Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 December 2016	Note	Current Period		Cumulative Year	
		2016	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations					
Revenue	**A7**	**110,473**	69,210	**307,518**	265,641
Operating cost		**(64,237)**	(100,371)	**(206,346)**	(254,009)
Profit / (loss) from operations	**B18**	**46,236**	(31,161)	**101,172**	11,632
Interest income		**477**	109	**2,092**	443
Finance cost		**(3,483)**	(4,564)	**(16,168)**	(18,202)
Share of results of joint ventures		**14,218**	1,396	**22,011**	21,494
Share of results of associates		**(2,394)**	(9,583)	**(26,899)**	(19,316)
Profit / (loss) before taxation from continuing operations	**A7**	**55,054**	(43,803)	**82,208**	(3,949)
Taxation	**B19**	**(122)**	(1,204)	**(1,701)**	(3,589)
Profit / (loss) for the period / year from continuing operations		**54,932**	(45,007)	**80,507**	(7,538)
Discontinued operation					
Profit / (loss) from discontinued operation, net of tax		**663**	(7,253)	**(3,811)**	(23,201)
Profit / (loss) for the period / year		**55,595**	(52,260)	**76,696**	(30,739)
Attributable to:					
Shareholders of the Company		**55,595**	(52,260)	**76,696**	(30,739)
Non-controlling interests		**-**	-	**-**	-
Net profit / (loss) for the period / year		**55,595**	(52,260)	**76,696**	(30,739)
Basic/diluted earnings / (loss) per share attributable to shareholders of the Company (sen):					
Total	**B27**	**22.37**	(21.03)	**30.87**	(12.37)
Continuing operations		**22.10**	(18.11)	**32.40**	(3.03)
Discontinued operation		**0.27**	(2.92)	**(1.53)**	(9.34)

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 December 2016	Current Period		Cumulative Year	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit / (loss) for the period / year	**55,595**	(52,260)	**76,696**	(30,739)
Foreign currency translation	**-**	-	**-**	-
Total comprehensive income / (loss) for the period / year	**55,595**	(52,260)	**76,696**	(30,739)
Total comprehensive income / (loss) attributable to:				
Shareholders of the Company	**55,595**	(52,260)	**76,696**	(30,739)
Non-controlling interests	**-**	-	**-**	-
Net profit / (loss) for the period / year	**55,595**	(52,260)	**76,696**	(30,739)

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 December 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		**62,127**	65,103
Investment property		**13,840**	13,989
Deferred tax assets		**19,447**	18,891
Joint ventures		**105,791**	86,552
Associates		**137,484**	164,384
		338,689	348,919
Current assets			
Inventories		**57,574**	3,641
Receivables		**286,746**	250,278
Tax recoverable		**12,163**	9,391
Cash and bank balances		**24,247**	54,075
Non-current assets held for sale		**-**	72,627
		380,730	390,012
TOTAL ASSETS		**719,419**	738,931
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**248,458**	248,458
Retained earnings		**98,057**	21,361
Shareholders' funds		**346,515**	269,819
Non-controlling interests		**-**	1
Total equity		**346,515**	269,820
Non-current liabilities			
Long term borrowings	**B21**	**7,817**	8,255
Deferred tax liabilities		**49**	76
		7,866	8,331
Current liabilities			
Borrowings	**B21**	**246,416**	346,777
Trade and other payables		**118,208**	113,087
Tax payables		**414**	916
		365,038	460,780
Total liabilities		**372,904**	**469,111**
TOTAL EQUITY AND LIABILITIES		**719,419**	**738,931**
Net assets per share attributable to ordinary equity holders of the Company - RM		**1.39**	1.09

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

	Attributable to equity holders of the Company				
For the year ended 31 December 2016	**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 income for the year	-	76,696	**76,696**	-	**76,696**
Transactions with owners					
Additional investment in a Subsidiary	**-**	**-**	**-**	(1)	**(1)**
Balance at 31 December 2016	**248,458**	**98,057**	**346,515**	**-**	**346,515**
At 1 January 2015	**248,458**	**52,099**	**300,557**	**36**	**300,593**
Total comprehensive loss for the year	-	(30,739)	**(30,739)**	-	**(30,739)**
Transactions with owners					
Dividend on ordinary shares:					
- interim	-	-	**-**	(1)	**(1)**
Additional investment in a Subsidiary	-	-	**-**	(34)	**(34)**
Premium paid on acquisition of non-controlling interest	-	1	**1**	-	**1**
Total transactions with owners	-	1	1	(35)	(34)
Balance at 31 December 2015	**248,458**	**21,361**	**269,819**	**1**	**269,820**

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 December 2016 RM'000	As at 31 December 2015 RM'000
Operating Activities		
Receipts from customers	**282,408**	258,551
Cash paid to suppliers and employees	**(288,651)**	(235,290)
Net cash (paid) / received to related companies	**(500)**	(3,845)
Cash (used in) / generated from operations	**(6,743)**	19,416
Interest paid	**(15,795)**	(18,053)
Tax paid less refunds	**(5,529)**	(3,538)
Net cash used in operating activities	**(28,067)**	(2,175)
Investing Activities		
Interest received	**2,360**	334
Dividends received	**2,771**	5,487
Proceed from disposal of property, plant and equipment	**67,138**	-
Purchase of property, plant and equipment	**(2,878)**	(3,804)
Purchase of investment property	**(335)**	-
Additional investment in a subsidiary	**-**	(35)
Upliftment of pledged fixed deposits and more than 90 days, net	**2,677**	(212)
Purchase of intangible asset	**(117)**	(534)
Net cash generated from investing activities	**71,616**	1,236
Financing Activities		
Repayment of borrowings	**(116,225)**	(22,212)
Proceed from drawdown of term loan / revolving credits / hire purchases	**41,164**	10,322
Net cash used in financing activities	**(75,061)**	(11,890)
Net decrease in cash and cash equivalents	**(31,512)**	(12,829)
Effect of foreign exchange rate changes	**4,360**	2,699
Cash and cash equivalents at beginning of year	**51,399**	61,529
Cash and Cash Equivalents at End of Year	**24,247**	51,399
Cash and Cash Equivalents at End of Year Comprise:		
Deposits with licensed banks	**1,000**	33,345
Cash and bank balances	**23,247**	20,730
Total cash and bank balances	**24,247**	54,075
Less: Deposits with licensed banks pledged and more than 90 days	**-**	(2,676)
Cash and Cash Equivalents at End of Year	**24,247**	51,399

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

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial year ended 31 December 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:

MFRS and Amendments to MFRSs		**Effective for annual periods beginning on or after**
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
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.)

Amendments to MFRSs		**Effective for annual periods beginning on or after**
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:

MFRS and Amendments to MFRSs		**Effective for annual periods beginning on or after**
Amendments to MFRS 12	Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2017
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
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2 (Share-based Payment)	Classification and Measurement of Share-based payment Transactions	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers and Clarification to MFRS 15	1 January 2018
Amendments to MFRS 128 (Investments in Associate and Joint Ventures)	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140 (Investment Property)	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	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.

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

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.

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.

MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

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

i) Disposal of Three Chemical Tankers

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. All actual expenses has been billed accordingly and paid by Jasa Merin.

ii) Right-sizing Exercise

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 the head office and will lead to a reduction in overall employee headcount.

A total of 149 personnel had accepted the mutual separation scheme offered by the Group as at to date with a total actual payment of approximately RM9.2 million. The increase of RM2.8 million from the announcement made on 9 November 2016 was due to additional staff related expenses incurred under the mutual separation scheme.

This exercise will continue until the Group reached its desired organisation structure.

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 December 2016.

A7. Operating Segments

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

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2016						
Group total sales	2,722	289,573	11,781	86,754	(83,312)	307,518
Inter-segment sales	(18)	(1,610)	-	(81,684)	83,312	-
External Revenue	2,704	287,963	11,781	5,070	-	307,518
Results						
Segment result-external	(6,298)	115,942	5,333	(31,865)	18,060	101,172
Interest income	-	624	-	4,593	(3,125)	2,092
Finance costs	(1,170)	(355)	-	(18,238)	3,595	(16,168)
Share of result in joint venture	-	22,011	-	-	-	22,011
Share of result in associates	-	(26,899)	-	-	-	(26,899)
(Loss) / profit before taxation from continuing operations	(7,468)	111,323	5,333	(45,510)	18,530	82,208
Income tax expense						(1,701)
Profit for the year from continuing operations						80,507
Discontinued operation						
Loss from discontinued operation, net of tax	(3,811)	-	-	-	-	(3,811)
Profit for the year						**76,696**

A7. Operating Segments (Cont'd.)

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2015						
Group total sales	6,815	231,929	26,898	28,411	(28,412)	265,641
Inter-segment sales	(68)	(2,925)	-	(25,419)	28,412	-
External Revenue	6,747	229,004	26,898	2,992	-	265,641
Results						
Segment result-external	(1,179)	76,919	(13,575)	(35,477)	(15,056)	11,632
Interest income	-	292	-	4,085	(3,934)	443
Finance costs	(1,162)	(258)	-	(21,537)	4,755	(18,202)
Share of result in joint venture	-	21,494	-	-	-	21,494
Share of result in associates	-	(19,316)	-	-	-	(19,316)
(Loss) / profit before taxation from continuing operations	(2,341)	79,131	(13,575)	(52,929)	(14,235)	(3,949)
Income tax expense						(3,589)
Loss for the year from continuing operations						(7,538)
Discontinued operation						
Loss from discontinued operation, net of tax	(23,201)	-	-	-	-	(23,201)
Loss for the year						**(30,739)**

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

There has been no subsequent material events during the current quarter.

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. All agreements and statutory documents are currently in the process of execution.

The proposed Internal Reorganisation exercise is expected to be completed by 30 June 2017.

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.

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 ended 31 December 2016.

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

v) Commencement of Member's Voluntary Liquidation of Burlington Promotions & Publications Sdn Bhd

On 28 June 2016, the Group's subsidiary Burlington Promotions & Publications Sdn Bhd (Company No: 267060-H) had wound-up voluntarily and that Mr Ng Eng Kiat and Mr Ng Yong Chin of Folks Corporate Services Sdn Bhd were appointed as the Liquidators of Burlington Promotions & Publications Sdn Bhd ("BPP").

BPP was incorporated on 15 June 1993 and is currently dormant.

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

vi) Acquisition of the remaining 400 ordinary shares in Perstim Industries Sdn Bhd

On 21 June 2016, the Group acquired the remaining 400 shares of RM1.00 each in Perstim Industries Sdn Bhd ("Perstim') at a total consideration of RM400.00 ("Acquisition").

Perstim was incorporated on 24 January 1995 and is currently dormant.

The Acquisition will not have any material effect on the earnings or net assets of the Group for the financial year ended 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.

As per the announcement made on 14 October 2016 to Bursa Malaysia, the subsidiary had entered into a settlement agreement with the customer in counterparts on 12 October 2016 and subsequently exchanged the counterparts on 13 October 2016.

In accordance to the settlement, the subsidiary proposed and the customer had accepted a settlement sum of USD1.5 million as full and final settlement of all claims and counterclaims in this reference, on the basis that each party is to bear its own legal costs in relation to the claims and counterclaims, including but not limited to the costs incurred in the arbitration under the Kuala Lumpur Regional Centre for Arbitration ("KLRCA") Rules 2013.

The Group has effected the settlement payment of USD1.5 million on 25 October 2016.

A13. Capital Commitments

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

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	26,955	559	27,514

B14. Analysis of Performance (FYE 31 December 2016 vs. FYE 31 December 2015)

For the current year under review, BHIC Group recorded a revenue of RM307.5 million, RM41.9 million higher than RM265.6 million reported in the previous corresponding year.

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

Lower operating costs were recorded in the current year as compared with the previous corresponding year mainly due to revision in the project cost under defence-related MRO.

Higher interest income in the current year was mainly due to deposit pledged by the Group. On the other hand, finance cost was lower in the current year mainly due to repayment of borrowings.

Against last year's results, the Joint Venture Companies ("JV Cos") posted a slightly higher contribution in the current year and this was mainly from the reversal of provision for cost by Boustead DCNS Naval Corporation Sdn Bhd ("BDNC") and the tax exemption granted by the Ministry of Finance ("MoF") on the submarine projects.

The associates posted a higher share of losses of RM26.9 million in the current year due to variation orders for the shipbuilding project, additional cost to completion for the restoration of KD PERANTAU, additional staff costs incurred under the mutual separation scheme, lack of commercial-based MRO of foreign boats and local ferries as well as no new shipbuilding projects undertaken. Additionally, fewer Royal Malaysian Navy ("RMN") vessels enter the yard for repair works.

Under the discontinued operation, the chartering segment posted a loss in the current year mainly due to higher direct costs incurred by the chemical tankers under the previous spot charter arrangement prior to the disposal of the chemical tankers in May 2016 and loss on disposal of the chemical tankers. However, the losses were cushioned by the reversal of accrual of operating expenses such as crew wages and lubricant oils pursuant to the reconciliation of expenses. Higher losses were recorded in last year's corresponding period due to foreign exchange losses resulting from the rollover of the Group's foreign currency-denominated borrowings to purchase MT CHULAN 1 chemical tanker in prior years.

The Group recorded a profit after tax of RM76.7 million versus last year's net loss of RM30.7 million.

B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2016 vs. Q3 2016)

Current quarter revenue of RM110.5 million was 72% higher than RM64.3 million reported in the third quarter of 2016.

Higher operating costs were recorded in the current quarter as compared with the third quarter of 2016 mainly due to impairment loss on receivables. However, the impact was cushioned by a revision in the project cost under defence-related MRO.

The joint venture companies posted higher profit of RM14.2 million in the current quarter due to reversal of provision for cost by BDNC.

The associates contribution in the previous quarter was adversely affected by the variation order claim from Original Equipment Manufacturer ("OEM") for the LCS project. On the other hand, the current quarter contribution was higher due to progress on certain defence-related projects.

As a result, the Group posted a profit after tax of RM55.6 million in the current quarter as compared with a net profit of RM14.9 million in the third quarter of 2016.

B16. Commentary on Prospects

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 units of LCS being built at the yard for RMN. The construction of the blocks and systems and engineering integration development activities of the first unit of the LCS is currently on-going and the construction of the second and third units have started. The launching of the first ship is expected in the third quarter of 2017 and with its delivery in 2019. The remaining five ships will be delivered at regular intervals thereafter.

On 4 November 2016, BN Shipyard received a non-binding Letter of Intent dated 26 October 2016 from the Ministry of Defence Malaysia for the supply of four (4) units of the Littoral Mission Ship ("LMS") for the Royal Malaysian Navy ("RMN"). The first two LMS would be built at a shipyard in China until they are ready for delivery to BN Shipyard and the RMN. Concurrently, the Chinese shipyard will supply the material and equipment packages for the remaining two vessels to be built by BN Shipyard in Lumut. Negotiations are currently ongoing between the Group and the RMN on this matter.

The contracts awarded to the joint venture companies, BHIC AeroServices Sdn Bhd ("BHICAS"), BHIC Bofors and BDNC are expected to contribute positively towards the future earnings of the Group.

The oil and gas sector is on firmer ground now compared to a year ago as it adapts to the low oil price environment through cost rationalisation, capital discipline, cash flow preservation and human capital development. The Group will continue to source for new oil and gas projects amid the improving industry landscape.

B16. Commentary on Prospects (cont'd.)

2017 would see the full effect of the internal reorganisation exercise and transformation efforts with focus on the three sectors i.e. Defence & Security, Energy and Commercial. The ongoing internal reorganisation is expected to be completed by end of June 2017.

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:

	Current Period 2016 RM'000	**Cumulative Year 2016 RM'000**
Continuing operations		
Other income	(88)	(196)
Net loss / (gain) on foreign currency exchange	3,183	(784)
Loss / (Gain) on disposal of property, plant and equipment	14	(79)
Depreciation of investment property	120	484
Depreciation of property, plant and equipment	1,696	6,043
Stock written down	30,844	30,844
Impairment loss of intangible asset	123	123
Allowance for impairment:		
- Trade receivables	589	589
- Other receivables	1,222	1,222
Impairment loss of advances to supplier	3,752	3,752
Impairment loss of amount due from contract	6,197	6,197
Discontinued operation		
Net gain on foreign currency exchange	(4)	(2,087)
Loss on disposal of property, plant and equipment	-	4,927

B19. Taxation

	Current Period 2016 RM'000	Cumulative Year 2016 RM'000
Malaysian taxation based on profit for the period:		
- Current corporate tax	901	2,480
- Over provision in prior year	(223)	(223)
	678	2,257
Deferred taxation:		
Relating to origination of temporary differences	(556)	(556)
Total income tax for the period	122	1,701

The Group's effective tax rate for the current and cumulative period are lower than the statutory rate of tax applicable mainly due to certain incomes were granted a tax exemption and 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 December 2016 are as follows:

	31.12.2016 RM'000	31.12.2015 RM'000
Long term borrowings:		
Secured		
- Term loans	6,926	8,046
- Hire purchase and finance lease liabilities	891	209
	7,817	8,255
Short term borrowings		
Unsecured		
- Revolving credits	245,000	290,000
Secured		
- Term loans	1,120	7,705
- Revolving credits	-	48,975
- Hire purchase and finance lease liabilities	296	97
	246,416	346,777

All current period borrowings are denominated in Ringgit Malaysia.

B22. Disclosure of Derivatives

There were no outstanding derivatives as at 31 December 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 December 2016.

B24. Realised and Unrealised Unappropriated Profits

	As at 31 December 2016 RM'000	**As at 31 December 2015 RM'000**
Total retained profits of Company and its subsidiaries:		
- Realised	(176,381)	(381,824)
- Unrealised	20,048	35,068
Total share of retained profits from joint ventures:		
- Realised	129,903	109,962
- Unrealised	(11,598)	(13,668)
Total share of retained profits from associates:		
- Realised	85,750	112,647
- Unrealised	-	-
	47,722	(137,815)
Consolidated adjustments	50,335	159,176
Total Group retained profits as per consolidated financial statements	98,057	21,361

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	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. 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. BN Shipyard 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. Pursuant to the Case Management before the Deputy Registrar of the Federal Court on 3 November 2014, the Court 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. The Court 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 further allowed BN Shipyard to add or alter the question of law for the leave application upon obtaining the Grounds of Judgement. 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. On 13 July 2016, the Federal Court granted BN Shipyard the leave to appeal to the Federal Court against the decision of the Court of Appeal dated 11 November 2013 that the case be tried at the High Court.

Company	Claimant Company	Amount RM'000	Status
			The Federal Court allowed all the six (6) leave questions for hearing and ordered that the request for cost be in the appeal cause paper and the deposit to be refunded to BN Shipyard. The Federal Court fixed the matter for a new case management on 24 April 2017.
Boustead Penang Shipyard Sdn Bhd ("BP Shipyard"	Muara Hijau Sdn Bhd ("Plaintiff")	5,537	The Plaintiff was a contractor appointed by BP Shipyard to supply microturbine generator ("MTG") for one of BP Shipyard's oil & gas project. During performance of test run in the commissioning phase to synchronise the MTG and a diesel engine generator (supplied by BP Shipyard's other contractor), the MTG tripped and damaged. Due to such incident, the Plantiff claims that the warranty of the MTG is void. The Plaintiff is now claiming for the alleged costs incurred during the commissioning phase and to repair and maintain the MTG as well as renewal of its warranty. The High Court had fixed the matter for further case management on 21 March 2017.

B26. Dividend Payable

The Board approved an interim single-tier dividend of 3 sen per share for the financial year ending 31 December 2017 (previous year ended 31 December 2016: Nil). The dividend will be paid to all shareholders on 30 March 2017.

B27. Earnings per Share

	Current Period 2016	2015	Cumulative Period 2016	2015
Net profit ((loss) for the period / year – RM'000	55,595	(52,260)	76,696	(30,739)
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total earnings per share – sen	22.37	(21.03)	30.87	(12.37)

By Order of the Board

LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)
SUZANA BINTI SANUDIN (LS 008028)
Secretaries
Kuala Lumpur
Date: 24 February 2017