

# Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

| For the quarter ended 30 September 2023  | Note       | Current Period |                | Cumulative Period |                |
|--|------------|----------------|----------------|-------------------|----------------|
|  |            | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Revenue</b>   | <b>A7</b>  | <b>38,507</b>  | 35,873         | <b>77,670</b>     | 103,204        |
| Operating costs  |            | (37,632)       | (30,043)       | (63,160)          | (78,276)       |
| Reversal of expected credit losses   |            | -              | -              | <b>3,991</b>      | -              |
| <b>Results from operations</b>   |            | <b>875</b>     | 5,830          | <b>18,501</b>     | 24,928         |
| Interest income  |            | <b>20</b>      | 17             | <b>56</b>         | 48             |
| Finance costs  |            | (5,191)        | (4,623)        | (15,370)          | (12,966)       |
| Share of results of joint ventures   |            | (106)          | 330            | (3,983)           | (1,225)        |
| <b>(Loss) / Profit before taxation</b>   | <b>A7</b>  | <b>(4,402)</b> | 1,554          | <b>(796)</b>      | 10,785         |
| Taxation   | <b>B8</b>  | (1,314)        | (990)          | (6,367)           | (4,229)        |
| <b>(Loss) / Profit for the period</b>  |            | <b>(5,716)</b> | 564            | <b>(7,163)</b>    | 6,556          |
| Attributable to:   |            |                |                |                   |                |
| Shareholders of the Company  |            | (5,716)        | 564            | (7,163)           | 6,556          |
| Non-controlling interests  |            | -              | -              | -                 | -              |
| <b>Net (loss) / profit for the period</b>  |            | <b>(5,716)</b> | 564            | <b>(7,163)</b>    | 6,556          |
| <b>Basic/diluted (loss) / profit per share attributable to shareholders for the Company (sen):</b> | <b>B14</b> | <b>(2.30)</b>  | 0.23           | <b>(2.88)</b>     | 2.64           |

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 September 2023                     | Current Period |        | Cumulative Period |              |
|---|----------------|--------|-------------------|--------------|
|   | 2023           | 2022   | 2023              | 2022         |
|   | RM'000         | RM'000 | RM'000            | RM'000       |
| <b>(Loss) / Profit for the period</b>                       | <b>(5,716)</b> | 564    | <b>(7,163)</b>    | 6,556        |
| Foreign currency translation                                | -              | -      | -                 | -            |
| <b>Total comprehensive (loss) / income for the period</b>   | <b>(5,716)</b> | 564    | <b>(7,163)</b>    | 6,556        |
| <b>Total comprehensive (loss) / income attributable to:</b> |                |        |                   |              |
| Shareholders of the Company                                 | <b>(5,716)</b> | 564    | <b>(7,163)</b>    | 6,556        |
| <b>Net (loss) / profit for the period</b>                   | <b>(5,716)</b> | 564    | <b>(7,163)</b>    | <b>6,556</b> |

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

|   | As at<br>Note 30 September | As at<br>31 December |
|---|----------------------------|----------------------|
|   | 2023<br>RM'000             | 2022<br>RM'000       |
| <b>ASSETS</b>   |                            |                      |
| <b>Non-current assets</b>   |                            |                      |
| Property, plant and equipment   | 4,643                      | 5,117                |
| Investment property   | 9,647                      | 10,153               |
| Right-of-use assets   | 21,167                     | 22,119               |
| Investments in associates   | -                          | -                    |
| Investments in joint ventures   | 78,867                     | 83,360               |
| Trade and other receivables   | 255,536                    | 255,537              |
| Deferred tax assets   | 185                        | 185                  |
|   | <b>370,045</b>             | <b>376,471</b>       |
| <b>Current assets</b>   |                            |                      |
| Inventories   | 2,740                      | 2,942                |
| Trade and other receivables   | 85,082                     | 72,243               |
| Contract assets   | 19,697                     | 6,461                |
| Tax recoverable   | 755                        | 422                  |
| Cash and bank balances  | 10,329                     | 26,352               |
|   | <b>118,603</b>             | <b>108,420</b>       |
| <b>TOTAL ASSETS</b>   | <b>488,648</b>             | <b>484,891</b>       |
| <b>EQUITY AND LIABILITIES</b>   |                            |                      |
| <b>Equity attributable to owners of the Company</b>                                     |                            |                      |
| Share capital   | 248,458                    | 248,458              |
| Accumulated losses  | (194,953)                  | (187,790)            |
| <b>Shareholders' funds, representing total equity</b>                                   | <b>53,505</b>              | <b>60,668</b>        |
| <b>Non-current liabilities</b>  |                            |                      |
| Loans and borrowings  | B10 47,982                 | 63,285               |
| Deferred tax liabilities  | -                          | 22                   |
| Lease liabilities   | 6,350                      | 6,829                |
|   | <b>54,332</b>              | <b>70,136</b>        |
| <b>Current liabilities</b>  |                            |                      |
| Provisions  | 12,485                     | 14,122               |
| Loans and borrowings  | B10 145,102                | 182,740              |
| Trade and other payables  | 207,525                    | 145,512              |
| Tax payables  | 15,025                     | 10,855               |
| Lease liabilities   | 674                        | 858                  |
|   | <b>380,811</b>             | <b>354,087</b>       |
| <b>Total liabilities</b>  | <b>435,143</b>             | <b>424,223</b>       |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>488,648</b>             | <b>484,891</b>       |
| <b>Net assets per share attributable to ordinary equity holders of the Company - RM</b> | <b>0.22</b>                | <b>0.24</b>          |

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<br>30 September 2023    | Share<br>Capital | (Accumulated<br>Losses) /<br>Distributable<br>Retained<br>Earnings | Total   | Non-<br>controlling<br>Interests | Total<br>Equity |
|--|------------------|--|---------|----------------------------------|-----------------|
|  | RM'000           | RM'000   | RM'000  | RM'000                           | RM'000          |
| At 1 January 2023                            | 248,458          | (187,790)  | 60,668  | -                                | 60,668          |
| Total comprehensive loss<br>for the period   | -                | (7,163)  | (7,163) | -                                | (7,163)         |
| At 30 September 2023                         | 248,458          | (194,953)  | 53,505  | -                                | 53,505          |
| At 1 January 2022                            | 248,458          | (167,866)  | 80,592  | -                                | 80,592          |
| Total comprehensive income<br>for the period | -                | 6,556  | 6,556   | -                                | 6,556           |
| At 30 September 2022                         | 248,458          | (161,310)  | 87,148  | -                                | 87,148          |

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<br>30 September | As at<br>30 September |
|---|-----------------------|-----------------------|
|   | 2023                  | 2022                  |
|   | RM'000                | RM'000                |
| <b>Cash flows from operating activities</b>                     |                       |                       |
| Cash receipts from customers                                    | 65,046                | 65,143                |
| Cash paid to suppliers and employees                            | (68,980)              | (93,843)              |
| Receipts from related companies                                 | 5,164                 | 5,102                 |
| Net cash generated from / (used in) operations                  | 1,230                 | (23,598)              |
| Interest paid   | (10,754)              | (11,082)              |
| Net income taxes paid less refunds                              | (2,552)               | (2,078)               |
| Net cash used in operating activities                           | (12,076)              | (36,758)              |
| <b>Cash flows from investing activities</b>                     |                       |                       |
| Interest received   | 4                     | -                     |
| Proceeds from disposal of property, plant and equipment         | 11                    | 3,890                 |
| Purchase of property, plant and equipment for cash              | (287)                 | (131)                 |
| Dividend received from joint venture companies                  | 510                   | 510                   |
| Net cash generated from investing activities                    | 238                   | 4,269                 |
| <b>Cash flows from financing activities</b>                     |                       |                       |
| Lease payment   | (664)                 | (601)                 |
| Repayment of borrowings   | (52,941)              | (26,090)              |
| Advances from holding company                                   | 49,333                | 57,905                |
| Net cash (used in) / generated from financing activities        | (4,272)               | 31,214                |
| Net decrease in cash and cash equivalents                       | (16,110)              | (1,275)               |
| Effect of foreign exchange rate changes                         | 87                    | 1                     |
| Cash and cash equivalents at beginning of the period            | 26,352                | 4,151                 |
| <b>Cash and cash equivalents at end of the period</b>           | <b>10,329</b>         | <b>2,877</b>          |
| <b>Cash and cash equivalents at end of the period comprise:</b> |                       |                       |
| Deposits with licensed banks                                    | 5,244                 | -                     |
| Cash and bank balances  | 5,085                 | 2,877                 |
|   | <b>10,329</b>         | <b>2,877</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 197101000758 (11106-V)**  
**Notes to the Interim Financial Report for the Quarter Ended 30 September 2023**

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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 2023, 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 2022. 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 2022 except as follows:

| <b>MFRS and Amendments to MFRSs</b>   | <b>Effective for annual periods beginning on or after</b> |
|---|---|
| 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 101 (Presentation of Financial Statements) Classification of Liabilities as Current or Non-current (Insurance Contracts) | 1 January 2023  |
| Amendments to MFRS 101 Disclosure of Accounting Policies  | 1 January 2023  |
| Amendments to MFRS 108 Definition of Accounting Estimates   | 1 January 2023  |
| Amendments to MFRS 112 (Income Taxes) Deferred Tax related to Assets and Liabilities arising from a Single Transaction                      | 1 January 2023  |

## **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:

| <b>MFRS and Amendments to MFRSs</b>   |   | <b>Effective for annual periods beginning on or after</b> |
|---|---|---|
| Amendments to MFRS 101 (Presentation of Financial Statements)   | Non-current Liabilities with Covenants  | 1 January 2024  |
| Amendments to MFRS 16 (Leases)  | Lease Liability in a Sale and Leaseback   | 1 January 2024  |
| 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 September 2023.

## **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 September 2023 (30 September 2022: 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 September 2023

|                                   | <b>Commercial<br/>RM'000</b> | <b>Defence<br/>RM'000</b> | <b>Energy<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------------|------------------------------|---------------------------|--------------------------|--------------------------|-------------------------------|-------------------------|
| Group Total Sales                 | -                            | 77,670                    | -                        | 3,536                    | (3,536)                       | <b>77,670</b>           |
| Inter-Segment Sales               | -                            | -                         | -                        | (3,536)                  | 3,536                         | -                       |
| External Revenue                  | -                            | 77,670                    | -                        | -                        | -                             | <b>77,670</b>           |
| Operating costs                   | (738)                        | (57,759)                  | -                        | (4,046)                  | (617)                         | <b>(63,160)</b>         |
| Reversal of expected credit loss  | -                            | 3,991                     | -                        | -                        | -                             | <b>3,991</b>            |
| <b>Results from operations</b>    | (738)                        | 23,902                    | -                        | (4,046)                  | (617)                         | <b>18,501</b>           |
| Interest income                   | -                            | 1,319                     | -                        | 1,505                    | (2,768)                       | <b>56</b>               |
| Finance costs                     | (709)                        | (1,395)                   | -                        | (19,056)                 | 5,790                         | <b>(15,370)</b>         |
| Share of result in joint ventures | -                            | (3,983)                   | -                        | -                        | -                             | <b>(3,983)</b>          |
| <b>Loss before taxation</b>       | <b>(1,447)</b>               | <b>19,843</b>             | -                        | <b>(21,597)</b>          | <b>2,405</b>                  | <b>(796)</b>            |
| Taxation                          |                              |                           |                          |                          |                               | <b>(6,367)</b>          |
| <b>Loss for the period</b>        |                              |                           |                          |                          |                               | <b>(7,163)</b>          |



## A7. Operating Segments (contd.)

### As at 30 September 2022

|                                   | Commercial<br>RM'000 | Defence<br>RM'000 | Energy<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000     |
|-----------------------------------|----------------------|-------------------|------------------|------------------|-----------------------|---------------------|
| Group Total Sales                 | 37                   | 103,078           | -                | 2,524            | (2,435)               | <b>103,204</b>      |
| Inter-Segment Sales               | <u>-</u>             | <u>-</u>          | <u>-</u>         | <u>(2,435)</u>   | <u>2,435</u>          | <u>-</u>            |
| External Revenue                  | 37                   | 103,078           | -                | 89               | -                     | <b>103,204</b>      |
| Operating costs                   | (1,358)              | (67,969)          | -                | (8,269)          | (629)                 | <b>(78,225)</b>     |
| Impairment                        | <u>(51)</u>          | <u>-</u>          | <u>-</u>         | <u>-</u>         | <u>-</u>              | <u>(51)</u>         |
| <b>Results from operations</b>    | <b>(1,372)</b>       | <b>35,109</b>     | <b>-</b>         | <b>(8,180)</b>   | <b>(629)</b>          | <b>24,928</b>       |
| Interest income                   | -                    | 1,100             | -                | 1,895            | (2,947)               | <b>48</b>           |
| Finance costs                     | (1,349)              | (1,125)           | -                | (15,126)         | 4,634                 | <b>(12,966)</b>     |
| Share of result in joint ventures | <u>-</u>             | <u>(1,225)</u>    | <u>-</u>         | <u>-</u>         | <u>-</u>              | <u>(1,225)</u>      |
| <b>Profit before taxation</b>     | <b>(2,721)</b>       | <b>33,859</b>     | <b>-</b>         | <b>(21,411)</b>  | <b>1,058</b>          | <b>10,785</b>       |
| Taxation                          |                      |                   |                  |                  |                       | <u>(4,229)</u>      |
| <b>Profit for the period</b>      |                      |                   |                  |                  |                       | <u><b>6,556</b></u> |

Discussion on the segmental performance is disclosed in note B1 (Analysis Performance (FPE 30 September 2023 vs. FPE 30 September 2022)).

## 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 have 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 Ascertained Damages (“LAD”) 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 LAD 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 LAD 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 LAD claims in full against the future progress billing issued by BDNC to MINDEF. The Company had made full provision for the LAD claims based on the above. The total provisions for the LAD as at 30 September 2023, after offsetting against billings issued, is RM60.0 million (FYE 2022: RM60.0 million).

BDNC had made adequate provision for the LAD claim to the extent that it is deemed to be sufficient for this 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 LAD 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.

The Group has recognised its share of losses of interest in BDNC when applying the equity method up to its interest in the joint venture since the previous financial year.

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 September 2023:

|                               | <b>Approved<br/>but not<br/>contracted<br/>for<br/>RM'000</b> | <b>Approved<br/>and<br/>contracted<br/>for<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------|---|---|-------------------------|
| Property, plant and equipment | 3,861   | 530   | 4,391                   |

**B1. Analysis of Performance (FPE 30 September 2023 vs. FPE 30 September 2022)**

| For the quarter ended<br>30 September 2023 | Current<br>Period |        |       | Cumulative<br>Period |         |       |
|--|-------------------|--------|-------|----------------------|---------|-------|
|  |                   |        | +/(-) |                      |         | +/(-) |
|  | 2023              | 2022   | %     | 2023                 | 2022    | %     |
|  | RM'000            | RM'000 |       | RM'000               | RM'000  |       |
| Revenue                                    | 38,507            | 35,873 | 7     | 77,670               | 103,204 | -25   |
| Results from operations                    | 875               | 5,830  | -85   | 18,501               | 24,928  | -26   |
| (Loss) / Profit before taxation            | (4,402)           | 1,554  | >-100 | (796)                | 10,785  | >-100 |
| (Loss) / Profit for the period             | (5,716)           | 564    | >-100 | (7,163)              | 6,556   | >-100 |

For the cumulative financial period under review, the Group recorded a revenue of RM77.7 million, RM25.5 million lower than RM103.2 million reported in the same corresponding period last year. The decrease was attributable to variations in the milestones achieved for submarine contracts.

Results from operations stood at RM18.5 million, lower than the RM24.9 million recorded in the same corresponding period last year was due to lower contribution from submarine projects and other defence-related maintenance, repair and overhaul (“MRO”) projects. The impact was partly cushioned by the reversal of expected credit loss (“ECL”) of RM4.0 million (FPE 30 September 2022: RM Nil).

Increase in finance cost to RM15.4 million from RM13.0 million in the same corresponding period last year owed to higher weighted average interest rate of 6.10% (FPE 30 September 2022: 5.18%) and advances from related companies.

Higher negative contribution from joint venture companies of RM4.0 million (FPE 30 September 2022: loss of RM1.2 million) added to the losses, as a result of lower demand from customers and higher operating expenses.

For the financial period under review, the Group posted a loss after taxation of RM7.2 million versus RM6.6 million profit after taxation in the same corresponding period last year.

**B2. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q3 2023 vs. Q2 2023)**

| <b>For the quarter ended 30 September 2023</b> | <b>Current Period</b> | <b>Immediate Preceding Period</b> | <b>+ / (-)</b> |
|--|-----------------------|-----------------------------------|----------------|
|  | <b>Q3 2023</b>        | <b>Q2 2023</b>                    | <b>%</b>       |
|  | <b>RM'000</b>         | <b>RM'000</b>                     |                |
| Revenue  | 38,507                | 32,799                            | 17             |
| Results from operations                        | 875                   | 17,572                            | 95             |
| (Loss) / Profit before taxation                | (4,402)               | 9,445                             | >-100          |
| (Loss) / Profit for the period                 | (5,716)               | 5,054                             | >-100          |

The Group's revenue for the current quarter increased by 17% compared to the immediate preceding quarter, mainly driven by submarine contracts.

However, results from operations in Q3 2023 showed a lower profit of RM875,000 compared to RM17.6 million in Q2 2023 primarily due to variations in the milestones achieved for submarine contracts.

The variance in provision for taxation in Q3 2022 of RM1.3 million versus Q2 2023 of RM4.4 million was attributable to profits derived from the submarine contracts.

For Q3 2023, the Group recorded a loss after taxation of RM5.7 million as compared to a profit after taxation of RM5.1 million in Q2 2023.

**B3. Material Changes in Statement of Financial Position (FPE 30 September 2023 vs. FYE 31 December 2022)**

The Group's property, plant and equipment ("PPE") decreased from RM5.1 million to RM4.6 million in the current period mainly due to depreciation charged during the period.

The increase in receivables and payables of RM12.8 million and RM62.0 million respectively were mainly due to advance payment in relation to submarine contracts and amounts owing from/to related companies.

The Group's cash and bank balances of RM10.3 million at the end of the current period were lower as compared with RM26.3 million last year mainly attributable to lower receipts from customers. In addition, higher cash and bank balances in 2022 were due to proceeds received on disposal of assets.

**B4. Material Changes in Statement of Cash Flows (FPE 30 September 2023 vs. FPE 30 September 2022)**

The net cash outflow from operating activities of RM12.1 million (FPE 30 September 2022: net cash outflow of RM36.8 million), mainly due to lower payments to suppliers.

The net cash inflow from investing activities of RM238,000 (FPE 30 September 2022: net cash inflow of RM4.3 million), arose from dividend received from a joint venture company. Higher net cash inflow in 2022 was due to proceeds received on disposal of assets.

The net cash outflow from financing activities of RM4.3 million (FPE 30 September 2022: net cash inflow of RM31.2 million), was mainly due to advances from related companies and higher repayment of borrowings.

**B5. Commentary on Prospects**

Despite the challenging operating landscape, we remain steadfast to complete contracts at hand in a timely manner, at cost and to the satisfaction of our customers.

We expect the Interim ISS for the Royal Malaysian Navy submarines and Submarine Facilities Upkeep contracts to contribute positively to the Group's earnings in FY2023.

Moving forward, we will continue to pursue other defence contracts, widen our revenue base in the commercial segment and deliver value to our shareholders by leveraging on our facilities and human capital, in line with our ultimate shareholder Lembaga Tabung Angkatan Tentera's Strategic Plan 2023-2025, MAMPAN 25.

**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:

|  | <b>Current Period</b> |               | <b>Cumulative Period</b> |               |
|--|-----------------------|---------------|--------------------------|---------------|
|  | <b>2023</b>           | <b>2022</b>   | <b>2023</b>              | <b>2022</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b> | <b>RM'000</b>            | <b>RM'000</b> |
| Allowance for expected credit losses                       |                       |               |                          |               |
| - Other receivables  | -                     | -             | 40                       | -             |
| Reversal of expected credit losses                         |                       |               |                          |               |
| - Trade receivables  | -                     | -             | (4,031)                  | -             |
| Net gain on foreign currency exchange                      | (270)                 | (465)         | (103)                    | (1,097)       |
| Loss / (gain) on disposal of property, plant and equipment | -                     | -             | 55                       | (5)           |
| Impairment on property, plant and equipment                | -                     | -             | 26                       | 51            |
| Depreciation of investment property                        | 169                   | 169           | 506                      | 506           |
| Depreciation of right of use assets                        | 312                   | 175           | 952                      | 901           |
| Depreciation of property, plant and equipment              | 222                   | 453           | 658                      | 1,026         |

**B8. Taxation**

|   | <b>Current</b> | <b>Cumulative</b> |
|---|----------------|-------------------|
|   | <b>Period</b>  | <b>Period</b>     |
|   | <b>2023</b>    | <b>2023</b>       |
|   | <b>RM'000</b>  | <b>RM'000</b>     |
| Malaysian taxation based on profit for the period:          |                |                   |
| - Current corporate tax                                     | 1,360          | 6,455             |
| - Over provision in prior year                              | (46)           | (66)              |
| Deferred taxation:  |                |                   |
| - Over provision of deferred tax liabilities in prior years | -              | (22)              |
|   | <u>1,314</u>   | <u>6,367</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

Reference to the announcement made on 21 August 2023, the Group's indirect wholly-owned subsidiary, Perstim Industries Sdn Bhd ("PISB"), entered into a share sale agreement ("SSA") with Ocean Sunshine Berhad ("OSB") in respect of the proposed disposal of 27,000,001 ordinary shares representing approximately 20.77% of the equity interest in Boustead Naval Shipyard Sdn Bhd held by PISB for a cash consideration of RM1.00, subject to the terms and conditions of the SSA.

Reference to the announcements made on 4 October 2023 and 1 November 2023, PISB and OSB have mutually agreed to extend the Conditional Period of the SSA for a period up to 1 December 2023.

The proposed disposal is expected to be completed by fourth quarter of 2023 and is not expected to have any material impact on the earnings for the financial year ending 31 December 2023.

## B10. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2023 and 31 December 2022 are as follows:

|                          | <b>30.09.2023</b> | <b>31.12.2022</b> |
|--------------------------|-------------------|-------------------|
|                          | <b>RM'000</b>     | <b>RM'000</b>     |
| Long term borrowings:    |                   |                   |
| Unsecured                |                   |                   |
| - Term Revolving credits | 47,982            | 63,079            |
| Secured                  |                   |                   |
| - Term loan              | -                 | 206               |
|                          | <u>47,982</u>     | <u>63,285</u>     |
| Short term borrowings:   |                   |                   |
| Unsecured                |                   |                   |
| - Revolving credits      | 124,500           | 162,500           |
| - Term Revolving credits | 20,116            | 19,120            |
| Secured                  |                   |                   |
| - Term loan              | 486               | 1,120             |
|                          | <u>145,102</u>    | <u>182,740</u>    |
| Total borrowings         | <u>193,084</u>    | <u>246,025</u>    |

All current period borrowings are denominated in Ringgit Malaysia.

As at 30 September 2023, 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 6.10% per annum for the current period (FYE 31 December 2022: 5.34% per annum).

## B11. Disclosure of Derivatives

There were no outstanding derivatives as at 30 September 2023.



**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 September 2023.

**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 2022, except for the following case:

| Company                                  | Claimant Company   | Amount RM'000 | Status   |
|--|--|---------------|--|
| BNS<br>("Defendant") /<br>("Respondent") | MTU<br>Services<br>(Malaysia)<br>Sdn Bhd<br>("Plaintiff") /<br>("Appellant") | 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 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 has since July 2022 paid half of the amount owed. MSM had written to Court requesting for adjournment of the hearing scheduled on 14 November 2022 pending settlement negotiation with BNS.</p> <p>The Court has allowed MSM's adjournment request. The date initially fixed for hearing on 14 November 2022 was converted to a Case Management during which the Court has allowed for the Case Management and hearing to be rescheduled to 12 June 2023 and 26 June 2023 respectively.</p> |

**B13. Changes in Material Litigation (contd.)**

| <b>Company</b> | <b>Claimant Company</b> | <b>Amount RM'000</b> | <b>Status</b>   |
|----------------|-------------------------|----------------------|---|
|                |                         |                      | <p>BNS vs MSM (contd.)</p> <p>On 20 June 2023, MSM's solicitors requested for postponement of hearing for personal reasons and the Court allowed for Case Management and hearing to be rescheduled to 20 October 2023 and 2 November 2023 respectively.</p> <p>Reference to the announcement made on 3 November 2023, MSM had on 30 October 2023 filed Notice of Withdrawal of their appeal against the Kuala Lumpur High Court decision dated 29 March 2021 in allowing BNS's striking out application. The matter is considered closed.</p> |

| <b>Company</b>  | <b>Claimant Company</b>  | <b>Status</b>  |
|---|--|--|
| <p>BHIC, BHIC Defence Technologies Sdn Bhd ("BHICDT") and BNS (with (Dr.) Salihin Abang and Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) as fourth &amp; fifth defendants)</p> | <p>Contraves Advanced Devices Sdn Bhd ("CAD") and Contraves Electrodynamics Sdn Bhd ("CED") ("Plaintiffs")</p> | <ul style="list-style-type: none"> <li>• On 27 September 2022, Plaintiffs filed a Writ of Summons and Statement of Claim (Kuala Lumpur High Court Suit No. WA-22NCC-485-09/2022) against the 3 Companies and 2 BHICDT Nominee Directors in CAD.</li> <li>• Reliefs Sought by CAD and CED: <ol style="list-style-type: none"> <li>1. A declaration that the 12 letters of award ("LOAs") to the Plaintiffs, from BNS are still valid and subsisting;</li> <li>2. BNS pays CAD : <ol style="list-style-type: none"> <li>a. RM 880,068.21;</li> <li>b. Euro 39,871,994.66;</li> <li>c. Great Britain Pound 3,784,937.02; and</li> <li>d. Swedish Krona 55,938,157.90;</li> </ol> </li> <li>3. BNS pays CED the alleged outstanding amount of RM216,652,305.94;</li> <li>4. An order by way of specific performance of the 12 LOAs;</li> <li>5. Damages in lieu of and/or in addition to the specific performance to be assessed by the Court, alternatively, damages to be assessed and/or sums to be determined for quantum meruit;</li> </ol> </li> </ul> |

**B13. Changes in Material Litigation (contd.)**

| Company | Claimant Company | Status  |
|---------|------------------|---|
|         |                  | <p>Reliefs Sought by CAD (contd.):</p> <ol style="list-style-type: none"> <li data-bbox="711 363 1495 506">6. A declaration that the Nominee Directors have allegedly breached their fiduciary duties and/or common law duties and/or statutory duties under the provisions of Companies Act 2016;</li> <li data-bbox="711 531 1495 758">7. A declaration that BHIC and/or BHICDT and/or BNS had allegedly dishonestly assisted and/or aided and abetted and/or was an accessory to the Nominee Directors alleged breach of their respective fiduciary duties and/or common law duties and/or statutory duties owed to the Plaintiffs under the provision of Companies Act 2016;</li> <li data-bbox="711 783 1495 926">8. A declaration that BHIC and/or BHICDT and/or BNS and/or the Nominee Directors had allegedly wrongfully conspired and/or combined with each other and/or acted in concert to injure and/or defraud the Plaintiffs;</li> <li data-bbox="711 951 1495 1209">9. A declaration that BHIC and/or BHICDT and/or BNS and/or the Nominee Directors had allegedly wrongfully procured and/or induced any or all CAD's and/or CED's OEMs under the LCS Project to breach the OEM's respective LOAs with CAD and/or CED and/or unlawfully interfered with the actions of any or all CAD's and/or CED's OEMs and/or the OEM's respective LOAs with CAD and/or CED;</li> <li data-bbox="711 1245 1495 1581">10. An injunction to restrain BHIC and/or BHICDT and/or BNS and/or the Nominee Directors whether by itself/himself, its directors, agents, servants, nominees or otherwise howsoever from continuing with the alleged breach and/or assistance of the alleged breach of the Nominee Directors respective fiduciary duties and/or common law duties and/or statutory duties under the provisions of CA 2016 including but not limited to sections 213, 217 and 218 owed to CAD and/or CED;</li> <li data-bbox="711 1608 1495 1829">11. An injunction to restrain BHIC and/or BHICDT and/or BNS whether by itself, its directors, agents, servants, nominees or otherwise howsoever from directly communicating and/or contracting with CAD's and/or CED's OEMs under the LCS Project in connection with and for purposes of any of the scope of work under the 12 LOAs for the LCS Project;</li> </ol> |

**B13. Changes in Material Litigation (contd.)**

| Company | Claimant Company | Status   |
|---------|------------------|--|
|         |                  | <p>Reliefs Sought by CAD (contd.):</p> <ol style="list-style-type: none"> <li>12. An injunction to restrain (Dr.) Salihin and/or Dato' Syed Zahiruddin whether by himself, his agents, servants, nominees or otherwise howsoever from utilising, disclosing, distributing, propagating or otherwise howsoever from any internal documents and/or information of the Plaintiffs to any unauthorised persons and/or general public;</li> <li>13. Damages;</li> <li>14. Interest;</li> <li>15. Cost; and</li> <li>16. Such further and/or other relief as the Court may deem fit and just to grant.</li> </ol> <ul style="list-style-type: none"> <li>● The Board has appointed Messrs Lim Chee Wee Partnership to represent the Company, BHICDT and BNS in the suit.</li> <li>● The Nominee Directors i.e. (Dr.) Salihin Abang &amp; Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) will be represented by Messrs Elizabeth Lau &amp; Partners.</li> <li>● The litigation/defence timeline: <ol style="list-style-type: none"> <li>1. Filing of Defence on behalf of BHIC, BHICDT and BNS on 9 November 2022;</li> <li>2. Filing of Defence on behalf of the nominee directors on 11 November 2022;</li> <li>3. Filing of Striking Out/Stay Application on behalf of BHIC and BHICDT on 16 November 2022;</li> <li>4. Filing of Striking Out/Stay Application on behalf of BNS and the nominee directors on 25 November 2022; and</li> <li>5. Court hearing on 5 April 2023 fixed a subsequent hearing on 3 May 2023 where the decision was to be delivered on the application.</li> <li>6. The Court has adjourned the decision originally fixed on 3 May 2023 to another date to be decided and fixed 3 July 2023 for Case Management.</li> </ol> </li> </ul> |

**B13. Changes in Material Litigation (contd.)**

| Company | Claimant Company | Status  |
|---------|------------------|---|
|         |                  | <p>Reliefs Sought by CAD (contd.):</p> <ul style="list-style-type: none"> <li>• The litigation/defence timeline (contd.):</li> </ul> <ol style="list-style-type: none"> <li>7. Based on the Case Management dated 3 July 2023, the Plaintiffs have requested for an extension to finalise the settlement. Hence, the Court fixed another date for Case Management on 16 August 2023, for parties to update the Court on the settlement.</li> <li>8. During Case Management on 18 September 2023, BNS and the Plaintiffs updated the Court that the settlement has not been finalised. The Court then decided that it will allow both parties more time to settle and fixed the new Case Management on 30 October 2023.</li> <li>9. On 30 October 2023, the Plaintiffs updated the Court that the settlement has not been finalised and the Court fixed 30 November 2023 for final Case Management.</li> </ol> |

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

|  | <b>Current Period</b> |             | <b>Cumulative Period</b> |             |
|--|-----------------------|-------------|--------------------------|-------------|
|  | <b>2023</b>           | <b>2022</b> | <b>2023</b>              | <b>2022</b> |
| Net (loss) / profit for the period–<br>RM'000    | (5,716)               | 564         | (7,163)                  | 6,556       |
| Number of ordinary shares in issue<br>– '000     | 248,458               | 248,458     | 248,458                  | 248,458     |
| Basic/diluted (loss) / profit per share<br>– sen | (2.30)                | 0.23        | (2.88)                   | 2.64        |

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

Company Secretary

Kuala Lumpur

Date: 29 November 2023