

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2015	Note	Current Period		Cumulative Year	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>					
Revenue	A7	69,210	115,189	265,641	299,560
Operating cost		(100,371)	(115,594)	(254,009)	(267,376)
(Loss) / profit from operations	B18	(31,161)	(405)	11,632	32,184
Interest income		109	88	443	369
Finance cost		(4,564)	(4,444)	(18,202)	(16,895)
Share of results of joint ventures		1,396	(1,642)	21,494	10,282
Share of results of associates		(9,583)	11,614	(19,316)	7,098
<b>(Loss) / profit before taxation from continuing operations</b>	A7	<b>(43,803)</b>	5,211	<b>(3,949)</b>	33,038
Taxation	B19	(1,204)	(764)	(3,589)	(2,488)
<b>(Loss) / profit for the period / year from continuing operations</b>		<b>(45,007)</b>	4,447	<b>(7,538)</b>	30,550
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax		(7,253)	(8,931)	(23,201)	(12,700)
<b>(Loss) / profit for the period / year</b>		<b>(52,260)</b>	(4,484)	<b>(30,739)</b>	17,850
Attributable to:					
Shareholders of the Company		(52,260)	(4,484)	(30,739)	17,850
Non-controlling interests		-	-	-	-
<b>Net (loss) / profit for the period / year</b>		<b>(52,260)</b>	(4,484)	<b>(30,739)</b>	17,850
<b>Basic/diluted (loss) / earnings per share attributable to shareholders of the Company (sen):</b>					
Total	B27	(21.03)	(1.80)	(12.37)	7.18
Continuing operations		(18.11)	1.79	(3.03)	12.30
Discontinued operation		(2.92)	(3.59)	(9.34)	(5.12)

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 year ended 31 December 2015	Current Period		Cumulative Year	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>(Loss) / profit for the period / year</b>	<b>(52,260)</b>	<b>(4,484)</b>	<b>(30,739)</b>	17,850
Foreign currency translation	-	-	-	-
<b>Total comprehensive (loss) / income for the period / year</b>	<b>(52,260)</b>	<b>(4,484)</b>	<b>(30,739)</b>	17,850
<b>Total comprehensive (loss) / income attributable to:</b>				
Shareholders of the Company	<b>(52,260)</b>	<b>(4,484)</b>	<b>(30,739)</b>	17,850
Non-controlling interests	-	-	-	-
<b>Net (loss) / profit for the period / year</b>	<b>(52,260)</b>	<b>(4,484)</b>	<b>(30,739)</b>	17,850

The Unaudited Condensed Consolidated Statements Of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December	As at 31 December
		2015 RM'000	2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		65,103	170,885
Investment property		13,989	-
Design rights		-	2,097
Deferred tax assets		18,891	18,891
Joint ventures		86,552	70,543
Associates		164,384	183,700
		<u>348,919</u>	<u>446,116</u>
Inventories		3,641	2,216
Receivables		250,278	225,355
Tax recoverable		9,391	9,552
Cash and bank balances		54,075	63,993
Non-current assets held for sale		72,627	-
		<u>390,012</u>	<u>301,116</u>
<b>TOTAL ASSETS</b>		<u>738,931</u>	<u>747,232</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		248,458	248,458
Retained earnings		21,361	52,099
<b>Shareholders' funds</b>		<u>269,819</u>	<u>300,557</u>
Non-controlling interests		1	36
<b>Total equity</b>		<u>269,820</u>	<u>300,593</u>
<b>Non-current liabilities</b>			
Long term borrowings	B21	8,255	13,997
Deferred tax liabilities		76	76
		<u>8,331</u>	<u>14,073</u>
<b>Current liabilities</b>			
Borrowings	B21	346,777	342,170
Trade and other payables		113,087	89,370
Tax payables		916	1,026
		<u>460,780</u>	<u>432,566</u>
<b>Total liabilities</b>		<u>469,111</u>	<u>446,639</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>738,931</u>	<u>747,232</u>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<u>1.09</u>	<u>1.21</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 year ended 31 December 2015	← 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 2015</b>	<b>248,458</b>	<b>52,099</b>	<b>300,557</b>	<b>36</b>	<b>300,593</b>
<b>Total comprehensive loss for the year</b>	-	(30,739)	<b>(30,739)</b>	-	<b>(30,739)</b>
<b>Transaction with owners</b>					
Dividend on ordinary shares: - interim	-	-	-	(1)	<b>(1)</b>
Additional investment in a Subsidiary	-	-	-	(34)	<b>(34)</b>
Premium paid on acquisition of non-controlling interest	-	<b>1</b>	<b>1</b>	-	<b>1</b>
Total transaction with owners	-	<b>1</b>	<b>1</b>	(35)	<b>(34)</b>
<b>Balance at 31 December 2015</b>	<b>248,458</b>	<b>21,361</b>	<b>269,819</b>	<b>1</b>	<b>269,820</b>
<b>At 1 January 2014</b>	<b>248,458</b>	<b>34,249</b>	<b>282,707</b>	<b>36</b>	<b>282,743</b>
<b>Total comprehensive income for the year</b>	-	17,850	<b>17,850</b>	-	<b>17,850</b>
<b>Balance at 31 December 2014</b>	<b>248,458</b>	<b>52,099</b>	<b>300,557</b>	<b>36</b>	<b>300,593</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 31 December	As at 31 December
	2015	2014
	RM'000	RM'000
<b>Operating Activities</b>		
Receipts from customers	258,551	198,836
Cash paid to suppliers and employees	(235,290)	(164,143)
Cash paid to related companies	(3,845)	(759)
Cash generated from operations	19,416	33,934
Interest paid	(18,053)	(16,816)
Tax paid less refunds	(3,538)	(4,309)
Net cash (used in) /generated from operating activities	(2,175)	12,809
<b>Investing Activities</b>		
Interest received	334	313
Dividends received	5,487	30,855
Proceed from disposal of property, plant and equipment	-	3,861
Purchase of property, plant and equipment and investment property	(3,804)	(17,381)
Additional investment in a subsidiary	(35)	-
Placement of pledged fixed deposits, net	(212)	(51)
Purchase of intangible asset	(534)	(1,707)
Net cash generated from investing activities	1,236	15,890
<b>Financing Activities</b>		
Net repayment of borrowings	(22,212)	(30,794)
Proceeds from drawdown of term loan/ revolving credits/ hire purchases	10,322	23,566
Net cash used in financing activities	(11,890)	(7,228)
Net (decrease) / increase in cash and cash equivalents	(12,829)	21,471
Effect of foreign exchange rate changes	2,699	322
Cash and cash equivalents at beginning of year	61,529	39,736
<b>Cash and Cash Equivalents at End of Year</b>	<b>51,399</b>	<b>61,529</b>
<b>Cash and Cash Equivalents at End of Year Comprise:</b>		
Deposits with licensed banks	33,345	41,892
Cash and bank balances	20,730	22,101
Total cash and bank balances	54,075	63,993
Less: Deposits with licensed banks pledged and more than 90 days	(2,676)	(2,464)
<b>Cash and Cash Equivalents at End of Year</b>	<b>51,399</b>	<b>61,529</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 31 December 2015**

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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 year ended 31 December 2015, 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 2014. 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 2014 except as follows:

<b>Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 2	Share-Based Payment (Annual Improvements 2010 – 2012 Cycle)	1 July 2014
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)	1 July 2014
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010 – 2012 Cycle)	1 July 2014
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2011 – 2013 Cycle)	1 July 2014
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)	1 July 2014
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010 – 2012 Cycle)	1 July 2014
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010 – 2012 Cycle)	1 July 2014
Amendments to MFRS 140	Investment Property (Annual Improvements 2011 – 2013 Cycle)	1 July 2014

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>
Annual Improvements	MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 12	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 141	Agriculture: Bearer Plants	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments	1 January 2018

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

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:

### **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 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.

## **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**

In December 2015, the Group entered into Memoranda of Agreement with Jasa Merin (Labuan) Plc for sale of the three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 at a price of USD5.7 million each. This is in line with the internal reorganisation and rationalisation exercise that the Group is undertaking to focus its activities in shipbuilding, Maintenance, Repair and Overhaul (“MRO”) and oil & gas services. The proposed sale of these chemical tankers is expected to be completed by 31 March 2016.

#### A5. Change in Estimates

There was no material change in estimates of amounts reported in the prior interim periods of the current or in the previous financial year.

#### A6. Dividends Paid

There was no dividend paid during the current financial quarter ended 31 December 2015.

#### A7. Operating Segments

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

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Elimination RM'000	Total RM'000
<b>2015</b>					
<b>Continuing operations</b>					
<b>Revenue</b>					
External revenue	265,641	-	-	-	265,641
<b>Results</b>					
Segmental results – external	11,632	-	-	-	11,632
Interest income	443	-	-	-	443
Finance cost	(18,202)	-	-	-	(18,202)
Share of results in joint ventures	(1,261)	22,755	-	-	21,494
Share of results in associates	(19,316)	-	-	-	(19,316)
(Loss) / profit before taxation from continuing operations	(26,704)	22,755	-	-	(3,949)
Taxation					(3,589)
<b>Loss for the year from continuing operations</b>					(7,538)
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	-	-	(23,201)	-	(23,201)
Loss for the year					<b>(30,739)</b>

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

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Elimination RM'000	Total RM'000
<b>2014</b>					
<b>Continuing operations</b>					
<b>Revenue</b>					
External revenue	299,560	-	-	-	299,560
<b>Results</b>					
Segmental results – external	32,184	-	-	-	32,184
Interest income	369	-	-	-	369
Finance cost	(16,895)	-	-	-	(16,895)
Share of results in joint ventures	712	9,570	-	-	10,282
Share of results in associates	7,098	-	-	-	7,098
Profit before taxation from continuing operations	23,468	9,570	-	-	33,038
Taxation					(2,488)
<b>Profit for the year from continuing operations</b>					30,550
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	-	-	(12,700)	-	(12,700)
Profit for the year					<b>17,850</b>

## 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**

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

A total of 78 personnel had accepted the mutual separation scheme offered by the Group in the month of January 2016 with a total payment of approximately RM4.3 million.

## **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) Bonus shares issued by BHIC AeroServices Sdn Bhd**

On 15 July 2015, the Board of Directors of BHIC AeroServices Sdn Bhd ("BHICAS") approved the proposal of bonus shares to all its existing shareholders of BHICAS. The directors authorised to allot and issue 1,500,000 new ordinary shares of RM1.00 each by way of bonus issue by capitalising RM1.5 million from its unappropriated profit account and credited to the shareholders whose names appear in the Register of Members of the Company at the close of business on 3 July 2015.

The Group through its wholly owned subsidiary namely BHIC Defence Technologies Sdn Bhd owns 51% interest in this company. The new shares were formally issued on 15 July 2015.

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

### iii) 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. The Proposed Internal Reorganisation is not expected to have any material impact on the earnings of the Group for the financial year ending 31 December 2015.

As at to date, the reorganisation process is still on-going.

### iv) Acquisition of additional shares in Perstim Industries Sdn Bhd (“Perstim”), a subsidiary of BHIC Group

On 10 December 2015, the Group completed the acquisition of additional 33,600 units of ordinary shares in Perstim for a total cash consideration of RM35,616. With this acquisition, BHIC Group owns 99.99% of equity interest in Perstim.

Save as disclosed above, there were no other changes in the composition of the Group during the period under review.

## A12. Changes in Contingent Liabilities

A customer of the Group, issued a notice of arbitration dated 7 December 2012 against a subsidiary of the Group for alleged breach of contract. The subsidiary, in response, has initiated a counter-claim against the customer.

The customer is claiming USD4,935,000 (RM21,171,000 equivalent) together with interest and costs. The subsidiary's counter-claim is a rejection of the entire customer's claim plus additional sums of USD449,332 (RM1,927,634 equivalent) and RM9,535,994, together with interest and costs.

The discovery of documents process between the customer and the subsidiary of our Group has been completed. The subsidiary of our Group reserves its rights for further discovery of documents, subject to the tribunal's approval. The subsidiary of our Group has submitted a revised application and proposed amended defence and counterclaim on 19 February 2016. Upon conclusion of the amendment process, the tribunal will give further directions accordingly.

## A13. Capital Commitments

The Group has the following commitments as at 31 December 2015:

	<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	248,330	648	248,978

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

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**B14. Analysis of Performance (YTD 31 December 2015 vs. YTD 31 December 2014)**

For the current year under review, BHIC Group recorded a revenue of RM265.6 million, a decrease of RM34.0 million or 11.3% from RM299.6 million reported in the preceding year.

The heavy engineering segment contributed to the Group's revenue with the progress of Belum Satellite (BE-SA) Topside Facilities for Murphy's Sarawak SK309/311 Gas Development project and increased revenue from defence-related maintenance, repair and overhaul ("MRO") activities.

On 23 December 2015, the Group had announced its intention to dispose off three chemical tankers at a total price of USD17.1 million. In view of this transaction, the chartering segment will be classified under "discontinued operation" as the Group will no longer be operating in this business. The chartering segment posted higher loss of RM23.2 million mainly due to impairment loss of RM12.6 million on the three chemical tankers and high direct costs incurred by two vessels (MT CHULAN 1 and MT CHULAN 2) under the spot charter arrangement.

Against last year, the Joint Venture Companies ("JV Cos") contributed a higher share of profit. This was mainly from Contraves Advanced Devices Group ("CAD Group") contributed by the Littoral Combat Ship ("LCS") project.

Despite steady progress of its LCS project, the associates posted higher share of losses of RM19.3 million in the current year due to provision for foreseeable loss for the restoration of KD PERANTAU, additional costs on certain ship repair projects and no new shipbuilding projects undertaken.

The Group recorded a loss after tax of RM30.7 million versus last year's net profit of RM17.9 million due to lower contribution from defence-related MRO activities, commercial shipbuilding activities, a provision against certain variation works for the Oil & Gas's Belum Topside project where client approval is outstanding and negative contribution from the associates for the year.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2015 vs. Q3 2015)**

Current quarter revenue of RM69.2 million was an increase of RM6.8 million or 10.9% from the RM62.4 million reported in the third quarter of 2015. This was largely attributable to higher revenue recognised in the defence-related MRO activities for the current quarter as compared with the previous quarter. Oil and Gas segment posted lower revenue due to the Belum Topside project nearing 100% completion and certain variation works claims where client approval is outstanding.

Higher expenses recorded in the last quarter of 2015 was due to impairment loss on the sale of three Chulan tankers for the year.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2015 vs. Q3 2015) (cont'd.)**

Despite having positive contributions from a joint venture company engaged in the LCS project, the current quarter share of profit in joint venture companies of RM1.4 million, represents a decrease of RM5.1 million as compared with the third quarter of 2015 due to lower contribution from a joint venture company involved in the submarine in-service support project.

The associates contribution in the last quarter of 2015 was predominantly due to additional costs on certain ship repair projects.

**B16. Commentary on Prospects**

A joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) received and accepted the revised and final Letter of Acceptance (“LOA”) for the Extended In-Service Support Contract of the two submarines from the Government of Malaysia (“GoM”) on 12 October 2015 at a total dual currency Contract Price of EUR70,296,050.85 and RM153,160,900.00. The tenure of the extended contract was revised to 31 March 2018. The Contract will contribute positively to the Group’s future earnings.

In November 2015, BDNC accepted a new LOA from the GoM for the refit of the two submarines. The dual currency contract is priced at EUR169,859,453.00 and RM432,403,722.00 (inclusive of GST) and is effective from 1 November 2015. The contractual refit period for each submarine is 18 months from its respective start date. The Contract will contribute positively to the Group’s future earnings.

In addition, the physical construction of the first of the six ships for the LCS project has begun in 2015, with the first in class ship delivery in 2019 and the remaining five ships to be delivered at regular intervals thereafter. The Group’s associate holds the design rights of the LCS platform, which raises the possibility of the associate company offering it for future projects. The building of the LCS is a significant step forward in advancing Malaysia’s maritime and defence industry.

The sale of the three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 is expected to be completed in 2016. This is in line with the rationalisation exercise that the Group has taken to focus its activities in shipbuilding, MRO and oil and gas services.

The Group expects the oil and gas sector to remain challenging in view of the present competitive environment and capital expenditures cut as announced by oil majors.

**B17. Notes on variance in actual profit and shortfall in profit guarantee**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interests and shortfall in profit guarantee are not applicable.

**B18. Notes to the Consolidated Income Statements**

Save as disclosed below and included in the consolidated income statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Listing Requirements of Bursa Malaysia:

	<b>Current Period 2015 RM'000</b>	<b>Cumulative Period 2015 RM'000</b>
<b>Continuing operations</b>		
Other income	(166)	(187)
Net loss on foreign currency exchange	4,499	5,690
Depreciation of investment property	123	573
Impairment loss of property, plant and equipment	12,647	12,647
Impairment loss of intangible asset	2,631	2,631
Impairment loss of receivables:		
- Trade receivables	31	31
- Non-trade receivables	3,851	3,851
Inventories written off	788	788
<b>Discontinued operation</b>		
Depreciation of property, plant and equipment	2,643	9,990
Net loss on foreign currency exchange	1,567	10,610

**B19. Taxation**

	<b>Current Period 2015 RM'000</b>	<b>Cumulative Period 2015 RM'000</b>
Malaysian taxation based on profit for the period:		
- Current corporate tax	1,001	3,376
Add: Underprovision in prior year	203	213
	<u>1,204</u>	<u>3,589</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 from prior years to be offset against current profit.

**B20. Status of Corporate Proposal**

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

**B21. Group Borrowings and Debt Securities**

Total group borrowings as at 31 December 2015 are as follows:

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings:		
Secured		
- Term loans	8,046	13,937
- Hire purchase and finance lease liabilities	209	60
	<u>8,255</u>	<u>13,997</u>
Short term borrowings		
Unsecured		
- Term loans	-	3,447
- Revolving credits	290,000	290,000
Secured		
- Term loans	7,705	8,677
- Revolving credits	48,975	39,956
- Hire purchase and finance lease liabilities	97	90
	<u>346,777</u>	<u>342,170</u>

Included above is a secured revolving credit of RM49.00 million (US Dollar: 11.42 million) and a secured term loan of RM6.60 million (US Dollar: 1.54 million) which are denominated in US Dollar. All other borrowings are denominated in Ringgit Malaysia.

**B22. Disclosure of Derivatives**

There were no outstanding derivatives as at 31 December 2015.

**B23. Gains/Losses Arising From Fair Value Changes of Financial Liabilities**

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter ended 31 December 2015.

**B24. Realised and Unrealised Unappropriated Profits**

	<b>As at 31 December 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
Total retained profits of Company and its subsidiaries:		
- Realised	(381,826)	(310,297)
- Unrealised	35,068	23,260
Total share of retained profits from joint ventures:		
- Realised	109,962	71,256
- Unrealised	(13,668)	2,832
Total share of retained profits from associates:		
- Realised	112,649	131,963
- Unrealised	-	-
	<hr/>	<hr/>
	(137,815)	(80,986)
Consolidated adjustments	159,176	133,085
Total Group retained profits as per consolidated financial statements	<hr/> <b>21,361</b>	<hr/> <b>52,099</b>

The determination of realised and unrealised profits is compiled based on Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

## B25. Changes in Material Litigations

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2014, 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	<p>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.</p> <p>BN Shipyard, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs. Ingat Kawan had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal. Hearing on the appeal was heard on 11 November 2013, where the Court of Appeal had allowed Ingat Kawan's appeal and ordered the matter to be tried at the High Court.</p> <p>BN Shipyard has filed a leave application to appeal to the Federal Court. This matter was originally fixed for hearing on 23 June 2014 but later adjourned by the Court to 15 October 2014. The Court heard the application on 15 October 2014 and then adjourned the matter for Case Management on 3 November 2014 pending issuance of the Grounds of Judgment by the Court of Appeal.</p> <p>Pursuant to the Case Management before the Deputy Registrar of the Federal Court on 3 November 2014, the Court has fixed the next case management on 4 February 2015 pending availability of the Court of Appeal's Ground of Judgement and the filing of the Supplementary Affidavit containing the Grounds of Judgement.</p> <p>The Court has fixed the next Case Management date on 7 May 2015 pending the availability of the Court of Appeal's Ground of Judgement and filing of the Supplementary Affidavit containing the Grounds of Judgement. The Court has further allowed BN Shipyard to add or alter the question of law for the leave application upon obtaining the Grounds of Judgement.</p> <p>Due to the non-availability of the Court of Appeal's Ground of Judgement, the Court fixed the matter for further case management on 18 August 2015.</p> <p>The Court has fixed the matter for further case management on 21 March 2016 pending the availability of the Grounds of Judgement from the Court of Appeal.</p>

**B26. Dividend Payable**

The Board does not recommend any dividend for the financial year ended 31 December 2015 (previous year ended 31 December 2014: Nil).

**B27. Earnings per Share**

	<b>2015</b>	<b>Current Period 2014</b>	<b>2015</b>	<b>Cumulative Period 2014</b>
Net (loss) / profit for the period – RM'000	(52,260)	(4,484)	(30,739)	17,850
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total (loss) / earnings per share – sen	(21.03)	(1.80)	(12.37)	7.18

**By Order of the Board**

**LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)**

**SUZANA BINTI SANUDIN (LS 008028)**

Secretaries

Kuala Lumpur

Date: 29 February 2016