

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

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 March 2020	Note	Current Period		Cumulative Period	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Revenue</b>	<b>A7</b>	<b>44,048</b>	36,295	<b>44,048</b>	36,295
Operating costs		<b>(35,971)</b>	(36,181)	<b>(35,971)</b>	(36,181)
Reversal of expected credit losses		<b>18,636</b>	-	<b>18,636</b>	-
<b>Results from operations</b>		<b>26,713</b>	114	<b>26,713</b>	114
Interest income		<b>144</b>	84	<b>144</b>	84
Finance cost		<b>(4,253)</b>	(3,949)	<b>(4,253)</b>	(3,949)
Share of results of joint ventures		<b>(1,950)</b>	1,200	<b>(1,950)</b>	1,200
Share of results of associates		-	(1,506)	-	(1,506)
<b>Profit / (Loss) before taxation</b>	<b>A7</b>	<b>20,654</b>	(4,057)	<b>20,654</b>	(4,057)
Taxation	<b>B20</b>	<b>(270)</b>	(241)	<b>(270)</b>	(241)
<b>Profit / (Loss) for the period</b>		<b>20,384</b>	(4,298)	<b>20,384</b>	(4,298)
Attributable to:					
Shareholders of the Company		<b>20,384</b>	(4,298)	<b>20,384</b>	(4,298)
Non-controlling interests		-	-	-	-
<b>Net profit / (loss) for the period</b>		<b>20,384</b>	(4,298)	<b>20,384</b>	(4,298)
<b>Basic earnings / (loss) per share attributable to shareholders of the Company (sen):</b>	<b>B26</b>	<b>8.20</b>	(1.73)	<b>8.20</b>	(1.73)

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

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

### **UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<b>For the quarter ended 31 March 2020</b>	<b>Current Period</b>		<b>Cumulative Period</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>
<b>Profit / (Loss) for the period</b>	<b>20,384</b>	<b>(4,298)</b>	<b>20,384</b>	<b>(4,298)</b>
Foreign currency translation	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>20,384</b>	<b>(4,298)</b>	<b>20,384</b>	<b>(4,298)</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Shareholders of the Company	<b>20,384</b>	<b>(4,298)</b>	<b>20,384</b>	<b>(4,298)</b>
<b>Net profit / (loss) for the period</b>	<b>20,384</b>	<b>(4,298)</b>	<b>20,384</b>	<b>(4,298)</b>

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

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March	As at 31 December
		2020 RM'000	2019 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15,455	16,246
Investment property		12,231	12,355
Right of use assets		35,858	36,207
Deferred tax assets		15,388	15,388
Investments in joint ventures		97,981	99,931
Investments in associates		-	-
		<b>176,913</b>	<b>180,127</b>
<b>Current assets</b>			
Inventories		5,779	6,209
Trade and other receivables		257,799	249,661
Contract assets		3,106	1,725
Tax recoverables		3,446	2,941
Cash and bank balances		36,914	28,307
		<b>307,044</b>	<b>288,843</b>
<b>TOTAL ASSETS</b>		<b>483,957</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		(112,095)	(132,479)
<b>Shareholders' funds, representing total equity</b>		<b>136,363</b>	<b>115,979</b>
<b>Non-current liabilities</b>			
Loans and borrowings	B22	71,286	71,566
Deferred tax liabilities		140	140
Lease liabilities		7,678	7,783
		<b>79,104</b>	<b>79,489</b>
<b>Current liabilities</b>			
Contract liabilities		71	1,514
Provisions		843	843
Loans and borrowings	B22	226,620	229,620
Trade and other payables		39,963	40,503
Tax payables		226	213
Lease liabilities		767	809
		<b>268,490</b>	<b>273,502</b>
<b>Total liabilities</b>		<b>347,594</b>	<b>352,991</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>483,957</b>	<b>468,970</b>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<b>0.55</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 (11106-V)****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

← Attributable to equity holders of the Company →

<b>For the period ended 31 March 2020</b>	<b>Share Capital</b>	<b>(Accumulated Losses) / Distributable Retained Earnings</b>	<b>Total</b>	<b>Non- controlling Interests</b>	<b>Total Equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2020</b>	<b>248,458</b>	<b>(132,479)</b>	<b>115,979</b>	<b>-</b>	<b>115,979</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>20,384</b>	<b>20,384</b>	<b>-</b>	<b>20,384</b>
<b>Balance at 31 March 2020</b>	<b>248,458</b>	<b>(112,095)</b>	<b>136,363</b>	<b>-</b>	<b>136,363</b>
<b>At 1 January 2019</b>	<b>248,458</b>	<b>(15,843)</b>	<b>232,615</b>	<b>-</b>	<b>232,615</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(4,298)</b>	<b>(4,298)</b>	<b>-</b>	<b>(4,298)</b>
<b>Balance at 31 March 2019</b>	<b>248,458</b>	<b>(20,141)</b>	<b>228,317</b>	<b>-</b>	<b>228,317</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 (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 March	As at 31 March
	2020	2019
	RM'000	RM'000
<b>Operating Activities</b>		
Receipts from customers	41,674	40,315
Cash paid to suppliers and employees	(24,344)	(42,600)
Net cash paid to related companies	(299)	(94)
Cash generated from / (used in) operations	17,031	(2,379)
Interest paid	(4,372)	(3,772)
Net tax paid less refunds	(762)	(1,173)
Net cash generated from / (used in) operating activities	11,897	(7,324)
<b>Investing Activities</b>		
Interest received	144	84
Purchase of property, plant and equipment	(9)	(75)
Net cash generated from investing activities	135	9
<b>Financing Activities</b>		
Repayment of borrowings	(3,280)	(362)
Payment of principal portion of lease liabilities	(148)	(266)
Proceed from drawdown of revolving credits	-	5,000
Net cash (used in) / generated from financing activities	(3,428)	4,372
Net increase / (decrease) in cash and cash equivalents	8,604	(2,943)
Effect of foreign exchange rate changes	3	(3)
Cash and cash equivalents at beginning of the period	28,307	17,890
<b>Cash and Cash Equivalents at End of the Period</b>	<b>36,914</b>	<b>14,944</b>
<b>Cash and Cash Equivalents at End of the Period Comprise:</b>		
Deposits with licensed banks	25,632	7,400
Cash and bank balances	11,282	7,544
<b>Cash and Cash Equivalents at End of the Period</b>	<b>36,914</b>	<b>14,944</b>

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

**Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)**  
**Notes to the Interim Financial Report for the Quarter Ended 31 March 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 period ended 31 March 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

## 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
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. This exercise is expected to be completed by 30 June 2021.

As at 31 March 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 have been identified and the closure is ongoing.

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.

## A6. Dividend

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

## A7. Operating Segments

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

### As at 31 March 2020

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	315	43,718	-	901	(886)	<b>44,048</b>
Inter-Segment Sales	<u>-</u>	<u>(82)</u>	<u>-</u>	<u>(804)</u>	<u>886</u>	<u>-</u>
External Revenue	315	43,636	-	97	-	<b>44,048</b>
Operating costs	(820)	(31,147)	(472)	(3,517)	(15)	<b>(35,971)</b>
Reversal of expected credit losses	<u>-</u>	<u>18,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>18,636</b></u>
<b>Results from operations</b>	<b>(505)</b>	<b>31,125</b>	<b>(472)</b>	<b>(3,420)</b>	<b>(15)</b>	<b>26,713</b>
Interest income	-	208	-	775	(839)	<b>144</b>
Finance costs	(423)	(268)	-	(5,133)	1,571	<b>(4,253)</b>
Share of result in joint ventures	-	(1,950)	-	-	-	<b>(1,950)</b>
Share of result in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(Loss) / Profit before taxation</b>	<b>(928)</b>	<b>29,115</b>	<b>(472)</b>	<b>(7,778)</b>	<b>717</b>	<b>20,654</b>
Taxation						<u><b>(270)</b></u>
<b>Profit for the period</b>						<u><b>20,384</b></u>



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

### As at 31 March 2019

	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	450	35,440	665	697	(957)	<b>36,295</b>
Inter-Segment Sales	<u>(1)</u>	<u>(321)</u>	<u>-</u>	<u>(635)</u>	<u>957</u>	<u>-</u>
External Revenue	449	35,119	665	62	-	<b>36,295</b>
Operating costs	<u>(482)</u>	<u>(31,957)</u>	<u>(636)</u>	<u>(3,083)</u>	<u>(23)</u>	<u><b>(36,181)</b></u>
<b>Results from operations</b>	(33)	3,162	29	(3,021)	(23)	<b>114</b>
Interest income	-	301	-	704	(921)	<b>84</b>
Finance costs	(393)	(248)	-	(4,696)	1,388	<b>(3,949)</b>
Share of result in joint ventures	-	1,200	-	-	-	<b>1,200</b>
Share of result in associates	<u>-</u>	<u>(1,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>(1,506)</b></u>
<b>(Loss) / Profit before taxation</b>	<b>(426)</b>	<b>2,909</b>	<b>29</b>	<b>(7,013)</b>	<b>444</b>	<b>(4,057)</b>
Taxation						<u><b>(241)</b></u>
<b>Loss for the period</b>						<u><b>(4,298)</b></u>

Discussion on the segmental performance is disclosed in Note B13 (Analysis of Performance (FPE 31 March 2020 vs. FPE 31 March 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 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) 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 KD TUNKU ABDUL RAHMAN.

BDNC had made adequate provision for the LD claim to the extent that it is deemed to be sufficient for this refit Contract, and appeal was 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 appeal will be 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. 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 period.

## A12. Capital Commitments

The Group has the following commitments as at 31 March 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	68,783	-	68,783

**B13. Analysis of Performance (FPE 31 March 2020 vs. FPE 31 March 2019)**

For the quarter ended 31 March 2020	Current Period			Cumulative Period		
			+ / (-)			+ / (-)
	2020 RM'000	2019 RM'000	%	2020 RM'000	2019 RM'000	%
Revenue	44,048	36,295	21	44,048	36,295	21
Results from operations	26,713	114	>100	26,713	114	>100
Profit / (Loss) before taxation	20,654	(4,057)	>100	20,654	(4,057)	>100
Profit / (Loss) for the period	20,384	(4,298)	>100	20,384	(4,298)	>100

The Group recorded a net profit of RM20.4 million versus same corresponding period last year's loss of RM4.3 million mainly due to reversal of expected credit losses of RM18.6 million.

For the current financial period ended 31 March 2020, BHIC Group recorded a revenue of RM44.0 million, RM7.7 million higher than RM36.3 million reported in the same corresponding period last year. The current period revenue was derived mainly from the submarine contracts and other defence-related Maintenance Repair and Overhaul ("MRO") projects

The joint venture companies posted a negative contribution of RM2.0 million in the cumulative period mainly contributed by Contraves Advanced Devices Group ("CAD Group") recording a lower income arising from lower demand from its customers as a result of Covid-19 pandemic and unfavourable foreign exchange translations of RM3.7 million arising from outstanding trade payables. Positive contribution of RM1.2 million by the joint ventures companies in 2019 was mainly from the progress on the Littoral Combat Ship ("LCS") programme undertaken by CAD Group and higher flying hours clocked in by both contracts from the Royal Malaysian Air Force ("RMAF") and Malaysian Maritime Enforcement Agency ("MMEA") under BHIC AeroServices Sdn Bhd ("BHICAS").

No contribution from the associates in the current period as losses has been recognised up to the Group's cost of investment in December 2019. In 2019, the associates recorded a negative contribution of RM1.5 million due to variations in milestones achieved in its MRO works on the RMN's ships.

The Group's finance cost was higher in the current period as compared with the same corresponding period last year arising from higher outstanding bank borrowing which were previously drawdown to finance working capital in 2019.

**B14. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q1 2020 vs. Q4 2019)**

<b>For the quarter ended 31 March 2020</b>	<b>Current Period</b>	<b>Immediate Preceding Period</b>	<b>+ / (-)</b>
	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	44,048	42,283	4
Results from operations	26,713	(58,821)	>100
Profit / (Loss) before taxation	20,654	(113,858)	>100
Profit / (Loss) for the period	20,384	(118,552)	>100

The Group posted a net profit of RM20.4 million for the current quarter as compared with RM118.6 million loss in the preceding quarter.

The variance between the current quarter revenue of RM44.0 million and preceding quarter revenue of RM42.3 million was due to variations in milestones achieved for defence-related MRO projects.

In Q4 2019, the Group recorded a total allowance for impairment of RM57.9 million arising from receivables of RM25.1 million and goodwill in investment in associates of RM32.8 million.

The joint venture companies posted a negative contribution of RM2.0 million in the current quarter, mainly contributed by CAD Group. On the other hand, positive contribution from the joint ventures of RM5.8 million in Q4 2019 was contributed by BHICAS arising from higher flying hours by RMAF & MMEA as well as recognition of tax exemption of RM7.3 million granted by MIDA.

The associates posted a higher negative contribution of RM56.4 million Q4 2019 due to variations in milestones achieved and adjustments of project costs pursuant to the changes in MFRS 15 (Revenue from Contracts with Customers) on its existing shipbuilding project.

In addition, the Group recorded an adjustment in deferred tax of RM5.7 million in the preceding quarter due to lower expected chargeable income which is to be offset against the unabsorbed tax losses.

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

The Group's property, plant and equipment decreased from RM16.2 million to RM15.5 million in the current period mainly due to depreciation charge during the period.

The increase in the Group's cash from RM28.3 million to RM36.9 million was mainly due to higher collections from customers.

The increase in receivables by RM8.1 million was mainly due to project variations. Whereas slight decrease in payables by RM0.5 million was due to payments made to suppliers.

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

The cash and cash equivalent of RM36.9 million at the end of the current period was higher as compared with RM28.3 million in the same corresponding period last year largely attributable to higher collections from customers and lower payments to suppliers.

**B17. Commentary on Prospects**

The global economy has come almost to a virtual standstill as countries impose lockdown and movement restrictions to check the spread of the Covid-19 virus. This has impacted many businesses and industries, including in Malaysia where a Movement Control Order was introduced on 18 March 2020 and has been extended several times. This has caused a sharp drop in consumption and production, impediments along supply chains and disruption in trade. They inevitably combine to send the economy into a tailspin, with a recession on the cards.

However, recently the construction of the remaining three Littoral Mission Ships (“LMS”) in China has resumed post Covid-19. Both the LCS and LMS Programmes are ongoing at slower progress. The Associate and China Shipbuilding & Offshore International Company had declared Force Majeure due to Chinese government lockdown of Wuhan city and was agreed by the Malaysian Government during Covid-19. Although work has partially resumed, the milestones of the project will have to be reviewed given the delay caused by the lockdown.

The Group’s joint venture undertaking MRO works on helicopters is performing better and the Group is confident in securing contracts in relation to aviation from the Malaysian Government.

The Group will continue its pursuit of new markets while looking out for opportunities presented by RMN’s 15to5 Transformation Programme as well as the Defence White Paper released by Ministry of Defence Malaysia. Our Business Development team will step up efforts to look for commercial deals to diversify our earnings base and non-Government businesses within and beyond our core businesses.

**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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other income	(32)	(332)	(32)	(332)
Reversal of expected credit losses	(18,636)	-	(18,636)	-
Net gain on foreign currency exchange	(269)	(1,803)	(269)	(1,803)
Depreciation of investment property	124	124	124	124
Depreciation of right of use assets	349	154	349	154
Depreciation of property, plant and equipment	793	1,158	793	1,158
Gain on disposal of scrap	(1,478)	-	(1,478)	-

## B20. Taxation

	Current Period	Cumulative Period
	2020	2020
	RM'000	RM'000
Malaysian taxation based on profit for the period:		
- Current corporate tax	260	260
- Under provision in prior year	10	10
	270	270

The current period 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 and cumulative period 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 period 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 March 2020 and 31 December 2019 are as follows:

	<b>31.3.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings:		
Unsecured		
- Term Revolving credits	68,000	68,000
Secured		
- Term loan	3,286	3,566
	<u>71,286</u>	<u>71,566</u>
Short term borrowings:		
Unsecured		
- Revolving credits	208,500	211,500
- Term Revolving credits	17,000	17,000
Secured		
- Term loan	1,120	1,120
	<u>226,620</u>	<u>229,620</u>
Total borrowings	<u>297,906</u>	<u>301,186</u>

All current period borrowings are denominated in Ringgit Malaysia.

As at 31 March 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 5.7% per annum for the current period (FYE 31 December 2019: 6.0% per annum).

**B23. Disclosure of Derivatives**

There were no outstanding derivatives as at 31 March 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 March 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:

<b>Company</b>	<b>Claimant Company</b>	<b>Amount RM'000</b>	<b>Status</b>
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 is continuing.</p> <p>The next trial was fixed to be held on 1 and 2 April 2020. However, the trial had to be deferred due to the MCO imposed by the Government. The Ipoh High Court has yet to set a new trial date.</p>

**B26. Earnings per Share**

	<b>Current Period</b>		<b>Cumulative Period</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net profit / (loss) for the period– RM'000	20,384	(4,298)	20,384	(4,298)
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Total earnings / (loss) per share – sen	8.20	(1.73)	8.20	(1.73)

**By Order of the Board**

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

**SUZANA BINTI SANUDIN (LS 0008028)**

Company Secretaries

Kuala Lumpur

Date: 10 June 2020