

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 September 2017	Note	Current Period		Cumulative Period	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing operations</b>					
Revenue	A7	64,262	64,308	184,873	197,045
Operating cost		(53,782)	(49,851)	(156,989)	(142,109)
Profit from operations	B20	10,480	14,457	27,884	54,936
Interest income		52	175	633	1,615
Finance cost		(3,153)	(3,033)	(9,711)	(12,685)
Share of results of joint ventures		3,649	7,992	11,394	7,793
Share of results of associates		(3,128)	(5,925)	4,407	(24,505)
<b>Profit before taxation from continuing operations</b>	A7	7,900	13,666	34,607	27,154
Taxation	B21	(138)	(1,154)	(131)	(1,579)
<b>Profit for the period from continuing operations</b>		7,762	12,512	34,476	25,575
<b>Discontinued operation</b>					
(Loss) / Profit from discontinued operation, net of tax		(13)	2,367	(74)	(4,474)
<b>Profit for the period</b>		7,749	14,879	34,402	21,101
Attributable to:					
Shareholders of the Company		7,749	14,879	34,402	21,101
Non-controlling interests		-	-	-	-
<b>Net profit for the period</b>		7,749	14,879	34,402	21,101
<b>Basic / diluted earnings / (loss) per share attributable to shareholders of the Company (sen):</b>					
Total	B29	3.12	5.99	13.85	8.48
Continuing operations		3.13	5.04	13.88	10.28
Discontinued operation		(0.01)	0.95	(0.03)	(1.80)

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 September 2017	Current Period		Cumulative Period	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit for the period</b>	<b>7,749</b>	14,879	<b>34,402</b>	21,101
Foreign currency translation	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>7,749</b>	14,879	<b>34,402</b>	21,101
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	<b>7,749</b>	14,879	<b>34,402</b>	21,101
Non-controlling interests	-	-	-	-
<b>Net profit for the period</b>	<b>7,749</b>	14,879	<b>34,402</b>	21,101

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 September	As at 31 December
		2017 RM'000	2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		56,002	62,127
Investment property		13,482	13,840
Deferred tax assets		20,098	19,447
Joint ventures		115,655	105,792
Associates		141,892	137,485
		<u>347,129</u>	<u>338,691</u>
<b>Current assets</b>			
Inventories		20,536	57,574
Receivables		311,092	286,747
Tax recoverables		13,409	12,163
Cash and bank balances		15,942	24,247
		<u>360,979</u>	<u>380,731</u>
<b>TOTAL ASSETS</b>		<u>708,108</u>	<u>719,422</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		248,458	248,458
Retained earnings		125,005	98,057
<b>Shareholders' funds, representing total equity</b>		<u>373,463</u>	<u>346,515</u>
<b>Non-current liabilities</b>			
Long term borrowings	B23	6,750	7,817
Deferred tax liabilities		49	49
		<u>6,799</u>	<u>7,866</u>
<b>Current liabilities</b>			
Borrowings	B23	231,423	246,416
Trade and other payables		96,313	118,211
Tax payables		110	414
		<u>327,846</u>	<u>365,041</u>
<b>Total liabilities</b>		<u>334,645</u>	<u>372,907</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>708,108</u>	<u>719,422</u>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<u>1.50</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

For the period ended 30 September 2017	← 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
<b>At 1 January 2017</b>	<b>248,458</b>	<b>98,057</b>	<b>346,515</b>	<b>-</b>	<b>346,515</b>
<b>Total comprehensive profit for the period</b>	<b>-</b>	<b>34,402</b>	<b>34,402</b>	<b>-</b>	<b>34,402</b>
<b>Transaction with owners</b>					
Dividend on ordinary shares:					
- interim single-tier (Note A6)	-	(7,454)	(7,454)	-	(7,454)
<b>Balance at 30 September 2017</b>	<b>248,458</b>	<b>125,005</b>	<b>373,463</b>	<b>-</b>	<b>373,463</b>
<b>At 1 January 2016</b>	<b>248,458</b>	<b>21,361</b>	<b>269,819</b>	<b>1</b>	<b>269,820</b>
<b>Total comprehensive profit for the period</b>	<b>-</b>	<b>21,101</b>	<b>21,101</b>	<b>-</b>	<b>21,101</b>
<b>Transaction with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>
Additional investment in a subsidiary	-	-	-	(1)	(1)
<b>Balance at 30 September 2016</b>	<b>248,458</b>	<b>42,462</b>	<b>290,920</b>	<b>-</b>	<b>290,920</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 30 September	As at 30 September
	2017	2016
	RM'000	RM'000
<b>Operating Activities</b>		
Receipts from customers	182,047	224,733
Cash paid to suppliers and employees	(157,828)	(189,311)
Net cash received / (paid) to related companies	976	(249)
Cash generated from operations	25,195	35,173
Interest paid	(9,852)	(12,126)
Tax paid less refunds	(1,682)	(2,426)
Net cash generated from operating activities	13,661	20,621
<b>Investing Activities</b>		
Interest received	633	1,711
Dividends received	1,530	2,771
Proceed from disposal of property, plant and equipment	4	62,341
Purchase of property, plant and equipment	(733)	(2,181)
Upliftment of pledged fixed deposits and more than 90 days, net	-	1,782
Purchase of intangible asset	-	(56)
Net cash generated from investing activities	1,434	66,368
<b>Financing Activities</b>		
Repayment of borrowings	(36,062)	(115,851)
Dividends paid to shareholders of the Company	(7,454)	-
Proceed from drawdown of term loan / revolving credits / hire purchases	20,000	41,164
Net cash used in financing activities	(23,516)	(74,687)
Net (decrease) / increase in cash and cash equivalents	(8,421)	12,302
Effect of foreign exchange rate changes	116	2,756
Cash and cash equivalents at beginning of period	24,247	51,399
<b>Cash and Cash Equivalents at End of Period</b>	<b>15,942</b>	<b>66,457</b>
<b>Cash and Cash Equivalents at End of Period Comprise:</b>		
Deposits with licensed banks	2,200	30,350
Cash and bank balances	13,742	37,001
Total cash and bank balances	15,942	67,351
Less: Deposits with licensed banks pledged and more than 90 days	-	(894)
<b>Cash and Cash Equivalents at End of Period</b>	<b>15,942</b>	<b>66,457</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 30 September 2017**

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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 30 September 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:

<b>MFRS and Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
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:

<b>MFRS and Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
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
MFRS 17	Insurance Contracts	1 January 2021
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 payment of 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 announcements made on 26 May 2017 and 9 August 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**

On 30 March 2017, the Company 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.

## 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
<b><u>As at 30 September 2017</u></b>						
Group total sales	1,486	179,876	5,757	3,547	(5,793)	184,873
Inter-segment sales	<u>(28)</u>	<u>(2,331)</u>	<u>-</u>	<u>(3,434)</u>	<u>5,793</u>	<u>-</u>
External Revenue	<u>1,458</u>	<u>177,545</u>	<u>5,757</u>	<u>113</u>	<u>-</u>	<u>184,873</u>
<b>Results</b>						
Segment result-external	(2,905)	49,093	5,786	(20,382)	(3,708)	27,884
Interest income	465	848	-	1,418	(2,098)	633
Finance costs	(974)	(147)	-	(10,739)	2,149	(9,711)
Share of result in joint venture	-	11,394	-	-	-	11,394
Share of result in associates	<u>-</u>	<u>4,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,407</u>
<b>(Loss) / profit before taxation from continuing operations</b>	<b>(3,414)</b>	<b>65,595</b>	<b>5,786</b>	<b>(29,703)</b>	<b>(3,657)</b>	<b>34,607</b>
Income tax benefit						<u>131</u>
<b>Profit for the period from continuing operations</b>						<b>34,476</b>
<b>Discontinued operation</b>						
Loss from discontinued operation, net of tax	(74)	-	-	-	-	<u>(74)</u>
Profit for the period						<u><b>34,402</b></u>
<b><u>Other information</u></b>						
<b>Continuing operations</b>						
Depreciation	3,851	329	-	1,334	-	5,514
Other non-cash expenses	(120)	-	-	1,640	-	1,520

## A7. Operating Segments (cont'd.)

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b><u>As at 30 September 2016</u></b>						
Group total sales	1,086	185,169	11,781	11,701	(12,692)	197,045
Inter-segment sales	-	(1,214)	-	(11,478)	12,692	-
External Revenue	1,086	183,955	11,781	223	-	197,045
<b>Results</b>						
Segment result-external	(3,924)	73,489	5,844	(27,308)	6,835	54,936
Interest income	-	342	-	3,789	(2,516)	1,615
Finance costs	(867)	(307)	-	(14,101)	2,590	(12,685)
Share of result in joint venture	-	7,793	-	-	-	7,793
Share of result in associates	-	(24,505)	-	-	-	(24,505)
<b>(Loss) / Profit before taxation from continuing operations</b>	(4,791)	56,812	5,844	(37,620)	6,909	27,154
Income tax expense						(1,579)
<b>Profit for the period from continuing operations</b>						25,575
<b>Discontinued operation</b>						
Loss from discontinued operation, net of tax	(4,474)	-	-	-	-	(4,474)
Profit for the period						21,101
<b><u>Other information</u></b>						
<b>Continuing operations</b>						
Depreciation	3,948	137	-	626	-	4,711
Other non-cash expenses	-	-	-	-	-	-
<b>Discontinued operation</b>						
Other non-cash expenses	4,927	-	-	-	-	4,927

Discussion on the segmental performance is disclosed under Note B14 (Analysis of Performance (FPE 30 September 2017 vs. FPE 30 September 2016)).

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## 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.

### **iii) Dissolution of a wholly owned subsidiary**

On 5 September 2017, Boustead Tugs & Transport Sdn Bhd (Company No: 250496-P) ("BTT"), a wholly owned subsidiary of the Group held via Boustead Penang Shipyard Sdn Bhd, which was placed under Members' Voluntary Winding-Up has been dissolved.

This is after the expiration of three months notice from the date of lodgement of the Return by Liquidator relating to the Final Meeting on 5 June 2017 with the Companies Commission of Malaysia and the Official Receiver.

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

### iv) Incorporation of a joint venture company

On 22 August 2017, the Group incorporated a new joint venture company, BHIC Systems Integration Sdn Bhd ("BHICSI") and presently has an authorised share capital of RM1,000,000 comprising of 1,000,000 ordinary shares of RM1.00 each. The Group wholly owned subsidiary, BHICDT holds 51% of BHICSI shares and the remaining shares by RD Investment AG.

The principal activity of BHICSI is to set-up, establish and run the activities relating to business of project management, contract administration, and related services for defence industry in Malaysia, especially but not limited to the Littoral Combat Ship ("LCS") for the Royal Malaysian Navy, Combat System Equipment and Combat Management System procurement, Combat System Engineering and Combat System Integration activities.

### v) Acquisition of additional shares in Pyrotechnical Ordnance Malaysia Sdn Bhd ("POM"), a joint venture company

POM was incorporated in Malaysia on 27 May 2011. Its principal activities are to carry on in Malaysia, or elsewhere the business of manufacturing, producing, supplying and distributing double-based artillery propellant and double-based rocket propellant and other matters related to defence industry and to promote or engage any relevant experts to manage the sale or marketability of the relevant products.

On the incorporation date, both Pyrotechnical Managers Holdings Sdn Bhd ("PMH") (formerly known as Prokhas Managers Sdn Bhd) and BHICDT subscribed 1 ordinary share of RM1.00 each.

On 6 September 2017, the Group completed the acquisition of additional 24,500 units of ordinary shares of RM1.00 each in POM by way of capitalisation of advances whereas PMH subscribed 25,500 units of ordinary share of RM1.00 each. Following these acquisitions, the Group's shares will be diluted from 50% to 49%. The additional investment in POM is expected not to have any material effect on the consolidated earnings of the Group for the year ending 31 December 2017.

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 B27 (Changes in Material Litigations).

## A13. Capital Commitments

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

	<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	26,539	44	26,583

**Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia**

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

For the quarter ended 30 September 2017	Current Period		+ / (-)	Cumulative Period		+ / (-)
	2017	2016	%	2017	2016	%
	RM'000	RM'000		RM'000	RM'000	
Revenue	64,262	64,308	(0)	184,873	197,045	(6)
Profit from operations	10,480	14,457	(28)	27,884	54,936	(49)
Profit before taxation from continuing operations	7,900	13,666	(42)	34,607	27,154	27
Profit for the period from continuing operations	7,762	12,512	(38)	34,476	25,575	35
(Loss) / Profit from discontinued operation, net of tax	(13)	2,367	(101)	(74)	(4,474)	98
Profit attributable to shareholders of the Company	7,749	14,879	(48)	34,402	21,101	63

The Group recorded a net profit of RM34.4 million versus last year's corresponding period net profit of RM21.1 million.

For the current period under review, BHIC Group recorded a revenue of RM184.9 million, RM12.1 million or 6% lower than RM197.0 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 period was largely attributable to defence-related MRO activities and conditional approved variation orders for the Oil and Gas's Belum Topside project.

**Commercial** segment recorded higher losses in last year's corresponding period 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.

**Defence** segment posted higher profits in the current period due to an upward revision of a MRO project margin and higher contribution from joint venture companies involved in the Littoral Combat Ship ("LCS") and submarine projects. Negative share of results from associates of RM24.5 million in last year's corresponding period were due to variation orders for the shipbuilding project, additional cost of completion for the restoration of KD PERANTAU, fewer Royal Malaysian Navy ("RMN") vessels entered the yard for repair works, lack of MRO of foreign boats and local ferries as well as additional staff costs incurred under the mutual separation scheme. The current period profit was mainly due to good progress of the LCS and LMS projects. In addition, defence-related ship repair segment posted higher profits due to progress of ship repair works, reversals of provision for cost and reversal of long outstanding debt pertaining to the salvage work for the Service Life Extension Programme ("SLEP") 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.

**B14. Analysis of Performance (FPE 30 September 2017 vs. FPE 30 September 2016) (cont'd.)**

However, the **Energy** segment posted higher profits in last year's corresponding period due to conditional approved variation orders and reimbursement claims for the Oil and Gas's Belum Topside project.

Higher interest income in 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.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q3 2017 vs. Q2 2017)**

For the quarter ended 30 September 2017	Current	Immediate	+ / (-)
	Period	Preceding	
	Q3 2017	Q2 2017	%
	RM'000	RM'000	
Revenue	64,262	43,770	47
Profit from operations	10,480	13,351	(22)
Profit before taxation from continuing operations	7,900	23,492	(66)
Profit for the period from continuing operations	7,762	23,949	(68)
Loss from discontinued operation, net of tax	(13)	(9)	(44)
Profit attributable to shareholders of the Company	7,749	23,940	(68)

The Group posted a RM7.7 million profit for the current quarter compared with a net profit of RM23.9 million in the preceding quarter.

Current quarter revenue of RM64.3 million was higher than the preceding quarter revenue of RM43.8 million. Higher revenue in the current quarter was mainly derived from defence-related MRO activities and an upward revision of the project margin.

The joint venture companies posted a positive contribution of RM5.9 million in the preceding quarter as compared with the current quarter profit of RM3.6 million largely due to favourable foreign exchange translations arising from trade payables.

The associates contribution of RM7.2 million in the second quarter of 2017 was mainly due to revenue recognised under the LMS project and reversal of provision for cost.

**B16. Material Changes in Statement of Financial Position (FPE 30 September 2017 vs. FYE 31 December 2016)**

The Group's property, plant and equipment decreased from RM62.1 million to RM56.0 million in the current period mainly due to depreciation charge during the period.

The decrease in the Group's cash from RM24.2 million to RM15.9 million was mainly due to repayment of term loan and revolving credits during the period and lower collection from customers.

The decrease in payables of RM21.9 million was due to lower defence-related MRO activities.

**B17. Material Changes in Statement of Cash Flows (FPE 30 September 2017 vs. FPE 30 September 2016)**

The cash and cash equivalent of RM15.9 million at the end of the current period was lower as compared with RM66.5 million in last year's corresponding period largely attributable to the following:

- (i) Significant decrease under the proceeds from the disposal of property, plant and equipment in the current period due to disposal of the three chemical tankers at a total price of USD17.1 million in May 2016;
- (ii) Payment of interim single-tier dividend of 3 sen per share amounting to RM7.5 million to shareholders on 30 March 2017;
- (iii) Drawdown of revolving credits of RM20.0 million in the current period as compared with RM41.2 million in 2016 for working capital purposes; and
- (iv) Significant repayment of RM115.9 million of borrowings from the proceeds from the sale of three chemical tankers. In addition, the Group utilised its internal funds to repay part of the revolving credits facility in 2016.

**B18. Commentary on Prospects**

The contracts awarded to Boustead Naval Shipyard Sdn Bhd, BHIC AeroServices Sdn Bhd ("BHICAS"), BHIC Defence Techservices Sdn Bhd and Boustead DCNS Naval Corporation Sdn Bhd ("BDNC") are expected to contribute positively towards the future earnings of the Group.

**B18. Commentary on Prospects (cont'd.)**

On 10 July 2017, the joint venture company, 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.

Despite the Malaysian Government’s announcement of a cutback on 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 MINDEF such as the Royal Malaysian Police and Malaysian Maritime Enforcement Agency as well as in foreign markets.

The transformation strategy of RMN, dubbed 15 to 5, is set to turn it into a leaner and more modern and efficient fleet. This entails reducing the number of its asset classes from 15 to 5, targeted at attaining cost savings, more optimal use of its resources and greater operations efficiency to fulfill its multiple tasks. The strategy underlines the austerity drive by the government amid the challenging economic times but it is expected to have a positive effect on our bottom line as the RMN commissions the construction of new vessels and ensures the existing ones are well maintained.

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

Crude oil prices continue to be uncertain as a result of lower global economic growth and political instability. 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.

**B19. 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.

**B20. 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</b>		<b>Cumulative Period</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>				
Other income	-	4	(18)	(108)
Net gain on foreign currency exchange	(55)	(3,175)	(354)	(3,967)
(Gain) / Loss on disposal of property, plant and equipment	-	(54)	8	(93)
Reversal of impairment of trade receivables	(120)	-	(120)	-
Depreciation of investment property	119	121	358	364
Depreciation of property, plant and equipment	1,706	1,386	5,156	4,347
Written off of property, plant and equipment	1,640	-	1,640	-
<b>Discontinued operation</b>				
Net loss / (gain) on foreign currency exchange	32	229	43	(2,083)
Loss on disposal of property, plant and equipment	-	-	-	4,927

**B21. Taxation**

	<b>Current</b>	<b>Cumulative</b>
	<b>Period</b>	<b>Period</b>
	<b>2017</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian taxation based on profit for the period:		
- Current corporate tax	278	1,152
- Over provision in prior year	(140)	(371)
	<u>138</u>	<u>781</u>
Deferred taxation:		
- Relating to origination and reversal of temporary differences	-	(650)
Total income tax for the period	<u>138</u>	<u>131</u>

**B21. Taxation (cont'd.)**

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.

**B22. Status of Corporate Proposal**

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

**B23. Group Borrowings and Debt Securities**

Total group borrowings as at 30 September 2017, 31 December 2016 and 30 September 2016 are as follows:

	<b>30.09.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings:			
Secured			
- Term loans	6,086	6,926	7,206
- Hire purchase and finance lease liabilities	664	891	990
	<u>6,750</u>	<u>7,817</u>	<u>8,196</u>
Short term borrowings:			
Unsecured			
- Revolving credits	230,000	245,000	270,000
Secured			
- Term loans	1,120	1,120	1,120
- Hire purchase and finance lease liabilities	303	296	290
	<u>231,423</u>	<u>246,416</u>	<u>271,410</u>
Total borrowings	<u><u>238,173</u></u>	<u><u>254,233</u></u>	<u><u>279,606</u></u>

All current period borrowings are denominated in Ringgit Malaysia.

As at 30 September 2017, the Group recorded lower borrowings mainly due to repayment of revolving credits facility in the current period.

The Group's borrowing weighted average interest rate is 5.4% for the current period (FPE 30 September 2016: 5.44%).

**B24. Disclosure of Derivatives**

There were no outstanding derivatives as at 30 September 2017.

**B25. 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 September 2017.

**B26. Realised and Unrealised Unappropriated Profits**

	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	(162,927)	(176,381)
- Unrealised	20,000	20,048
Total share of retained profits from joint ventures:		
- Realised	153,390	129,903
- Unrealised	(23,691)	(11,598)
Total share of retained profits from associates:		
- Realised	90,157	85,750
	76,929	47,722
Consolidated adjustments	48,076	50,335
Total Group retained profits as per consolidated financial statements	<u>125,005</u>	<u>98,057</u>

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.

**B27. 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.  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.

Company	Claimant Company	Amount RM'000	Status
			<p>Hearing of the Appeal was held on 22 August 2017 where the Federal Court have set aside both the decision of the Court of Appeal and the High Court. The Federal Court reverted the matter to the Ipoh High Court for full trial.</p> <p>Ipoh High Court have fixed the matter for case management on 16 November 2017.</p>
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 &amp; 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>On 7 November 2017, the High Court dismissed the Plaintiff’s claim against BP Shipyard due to insufficient evidence. The costs of RM35,000 is awarded to BP Shipyard.</p> <p>However, the Plaintiff is entitled to file an appeal against the decision of the High Court within a month from the date of the aforesaid decision. Otherwise, the High Court’s decision shall be deemed to be final.</p>

## B28. Dividend Payable

Other than dividend paid as disclosed under Note A6 (Dividends Paid), the Board has approved a second interim dividend of 2.0 sen per share for the third quarter in respect of the financial year ending 31 December 2017. The dividend will be paid to all shareholders on 19 January 2018.

**B29. Earnings per Share**

	<b>Current Period</b>		<b>Cumulative Period</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net profit for the period– RM'000	7,749	14,879	34,402	21,101
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total earnings per share – sen	3.12	5.99	13.85	8.48

**By Order of the Board**

**LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)**  
**SUZANA BINTI SANUDIN (LS 008028)**

Secretaries

Kuala Lumpur

Date: 15 November 2017