

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 June 2022	Note	Current Period		Cumulative Period	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	A7	29,869	47,154	67,331	66,098
Operating costs		(24,248)	(27,349)	(48,233)	(44,565)
Allowance for expected credit losses		-	(196)	-	(196)
Results from operations		5,621	19,609	19,098	21,337
Interest income		16	18	31	47
Finance costs		(4,346)	(3,899)	(8,343)	(7,541)
Share of results of joint ventures		(1,054)	(127)	(1,555)	1,051
Share of results of associates		-	-	-	-
Profit before taxation	A7	237	15,601	9,231	14,894
Taxation	B8	(754)	(3,300)	(3,239)	(3,509)
(Loss)/profit for the period		(517)	12,301	5,992	11,385
Attributable to:					
Shareholders of the Company		(517)	12,301	5,992	11,385
Non-controlling interests		-	-	-	-
Net (loss)/profit for the period		(517)	12,301	5,992	11,385
Basic/diluted (loss)/profit per share attributable to shareholders for the Company (sen):	B14	(0.21)	4.95	2.41	4.58

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 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2022	Current Period		Cumulative Period	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period	(517)	12,301	5,992	11,385
Foreign currency translation	-	-	-	-
Total comprehensive (loss)/income for the period	(517)	12,301	5,992	11,385
Total comprehensive (loss)/income attributable to:				
Shareholders of the Company	(517)	12,301	5,992	11,385
Net (loss)/profit for the period	(517)	12,301	5,992	11,385

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 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30 June	As at 31 December
		2022 RM'000	2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,510	6,056
Investment property		10,490	10,828
Right-of-use assets		33,106	33,436
Investments in associates		-	-
Investments in joint ventures		77,903	79,458
Trade and other receivables		201,330	201,330
Deferred tax assets		4,408	4,408
		<u>332,747</u>	<u>335,516</u>
Current assets			
Inventories		2,626	2,912
Trade and other receivables		150,516	101,896
Contract assets		13,032	6,516
Tax recoverable		437	383
Cash and bank balances		2,237	4,151
Non-current assets held for sale		-	3,885
		<u>168,848</u>	<u>119,743</u>
TOTAL ASSETS		<u>501,595</u>	<u>455,259</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		248,458	248,458
Accumulated losses		(161,874)	(167,866)
Shareholders' funds, representing total equity		<u>86,584</u>	<u>80,592</u>
Non-current liabilities			
Loans and borrowings	B10	73,417	83,512
Deferred tax liabilities		-	-
Lease liabilities		7,016	7,289
		<u>80,433</u>	<u>90,801</u>
Current liabilities			
Contract liabilities		-	-
Provisions		14,853	14,867
Loans and borrowings	B10	199,419	203,934
Trade and other payables		110,397	57,874
Tax payables		8,997	6,533
Lease liabilities		912	658
		<u>334,578</u>	<u>283,866</u>
Total liabilities		<u>415,011</u>	<u>374,667</u>
TOTAL EQUITY AND LIABILITIES		<u>501,595</u>	<u>455,259</u>
Net assets per share attributable to ordinary equity holders of the Company - RM		<u>0.35</u>	<u>0.32</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 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

← Attributable to equity holders of the Company →

For the period ended 30 June 2022	Share Capital	(Accumulated Losses) / Distributable Retained Earnings	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	248,458	(167,866)	80,592	-	80,592
Total comprehensive income for the period	-	5,992	5,992	-	5,992
At 30 June 2022	248,458	(161,874)	86,584	-	86,584
At 1 January 2021	248,458	(183,058)	65,400	-	65,400
Total comprehensive income for the period	-	11,385	11,385	-	11,385
At 30 June 2021	248,458	(171,673)	76,785	-	76,785

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 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 30 June	As at 30 June
	2022	2021
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	32,858	42,149
Cash paid to suppliers and employees	(55,916)	(35,169)
Receipts with related companies	40,523	1,247
Net cash generated from operations	17,465	8,227
Interest paid	(7,325)	(7,593)
Net income taxes paid less refunds	(828)	(951)
Net cash generated from / (used in) operating activities	9,312	(317)
Cash flows from investing activities		
Interest received	-	21
Proceeds from disposal of property, plant and equipment	3,890	-
Purchase of property, plant and equipment for cash	(92)	(14)
Net cash generated from investing activities	3,798	7
Cash flows from financing activities		
Lease payment	(415)	(309)
Repayment of borrowings	(14,610)	(2,060)
Net cash used in financing activities	(15,025)	(2,369)
Net decrease in cash and cash equivalents	(1,915)	(2,679)
Effect of foreign exchange rate changes	1	(14)
Cash and cash equivalents at beginning of the period	4,151	3,498
Cash and cash equivalents at end of the period	2,237	805
Cash and cash equivalents at end of the period comprise:		
Deposits with licensed banks	-	340
Cash and bank balances	2,237	465
	2,237	805

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 197101000758 (11106-V)
Notes to the Interim Financial Report for the Quarter Ended 30 June 2022

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 2022, 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 2021. 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 2021 except as follows:

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 2018–2020 Cycle	1 January 2022
Amendments to MFRS 3 (Business Combinations)	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9 (Financial Instruments)	Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 116 (Property, Plant and Equipment)	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 (Provisions, Contingent Liabilities and Contingent Assets)	Onerous Contracts–Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 4 (Insurance Contracts)	Extension of the Temporary Exemption from Applying MFRS 9	Immediately

A2. Changes in Accounting Policies (contd.)

Standards and interpretations that are issued but not yet effective

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
MFRS 17 (Insurance Contracts)	Insurance Contracts	1 January 2023
Amendments to MFRS 17 (Insurance Contracts)	Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 112 (Income Taxes)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group will adopt the above pronouncements when they become effective in the respective financial periods.

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

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence for the current quarter ended 30 June 2022.

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 period.

A6. Dividend

The Board of Directors does not propose any dividend in the quarter ended 30 June 2022 (30 June 2021: RM nil).

A7. Operating Segments

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

As at 30 June 2022

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	37	67,235	-	1,152	(1,093)	67,331
Inter-Segment Sales	-	-	-	(1,093)	1,093	-
External Revenue	37	67,235	-	59	-	67,331
Operating costs	(1,142)	(41,698)	-	(5,248)	(145)	(48,233)
Results from operations	(1,105)	25,537	-	(5,189)	(145)	19,098
Interest income	-	720	-	1,206	(1,895)	31
Finance costs	(888)	(707)	-	(9,576)	2,828	(8,343)
Share of result in joint ventures	-	(1,555)	-	-	-	(1,555)
Share of result in associates	-	-	-	-	-	-
(Loss) / Profit before taxation	(1,993)	23,995	-	(13,559)	788	9,231
Taxation						(3,239)
Profit for the period						5,992

A7. Operating Segments (contd.)

As at 30 June 2021

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	59	65,953	-	979	(893)	66,098
Inter-Segment Sales	-	(12)	-	(881)	893	-
External Revenue	59	65,941	-	98	-	66,098
Operating costs	(756)	(38,472)	-	(5,645)	308	(44,565)
Allowance for expected credit loss	-	(196)	-	-	-	(196)
Results from operations	(697)	27,273	-	(5,547)	308	21,337
Interest income	-	440	-	1,052	(1,445)	47
Finance costs	(793)	(471)	-	(8,432)	2,155	(7,541)
Share of result in joint ventures	-	1,051	-	-	-	1,051
Share of result in associates	-	-	-	-	-	-
(Loss) / Profit before taxation	(1,490)	28,293	-	(12,927)	1,018	14,894
Taxation						(3,509)
Profit for the period						11,385

Discussion on the segmental performance is disclosed in note B1 (Analysis Performance (FPE 30 June 2022 vs. FPE 30 June 2021)).

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

Save and except as disclosed in Note B13 (Changes in Material Litigation), there has been no subsequent material events during the current quarter.

A11. Changes in Contingent Liabilities

i) Liquidated Ascertained Damages

a) In-Service Support (“ISS”) Contract

On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) received a letter from the Ministry of Defence Malaysia (“MINDEF”) claiming for Liquidated Damages (“LD”) amounting to RM53.2 million and EUR19.3 million for the ISS for the Royal Malaysian Navy (“RMN”) SCORPENE Submarine Contract.

b) Refit Contract

On 27 May 2020, BDNC received a letter from MINDEF claiming for LD amounting to RM9.5 million and EUR3.8 million for the refit works on RMN Submarine after several mitigation claims were approved by MINDEF.

c) Extended In-Service Support (“EISS”) Contract

On 29 May 2020, BDNC received a letter from MINDEF claiming for LD amounting to RM11.6 million and EUR6.5 million for the EISS Contract.

On 13 April 2021, MINDEF had issued a notice to BDNC to settle the LD claims in full against the future progress billing issued by BDNC to MINDEF. The Company had made full provision for the LD claims based on the above. The total provisions for the LD as at 30 June 2022, after offsetting against billings issued, is RM68.5 million (FYE 2021: RM68.5 million). To date, the balance of ISS, EISS and REFIT LD of RM8.1 million, RM43.6 million and RM16.8 million has yet to be settled respectively.

BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for this ISS Contract, Refit Contract and EISS Contract and an appeal has been submitted to MINDEF for consideration.

The Group is of the opinion that the above provisions for the LD are sufficient and no further losses are expected to be incurred after taking into consideration appropriate justifications and supporting documents which had been submitted to MINDEF for their consideration.

Other than the contingent liabilities as disclosed above and in Note B13 (Changes in Material Litigation), there has been no other contingent liability arising since the previous financial year end and in the current financial period.

A12. Capital Commitments

The Group has the following commitments as at 30 June 2022:

	Approved but not contracted for RM’000	Approved and contracted for RM’000	Total RM’000
Property, plant and equipment	2,220	33	2,253

B1. Analysis of Performance (FPE 30 June 2022 vs. FPE 30 June 2021)

For the quarter ended 30 June 2022	Current Period		+/(-)	Cumulative Period		+/(-)
	2022	2021	%	2022	2021	%
	RM'000	RM'000		RM'000	RM'000	
Revenue	29,869	47,154	-37	67,331	66,098	-2
Results from operations	5,621	19,609	-71	19,098	21,337	-10
Profit before taxation	237	15,601	-98	9,231	14,894	-38
(Loss) / Profit for the period	(517)	12,301	>-100	5,992	11,385	-47

For the cumulative financial period under review, the Group recorded a revenue of RM67.3 million, RM1.2 million higher than RM66.1 million reported in the same corresponding period last year. The current period revenue was mainly from submarine contracts and other defence-related maintenance, repair and overhaul (“MRO”) projects.

Results from operations in FPE 30 June 2022 of RM19.1 million was lower than the same corresponding period last year of RM21.3 million mainly due to lower contribution from defence-related MRO projects.

Profit before taxation was impacted by higher finance cost of RM8.3 million in the cumulative period as compared to RM7.5 million in the same corresponding period last year due to higher weighted average interest rate of 5.18% (FPE 30 June 2021: 5.10%). Additionally, negative contribution from the joint venture companies of RM1.6 million in the cumulative period (FPE 30 June 2021: RM1.1 million profit) driven by lower demand from customers and supply of spare parts to RMN. Nevertheless, losses by an associate in the cumulative period have no impact to the Group as the losses had been recognised up to the Group’s cost of investments in December 2019.

For the cumulative financial period under review, the Group recorded a profit after taxation of RM6.0 million versus RM11.4 million profit after taxation in the cumulative period last year.

B2. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q2 2022 vs. Q1 2022)

For the quarter ended 30 June 2022	Current Period	Immediate Preceding Period	+ / (-)
	Q2 2022	Q1 2022	%
	RM'000	RM'000	
Revenue	29,869	37,462	-20
Results from operations	5,621	13,477	-58
Profit before taxation	237	8,994	-97
(Loss) / Profit for the period	(517)	6,509	>-100

The Group registered lower revenue of RM29.9 million in the current quarter against RM37.5 million in the preceding quarter, mainly due to variations in milestones achieved for submarine contracts.

Results from operations in Q2 2022 of RM5.6 million was lower than Q1 2022 of RM13.5 million mainly due to lower contribution from submarine projects.

The profit before taxation was impacted by higher negative contribution from the joint venture companies of RM1.1 million in Q2 2022 (Q1 2022: RM501,000 loss) driven by lower demand from customers and higher operating expenses in the current period.

The Group recorded a lower provision for taxation in the current quarter arising from lower profit under the submarine contracts.

For Q2 2022, the Group recorded a loss after taxation of RM517,000 as compared to Q1 2022's profit after taxation of RM6.5 million.

B3. Material Changes in Statement of Financial Position (FPE 30 June 2022 vs. FYE 31 December 2021)

The Group's property, plant and equipment ("PPE") decreased from RM6.1 million to RM5.5 million in the current period mainly due to depreciation charged during the period.

The increase in receivables and payables by RM55.1 million and RM52.5 million respectively were mainly due to project variations.

The cash and cash equivalent of RM2.2 million at the end of the current period was lower as compared with RM4.2 million last year attributable to higher payments to suppliers and repayment on borrowings.

B4. Material Changes in Statement of Cash Flows (FPE 30 June 2022 vs. FPE 30 June 2021)

The Group recorded a net cash inflow from operations of RM9.3 million (FPE 30 June 2021: net cash outflow of RM317,000) mainly due to receipts from related parties. The Group recorded a net cash inflow from investing activities of RM3.8 million (FPE 30 June 2021: net cash inflow of RM7,000) mainly due to proceeds received on disposals of assets. Meanwhile, the Group recorded a higher net cash outflow from financing activities of RM15.0 million (FPE 30 June 2021: net cash outflow of RM2.4 million) mainly due to repayment of borrowings.

B5. Commentary on Prospects

With the announcement by the Government to continue with the procurement of the Littoral Combat Ship (LCS) project, we continue to reinvent ourselves to find new business and leverage on our facilities and skilled, experienced human capital in our core business areas, moving forward. We will also continue to ensure projects at hand are delivered in a timely manner, while meeting the expectations of our clients.

We will continue to leverage on our strengths in the defence segment while simultaneously pursuing new businesses to expand our revenue base, especially in the commercial segment. This is in line with the Reinventing Boustead strategy to transform the BHIC Group into a more resilient and sustainable organisation.

B6. 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.

B7. 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		Cumulative Period	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Allowance for expected credit losses	-	196	-	196
Net (gain) / loss on foreign currency exchange	(527)	145	(632)	(201)
Gain on disposal of property, plant and equipment	-	-	(5)	-
Impairment of property, plant and equipment	-	-	51	-
Depreciation of investment property	169	213	337	337
Depreciation of right of use assets	366	307	726	618
Depreciation of property, plant and equipment	283	287	573	616

B8. Taxation

	Current	Cumulative
	Period	Period
	2022	2022
	RM'000	RM'000
Malaysian taxation based on profit for the period:		
- Current corporate tax	789	3,274
- Over provision in prior year	(35)	(35)
	<u>754</u>	<u>3,239</u>

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

Any unutilised tax losses that originated from the year of assessment 2019 onwards are allowed to be carried forward for a maximum period of 10 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

B9. Status of Corporate Proposal

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

B10. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2022 and 31 December 2021 are as follows:

	30.06.2022	31.12.2021
	RM'000	RM'000
Long term borrowings:		
Unsecured		
- Term Revolving credits	72,651	82,186
Secured		
- Term loan	766	1,326
	<u>73,417</u>	<u>83,512</u>
Short term borrowings:		
Unsecured		
- Revolving credits	186,500	200,500
- Term Revolving credits	11,799	2,314
Secured		
- Term loan	1,120	1,120
	<u>199,419</u>	<u>203,934</u>
Total borrowings	<u><u>272,836</u></u>	<u><u>287,446</u></u>

All current period borrowings are denominated in Ringgit Malaysia.

As at 30 June 2022, the Group recorded lower borrowings, mainly due to repayment of revolving credits and term loan facilities.

The Group's borrowing weighted average interest rate is 5.18% per annum for the current period (FYE 31 December 2021: 5.19% per annum).

B11. Disclosure of Derivatives

There were no outstanding derivatives as at 30 June 2022.

B12. 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 2022.

B13. Changes in Material Litigation

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 2021, except for the following case:

Company	Claimant Company	Amount RM'000	Status
BNS ("Defendant")	MTU Services (Malaysia) Sdn Bhd ("Plaintiff")	56,045	<p>BNS was served with winding up petition on 3 July 2020 by Plaintiff.</p> <p>By the Petition, MTU Services (Malaysia) Sdn Bhd ("MSM") alleges that BNS is indebted to them for the total sum of RM56.0 million for the equipment supplied and services provided to BNS.</p> <p>On 11 August 2020, BNS has then filed an interlocutory application to Stay/Strike Out the Winding Up Petition filed by MSM on a few grounds.</p> <p>On 29 March 2021, the Judge has allowed for BNS's Application to Strike Out the Petition. MSM filed an appeal on 21 April 2021. However, the Case Management for this Appeal has been rescheduled a few times in conjunction with BNS's Application for the Restraining Order.</p> <p>During the last Case Management on 27 May 2022, MSM's solicitors have informed the Court of Appeal that MSM is currently not withdrawing the appeal. The Court of Appeal had fixed the next Case Management on 31 October 2022 and the hearing on 14 November 2022.</p> <p>BNS was granted a Restraining Order from 2 December 2021 which has been extended 3 times, the last of which was on 21 April 2022, until 2 June 2022 in relation to its Application for the Scheme of Arrangement.</p> <p>With the expiry of the Restraining Order on 2 June 2022, BNS has filed an affidavit in court to explain why it is not proceeding with the Scheme of Arrangement, pursuant to the Government's decision to proceed with the LCS Project.</p>

B14. Basic/diluted (loss)/profit per share

	Current Period		Cumulative Period	
	2022	2021	2022	2021
Net (loss)/profit for the period – RM'000	(517)	12,301	5,992	11,385
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic/diluted (loss)/profit per share – sen	(0.21)	4.95	2.41	4.58

By Order of the Board**ROZANA BINTI ISMAIL (SSM PC No. 201908003365)**

Company Secretary

Kuala Lumpur

Date: 25 August 2022