Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 March 2019	Note	Current Period		Cumulative Period	
		2019	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	**A7**	**36,295**	39,717	**36,295**	39,717
Operating cost		**(36,181)**	(34,327)	**(36,181)**	(34,327)
Profit from operations	**B20**	**114**	5,390	**114**	5,390
Interest income		**84**	72	**84**	72
Finance cost		**(3,949)**	(3,088)	**(3,949)**	(3,088)
Share of results of joint ventures		**1,200**	2,604	**1,200**	2,604
Share of results of associates		**(1,506)**	426	**(1,506)**	426
(Loss) / Profit before taxation	**A7**	**(4,057)**	5,404	**(4,057)**	5,404
Taxation	**B21**	**(241)**	(903)	**(241)**	(903)
(Loss) / Profit for the period		**(4,298)**	4,501	**(4,298)**	4,501
Attributable to:					
Shareholders of the Company		**(4,298)**	4,501	**(4,298)**	4,501
Non-controlling interests		**-**	-	**-**	-
Net (loss) / profit for the period		**(4,298)**	4,501	**(4,298)**	4,501
Basic (loss) / earnings per share attributable to shareholders of the Company (sen):	**B27**	**(1.73)**	1.81	**(1.73)**	1.81

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

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2019	Current Period		Cumulative Period	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss) / Profit for the period	**(4,298)**	4,501	**(4,298)**	4,501
Foreign currency translation	-	-	-	-
Total comprehensive (loss) / income for the period	**(4,298)**	4,501	**(4,298)**	4,501
Total comprehensive (loss) / income attributable to:				
Shareholders of the Company	**(4,298)**	4,501	**(4,298)**	4,501
Non-controlling interests	-	-	-	-
Net (loss) / profit for the period	**(4,298)**	4,501	**(4,298)**	4,501

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 March	As at 31 December
		2019	**2018**
		RM'000	**RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment		**49,235**	50,326
Investment property		**12,728**	12,853
Right of use assets		**3,546**	-
Deferred tax assets		**21,285**	21,285
Joint ventures		**94,580**	93,380
Associates		**89,019**	90,525
		270,393	268,369
Current assets			
Inventories		**4,000**	4,035
Receivables		**290,615**	280,372
Tax recoverables		**11,476**	10,588
Cash and bank balances		**14,944**	17,890
		321,035	312,885
TOTAL ASSETS		**591,428**	581,254
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**248,458**	248,458
Accumulated losses		**(20,141)**	(15,843)
Shareholders' funds, representing total equity		**228,317**	232,615
Non-current liabilities			
Long term borrowings	**B23**	**4,777**	5,137
Deferred tax liabilities		**324**	324
Leasing liabilities		**3,107**	-
		8,208	5,461
Current liabilities			
Borrowings	**B23**	**273,453**	268,454
Trade and other payables		**81,386**	74,615
Tax payables		**64**	109
Dividend payable		**-**	-
		354,903	343,178
Total liabilities		**363,111**	348,639
TOTAL EQUITY AND LIABILITIES		**591,428**	**581,254**
Net assets per share attributable to ordinary equity holders of the Company - RM		**0.92**	0.94

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

	← Attributable to equity holders of the Company →				
For the period ended 31 March 2019	**Share Capital**	**Distributable (Accmulated Losses) / Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2019	**248,458**	**(15,843)**	**232,615**	**-**	**232,615**
Total comprehensive loss for the period	-	(4,298)	**(4,298)**	-	**(4,298)**
Balance at 31 March 2019	**248,458**	**(20,141)**	**228,317**	**-**	**228,317**
At 1 January 2018	**248,458**	**96,210**	**344,668**	**-**	**344,668**
Total comprehensive income for the period	-	4,501	**4,501**	-	**4,501**
Balance at 31 March 2018	**248,458**	**100,711**	**349,169**	**-**	**349,169**

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 March	As at 31 March
	2019	**2018**
	RM'000	**RM'000**
Operating Activities		
Receipts from customers	**40,315**	35,022
Cash paid to suppliers and employees	**(42,866)**	(45,377)
Net cash paid to related companies	**(94)**	208
Cash used in operations	**(2,645)**	(10,147)
Interest paid	**(3,772)**	(3,189)
Tax paid less refunds	**(1,173)**	(427)
Net cash used in operating activities	**(7,590)**	(13,763)
Investing Activities		
Interest received	**84**	72
Purchase of property, plant and equipment	**(75)**	(84)
Investment in a joint venture company	**-**	(11,116)
Net cash generated from / (used in) investing activities	**9**	(11,128)
Financing Activities		
Repayment of borrowings	**(362)**	(357)
Dividends paid to shareholders of the Company	**-**	(4,969)
Proceed from drawdown of term loan / revolving credits / hire purchases	**5,000**	3,500
Net cash generated from / (used in) financing activities	**4,638**	(1,826)
Net decrease in cash and cash equivalents	**(2,943)**	(26,717)
Effect of foreign exchange rate changes	**(3)**	(47)
Cash and cash equivalents at beginning of period	**17,890**	45,920
Cash and Cash Equivalents at End of Period	**14,944**	19,156
Cash and Cash Equivalents at End of Period Comprise:		
Deposits with licensed banks	**7,400**	4,000
Cash and bank balances	**7,544**	15,156
Cash and Cash Equivalents at End of Period	**14,944**	19,156

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial period ended 31 March 2019, 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 period ended 31 December 2018. 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 2018 except as follows:

MFRS and Amendments to MFRSs		**Effective for annual periods beginning on or after**
MFRS 16	Leases	1 January 2019
Amendments to MFRS 3 (Business Combinations)	Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 9 (Financial Instruments)	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 (Joint Arrangements)	Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 112 (Income Taxes)	Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119 (Employee Benefits)	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123 (Borrowing Costs)	Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128 (Investments in Associates and Joint Ventures)	Long-term interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

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

MFRS 16: Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value (below USD5,000).

(a) Effect of adoption of MFRS 16

Impact on the Group's statement of financial position as at 1 January 2019:

	As at 31 Dec 2018 RM'000	**MFRS 16 adjustments RM'000**	**As at 1 Jan 2019 RM'000**
Assets			
Right of use assets	-	3,700	3,700
Liabilities			
Lease liabilities	-	3,700	3,700

Leases previously classified as finance leases

The Group recognised the carrying amount of the leased asset and lease liability as at 31 December 2018 as the carrying amount of the ROU asset and the lease liability at the date of initial application.

Leases previously accounted for as operating leases

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

MFRS 16: Leases (cont'd.)

(b) Change in accounting policies

ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. For the measurement of the ROU at the time of first-time application, initial direct costs were not taken into account. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, and the exercise price of a purchase option reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. A single discount rate was used for a portfolio of leases with reasonably similar characteristics as a practical expedient applied by the Group. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises, plant and equipment, motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (below USD5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Standards and interpretations that are issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

MFRS and Amendments to MFRSs		**Effective for annual periods beginning on or after**
Amendments to MFRS 3 (Business Combinations)	Definition of a Business	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
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures)	Sales or Contribution of Asset between Investor and its Associates or Joint Venture	Deferred

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

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.

To date, a total of 160 personnel had accepted the mutual separation scheme offered by the Group with a total payment of RM11.5 million. There was no change from the announcement made on 27 February 2018.

This exercise will continue until the Group reached its desired organisation structure.

A5. Change in Estimates

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

A6. Dividends

The Board of Directors do not propose any dividend in the quarter ended 31 March 2019 (31 March 2018: RM nil).

A7. Operating Segments

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

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 March 2019						
Group total sales	450	35,440	665	697	(957)	36,295
Inter-segment sales	(1)	(321)	-	(635)	957	-
External Revenue (Note A2)	449	35,119	665	62	-	36,295
Results						
Segment result-external	(33)	3,162	29	(3,021)	(23)	114
Interest income	-	301	-	704	(921)	84
Finance costs	(393)	(248)	-	(4,696)	1,388	(3,949)
Share of results in joint ventures	-	1,200	-	-	-	1,200
Share of results in associates	-	(1,506)	-	-	-	(1,506)
(Loss) / profit before taxation	(426)	2,909	29	(7,013)	444	(4,057)
Income tax expense						(241)
Loss for the period						**(4,298)**
Other information						
Depreciation	36	1,026	-	374	-	1,436
Other non-cash expenses	-	-	-	-	-	-

A7. Operating Segments (cont'd.)

As at 31 March 2018	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group total sales	332	38,837	45	762	(259)	39,717
Inter-segment sales	-	(11)	-	(248)	259	-
External Revenue (note A2)	332	38,826	45	514	-	39,717
Results						
Segment result-external	(89)	10,670	(1,160)	(3,883)	(148)	5,390
Interest income	3	71	-	616	(618)	72
Finance costs	(345)	(54)	-	(3,364)	675	(3,088)
Share of results in joint ventures	-	2,604	-	-	-	2,604
Share of results in associates	-	426	-	-	-	426
(Loss) / profit before taxation	(431)	13,717	(1,160)	(6,631)	(91)	5,404
Income tax expense						(903)
Profit for the period						**4,501**
Other information						
Depreciation	36	1,397	-	254	-	1,687
Other non-cash expenses	-	-	-	-	-	-

Discussion on the segmental performance is disclosed in Note B14 (Analysis of Performance (FPE 31 March 2019 vs. FPE 31 March 2018).

A8. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

A9. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current quarter.

A10. Subsequent Material Events

There has been no subsequent material events during the current quarter.

A11. Changes in Contingent Liabilities

i) Liquidated Ascertained Damages

a) <u>In-Service Support ("ISS") contract</u>

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.

b) <u>Extended In-Service Support ("EISS") & Refit contract</u>

In the previous financial year, BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for this EISS and Refit contract.

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 were submitted to MINDEF for their consideration.

To date, the Group is still in the midst of negotiating and finalising the LD claims.

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 March 2019:

	Approved but not contracted for RM'000	**Approved and contracted for RM'000**	**Total RM'000**
Property, plant and equipment	21,208	15	21,223

B13. Analysis of Performance (FPE 31 March 2019 vs. FPE 31 March 2018)

For the quarter ended 31 March 2019	Current Period		+/(-)	Cumulative Period		+/(-)
	2019	**2018**	**%**	**2019**	**2018**	**%**
	RM'000	**RM'000**		**RM'000**	**RM'000**	
Revenue	36,295	39,717	(9)	36,295	39,717	(9)
Profit from operations	114	5,390	(98)	114	5,390	(98)
(Loss) / Profit before taxation	(4,057)	5,404	>-100	(4,057)	5,404	>-100
(Loss) / Profit for the period	(4,298)	4,501	>-100	(4,298)	4,501	>-100

The Group recorded a net loss of RM4.3 million versus last year's profit of RM4.5 million mainly due to lower defence-related and commercial-based maintenance, repair and overhaul ("MRO") activities, negative contribution from the associates and lower negative contribution from the energy segment.

For the cumulative period under review, BHIC Group recorded a revenue of RM36.3 million, RM3.4 million or 9% lower than RM39.7 million reported in the same corresponding period last year.

Commercial segment recorded a slight lower negative contribution of RM426,000 in the current period as compared with a loss of RM431,000 in the same corresponding period last year due to an increase in commercial-based MRO works.

Defence segment posted a lower contribution in the current period mainly due to lack of MRO activities. The associates posted a negative contribution in the cumulative period mainly due to minor repair works undertaken and revision in the Littoral Mission Ship ("LMS") project costs due to the Government of Malaysia's decision to build all four ships in China instead.

However, the joint venture companies posted a positive contribution of RM1.2 million in the cumulative period mainly due to Contraves Advanced Devices Group ("CAD Group") undertaking the Littoral Combat Ship ("LCS") programme. Higher contribution of RM2.6 million recorded by the joint venture companies in the same corresponding period last year was due to favourable foreign exchange translations arising from trade payables.

There were no new oil & gas project undertaken under the **Energy** segment in the cumulative period. However, the current period revenue was from the mobilisation of the segment's resources into a shipbuilding project.

Finance cost was higher in the cumulative period as compared with the same corresponding period last year mainly due to drawdown of borrowings to finance the Group's working capital.

B14. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q1 2019 vs. Q4 2018)

For the quarter ended 31 March 2019	Current Period	Immediate Preceding Period	+/(-)
	Q1 2019	**Q4 2018**	**%**
	RM'000	**RM'000**	
Revenue	36,295	18,818	93
Profit / (Loss) from operations	114	(64,569)	100
Loss before taxation	(4,057)	(133,984)	97
Loss for the period	(4,298)	(131,913)	97

The Group posted a lower loss of RM4.3 million for the current quarter as compared with RM131.9 million loss in the preceding quarter.

Current quarter revenue of RM36.3 million was higher than the preceding quarter revenue of RM18.8 million due to progress on defence-related MRO activities. Lower revenue in Q4 2018 was due to delay in finalisation of submarine contracts, which was received and accepted in March 2019.

The Group had written-off its inventories worth RM8.3 million and recorded total allowances for impairment of RM22.3 million for both trade and other receivables in the preceding quarter.

The joint venture companies posted a positive contribution of RM1.2 million in the current quarter mainly due to LCS project progress undertaken by CAD Group. The negative contribution of RM15.3 million recorded by the joint ventures in the preceding quarter was due to additional provision for LD claims and costs overrun recorded by BDNC under the RMN SCORPENE Submarines contracts.

The associates recorded a lower negative contribution of RM1.5 million in the current quarter due to variation in milestone achieved in its MRO works on the RMN's ships and foreign boats. The higher loss of RM50.4 million in the preceding quarter was due to variation orders for the shipbuilding project coupled with increase in its shipbuilding project's finance cost.

B15. Material Changes in Statement of Financial Position (FPE 31 March 2019 vs. FYE 31 December 2018)

The Group's property, plant and equipment decreased from RM50.3 million to RM49.2 million in the current period mainly due to depreciation charge during the period.

The decrease in the Group's cash from RM17.9 million to RM14.9 million was mainly due to lower collection from customers.

The decrease in payables by RM6.8 million was due to payment made to suppliers coupled with low MRO activities.

The increase in receivables by RM10.2 million was mainly due to lower collection from customers.

B16. Material Changes in Statement of Cash Flows (FPE 31 March 2019 vs. FPE 31 March 2018)

The cash and cash equivalent of RM14.9 million at the end of the current period was lower as compared with RM19.2 million last year largely attributable to lower collection from customers and higher payment of income tax installment.

B17. Commentary on Prospects

The recent contracts awarded to the Group for the In-Service Support ("ISS") for the RMN's Prime Minister's Class Submarines is expected to contribute positively to the Group.

Despite having a reduction in the LMS contract price pursuant to the decision to build and deliver all four vessels in China, the Group expects the overall earnings from this project to remain intact. On 15 April 2019, the launching and naming ceremony of LMS1 was held in China. The LMS1, was given the pennant number 111 and named KERIS. The launching and naming ceremony of LMS2 is expected to be held by middle of 2019.

The construction of the LCS programme is currently ongoing. The Group is proud to contribute to national security through the building of these assets. This showcases Malaysia's capabilities in shipbuilding and high technologies as well as highlighting local skills and talents in constructing sophisticated vessels.

In addition, the Group will also expand its customer base to other government agencies such as the Royal Malaysian Police, Malaysian Maritime Enforcement Agency and Malaysian Fisheries Department as well as to tap into South East Asia and Middle East Region.

The Group is taking a cautiously optimistic stand in both Oil & Gas industry and commercial shipbuilding segment which is expected to gradually recover over the next few years. While we continue to optimise our forte in the upstream end of the industry, namely in the fabrication of offshore structures, we will continue to explore new business areas such as undertaking MRO on offshore support vessels.

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:

	Current Period		**Cumulative Period**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other income	(332)	(27)	(332)	(27)
Net gain on foreign currency exchange	(1,803)	(1,607)	(1,803)	(1,607)
Depreciation of investment property	125	119	125	119
Depreciation for right of use asset	154	-	154	-
Depreciation of property, plant and equipment	1,158	1,576	1,158	1,576

B20. Taxation

	Current Period 2019 RM'000	**Cumulative Period 2019 RM'000**
Malaysian taxation based on profit for the period:		
- Current corporate tax	241	241

The current year domestic statutory tax rate will be reduced by 1%, 2%, 3% or 4% if the 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 rate for the current and cumulative period are lower than the statutory rate of tax applicable mainly due to certain subsidiaries utilising its availability of tax losses brought forward from prior years to be offset against current period profit.

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 March 2019 and 31 December 2018 are as follows:

	31.03.2019 RM'000	31.12.2018 RM'000
Long term borrowings:		
Secured		
- Term loan	4,406	4,686
- Hire purchase and finance lease liabilities	371	451
	4,777	5,137
Short term borrowings:		
Unsecured		
- Revolving credits	272,000	267,000
Secured		
- Term loan	1,120	1,120
- Hire purchase and finance lease liabilities	333	334
	273,453	268,454
Total borrowings	278,230	273,591

All current period borrowings are denominated in Ringgit Malaysia.

As at 31 March 2019, the Group recorded higher borrowings mainly due to drawdown of revolving credits facility in the current period for working capital purposes.

The Group's borrowing weighted average interest rate is 5.78% per annum for the current year (FYE 31 December 2018: 5.8% per annum).

Refinancing of the existing revolving credit facility

The Group had accepted the refinancing part of its outstanding revolving credits to improve its financial position. The management is in the process of compiling the relevant documentations to complete this exercise.

The facility will not increase the Group's gearing as it will be wholly utilised to refinance the existing borrowings.

B23. Disclosure of Derivatives

There were no outstanding derivatives as at 31 March 2019.

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 March 2019.

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 2018, except for the following cases:

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BNS")	Ingat Kawan (M) Sdn Bhd ("Plaintiff")	50,000	On 14 March 2013, the Court had allowed the application to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to BNS. 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. 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. Hearing of the Appeal was held on 22 August 2017 where the Federal Court have set aside both the decision of the Court of Appeal & the High Court. The Federal Court reverted the matter to the Ipoh High Court for full trial which was held on 16 and 17 April 2018. The trial continued in May, July, August and November. The Court had scheduled the dates for continuation of trial on 22 January 2019 and 19 February 2019. The trial continued on 22 January 2019, 5 April 2019 and 10 April 2019. The Court had fixed the next trial to be held on 16 May 2019 and 23 May 2019.

B26. Earnings per Share

	Current Period		Cumulative Period	
	2019	**2018**	**2019**	**2018**
Net (loss) / profit for the period – RM'000	(4,298)	4,501	(4,298)	4,501
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total (loss) / earnings per share – sen	(1.73)	1.81	(1.73)	1.81

By Order of the Board

LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)
SUZANA BINTI SANUDIN (LS 008028)
Company Secretaries
Kuala Lumpur
Date: 23 May 2019