

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 June 2017	Note	Current Period		Cumulative Period	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations					
Revenue	A7	43,770	69,745	120,611	132,737
Operating cost		(30,419)	(30,805)	(103,207)	(92,258)
Profit from operations	B18	13,351	38,940	17,404	40,479
Interest income		270	63	581	1,440
Finance cost		(3,243)	(4,479)	(6,558)	(9,652)
Share of results of joint ventures		5,919	2,777	7,745	(199)
Share of results of associates		7,195	(7,763)	7,535	(18,580)
Profit before taxation from continuing operations	A7	23,492	29,538	26,707	13,488
Taxation	B19	457	(271)	7	(425)
Profit for the period from continuing operations		23,949	29,267	26,714	13,063
Discontinued operation					
Loss from discontinued operation, net of tax		(9)	(4,003)	(61)	(6,841)
Profit for the period		23,940	25,264	26,653	6,222
Attributable to:					
Shareholders of the Company		23,940	25,264	26,653	6,222
Non-controlling interests		-	-	-	-
Net profit for the period		23,940	25,264	26,653	6,222
Basic / diluted earnings per share attributable to shareholders of the Company (sen):					
Total	B27	9.64	10.17	10.73	2.50
Continuing operations		9.64	11.78	10.75	5.25
Discontinued operation		-	(1.61)	(0.02)	(2.75)

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 30 June 2017	Current Period		Cumulative Period	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the period	23,940	25,264	26,653	6,222
Foreign currency translation	-	-	-	-
Total comprehensive income for the period	23,940	25,264	26,653	6,222
Total comprehensive income attributable to:				
Shareholders of the Company	23,940	25,264	26,653	6,222
Non-controlling interests	-	-	-	-
Net profit for the period	23,940	25,264	26,653	6,222

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 30 June	As at 31 December
		2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		59,226	62,127
Investment property		13,602	13,840
Deferred tax assets		20,098	19,447
Joint ventures		112,006	105,792
Associates		145,019	137,485
		<u>349,951</u>	<u>338,691</u>
Current assets			
Inventories		38,923	57,574
Receivables		281,174	286,747
Tax recoverables		13,403	12,163
Cash and bank balances		26,752	24,247
		<u>360,252</u>	<u>380,731</u>
TOTAL ASSETS		<u>710,203</u>	<u>719,422</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		248,458	248,458
Retained earnings		117,256	98,057
Shareholders' funds, representing total equity		<u>365,714</u>	<u>346,515</u>
Non-current liabilities			
Long term borrowings	B21	7,103	7,817
Deferred tax liabilities		49	49
		<u>7,152</u>	<u>7,866</u>
Current liabilities			
Borrowings	B21	231,424	246,416
Trade and other payables		105,814	118,211
Tax payables		99	414
		<u>337,337</u>	<u>365,041</u>
Total liabilities		<u>344,489</u>	<u>372,907</u>
TOTAL EQUITY AND LIABILITIES		<u>710,203</u>	<u>719,422</u>
Net assets per share attributable to ordinary equity holders of the Company - RM		<u>1.47</u>	<u>1.39</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

Attributable to equity holders of the Company

For the period ended 30 June 2017	Share Capital	Distributable Retained Earnings	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	248,458	98,057	346,515	-	346,515
Total comprehensive profit for the period	-	26,653	26,653	-	26,653
Transaction with owners					
Dividend on ordinary shares:					
- interim single-tier (Note A6)	-	(7,454)	(7,454)	-	(7,454)
Balance at 30 June 2017	248,458	117,256	365,714	-	365,714
At 1 January 2016	248,458	21,361	269,819	1	269,820
Total comprehensive profit for the period	-	6,222	6,222	-	6,222
Transaction with owners	-	-	-	(1)	(1)
Additional investment in a subsidiary	-	-	-	(1)	(1)
Balance at 30 June 2016	248,458	27,583	276,041	-	276,041

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 30 June	As at 30 June
	2017	2016
	RM'000	RM'000
Operating Activities		
Receipts from customers	143,882	128,407
Cash paid to suppliers and employees	(129,798)	(136,289)
Net cash received / (paid) to related companies	1,072	(334)
Cash generated from / (used in) operations	15,156	(8,216)
Interest paid	(3,443)	(8,220)
Tax paid less refunds	(1,548)	(1,357)
Net cash generated from / (used in) operating activities	10,165	(17,793)
Investing Activities		
Interest received	583	1,711
Proceed from disposal of property, plant and equipment	4	67,177
Purchase of property, plant and equipment	(595)	(1,603)
Upliftment of pledged fixed deposits and more than 90 days, net	-	1,782
Purchase of intangible asset	-	(56)
Net cash (used in) / generated from investing activities	(8)	69,011
Financing Activities		
Repayment of borrowings	(10,708)	(110,496)
Dividends paid to shareholders of the Company	(7,454)	-
Proceed from drawdown of term loan / revolving credits / hire purchases	10,000	40,868
Net cash generated used in financing activities	(8,162)	(69,628)
Net increase / (decrease) in cash and cash equivalents	1,995	(18,410)
Effect of foreign exchange rate changes	510	2,800
Cash and cash equivalents at beginning of period	24,247	51,399
Cash and Cash Equivalents at End of Period	26,752	35,789
Cash and Cash Equivalents at End of Period Comprise:		
Deposits with licensed banks	8,200	6,532
Cash and bank balances	18,552	30,151
Total cash and bank balances	26,752	36,683
Less: Deposits with licensed banks pledged and more than 90 days	-	(894)
Cash and Cash Equivalents at End of Period	26,752	35,789

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 30 June 2017

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial period ended 30 June 2017, 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 2016. 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 2016 except as follows:

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 12 (Disclosure of Interest in Other Entities)	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

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

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

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 1 (First-time Adoption of Malaysian Financial Reporting Standards)	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 Associates 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
Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures)	Sales or Contribution of Asset between Investor and its Associates or Joint Venture	Deferred

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:

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

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.

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) 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 160 personnel (as at 31 December 2016: 149 personnel) had accepted the mutual separation scheme offered by the Group as at to date with a total actual payment of approximately RM10.1 million (as at 31 December 2016: RM9.2 million). The increase of RM0.9 million from the announcement made on 24 February 2017 was due to additional staff related expenses incurred under the mutual separation scheme. No additional payments were made to staff since the announcement made on 26 May 2017.

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

In the current period ended 30 June 2017, the Group paid an interim single-tier dividend of 3 sen per share amounting to RM7,453,728.42 (2016: Nil) in respect of the financial year ending 31 December 2017 on 30 March 2017.

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 30 June 2017						
Group total sales	939	115,121	5,757	3,381	(4,587)	120,611
Inter-segment sales	(28)	(1,255)	-	(3,304)	4,587	-
External Revenue	911	113,866	5,757	77	-	120,611
Results						
Segment result-external	(1,772)	27,330	5,715	(10,021)	(3,848)	17,404
Interest income	-	577	-	1,280	(1,276)	581
Finance costs	(638)	(96)	-	(7,237)	1,413	(6,558)
Share of result in joint venture	-	7,745	-	-	-	7,745
Share of result in associates	-	7,535	-	-	-	7,535
(Loss) / profit before taxation from continuing operations	(2,410)	43,091	5,715	(15,978)	(3,711)	26,707
Income tax benefit						7
Profit for the period from continuing operations						26,714
Discontinued operation						
Loss from discontinued operation, net of tax	(61)	-	-	-	-	(61)
Profit for the period						26,653
As at 30 June 2016						
Group total sales	753	120,869	11,781	4,995	(5,661)	132,737
Inter-segment sales	-	(840)	-	(4,821)	5,661	-
External Revenue	753	120,029	11,781	174	-	132,737
Results						
Segment result-external	(2,032)	53,290	5,390	21,425	(37,594)	40,479
Interest income	-	162	-	3,200	(1,922)	1,440
Finance costs	(584)	(134)	-	(10,687)	1,753	(9,652)
Share of result in joint venture	-	(199)	-	-	-	(199)
Share of result in associates	-	(18,580)	-	-	-	(18,580)
(Loss) / Profit before taxation from continuing operations	(2,616)	34,539	5,390	13,938	(37,763)	13,488
Income tax expense						(425)
Profit for the period from continuing operations						13,063
Discontinued operation						
Loss from discontinued operation, net of tax	(6,841)	-	-	-	-	(6,841)
Profit for the period						6,222

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

i) Liquidated Damages Claim by the Ministry of Defence (“MINDEF”), Malaysia

On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) received a letter from MINDEF claiming for Liquidated Damages amounting to RM53.2 million and EUR19.3 million for the In-Service Support (“ISS”) for the Royal Malaysian Navy SCORPENE Submarines contract.

The management is currently reviewing the claim and is in the process of compiling all justifications and documentations to ascertain the claim.

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.

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

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.

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

There has been no contingent liability arising since the financial year end other than as disclosed under Note B25 (Changes in Material Litigations).

A13. Capital Commitments

The Group has the following commitments as at 30 June 2017:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	26,640	42	26,682

B14. Analysis of Performance (FPE 30 June 2017 vs. FPE 30 June 2016)

For the current period under review, BHIC Group recorded a revenue of RM120.6 million, RM12.1 million or 9% lower than RM132.7 million reported in last year's corresponding period.

The current period revenue was derived mainly from defence-related maintenance, repair and overhaul ("MRO") activities. Higher revenue recorded in last year's corresponding quarter was largely attributable to approved variation orders for the Oil and Gas's Belum Topside project. In addition, lower operating costs were recorded in last year's corresponding period mainly due to revision in the project cost under defence-related MRO.

Higher interest income in the last year's corresponding period was mainly due to interest earned from the deposit pledged by the Group. On the other hand, finance cost was lower in the current period mainly due to repayment of borrowings.

The Joint Venture Companies ("JV Cos") posted a higher profit in the current period due to favourable foreign exchange translations arising from outstanding trade payables.

The associates posted a share of profit in the current period mainly due to acceleration of the Littoral Combat Ship ("LCS") and Littoral Mission Ship ("LMS") projects. In addition, the defence-related ship repair segment posted higher profits due to progress of ship repair works, reversals of provision and long outstanding debt pertaining to the salvage work for the Service Life Extension Programme ("SLEP") project. However, in the last year's corresponding period, the associates posted a negative contribution of RM18.6 million due to variation orders for the shipbuilding project, lack of commercial MRO of foreign boats and local ferries as well as no new shipbuilding projects undertaken. Furthermore, additional staff costs were incurred under the mutual separation scheme which subsequently resulted in lower contribution from the associates in 2016.

Under the discontinued operation, the chartering segment posted a higher loss in last year's corresponding period due to higher direct costs incurred by the three chemical tankers under the previous spot charter arrangement prior to the disposal of these tankers in May 2016 and loss on disposal arising from the sale of these tankers.

In addition, the Group recorded an adjustment on deferred tax in relation to trade related provisions for costs.

The Group recorded a net profit of RM26.7 million versus last year's corresponding period net profit of RM6.2 million.

B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q2 2017 vs. Q1 2017)

Preceding quarter revenue of RM76.8 million was higher than the current quarter contribution of RM43.8 million. Higher revenue in the first quarter was mainly derived from defence-related MRO activities. However, the oil and gas segment recorded an additional revenue of RM5.8 million from the conditional approved variation orders and reimbursement claims for the Belum Topside project.

Higher operating costs were recorded in the first quarter of 2017 as compared with the current quarter mainly due to unfavourable foreign exchange translations.

The joint venture companies posted a positive contribution of RM5.9 million in the current quarter as compared with the preceding quarter profit of RM1.8 million largely due to favourable foreign exchange translations arising from trade payables.

The associates contribution in the current quarter was mainly due to revenue recognised under the LMS project and reversal of provision.

As a result, the Group posted a profit for the period of RM23.9 million as compared with a net profit of RM2.7 million in the preceding quarter.

B16. Commentary on Prospects

On 28 February 2017, the Group's associate, Boustead Naval Shipyard Sdn Bhd ("BN Shipyard") held a Keel Laying Ceremony for the second of six units of LCS being built at the yard for the Royal Malaysian Navy ("RMN"). The construction of the blocks and systems and engineering integration development activities of the first three units of the LCS is currently ongoing. The launching of the first LCS is expected to be held in August 2017, with its delivery targeted in 2019. The remaining five ships will be delivered at regular intervals thereafter.

On 23 March 2017, BN Shipyard executed a formal contract with the Ministry of Defence Malaysia for the supply of four units of the Littoral Mission Ship ("LMS") for the RMN. Currently, the project is at design stage and this will take approximately one year.

On 20 July 2017, the Group's joint venture company, BHIC AeroServices Sdn Bhd received a Letter of Award ("LoA") from the Ministry of Defence for the purpose of extending its ISS contract for the Royal Malaysian Air Force for another three years, effective from 24 March 2017 with an additional contract value of RM215 million.

Despite the Malaysian Government's announcement of a cut back in its defence spending in the current year's budget, the Group expects the contracts awarded recently to the joint venture companies to contribute positively towards future earnings of the Group. In addition, the Group will continue to pursue potential contracts with parties other than the Ministry of Defence such as the Royal Malaysian Police and Malaysian Maritime Enforcement Agency as well as overseas.

B16. Commentary on Prospects (cont'd)

The commercial shipbuilding, looks set to continue to come under pressure from low demand for ships, tonnage overcapacity, tight financing, low oil prices and uncertain economic global outlook. This will continue to put pressure on shipyards which are already reeling from thin orderbooks and cancelled deliveries.

The crude oil prices continue to be volatile. The trend of oil majors scaling down on capital expenditure is expected to continue and pose challenges to players in the oil and gas industry for the major part of the year.

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 2017 RM'000	Cumulative Year 2017 RM'000
Continuing operations		
Other income	(17)	(18)
Net gain on foreign currency exchange	(441)	(2,730)
Loss on disposal of property, plant and equipment	-	8
Depreciation of investment property	239	478
Depreciation of property, plant and equipment	1,634	3,212
Discontinued operation		
Net (gain) / loss on foreign currency exchange	(14)	10

B19. Taxation

	Current Period 2017 RM'000	Cumulative Period 2017 RM'000
Malaysian taxation based on profit for the period:		
- Current corporate tax	424	874
- Over provision in prior year	(231)	(231)
	193	643
Deferred taxation:		
- Relating to origination and reversal of temporary differences	(650)	(650)
	(457)	(7)

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 period 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 30 June 2017 and 31 December 2016 are as follows:

	30.06.2017 RM'000	31.12.2016 RM'000
Long term borrowings:		
Secured		
- Term loans	6,366	6,926
- Hire purchase and finance lease liabilities	737	891
	7,103	7,817
Short term borrowings		
Unsecured		
- Revolving credits	230,000	245,000
Secured		
- Term loans	1,120	1,120
- Hire purchase and finance lease liabilities	304	296
	231,424	246,416

All current period borrowings are denominated in Ringgit Malaysia.

B22. Disclosure of Derivatives

There were no outstanding derivatives as at 30 June 2017.

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 30 June 2017.

B24. Realised and Unrealised Unappropriated Profits

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	(170,045)	(176,381)
- Unrealised	19,892	20,048
Total share of retained profits from joint ventures:		
- Realised	144,619	129,903
- Unrealised	(18,569)	(11,598)
Total share of retained profits from associates:		
- Realised	93,285	85,750
	<hr/>	<hr/>
	69,182	47,722
Consolidated adjustments	48,074	50,335
Total Group retained profits as per consolidated financial statements	<hr/> 117,256	<hr/> 98,057

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 2016, 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.

Company	Claimant Company	Amount RM'000	Status
			<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.</p> <p>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 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 fixed the next case management on 4 February 2015 pending availability of the Court of Appeal's Ground of Judgment and the filing of the Supplementary Affidavit containing the Grounds of Judgment.</p> <p>The Court fixed the next Case Management date on 7 May 2015 pending the availability of the Court of Appeal's Ground of Judgment and filing of the Supplementary Affidavit containing the Grounds of Judgment. The Court further allowed BN Shipyard to add or alter the question of law for the leave application upon obtaining the Grounds of Judgment.</p> <p>Due to the non-availability of the Court of Appeal's Ground of Judgment, the Court fixed the matter for further case management on 18 August 2015.</p> <p>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.</p> <p>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.</p> <p>The Federal Court had fixed the hearing of the Appeal on 22 August 2017.</p>

Company	Claimant Company	Amount RM'000	Status
Boustead Penang Shipyard Sdn Bhd (“BP Shipyard”)	Muara Hijau Sdn Bhd (“Plaintiff”)	5,537	<p>The Plaintiff was a contractor appointed by BP Shipyard to supply microturbine generator (“MTG”) for one of BP Shipyard’s oil & gas project.</p> <p>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 Plaintiff claims that the warranty of the MTG is void.</p> <p>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.</p> <p>The High Court had fixed the matter for further case management on 31 May 2017.</p> <p>The trial had commenced on 6 July 2017 and ended on 3 August 2017.</p> <p>Currently, BP Shipyard’s solicitors are in the midst of preparing the Notes of Proceedings to be exchanged for confirmation with the Plaintiff’s solicitors.</p> <p>The decision of this matter shall be delivered by the learned Judge on 23 October 2017.</p>

B26. Dividend Payable

Other than dividend paid as disclosed under Note A6 (Dividends Paid), the Board does not recommend any dividend payable for the current financial period ended 30 June 2017 (previous period ended 30 June 2016: Nil).

B27. Earnings per Share

	Current Period		Cumulative Period	
	2017	2016	2017	2016
Net profit for the period– RM'000	23,940	25,264	26,653	6,222
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total earnings per share – sen	9.64	10.17	10.73	2.50

By Order of the Board**LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)****SUZANA BINTI SANUDIN (LS 008028)**

Secretaries

Kuala Lumpur

Date: 9 August 2017