with interest and costs. The subsidiary's counter-claim is a rejection of the entire customer's claim plus additional sums of USD449,332 (RM1,927,634 equivalent) and RM9,535,994, together with interest and costs.

The discovery of documents process between the customer and the subsidiary of our Group has been completed. The subsidiary of our Group reserves its rights for further discovery of documents, subject to the tribunal's approval. The subsidiary of our Group has submitted a revised application and proposed amended defence and counterclaim on 19 February 2016.

The tribunal then directed the customer to submit the substantive reply to the said revised application by 11 April 2016, but the customer requested an extension of time to reply. The tribunal adjourned the case management conference call initially fixed on 5 May 2016 and directed the subsidiary to response to the customer's reply within 10 days, before 13 May 2016.

Upon conclusion of the amendment process, the tribunal will give further directions accordingly.

## A13. Capital Commitments

The Group has the following commitments as at 31 March 2016:

	<b>Approved but not contracted for RM'000</b>	<b>Approved and contracted for RM'000</b>	<b>Total RM'000</b>
Property, plant and equipment	247,825	490	248,315

**B14. Analysis of Performance (YTD 31 March 2016 vs. YTD 31 March 2015)**

For the current quarter under review, BHIC Group recorded a revenue of RM63.0 million, an increase of RM1.9 million or 3.1% from RM61.1 million reported in the previous year's corresponding quarter.

Revenue from defence-related maintenance, repair and overhaul ("MRO") activities contributed to the Group's revenue in the current quarter.

Against last year's corresponding quarter, the Joint Venture Companies ("JV Cos") posted a lower contribution in the current quarter and this was mainly due to unrealised foreign exchange loss arising from the balance of Euros in the foreign currency bank account of a joint venture company and its outstanding trade receivables as compared with last year's corresponding quarter.

The associates posted higher share of losses of RM10.8 million in the current quarter due to variation orders for the shipbuilding project, lack of commercial MRO of foreign boats and local ferries and no new shipbuilding projects undertaken.

Under the discontinued operation, the chartering segment posted a loss in the current quarter mainly due to higher direct costs incurred by the chemical tankers under the spot charter arrangement, resulting from the deferment of the proposed sale to April 2016.

The Group recorded a loss after tax of RM19.0 million versus last year's corresponding quarter net profit of RM8.4 million due to lower contribution from defence-related MRO activities, no new oil and gas project, no contribution from commercial shipbuilding activities and negative contribution from the joint ventures and associates for the current quarter.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q1 2016 vs. Q4 2015)**

Current quarter revenue of RM63.0 million was a decrease of RM6.2 million or 9.0% from the RM69.2 million reported in the fourth quarter of 2015. This was largely attributable to lower revenue recognition in the defence-related MRO activities and commercial based MRO activities. In addition, there was no new oil and gas project undertaken in the current quarter.

Despite having positive contributions from a joint venture company engaged in the Littoral Combat Ship ("LCS") project, the current quarter loss in joint venture companies of RM3.0 million represents a decrease of RM4.4 million as compared with the fourth quarter of 2015 due to lower contribution from a joint venture company involved in the submarine in-service support project.

The associates negative contribution in the first quarter of 2016 was largely due to variation orders for the shipbuilding project.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q1 2016 vs. Q4 2015) (cont'd.)**

Under discontinued operation, the chartering segment posted a net loss of RM2.8 million in the current quarter due to direct costs incurred by all three chemical tankers under the spot charter arrangement. Higher loss posted in the last quarter of 2015 was mainly due to impairment loss of the chemical tankers of RM12.6 million.

As a result, the Group posted a loss of RM19.0 million in the current quarter as compared with a loss of RM52.3 million in the last quarter of 2015.

**B16. Commentary on Prospects**

On 19 April 2016, a subsidiary company, BHIC Shipbuilding & Engineering Sdn Bhd, had received and accepted a Letter of Award from KFS Support Services Sdn Bhd (“KFS”) in relation to the contract for the design, supply, construct, testing & commissioning and delivery of three units of 45 tonne Bollard Pull ASD Harbour Tugs for a total contract price of RM54.9 million. This contract is subjected to KFS entering into a contract with Konsortium Pelabuhan Kemaman Sdn Bhd and a support letter from a reputable financial institution confirming the provision of facility to fund the project. The Contract will contribute positively to the Group’s future earnings.

On 19 April 2016, Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) and the Government of Malaysia (“GoM”) finalised the negotiations and executed the Extended In-Service Support contract of the two submarines. The contractual refit period for each submarine is 18 months from its respective start date. The Contract will contribute positively to the Group’s future earnings.

In addition, the physical construction of the first of the six ships for the LCS project has begun in 2015, with the first in class ship delivery in 2019 and the remaining five ships to be delivered at regular intervals thereafter. On 8 March 2016, the Group’s associate, Boustead Naval Shipyard Sdn Bhd (“BN Shipyard”) held a “Keel Laying Ceremony” for the first of six LCS for the Royal Malaysian Navy. BN Shipyard holds the design rights of the LCS platform, which raises the possibility of the associate company offering it for future projects. The building of the LCS is a significant step forward in advancing Malaysia’s maritime and defence industry.

The sale of the three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 was completed on 6 May 2016. This was in line with the rationalisation exercise that the Group has taken to focus its activities in shipbuilding, MRO and oil and gas services.

The Group expects the oil and gas sector to remain challenging in view of the present competitive environment and capital expenditures cut as announced by oil majors.

**B17. Notes on variance in actual profit and shortfall in profit guarantee**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interests and shortfall in profit guarantee are not applicable.

**B18. Notes to the Consolidated Income Statements**

Save as disclosed below and included in the consolidated income statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Listing Requirements of Bursa Malaysia:

	<b>Current Period 2016 RM'000</b>	<b>Cumulative Period 2016 RM'000</b>
<b>Continuing operations</b>		
Other income	(66)	(66)
Net gain on foreign currency exchange	(847)	(847)
Gain on disposal of property, plant and equipment	(18)	(18)
Depreciation of investment property	121	121
Depreciation of property, plant and equipment	1,604	1,604
<b>Discontinued operation</b>		
Net gain on foreign currency exchange	(192)	(192)

**B19. Taxation**

	<b>Current Period 2016 RM'000</b>	<b>Cumulative Period 2016 RM'000</b>
Malaysian taxation based on profit for the period:		
- Current corporate tax	154	154

The Group's effective tax rate for the current and cumulative period are lower than the statutory rate of tax applicable mainly due to availability of tax losses brought forward from prior years to be offset against current profit.

**B20. Status of Corporate Proposal**

There were no corporate proposals announced and there are none pending completion.

**B21. Group Borrowings and Debt Securities**

Total group borrowings as at 31 March 2016 are as follows:

	<b>31.03.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings:		
Secured		
- Term loans	7,766	8,046
- Hire purchase and finance lease liabilities	880	209
	<u>8,646</u>	<u>8,255</u>
Short term borrowings		
Unsecured		
- Revolving credits	320,000	290,000
Secured		
- Term loans	1,120	7,705
- Revolving credits	-	48,975
- Hire purchase and finance lease liabilities	237	97
	<u>321,357</u>	<u>346,777</u>

All current period borrowings are denominated in Ringgit Malaysia.

**B22. Disclosure of Derivatives**

There were no outstanding derivatives as at 31 March 2016.

**B23. Gains/Losses Arising From Fair Value Changes of Financial Liabilities**

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter ended 31 March 2016.



**B24. Realised and Unrealised Unappropriated Profits**

	<b>As at 31 March 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Total retained profits of Company and its subsidiaries:		
- Realised	(371,062)	(381,826)
- Unrealised	18,779	35,068
Total share of retained profits from joint ventures:		
- Realised	93,018	109,962
- Unrealised	300	(13,668)
Total share of retained profits from associates:		
- Realised	101,832	112,649
- Unrealised	-	-
	<hr/>	<hr/>
	(157,133)	(137,815)
Consolidated adjustments	159,453	159,176
Total Group retained profits as per consolidated financial statements	<hr/> <b>2,320</b>	<hr/> <b>21,361</b>

The determination of realised and unrealised profits is compiled based on Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

## B25. Changes in Material Litigations

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2015, except for the following cases:

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Ingat Kawan (M) Sdn Bhd ("Plaintiff")	50,000	<p>On 14 March 2013, the Court had allowed the application to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to BN Shipyard.</p> <p>BN Shipyard, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs. Ingat Kawan had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal. Hearing on the appeal was heard on 11 November 2013, where the Court of Appeal had allowed Ingat Kawan's appeal and ordered the matter to be tried at the High Court.</p> <p>BN Shipyard has filed a leave application to appeal to the Federal Court. This matter was originally fixed for hearing on 23 June 2014 but later adjourned by the Court to 15 October 2014. The Court heard the application on 15 October 2014 and then adjourned the matter for Case Management on 3 November 2014 pending issuance of the Grounds of Judgment by the Court of Appeal.</p> <p>Pursuant to the Case Management before the Deputy Registrar of the Federal Court on 3 November 2014, the Court has fixed the next case management on 4 February 2015 pending availability of the Court of Appeal's Ground of Judgement and the filing of the Supplementary Affidavit containing the Grounds of Judgement.</p> <p>The Court has fixed the next Case Management date on 7 May 2015 pending the availability of the Court of Appeal's Ground of Judgement and filing of the Supplementary Affidavit containing the Grounds of Judgement. The Court has further allowed BN Shipyard to add or alter the question of law for the leave application upon obtaining the Grounds of Judgement.</p> <p>Due to the non-availability of the Court of Appeal's Ground of Judgement, the Court fixed the matter for further case management on 18 August 2015.</p> <p>The Court has fixed the matter for further case management on 24 May 2016 pending the availability of the Grounds of Judgement from the Court of Appeal.</p>

**B26. Dividend Payable**

The Board does not recommend any dividend for the financial year ended 31 March 2016 (previous period ended 31 March 2015: Nil).

**B27. Earnings per Share**

	<b>2016</b>	<b>Current Period 2015</b>	<b>2016</b>	<b>Cumulative Period 2015</b>
Net (loss) / profit for the period – RM'000	(19,042)	8,418	(19,042)	8,418
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total (loss) / earnings per share – sen	(7.66)	3.39	(7.66)	3.39

**By Order of the Board**

**LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)**

**SUZANA BINTI SANUDIN (LS 008028)**

Secretaries

Kuala Lumpur

Date: 13 May 2016