

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 December 2023	Note	Current Period		Cumulative Year	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	A7	49,686	38,556	127,356	141,760
Operating costs		(50,778)	(25,006)	(113,938)	(103,282)
Allowance for expected credit losses		(265,430)	(32,615)	(261,439)	(32,615)
Results from operations		(266,522)	(19,065)	(248,021)	5,863
Interest income		182	17	238	65
Finance costs		(6,051)	(5,051)	(21,421)	(18,017)
Share of results of joint ventures		18,987	5,637	15,004	4,412
Loss before taxation	A7	(253,404)	(18,462)	(254,200)	(7,677)
Taxation	B8	(3,311)	(8,018)	(9,678)	(12,247)
Loss for the period / year		(256,715)	(26,480)	(263,878)	(19,924)
Attributable to:					
Shareholders of the Company		(256,715)	(26,480)	(263,878)	(19,924)
Non-controlling interests		-	-	-	-
Net loss for the period / year		(256,715)	(26,480)	(263,878)	(19,924)
Basic/diluted loss per share attributable to shareholders for the Company (sen):	B14	(45.49)	(10.66)	(46.76)	(8.02)

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

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 31 December 2023	Current Period		Cumulative Year	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Loss for the period / year	(256,715)	(26,480)	(263,878)	(19,924)
Foreign currency translation	-	-	-	-
Total comprehensive loss for the period / year	(256,715)	(26,480)	(263,878)	(19,924)
Total comprehensive loss attributable to:				
Shareholders of the Company	(256,715)	(26,480)	(263,878)	(19,924)
Net loss for the period / year	(256,715)	(26,480)	(263,878)	(19,924)

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

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at Note 31 December	As at 31 December
	2023 RM'000	2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,475	5,117
Investment property	9,478	10,153
Right-of-use assets	23,343	22,119
Investments in associates	-	-
Investments in joint ventures	97,850	83,360
Trade and other receivables	-	255,537
Deferred tax assets	-	185
	<u>135,146</u>	<u>376,471</u>
Current assets		
Inventories	2,456	2,942
Trade and other receivables	71,766	72,243
Contract assets	557	6,461
Tax recoverable	270	422
Cash and bank balances	69,258	26,352
	<u>144,307</u>	<u>108,420</u>
TOTAL ASSETS	<u>279,453</u>	<u>484,891</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	427,211	248,458
RCPS A	13,372	-
RCPS-i A	74,804	-
RCPS B	47,916	-
RPS C	44,684	-
Accumulated losses	(451,668)	(187,790)
Total shareholders' funds	<u>156,319</u>	<u>60,668</u>
Non-controlling interests	-	-
Total equity	<u>156,319</u>	<u>60,668</u>
Non-current liabilities		
Loans and borrowings	B10 4,155	63,285
Deferred tax liabilities	-	22
Lease liabilities	7,863	6,829
	<u>12,018</u>	<u>70,136</u>
Current liabilities		
Contract liabilities	11,208	-
Provisions	12,682	14,122
Loans and borrowings	B10 6,231	182,740
Trade and other payables	62,674	145,512
Tax payables	16,295	10,855
Lease liabilities	2,026	858
	<u>111,116</u>	<u>354,087</u>
Total liabilities	<u>123,134</u>	<u>424,223</u>
TOTAL EQUITY AND LIABILITIES	<u>279,453</u>	<u>484,891</u>
Net assets per share attributable to ordinary equity holders of the Company - RM	<u>0.28</u>	<u>0.24</u>

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

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 December	As at 31 December
	2023	2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	147,235	104,090
Cash paid to suppliers and employees	(106,238)	(124,393)
(Payments) / Receipts from related companies	(7,773)	4,444
Net cash generated from / (used in) operations	33,224	(15,859)
Interest paid	(14,807)	(14,954)
Net income taxes paid less refunds	(3,923)	(3,719)
Net cash generated from / (used in) operating activities	14,494	(34,532)
Cash flows from investing activities		
Interest received	169	-
Proceeds from disposal of property, plant and equipment	11	28
Proceed from disposal of asset held for sale	-	3,948
Proceed from disposal of right-of-use assets	-	18,017
Purchase of property, plant and equipment for cash	(361)	(150)
Dividend received from joint venture companies	513	510
Net cash generated from investing activities	332	22,353
Cash flows from financing activities		
Lease payment	(1,062)	(1,001)
Repayment of borrowings	(107,565)	(41,421)
Advances from holding company	139,253	76,800
Share issuance cost	(2,546)	-
Net cash generated from financing activities	28,080	34,378
Net decrease in cash and cash equivalents	42,906	22,199
Effect of foreign exchange rate changes	-	2
Cash and cash equivalents at beginning of the year	26,352	4,151
Cash and cash equivalents at end of the year	69,258	26,352

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 December 2023

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial year ended 31 December 2023, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2022. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

A2. Changes in Accounting Policies

The significant accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those in the audited financial statements for the year ended 31 December 2022 except as follows:

MFRS and Amendments to MFRSs	Effective for annual periods beginning on or after
MFRS 17 (Insurance Contracts) Insurance Contracts	1 January 2023
Amendments to MFRS 17 (Insurance Contracts) Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101 (Presentation of Financial Statements) Classification of Liabilities as Current or Non-current (Insurance Contracts)	1 January 2023
Amendments to MFRS 101 Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 (Income Taxes) Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

A2. Changes in Accounting Policies (contd.)

Standards and interpretations that are issued but not yet effective

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

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 101 (Presentation of Financial Statements)	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 16 (Leases)	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

A3. Comments about Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A4. Unusual Items Due to Their Nature, Size or Incidence

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence for the current quarter ended 31 December 2023.

A5. Change in Estimates

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

A6. Dividend

The Board of Directors does not propose any dividend in the quarter ended 31 December 2023 (31 December 2022: RM Nil).

A7. Operating Segments

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

As at 31 December 2023

	Defence and Security RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	127,226	-	5,051	(4,921)	127,356
Inter-Segment Sales	<u>-</u>	<u>-</u>	<u>(4,921)</u>	<u>4,921</u>	<u>-</u>
External Revenue	127,226	-	130	-	127,356
Operating costs	(72,094)	(753)	217,452	(258,543)	(113,938)
Allowance for expected credit loss	<u>(261,439)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,439)</u>
Results from operations	(206,307)	(753)	217,582	(258,543)	(248,021)
Interest income	2,097	-	2,085	(3,944)	238
Finance costs	(1,913)	(954)	(26,689)	8,135	(21,421)
Share of result in joint ventures	<u>15,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,004</u>
Loss before tax	(191,119)	(1,707)	192,978	(254,352)	(254,200)
Income tax expense					<u>(9,678)</u>
Loss net of tax					<u>(263,878)</u>

A7. Operating Segments (contd.)

As at 31 December 2022

	Defence and Security RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
Group Total Sales	141,605	37	3,535	(3,417)	141,760
Inter-Segment Sales	<u>-</u>	<u>-</u>	<u>(3,417)</u>	<u>3,417</u>	<u>-</u>
External Revenue	141,605	37	118	-	141,760
(Operating costs)/other income	(90,898)	5,599	(24,065)	6,082	(103,282)
Allowance for expected credit loss	<u>(32,319)</u>	<u>-</u>	<u>(296)</u>	<u>-</u>	<u>(32,615)</u>
Results from operations	18,388	5,636	(24,243)	6,082	5,863
Interest income	1,466	-	2,534	(3,935)	65
Finance costs	(1,616)	(1,734)	(21,185)	6,518	(18,017)
Share of result in joint ventures	<u>4,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,412</u>
Loss before tax	22,650	3,902	(42,894)	8,665	(7,677)
Income tax expense					<u>(12,247)</u>
Loss net of tax					<u>(19,924)</u>

Discussion on the segmental performance is disclosed in note B1 (Analysis Performance (FYE 31 December 2023 vs. FYE 31 December 2022)).

A8. Debt and Equity Securities

During the year, the Company issued 68,901,458 new ordinary shares, 23,625,548 RCPS-A and 132,165,050 RCPS-i A to settle partially of the outstanding financing facilities given by the financiers amounting to RM128,074,472, at an issue price of RM0.57 each. The Company has also issued 246,920,486 new ordinary shares, 84,658,462 RCPS-B and 78,947,368 RPS-C at an issue price of RM0.57 to settle all the outstanding amounts due to our holding company amounting to RM234,000,000. There was no conversion of RCPS-A, RCPS-i A, RCPS-B and RPS-C that took place during the financial year.

Other than the above, there were no issuance and repayments 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 B13 (Changes in Material Litigation), there have been no subsequent material events during the current quarter.

A11. Changes in Contingent Liabilities

i) Liquidated Ascertained Damages

a) In-Service Support (“ISS”) Contract

On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) received a letter from the Ministry of Defence Malaysia (“MINDEF”) claiming for Liquidated Ascertained Damages (“LAD”) amounting to RM53.2 million and EUR19.3 million for the ISS for the Royal Malaysian Navy (“RMN”) SCORPENE Submarine Contract.

b) Refit Contract

On 27 May 2020, BDNC received a letter from MINDEF claiming for LAD amounting to RM9.5 million and EUR3.8 million for the refit works on RMN Submarine after several mitigation claims were approved by MINDEF.

c) Extended In-Service Support (“EISS”) Contract

On 29 May 2020, BDNC received a letter from MINDEF claiming for LAD amounting to RM11.6 million and EUR6.5 million for the EISS Contract.

On 13 April 2021, MINDEF had issued a notice to BDNC to settle the LAD claims in full against the future progress billing issued by BDNC to MINDEF. The Company had made full provision for the LAD claims based on the above. The total provisions for the LAD as at 31 December 2023, after offsetting against billings issued, is RM60.0 million (FYE 2022: RM60.0 million).

BDNC had made adequate provision for the LAD claim to the extent that it is deemed to be sufficient for this Refit Contract and EISS Contract and an appeal has been submitted to MINDEF for consideration.

The Group is of the opinion that the above provisions for the LAD are sufficient and no further losses are expected to be incurred after taking into consideration appropriate justifications and supporting documents which had been submitted to MINDEF for their consideration.

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

Other than the contingent liabilities as disclosed above and in Note B13 (Changes in Material Litigation), there has been no other contingent liability arising since the previous financial year end and in the current financial year.

A12. Capital Commitments

The Group has the following commitments as at 31 December 2023:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	6,015	-	6,015

B1. Analysis of Performance (FYE 31 December 2023 vs. FYE 31 December 2022)

For the quarter ended 31 December 2023	Current Period			Cumulative Year		
	2023	2022	+ / (-)	2023	2022	+ / (-)
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	49,686	38,556	29	127,356	141,760	-10
Results from operations	(266,522)	(19,065)	>-100	(248,021)	5,863	>-100
Loss before taxation	(253,404)	(18,462)	>-100	(254,200)	(7,677)	>-100
Loss for the period	(256,715)	(26,480)	>-100	(263,878)	(19,924)	>-100

For the cumulative financial year under review, the Group recorded a revenue of RM127.4 million, RM14.4 million lower than RM141.8 million reported last year. The decrease was attributable to variations in the milestones achieved for submarine contracts.

Loss from operations stood at RM248.0 million (FYE 31 December 2022: profit from operations of RM5.9 million) attributable to allowance for Expected Credit Losses (“ECL”) of RM261.4 million (FYE 31 December 2022: RM32.6 million) mainly on amounts owed from Lumut Naval Shipyard Sdn Bhd (“LUNAS”) (formerly known as Boustead Naval Shipyard Sdn Bhd). This ECL has been provided based on the ongoing negotiations with LUNAS on the settlement of the amounts owed.

Increase in finance cost to RM21.4 million from RM18.0 million last year owed to higher weighted average interest rate of 6.15% (FYE 31 December 2022: 5.34%) and advances from related companies.

Higher positive contribution from joint venture companies of RM15.0 million (FYE 31 December 2022: profit of RM4.4 million), as a result of reversal of impairment and higher demand from customers.

For the financial period under review, the Group posted a loss after taxation of RM263.9 million versus RM19.9 million loss after taxation last year.

B2. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2023 vs. Q3 2023)

For the quarter ended 31 December 2023	Current Period	Immediate Preceding Period	+/(-)
	Q4 2023	Q3 2023	%
	RM'000	RM'000	
Revenue	49,686	38,507	29
Results from operations	(266,522)	875	>-100
Loss before taxation	(253,404)	(4,402)	>-100
Loss for the period	(256,715)	(5,716)	>-100

The Group's revenue for the current quarter increased by 29% compared to the immediate preceding quarter, mainly driven by maintenance, repair and overhaul ("MRO") in submarine contracts.

However, results from operations in Q4 2023 showed a higher loss of RM266.5 million compared to RM875,000 profit in Q3 2023 primarily due to allowance for ECL of RM265.4 million (Q3 2023: RM Nil).

Higher contribution from joint venture companies of RM19.0 million (Q3 2023: profit of RM106,000) were mainly due to reversal of impairment and higher scope of work undertaken.

The variance in provision for taxation in Q4 2023 of RM3.3 million versus Q3 2023 of RM1.3 million was attributable to profits derived from the submarine contracts.

For Q4 2023, the Group recorded a loss after taxation of RM256.7 million as compared to a loss after taxation of RM5.7 million in Q3 2023.

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

The Group's property, plant and equipment ("PPE") decreased from RM5.1 million to RM4.5 million in the current year mainly due to depreciation charged during the year.

The decrease in receivables and payables of RM256.0 million and RM82.8 million, respectively, were mainly due to allowance for ECL on amounts owed from LUNAS and amounts owing to Boustead Holdings Berhad ("BHB").

The Group's cash and bank balances of RM69.3 million at the end of the current year were higher as compared with RM26.3 million last year mainly attributable to higher receipts from customers and amount received from BHB.

B4. Material Changes in Statement of Cash Flows (FYE 31 December 2023 vs. FYE 31 December 2022)

The net cash inflow from operating activities of RM14.5 million (FYE 31 December 2022: net cash outflow of RM34.5 million), mainly due to higher receipts from customers.

The net cash inflow from investing activities of RM332,000 (FYE 31 December 2022: net cash inflow of RM22.4 million), arose from dividend received from a joint venture company. Higher net cash inflow in 2022 was due to proceeds received on disposal of assets.

The net cash inflow from financing activities of RM28.1 million (FYE 31 December 2022: net cash inflow of RM34.4 million), was mainly due to repayments of borrowings offset by advances from BHB.

B5. Commentary on Prospects

The approval by our shareholders of our debt settlement proposals in December 2023 was a milestone that put us on a strong footing to get back to the path of growth and value creation to our shareholders.

Both Interim ISS for the Royal Malaysian Navy submarines and Submarine Facilities Upkeep contracts are expected to contribute positively to the Group's earnings in FY2024.

We are currently exploring opportunities in areas beyond our traditional businesses of marine, aerospace and weapons and combat systems.

B6. Notes on Variance in Actual Profit and Shortfall in Profit Guarantee

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

B7. Notes to the Consolidated Income Statements

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

	Current Period		Cumulative Year	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Allowance for expected credit losses				
- Trade receivables	264,766	32,489	264,766	32,489
- Other receivables	680	-	720	-
Reversal of expected credit losses				
- Trade receivables	-	-	(4,031)	-
- Other receivables	(16)	-	(16)	-
Net loss / (gain) on foreign currency exchange	3,461	577	3,358	(520)
(Gain) / loss on disposal of property, plant and equipment	(1)	(7,367)	54	(7,372)
Impairment on property, plant and equipment	-	-	26	51
Depreciation of investment property	169	169	675	675
Depreciation of right of use assets	1,087	509	2,039	1,410
Depreciation of property, plant and equipment	251	-	909	1,026

B8. Taxation

	Current	Cumulative
	Period	Year
	2023	2023
	RM'000	RM'000
Malaysian taxation based on profit for the period:		
- Current corporate tax	3,122	9,577
- Under / (Over) provision in prior year	4	(62)
Deferred taxation:		
- Relating to origination and reversal of temporary differences	185	185
- Over provision of deferred tax liabilities in prior years	-	(22)
	<u>3,311</u>	<u>9,678</u>

The Group's effective tax rate for the current and cumulative period are lower than the statutory rate of tax applicable mainly due to availability of tax losses brought forward to be offset against current period profit.

B8. Taxation (contd.)

Any unutilised tax losses that originated from the year of assessment 2019 onwards are allowed to be carried forward for a maximum period of 10 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

B9. Status of Corporate Proposals

(a) Proposed Disposal by Perstim Industries Sdn Bhd

Reference to the announcement made on 21 August 2023, Perstim Industries Sdn Bhd ("PISB"), an indirect wholly-owned subsidiary of BHIC, had on 18 August 2023, entered into a share sale agreement ("SSA") with Ocean Sunshine Berhad ("OSB") in respect of the proposed disposal of 27,000,001 ordinary shares representing approximately 20.77% of the equity interest in Lumut Naval Shipyard Sdn Bhd ("LUNAS") (formerly known as Boustead Naval Shipyard Sdn Bhd) held by PISB for a cash consideration of RM1.00, subject to the terms and conditions of the SSA. Reference to the announcements made on 4 October 2023, 1 November 2023, 1 December 2023 and 16 February 2024, PISB and OSB have mutually agreed to extend the Conditional Period of the SSA for a period up to 31 March 2024. On 26 January 2024, it was announced that LUNAS, at the initiation of OSB, proposed to undertake an issue and allotment of the Issue Shares to OSB and PISB, at an issue price of RM1.00 per Issue Share for a cash consideration of RM240,000,000.00 and the allotment was completed on the same date. The proposed issue did not have any material impact on the earnings for the financial year ending 31 December 2023.

The proposed disposal is expected to be completed by the second quarter of 2024 and is not expected to have any material impact on the earnings for the financial year ending 31 December 2024.

(b) Proposed Debt Settlement

Reference to the announcements made on 6 December 2023, 14 December 2023, 18 December 2023 and 28 December 2023 in relation to the multiple proposals on partial and full settlements with Affin Bank Berhad, MBSB Bank Berhad, AmBank Islamic Berhad (collectively as the "Lenders") and Boustead Holdings Berhad ("Proposed Debt Settlement"). A circular was issued to the shareholders on 7 December 2023 in relation to the proposed amendments to the constitution of BHIC and Notice of Extraordinary General Meeting ("EGM"). On 14 December 2023, a circular was issued to the shareholders in relation to the Proposed Debt Settlement. On 28 December 2023, Bursa had approved the listing and issuance of the following:

- a) 68,901,458 new BHIC shares to be issued pursuant to the Proposed Debt Settlement with Lenders;
- b) Up to 23,625,548 new BHIC shares to be issued arising from the conversion of RCPS A pursuant to the Proposed Debt Settlement with Lenders;
- c) Up to 132,165,050 new BHIC shares to be issued arising from the conversion of RCPS-i A pursuant to the Proposed Debt Settlement with Lenders;

B9. Status of Corporate Proposals (contd.)

(b) Proposed Debt Settlement (contd.)

- d) 246,920,486 new BHIC shares to be issued pursuant to the Proposed Debt settlement with BHB; and
- e) Up to 84,658,462 new BHIC shares to be issued arising from the conversion of RCPS B pursuant to the Proposed Debt Settlement with BHB.

On 29 December 2023, the shareholders via EGM had passed the resolutions in relation to the Proposed Debt Settlement and the proposed amendments to the constitution of BHIC.

Reference to the announcement made on 29 January 2024, the Islamic Capital Market department of Securities Commission Malaysia (“SC”), had vide its letter stated that the Shariah Advisory Council of the SC has no objection to the allotment and issuance of the RCPS-i A pursuant to the Debt Settlement with Lenders. The proposed debt settlements are not expected to have any material effect on the earnings for the financial year ending 31 December 2023.

B10. Group Borrowings and Debt Securities

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

	31.12.2023 RM'000	31.12.2022 RM'000
Long term borrowings:		
Unsecured		
- Term Revolving credits	1,413	63,079
- Revolving credits	2,742	-
Secured		
- Term loan	-	206
	4,155	63,285
Short term borrowings:		
Unsecured		
- Revolving credits	3,925	162,500
- Term Revolving credits	2,100	19,120
Secured		
- Term loan	206	1,120
	6,231	182,740
Total borrowings	10,386	246,025

All current period borrowings are denominated in Ringgit Malaysia.

As at 31 December 2023, the Group recorded lower borrowings, mainly due to debt settlement exercise undertaken as well as repayment of revolving credits and term loan facilities.

The Group's borrowing weighted average interest rate is 6.15% per annum for the current period (FYE 31 December 2022: 5.34% per annum).

B11. Disclosure of Derivatives

There were no outstanding derivatives as at 31 December 2023.

B12. Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter ended 31 December 2023.

B13. Changes in Material Litigation

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2022, except for the following case:

Company	Claimant Company	Status
BHIC, BHIC Defence Technologies Sdn Bhd (“BHICDT”) and LUNAS (with (Dr.) Salihin Abang and Vice Admiral Dato’ Syed Zahiruddin Putra Syed Osman (Retired) as fourth & fifth defendants)	Contraves Advanced Devices Sdn Bhd (“CAD”) and Contraves Electrodynamics Sdn Bhd (“CED”) (“Plaintiffs”)	<ul style="list-style-type: none"> • On 27 September 2022, Plaintiffs filed a Writ of Summons and Statement of Claim (Kuala Lumpur High Court Suit No. WA-22NCC-485-09/2022) against the 3 Companies and 2 BHICDT Nominee Directors in CAD. • Reliefs Sought by CAD and CED: <ol style="list-style-type: none"> 1. A declaration that the 12 letters of award (“LOAs”) to the Plaintiffs, from LUNAS are still valid and subsisting; 2. LUNAS pays CAD : <ol style="list-style-type: none"> a. RM 880,068.21; b. Euro 39,871,994.66; c. Great Britain Pound 3,784,937.02; and d. Swedish Krona 55,938,157.90; 3. LUNAS pays CED the alleged outstanding amount of RM216,652,305.94; 4. An order by way of specific performance of the 12 LOAs; 5. Damages in lieu of and/or in addition to the specific performance to be assessed by the Court, alternatively, damages to be assessed and/or sums to be determined for quantum meruit; <p>A declaration that the Nominee Directors have allegedly breached their fiduciary duties and/or common law duties and/or statutory duties under the provisions of Companies Act 2016;</p>

B13. Changes in Material Litigation (contd.)

Company	Claimant Company	Status
		<p>Reliefs Sought by CAD (contd.):</p> <ol style="list-style-type: none"> <li data-bbox="711 323 1495 548">6. A declaration that BHIC and/or BHICDT and/or LUNAS had allegedly dishonestly assisted and/or aided and abetted and/or was an accessory to the Nominee Directors alleged breach of their respective fiduciary duties and/or common law duties and/or statutory duties owed to the Plaintiffs under the provision of Companies Act 2016; <li data-bbox="711 579 1495 726">7. A declaration that BHIC and/or BHICDT and/or LUNAS and/or the Nominee Directors had allegedly wrongfully conspired and/or combined with each other and/or acted in concert to injure and/or defraud the Plaintiffs; <li data-bbox="711 758 1495 1024">8. A declaration that BHIC and/or BHICDT and/or LUNAS and/or the Nominee Directors had allegedly wrongfully procured and/or induced any or all CAD's and/or CED's OEMs under the LCS Project to breach the OEM's respective LOAs with CAD and/or CED and/or unlawfully interfered with the actions of any or all CAD's and/or CED's OEMs and/or the OEM's respective LOAs with CAD and/or CED; <li data-bbox="711 1056 1495 1398">9. An injunction to restrain BHIC and/or BHICDT and/or LUNAS and/or the Nominee Directors whether by itself/himself, its directors, agents, servants, nominees or otherwise howsoever from continuing with the alleged breach and/or assistance of the alleged breach of the Nominee Directors respective fiduciary duties and/or common law duties and/or statutory duties under the provisions of CA 2016 including but not limited to sections 213, 217 and 218 owed to CAD and/or CED; <li data-bbox="711 1430 1495 1696">10. An injunction to restrain BHIC and/or BHICDT and/or LUNAS whether by itself, its directors, agents, servants, nominees or otherwise howsoever from directly communicating and/or contracting with CAD's and/or CED's OEMs under the LCS Project in connection with and for purposes of any of the scope of work under the 12 LOAs for the LCS Project;

B13. Changes in Material Litigation (contd.)

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

B13. Changes in Material Litigation (contd.)

Company	Claimant Company	Status
		<p>Reliefs Sought by CAD (contd.):</p> <ul style="list-style-type: none"> • The litigation/defence timeline (contd.): <ol style="list-style-type: none"> 7. Based on the Case Management dated 3 July 2023, the Plaintiffs have requested for an extension to finalise the settlement. Hence, the Court fixed another date for Case Management on 16 August 2023, for parties to update the Court on the settlement. 8. During Case Management on 18 September 2023, LUNAS and the Plaintiffs updated the Court that the settlement has not been finalised. The Court then decided that it will allow both parties more time to settle and fixed the new Case Management on 30 October 2023. 9. On 30 October 2023, the Plaintiffs updated the Court that the settlement has not been finalised and the Court fixed 30 November 2023 for final Case Management. 10. On 30 November 2023, the Plaintiffs notified the Court that they have reached the settlement with LUNAS on 29 November 2023. The Court then fixed the Case Management on 12 December 2023. On 12 December 2023, the Judge fixed the decision on the striking out application on 8 February 2024. 11. The Plaintiffs had on 4 January 2024 filed the Notice of Discontinuance to discontinue the suit against LUNAS and accordingly, LUNAS had on 4 January 2024 withdrawn its Striking Out Application against the Plaintiffs. 12. On 8 February 2024, the Court has allowed BHIC/BHICDT's application to strike out the claim brought by CAD and CED against BHIC/BHICDT with costs of RM15,000.00 to be paid personally by Sylvia Sinniah to BHIC and BHICDT. The Judge also allowed (Dr.) Salihin and Dato' Syed Zahiruddin's application to strike out the claim brought by CAD and CED against them with costs of RM15,000.00 to be personally paid by Sylvia Sinniah to (Dr.) Salihin and Dato' Syed Zahiruddin.

B13. Changes in Material Litigation (contd.)

Company	Claimant Company	Status
		Reliefs Sought by CAD (contd.): 13. CAD/CED would have until 8 March 2024 to file an appeal against the Court's decision in allowing the Striking Out Applications.

B14. Basic/diluted loss per share

	Current Period		Cumulative Year	
	2023	2022	2023	2022
Net loss for the period/year– RM'000	(256,715)	(26,480)	(263,878)	(19,924)
Number of ordinary shares in issue – '000	564,280	248,458	564,280	248,458
Basic/diluted loss per share – sen	(45.49)	(10.66)	(46.76)	(8.02)

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

Company Secretary

Kuala Lumpur

Date: 29 February 2024