

# Boustead Heavy Industries Corporation Berhad 197101000758

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 December 2020	Note	Current Period		Cumulative Year	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Revenue</b>	<b>A7</b>	<b>32,434</b>	42,283	<b>150,103</b>	168,920
Operating costs		<b>(54,648)</b>	(43,160)	<b>(158,221)</b>	(159,286)
Impairment		-	(32,828)	-	(32,828)
Net (allowance for) / reversal of expected credit losses		<b>(19,351)</b>	(25,116)	<b>5,354</b>	(25,116)
<b>Results from operations</b>		<b>(41,565)</b>	(58,821)	<b>(2,764)</b>	(48,310)
Interest income		<b>36</b>	101	<b>324</b>	263
Finance cost		<b>(4,804)</b>	(4,536)	<b>(16,575)</b>	(16,947)
Share of results of joint ventures		<b>(13,642)</b>	5,754	<b>(13,758)</b>	9,177
Share of results of associates		-	(56,356)	-	(57,697)
<b>Loss before taxation</b>	<b>A7</b>	<b>(59,975)</b>	(113,858)	<b>(32,773)</b>	(113,514)
Taxation	<b>B20</b>	<b>(14,530)</b>	(4,694)	<b>(17,806)</b>	(3,122)
<b>Loss for the period / year</b>		<b>(74,505)</b>	(118,552)	<b>(50,579)</b>	(116,636)
Attributable to:					
Shareholders of the Company		<b>(74,505)</b>	(118,552)	<b>(50,579)</b>	(116,636)
Non-controlling interests		-	-	-	-
<b>Net loss for the period / year</b>		<b>(74,505)</b>	(118,552)	<b>(50,579)</b>	(116,636)
<b>Basic loss per share attributable to shareholders of the Company (sen):</b>	<b>B26</b>	<b>(29.99)</b>	(47.72)	<b>(20.36)</b>	(46.94)

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

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 31 December 2020	Current Period		Cumulative Year	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss for the period / year	(74,505)	(118,552)	(50,579)	(116,636)
Foreign currency translation	-	-	-	-
<b>Total comprehensive loss for the period / year</b>	<b>(74,505)</b>	<b>(118,552)</b>	<b>(50,579)</b>	<b>(116,636)</b>
<b>Total comprehensive income loss attributable to:</b>				
Shareholders of the Company	(74,505)	(118,552)	(50,579)	(116,636)
<b>Net loss for the period / year</b>	<b>(74,505)</b>	<b>(118,552)</b>	<b>(50,579)</b>	<b>(116,636)</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

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2020 RM'000	As at 31 December 2019 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,271	16,246
Investment property		11,503	12,355
Right of use assets		34,075	36,207
Deferred tax assets		-	15,388
Investments in joint ventures		82,495	99,931
Investments in associates		-	-
		<b>135,344</b>	<b>180,127</b>
<b>Current assets</b>			
Inventories		3,160	6,209
Trade and other receivables		269,602	249,661
Contract assets		3,480	1,725
Tax recoverables		2,530	2,941
Cash and bank balances		3,498	28,307
Non-current assets held for sale		3,885	-
		<b>286,155</b>	<b>288,843</b>
<b>TOTAL ASSETS</b>		<b>421,499</b>	<b>468,970</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		248,458	248,458
Accumulated losses		(183,058)	(132,479)
<b>Shareholders' funds, representing total equity</b>		<b>65,400</b>	<b>115,979</b>
<b>Non-current liabilities</b>			
Loans and borrowings	B22	54,819	71,566
Deferred tax liabilities		1	140
Lease liabilities		7,209	7,783
		<b>62,029</b>	<b>79,489</b>
<b>Current liabilities</b>			
Contract liabilities		18	1,514
Provisions		-	843
Loans and borrowings	B22	236,247	229,620
Trade and other payables		56,979	40,503
Tax payables		226	213
Lease liabilities		600	809
		<b>294,070</b>	<b>273,502</b>
<b>Total liabilities</b>		<b>356,099</b>	<b>352,991</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>421,499</b>	<b>468,970</b>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<b>0.26</b>	<b>0.47</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

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020	←Attributable to equity holders of the Company				
	Share Capital	Accumulated Losses	Total	controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	248,458	(132,479)	115,979	-	115,979
Total comprehensive loss for the year	-	(50,579)	(50,579)	-	(50,579)
<b>Balance at 31 December 2020</b>	<b>248,458</b>	<b>(183,058)</b>	<b>65,400</b>	<b>-</b>	<b>65,400</b>
At 1 January 2019	248,458	(15,843)	232,615	-	232,615
Total comprehensive loss for the year	-	(116,636)	(116,636)	-	(116,636)
<b>Balance at 31 December 2019</b>	<b>248,458</b>	<b>(132,479)</b>	<b>115,979</b>	<b>-</b>	<b>115,979</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 197101000758

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 December	As at 31 December
	2020	2019
	RM'000	RM'000
<b>Operating Activities</b>		
Receipts from customers	111,316	148,686
Cash paid to suppliers and employees	(109,341)	(163,273)
Net cash (paid to) / receipt from related companies	(851)	650
Cash generated from / (used in) operations	1,124	(13,937)
Interest paid	(16,710)	(16,133)
Net tax (paid) / refunds	(2,133)	10,342
Net cash used in operating activities	(17,719)	(19,728)
<b>Investing Activities</b>		
Interest received	324	213
Dividends received from joint venture companies	3,677	2,626
Proceed from disposal of property, plant and equipment	2	111
Purchase of property, plant and equipment	(191)	(345)
Net cash generated from investing activities	3,812	2,605
<b>Financing Activities</b>		
Repayment of borrowings	(10,120)	(3,120)
Payment of principal portion of lease liabilities	(784)	(791)
Proceed from drawdown of revolving credits	-	31,500
Net cash (used in) / generated from financing activities	(10,904)	27,589
Net (decrease) / increase in cash and cash equivalents	(24,811)	10,466
Effect of foreign exchange rate changes	2	(49)
Cash and cash equivalents at beginning of the year	28,307	17,890
<b>Cash and Cash Equivalents at End of the Year</b>	<b>3,498</b>	<b>28,307</b>
<b>Cash and Cash Equivalents at End of the Year Comprise:</b>		
Deposits with licensed banks	1,200	12,932
Cash and bank balances	2,298	15,375
<b>Cash and Cash Equivalents at End of the Year</b>	<b>3,498</b>	<b>28,307</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**  
**Notes to the Interim Financial Report for the Quarter Ended 31 December 2020**

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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 2020, 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 2019. 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 2019 except as follows:

<b>MFRS and Amendments to MFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 3 (Business Combinations)      Definition of a Business	1 January 2020
Amendments to MFRS 9 (Financial Instruments), MFRS 139 (Financial Instruments: Recognition and Measurement) and MFRS 7 (Financial Instruments: Disclosures)      Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 (Presentation of Financial Statements) and MFRS 108 (Accounting Policies, Changes in Accounting Estimates and Errors)      Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS standards      Conceptual Framework	1 January 2020
Amendments to MFRS 16 (Leases)      Covid-19 Related Rent Concessions	1 June 2020

## A2. Changes in Accounting Policies (contd.)

<b>MFRS and Amendments to MFRSs</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 4 (Insurance Contracts)	Extension of the Temporary Exemption from Applying MFRS 9	Immediately
Amendments to MFRS 101 (Presentation of Financial Statements) – Deferral of Effective Date	Classification of Liabilities as Current and Non-current	Immediately

### **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 9 (Financial Instruments), MFRS 139 (Financial Instruments: Recognition and Measurement), MFRS 7 (Financial Instruments: Disclosures), MFRS 4 (Insurance Contracts) and MFRS 16 (Leases)	Interest Rate Benchmark Reform-Phase 2	1 January 2021
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)	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

## A2. Changes in Accounting Policies (contd.)

### Standards and interpretations that are issued but not yet effective (contd.)

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 141 (Agriculture)	Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101 (Presentation of Financial Statements)	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 (Presentation of Financial Statements)	Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
Amendments to MFRS 108 (Accounting Policies, Changes in Accounting Estimates and Errors)	Definition of Accounting Estimates (Amendments to MFRS 108)	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 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**

##### **i) Right-sizing Exercise**

An exercise was undertaken to identify the optimal organisational structure for the Group. An obvious component of this exercise is a critical review of appropriate human capital resources, which will impact the entire Group. Specific right-sizing initiatives, based on the Group's established performance appraisal processes, have commenced in all primary operating facilities, including the head office and will lead to a reduction in overall employee headcount. This exercise is expected to be completed by 30 June 2021.

As at 31 December 2020, a total of 160 personnel had accepted the mutual separation scheme offered by the Group since 2016 with a total payment of RM11.5 million.

##### **ii) Internal Business Reorganisation**

The Group started an exercise to review the operational structure and decided to merge the operations of certain business units. Three non-performing business units and one department have been identified and the closure is ongoing. This exercise is expected to be completed by 30 June 2021.

As at 31 December 2020, the closure resulted in a retrenchment of 78 staffs with a total payment of RM5.7 million.

#### **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 / year.

#### **A6. Dividend**

The Board of Directors does not propose any dividend in the quarter ended 31 December 2020 (31 December 2019: RM nil).

## A7. Operating Segments

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

### As at 31 December 2020

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	533	149,376	-	10,235	(10,041)	<b>150,103</b>
Inter-Segment Sales	-	(158)	-	(9,883)	10,041	-
External Revenue	533	149,218	-	352	-	<b>150,103</b>
Operating costs	(12,331)	(127,778)	(2,154)	(9,013)	(6,945)	<b>(158,221)</b>
Net reversal of / (allowance for) expected credit losses	-	4,660	-	(10,747)	11,441	<b>5,354</b>
<b>Results from operations</b>	<b>(11,798)</b>	<b>26,100</b>	<b>(2,154)</b>	<b>(19,408)</b>	<b>4,496</b>	<b>(2,764)</b>
Interest income	-	846	-	2,799	(3,321)	<b>324</b>
Finance costs	(1,761)	(1,103)	-	(19,417)	5,706	<b>(16,575)</b>
Share of result in joint ventures	-	(13,758)	-	-	-	<b>(13,758)</b>
Share of result in associates	-	-	-	-	-	-
<b>(Loss) / Profit before taxation</b>	<b>(13,559)</b>	<b>12,085</b>	<b>(2,154)</b>	<b>(36,026)</b>	<b>6,881</b>	<b>(32,773)</b>
Taxation						<b>(17,806)</b>
<b>Loss for the year</b>						<b>(50,579)</b>

## A7. Operating Segments (contd.)

### As at 31 December 2019

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	899	168,634	-	6,076	(6,689)	<b>168,920</b>
Inter-Segment Sales	<u>(18)</u>	<u>(1,129)</u>	<u>-</u>	<u>(5,542)</u>	<u>6,689</u>	<u>-</u>
External Revenue	881	167,505	-	534	-	<b>168,920</b>
Operating costs	(4,421)	(133,957)	(3,259)	(14,764)	(2,885)	<b>(159,286)</b>
Impairment	-	(32,828)	-	-	-	<b>(32,828)</b>
Net reversal of / (allowance for) expected credit losses	<u>272</u>	<u>(25,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,116)</u>
<b>Results from operations</b>	<b>(3,268)</b>	<b>(24,668)</b>	<b>(3,259)</b>	<b>(14,230)</b>	<b>(2,885)</b>	<b>(48,310)</b>
Interest income	-	1,372	-	2,763	(3,872)	<b>263</b>
Finance costs	(1,641)	(1,243)	-	(20,359)	6,296	<b>(16,947)</b>
Share of result in joint ventures	-	9,177	-	-	-	<b>9,177</b>
Share of result in associates	<u>-</u>	<u>(57,697)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,697)</u>
<b>Loss before taxation</b>	<b>(4,909)</b>	<b>(73,059)</b>	<b>(3,259)</b>	<b>(31,826)</b>	<b>(461)</b>	<b>(113,514)</b>
Taxation						<u>(3,122)</u>
<b>Loss for the year</b>						<u><b>(116,636)</b></u>

Discussion on the segmental performance is disclosed in note B13 (Analysis Performance (FYE 31 December 2020 vs. FYE 31 December 2019)).

## 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 year.

## 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 B25 (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.

BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for the ISS Contract, and appeals were submitted to MINDEF for consideration.

#### b) Refit Contract

On 28 June 2019, BDNC received a letter from MINDEF claiming for LD amounting to RM22.4 million and EUR8.8 million for the refit works on RMN Submarine.

BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for this refit Contract, and appeals were submitted to MINDEF for consideration.

#### 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.

BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for this 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 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 B25 (Changes in Material Litigations), there has been no other contingent liability arising since the previous financial year end and in the current financial year.

## A12. Capital Commitments

The Group has the following commitments as at 31 December 2020:

	<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	2,914	-	2,914

**B13. Analysis of Performance (FYE 31 December 2020 vs. FYE 31 December 2019)**

For the quarter ended 31 December 2020	Current Period		+ / (-)	Cumulative 2020	Year 2019	+ / (-)
	2020	2019	%			
	RM'000	RM'000		RM'000	RM'000	
Revenue	32,434	42,283	(23)	150,103	168,920	(11)
Results from operations	(41,565)	(58,821)	29	(2,764)	(48,310)	94
Loss before taxation	(59,975)	(113,858)	47	(32,773)	(113,514)	71
Loss for the period / year	(74,505)	(118,552)	37	(50,579)	(116,636)	57

The Group recorded a net loss of RM50.6 million versus last year's loss of RM116.6 million mainly due to net reversal of expected credit losses of RM5.4 million. Higher loss in 2019 was due to higher impairments of RM57.9 million arising from goodwill in investment in associates of RM32.8 million and receivables of RM25.1 million.

For the cumulative year under review, the Group recorded a revenue of RM150.1 million, RM18.8 million lower than RM168.9 million reported last year. Current year revenue was mainly from the submarine contracts and other defence-related Maintenance, Repair and Overhaul ("MRO") works undertaken for the Royal Malaysian Navy ("RMN")'s ships.

Joint venture companies posted a negative contribution of RM13.8 million in the cumulative year mainly from Contraves Advanced Devices Group ("CAD Group") due to impairment on trade receivables of RM10.8 million and unfavourable foreign exchange translations. In addition, BHIC AeroServices Sdn Bhd ("BHICAS") recorded a negative contribution due to additional cost incurred for items under Consumables By The Hour ("CBH") to the Royal Malaysian Air Force ("RMAF"), coupled with provision for LD of RM27.3 million for its RMAF contract. However, negative contribution from joint venture companies is being cushioned by higher share of profits in BHIC Bofors Asia Sdn Bhd of RM1.1 million due to maintenance works undertaken on RMN's ships.

In 2019, positive contribution of RM9.2 million by the joint venture companies was predominantly contributed by BHICAS due to higher flying hours clocked in by RMAF and Malaysian Maritime Enforcement Agency ("MMEA").

No contribution from the associates in the cumulative year as losses had been recognised up to the Group's cost of investment in December 2019. The Group's associates negative contribution of RM57.7 million in 2019 was primarily due to variation in milestones achieved and accounting adjustments pursuant to the changes in MFRS 15 (Revenue from Contract with Customers) on its existing shipbuilding project.

**B13. Analysis of Performance (FYE 31 December 2020 vs. FYE 31 December 2019) (contd.)**

Finance cost was lower in the cumulative year arising from repayment of RM10.1 million on the borrowings. In addition, the interest rates were lower in the cumulative year following a reduction in Bank Negara Malaysia Overnight Policy Rate (“BNM OPR”) by 125 basis points.

The Group recorded a reversal of deferred tax assets of RM15.3 million (2019: RM2.3 million) in the current year.

**B14. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2020 vs. Q3 2020)**

<b>For the quarter ended 31 December 2020</b>	<b>Current Period</b>	<b>Immediate Preceding Period</b>	<b>+ / (-)</b>
	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	32,434	37,716	(14)
Results from operations	(41,565)	7,631	>-100
(Loss) / Profit before taxation	(59,975)	4,969	>-100
(Loss) / Profit for the period	(74,505)	4,109	>-100

The Group registered a lower revenue of RM32.4 million in the current quarter against RM37.7 million in the preceding quarter.

Variance between Q4 2020 and Q3 2020 was mainly due to expected credit loss on amount due from associate of RM18.5 million (Q3 2020: nil) and reversal on deferred tax assets of RM15.3 million in Q4 2020 (Q3 2020: nil), asset held for sale written down of RM2.1 million and LD for BHICAS of RM27.3 million.

In Q3 2020, the joint venture companies posted a profit of RM1.2 million arising from BHICAS’ higher flying hours clocked in from its RMAF and MMEA contract.

**B15. Material Changes in Statement of Financial Position (FYE 31 December 2020 vs. FYE 31 December 2019)**

The Group’s property, plant and equipment (“PPE”) decreased from RM16.2 million to RM7.3 million in the current year amongst others due to transfer of PPE to non-current assets held for sale and depreciation charged during the year.

The decrease in the Group’s cash from RM28.3 million to RM3.5 million was mainly due to lower receipts from customers and repayment of borrowings.

The increase in receivables by RM19.9 million was mainly due to project variations, whereas increase in payables by RM16.5 million was due to lower payments made to suppliers.

**B16. Material Changes in Statement of Cash Flows (FYE 31 December 2020 vs. FYE 31 December 2019)**

The cash and cash equivalent of RM3.5 million at the end of the current year was lower as compared with RM28.3 million last year largely attributable to lower receipts from customers and higher repayment of borrowings.

Comparatively, higher cash and cash equivalent in 2019 was from the drawdown of borrowings of RM31.5 million to finance the Group's working capital and higher tax refunds.

**B17. Commentary on Prospects**

LMS2 (SUNDANG) was handed over to the RMN on 14 January 2021, one month ahead of the revised schedule. Meanwhile, the yet to be named LMS3 and LMS4 were launched in October and December 2020 respectively. The Group expects to deliver these two ships by the fourth quarter of 2021.

The extension of the contracts, such as the provision of Maintenance and Supply of Spares for RMAF EC725 helicopters and Integrated Maintenance and Logistic Support Services on three units of MMEA Dauphin AS365N3 helicopters, are expected to positively contribute to the Group's bottom-line.

In early 2021, commercial ship repair achieves a total contract of RM3.8 million. Aside from the commercial ship repair activities, we are gearing up to provide our best services, ensuring timely delivery of the vessels without neglecting aspects on safety and quality standards. The Group hopes that this will open the gates for more vessels to enter our yards amid these challenging times.

As we continue to face the Covid-19 pandemic and its adverse effects to the global and national economies, 2021 may be another challenging year for businesses including those in the defence / security and marine sectors. While the Group takes a cautious view of our prospect in 2021, we are committed to take the Group back to the path of profitability and deliver value to our shareholders.

**B18. 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.

**B19. 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 Year</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other income	(426)	(2,628)	(480)	(2,962)
Reversal of impairment				
- Receivables	(1,531)	(239)	(15,150)	(598)
- Contract assets	-	-	(11,086)	(1,225)
Allowance for expected credit losses				
- Trade receivables	18,500	11,350	18,500	11,350
- Other receivables	2,382	15,589	2,382	15,589
Impairment loss on investment in associate	-	32,828	-	32,828
Net (gain) / loss on foreign currency exchange	(248)	1,608	(463)	18
Gain on disposal of property, plant and equipment	-	(41)	-	(41)
Inventories written back	-	(2,167)	-	(2,167)
Depreciation of investment property	481	124	852	498
Depreciation of right of use assets	299	993	1,314	1,409
Depreciation of property, plant and equipment	1,628	1,572	3,917	4,961
Asset held for sale written down	2,131	-	2,131	-
Property, plant and equipment written down	18	-	18	-
Property, plant and equipment written off	3	17	3	17

**B20. Taxation**

	<b>Current</b>	<b>Cumulative</b>
	<b>Period</b>	<b>Year</b>
	<b>2020</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian taxation based on profit for the period / year:		
- Current corporate tax	(765)	2,504
- Over provision in prior year	46	53
Deferred taxation:		
- Relating to origination and reversal of temporary differences	15,281	15,281
- Over provision in prior year	(32)	(32)
	<b>14,530</b>	<b>17,806</b>

**B20. Taxation (contd.)**

The current year domestic statutory tax rate will be reduced by 1%, 2%, 3% or 4% if a company records an increase in chargeable income by 5% to 9.99%, 10% to 14.99%, 15% to 19.99% or more than 20% respectively from the immediate preceding year of assessment.

The Group's effective tax rates for the current period and cumulative year are lower than the statutory rate of tax applicable mainly due to certain subsidiaries utilising its available tax losses brought forward to be offset against current year profit.

With effect from the year of assessment 2019, unutilised tax losses are to be carried forward for a maximum of 7 consecutive years of assessment and to be utilised against income from any business source.

**B21. Status of Corporate Proposal**

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

**B22. Group Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2020 and 31 December 2019 are as follows:

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings:		
Unsecured		
- Term Revolving credits	52,373	68,000
Secured		
- Term loan	2,446	3,566
	<u>54,819</u>	<u>71,566</u>
Short term borrowings:		
Unsecured		
- Revolving credits	202,500	211,500
- Term Revolving credits	32,627	17,000
Secured		
- Term loan	1,120	1,120
	<u>236,247</u>	<u>229,620</u>
Total borrowings	<u><u>291,066</u></u>	<u><u>301,186</u></u>

All current year borrowings are denominated in Ringgit Malaysia.

**B22. Group Borrowings and Debt Securities (contd.)**

As at 31 December 2020, 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 5.1% per annum for the current year (FYE 31 December 2019: 6.0% per annum).

**B23. Disclosure of Derivatives**

There were no outstanding derivatives as at 31 December 2020.

**B24. 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 2020.

**B25. 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 2019, except for the following case:

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BNS") ("Defendant")	Ingat Kawan (M) Sdn Bhd ("Plaintiff")	50,000	<p>On 14 March 2013, the High Court had allowed the application by BNS to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to BNS.</p> <p>BNS, 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.</p> <p>Ingat Kawan had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal heard the appeal on 11 November 2013 and allowed Ingat Kawan's appeal and ordered the matter to be tried at the High Court.</p> <p>BNS filed an appeal to the Federal Court and on 22 August 2017 the Federal Court set aside both the decisions of the Court of Appeal and the High Court and ordered the matter to be reverted to the Ipoh High Court for full trial. The trial at the High Court commenced on 16 and 17 April 2018 and has been continuing.</p> <p><b>On 18 January 2021, the Ipoh High Court dismissed the Plaintiff's claim with cost of RM15,000 awarded to BNS.</b></p>

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 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><b>On 29 March 2021, the Judge has allowed for BNS's Application to Strike Out the Petition.</b></p>

## B26. Earnings per Share

	Current Period		Cumulative Year	
	2020	2019	2020	2019
Net loss for the period / year – RM'000	(74,505)	(118,552)	(50,579)	(116,636)
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total loss per share – sen	(29.99)	(47.72)	(20.36)	(46.94)

## B27. Additional disclosure

### i) Second Generation Patrol Vessel with Littoral Combat Ships ("LCS") Capability

As at 31 December 2020, the Group has net amount due from its associate, BNS of RM269.8 million.

On 16 December 2011, BNS received a letter of award from the Government of Malaysia ("GOM") for the supply of 6 LCS for RMN at a ceiling price of RM9.0 billion. The formal contract with GOM was signed on 17 July 2014.

In 2019, the Minister of Defence at that time made a statement in the Parliament on the delay in delivering the LCS. It was announced that BNS has requested a variation order to complete the project. Subsequently, series of discussions and negotiations were held between GOM and BNS. Based on the progress of these deliberations, as at 31 December 2020, the Group is of the view that a satisfactory resolution will be reached with the GOM.

Accordingly, the Group had only provided an additional expected credit loss of RM18.5 million during the financial year in respect of the receivables of RM253.5 million based on BNS's expectation of a satisfactory resolution between BNS and GOM.

**B27. Additional disclosure (contd.)**

**i) Second Generation Patrol Vessel with Littoral Combat Ships (“LCS”) Capability (contd.)**

Subsequently in March 2021, BNS had submitted a formal proposal on the way forward for the LCS project which is pending approval by the GOM.

**By Order of the Board**

**ROZANA BINTI ISMAIL (SSM PC No. 201908003365)**  
**SUZANA BINTI SANUDIN (SSM PC No. 201908002589)**

Company Secretaries

Kuala Lumpur

Date: 31 March 2021