

SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

(The figures have not audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter		Cumulative Quarter	
		Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
		31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Revenue		181,946	143,053	343,923	297,118
Cost of sales		(157,472)	(113,533)	(294,777)	(227,524)
Gross profit		24,474	29,520	49,146	69,594
Other income		2,447	2,543	7,202	4,464
Administrative expenses		(7,615)	(8,681)	(14,726)	(16,627)
Operating profits		19,306	23,382	41,622	57,431
Finance Costs		(7,415)	(4,660)	(13,854)	(9,674)
Shares of profit of associates		1,788	1,313	3,001	3,330
Profit before tax		13,679	20,035	30,769	51,087
Tax expense	A11	366	756	(4,599)	(195)
Profit net of tax		14,045	20,791	26,170	50,892
Other comprehensive income:					
Foreign exchange translation	A16	(2,319)	(37)	(444)	(599)
Total comprehensive income for the period		11,726	20,791	25,726	50,293
Profit attributable to:					
Equity holders of the parent		15,635	22,329	27,651	53,183
Non controlling interests		(1,590)	(1,538)	(1,481)	(2,291)
		14,045	20,791	26,170	50,892
Total comprehensive income attributable to:					
Equity holders of the parent		13,448	22,292	26,769	53,367
Non controlling interests		(1,722)	(1,839)	(1,043)	(3,074)
		11,726	20,453	25,726	50,293
Earnings per share attributable to the equity holders of the parent:					
Basic (sen)	B11	1.30	1.86	2.30	4.43
Diluted (sen)	B11	1.30	1.86	2.30	4.43

Notes:

(a) *The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this report.*

SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.12.2011 RM'000	AUDITED AS AT 30.6.2011 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,811,321	1,682,665
Investment in associates		20,134	15,508
Other investments		157	157
		<u>1,831,612</u>	<u>1,698,330</u>
Current assets			
Inventories		156,994	160,660
Trade and other receivables		280,080	205,782
Other current assets		19,193	24,656
Tax recoverable		3,991	4,030
Cash and cash equivalents		83,156	97,008
		<u>543,414</u>	<u>492,136</u>
TOTAL ASSETS		<u>2,375,026</u>	<u>2,190,466</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,200,000	1,200,000
Share premium		16,972	16,972
Retained Earnings		207,592	179,941
Other reserve		(6,282)	(6,726)
		<u>1,418,282</u>	<u>1,390,187</u>
Non Controlling interests		9,028	10,071
Total equity		<u>1,427,310</u>	<u>1,400,258</u>
Non-current liabilities			
Borrowings	B8	310,143	241,710
Deferred tax liabilities		126,244	124,987
		<u>436,387</u>	<u>366,697</u>
Current liabilities			
Borrowings	B8	356,074	274,131
Trade and other payables		154,125	148,904
Tax payable		1,130	476
		<u>511,329</u>	<u>423,511</u>
Total liabilities		<u>947,716</u>	<u>790,208</u>
TOTAL EQUITY AND LIABILITIES		<u>2,375,026</u>	<u>2,190,466</u>
Net assets per shares (RM)		1.17	1.16

Notes:

- (a) *The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this report.*

SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Parent →						Total equity RM'000
	← Non distributable			→ Distributable		Total RM'000	
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Revenue reserve RM'000			
At 1 July 2011	1,200,000	16,972	(6,726)	179,941	1,390,187	10,071	1,400,258
Total comprehensive Income	-	-	444	27,651	28,095	(1,043)	27,052
At 31 December 2011	<u>1,200,000</u>	<u>16,972</u>	<u>(6,282)</u>	<u>207,592</u>	<u>1,418,282</u>	<u>9,028</u>	<u>1,427,310</u>
				(Note B12)			
At 1 July 2010	1,200,000	16,972	(1,269)	135,242	1,350,945	16,503	1,367,448
Total comprehensive Income	-	-	(5,457)	74,699	69,242	(6,432)	62,810
Transactions with Owners:							
Dividend on Ordinary Share	-	-	-	(30,000)	(30,000)	-	(30,000)
At 30 June 2011	<u>1,200,000</u>	<u>16,972</u>	<u>(6,726)</u>	<u>179,941</u>	<u>1,390,187</u>	<u>10,071</u>	<u>1,400,258</u>
				(Note B12)			

Notes:

- (a) *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this report.*

SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current year to date	Preceding year corresponding period
	31.12.2011 RM'000	31.12.2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	30,769	51,087
Adjustment for Non Cash items	54,105	44,686
Operating profit before changes in working capital	84,874	95,773
Working Capital Changes		
Decrease/(increase) in inventories	3,944	(33,442)
(Increase)/decrease in receivables	(64,027)	12,904
Increase in payables	18,031	63,421
Total changes in working capital	(42,052)	42,883
Cash generated from operations	42,822	138,656
Interest received	1,267	1,609
Interest paid	(13,855)	(9,674)
Tax paid	(1,902)	(410)
Total interest and tax paid	(14,490)	(8,475)
Net cash generated from operating activities	28,332	130,181
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	5	3
Capital expenditure	(181,121)	(178,019)
Proceeds from disposal of property, plant and equipment	397	157
Proceeds from disposal of other investment	-	1
Proceeds from deposit placed with licensed banks	-	(400)
Net cash used in investing activities	(180,719)	(178,258)
NET CASH FLOW FROM FINANCING ACTIVITIES		
Net movement in trade financing	43,286	(48,168)
Proceeds from hire purchase	-	19,625
Repayment of hire purchase	(19,066)	(19,740)
Proceeds from term loans	123,875	28,320
Repayment of term loans	(24,505)	(24,217)
Net cash flow generated from /(used in) financing activities	123,590	(44,180)
Net decrease in cash and cash equivalents	(28,797)	(92,257)
Cash and cash equivalents at beginning of period	82,841	200,136
Effects of exchange rate changes	(42)	(383)
Cash and cash equivalents at end of period	54,002	107,496
Cash and cash equivalents comprise the following:		
Cash and bank balances	9,024	12,929
Deposit with licensed banks	74,132	105,526
Bank overdrafts	(29,154)	(10,959)
Cash and bank balances	54,002	107,496

Notes:

- (a) *The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to this report.*

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9 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 30 June 2011.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSS, Amendment to FRSS and IC Interpretations that are effective for the financial periods beginning on 1 July 2011.

The adoption of relevant FRSS, Amendment to FRSS and IC Interpretations are not expected to have any significant financial impact on the financial statements of the Group.

A2. Auditor's report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company and of its subsidiaries on the preceding annual financial statements.

A3. Seasonal or cyclical factors

The Group's operations were not significantly affected by seasonal or cyclical factors.

A4. Unusual items

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current interim quarter under review

A5. Material changes in estimates

There were no changes in estimates of amounts that have had a material effect in the current interim quarter under review.

A6. Debt and equity securities

There is no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares for the current interim quarter under review.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A7. Dividends paid

A final tax exempt (single tier) dividend of 1.75% on 1,200,000,000 ordinary shares, amounting to a dividend payable of RM 21,000,000.00 (1.75 sen per ordinary share) in respect of the financial year ended 30 June 2011, which was approved by the shareholders at the Company’s sixth Annual General Meeting on 22 December 2011 was paid to entitled shareholders on 18 January 2012.

A8. Segmental reporting

Segmental information in respect of the Group’s business segments (excluding investment holding income) comprising shipping, and shipbuilding, ship repair & metal fabrication are presented as follows:

Current interim quarter ended 31 December 2011

	Revenue RM’000	Operating profit RM’000
Shipping operations	129,665	15,523
Shipbuilding, ship repair and metal fabrication operations	52,281	4,235
Total	<u>181,946</u>	<u>19,758</u>

A9. Material events subsequent to the end of the quarter period

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statements except that:

- a) The Company (“SYSCorp”) has on 9th January 2012, entered into a Share Sale Agreement with Mr. Ling Chiong Sing to effect the shares sale from Mr. Ling Chiong Sing to SYSCorp of 195,000 ordinary shares of RM1.00 each in Melinau Shipping Sdn Bhd (“MSSB”), representing 39% equity interest in MSSB for a total consideration of RM682,500.
- b) The Company has on 12th January 2012, entered into a Share Sale Agreement with the Vendors listed below to purchase 18,900 ordinary shares of RM1.00 each in Hock Leong Shipping Sdn Bhd (“HLSSB”), representing 70% equity interest in HLSSB for a total consideration of RM2,090,314.80.

Vendors	No. of Shares
Hong King Siang	9,450
Hou Siu Kee	9,450
Total :	18,900

SHIN YANG SHIPPING CORPORATION BERHAD – 666062-A
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for current interim quarter under review.

A11. Tax (income) / expense

The taxation of the Group for the current interim quarter under review is as follows:-

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31 Dec 2011 RM'000	Preceding year corresponding quarter 31 Dec 2010 RM'000	Current year to date 31 Dec 2011 RM'000	Preceding year corresponding period 31 Dec 2010 RM'000
Malaysian taxation				
Current year tax	744	228	3,342	2,290
Deferred tax	(1,110)	(984)	1,257	(2,095)
	<u>(366)</u>	<u>(756)</u>	<u>4,599</u>	<u>195</u>

A12. Contingent liabilities and contingent assets

The contingent liabilities of the Group as at 31 December 2011 are as follows:

	As at 31.12.2011 RM'000
Corporate guarantees given to financial institutions in consideration of credit facilities granted to our subsidiaries and associates	<u>226,811</u>

The Group does not have any contingent assets.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A13. Material commitments

Material commitments of the Group as at 31 December 2011 are as follow:

	As at 31.12.2011
<u>Capital Expenditure</u>	RM'000
<u>Approved and contracted for:-</u>	
- Construction of an additional 2 units of cargo vessels for international shipping operations	71,250
- Construction of an additional 6 units shipping vessels	48,527
	----- 119,777
<u>Approved but not contracted for:-</u>	
- Construction of shipyard in RAK, UAE	17,747
	----- 17,747
Total	----- 137,524 -----

Lease commitments

On 1 July 2009, the Group entered into a lease contract with SAQR Port Authority, Hulayla Industrial Park, United Arab Emirates to lease an industrial plot of land for the purpose of carrying out shipbuilding, offshore fabrication and marine related services. The contract will be for 25 years, commencing from the date of the contract or the date at which Hulayla Industrial Park becomes operational, whichever is the latest, at an annual rent of AED5,100,000.00.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART A – EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A14. Significant related party transactions

Related parties are those defined under FRS 124: Related Party Disclosures. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and on commercial terms that are no more favourable than those available to other third parties.

	Current Quarter to date 31.12.2011 RM'000	Balance due from/(to) As at 31.12.2011 RM'000
(a) Transactions with related companies of Shin Yang Holding Sendirian Berhad		
Sales of goods and services	47,379	72,437
Purchase of goods and services	24,064	(29,765)
(b) Transactions with companies in which certain Directors of the Company have substantial interests		
Sales of goods and services	6,384	9,337
Purchase of goods and services	1,979	(28,135)

The related party transactions reflect transactions of all the subsidiaries with the respective group of companies.

A15. Significant events

There were no material events subsequent to the end of the current interim reporting quarter that have not been reflected in the financial statements for the current interim quarter under review.

A16. Other Comprehensive Income

Foreign exchange translation gain/(loss) represents the surplus/(shortfall) arising from restating payables, receivables and bank balances denominated in foreign currency to Ringgit using foreign exchange rates prevailing at period end rate.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of performance

The Group records a revenue of RM181.9million, a profit before tax of RM13.7million and a profit after tax of RM 14.0 million for the current interim quarter ended 31 December 2011.

B2. Material changes in the profit before tax for the current quarter as compared with the immediate preceding quarter

Revenue of the Group for the current interim quarter ended 31 December 2011 has increased by 12.4% to RM181.9million from RM161.9million as compared with the immediate preceding quarter ended 30 September 2011. The Group had achieved an increase of 15.7% in profit after tax of RM14.0million as compared to RM12.1million reported in the immediate preceding quarter. The increase were mainly attributed to the improvement of profit contribution from the dry bulk international shipping and coastal & domestic shipping operations in the current quarter under review.

B3. Commentary on Prospects

The performance of the Group is largely dependent on the development in world fuel markets price, quality of crews' standard, domestic & regional demand for transportation of dry bulk and general cargoes, movement of Ringgit Malaysia and world economic situations.

The other dependents on shipbuilding operation including the corresponding price movement of the marine mild steel plates, other heavy equipments and global trend of demand of newly constructed vessels especially from the niche markets with oil and gas industry domestically and regionally .

B4. Profit forecast or profit guarantee

Not applicable as the Group did not publish any profit forecast or profit guarantee.

B5. Sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties during the current interim quarter under review.

B6. Quoted securities

There were no purchase or disposal of quoted securities during the current interim quarter under review.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B7. Corporate proposals

Status of utilisation of proceeds

The gross proceeds from the public issue of approximately RM190.9 million shall be utilised in the following manner:

Purpose	Total Proceeds RM'000	Actual Utilisation RM'000	Timeframe for utilisation from date of listing
(i) Part finance construction of additional 7 vessels for shipping operations	115,700	59,700	Within 36 months
(ii) Part finance expansion of shipbuilding capacity and new shipbuilding facilities	61,200	44,318	Within 24 months
(iii) Estimated listing expenses	8,000	6,220	Immediate
(iv) Working capital	5,959	5,900	Immediate
	<u>190,859</u>	<u>116,138</u>	

B8. Borrowings and debt securities

	Secured RM'000	unsecured RM'000	Total RM'000
1. Total borrowings			
Short-term borrowings	270,441	85,633	356,074
Long-term borrowings	310,143	-	310,143
	<u>580,584</u>	<u>85,633</u>	<u>666,217</u>

Included in the total borrowings are borrowings denominated in USD as follows:

	Secured USD'000	unsecured USD'000	Total USD'000
2. Borrowings denominated in USD			
Short-term borrowings	3,900	-	3,900
Long-term borrowings	16,128	-	16,128
	<u>20,028</u>	<u>-</u>	<u>20,028</u>

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B9. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 27 February 2012.

B10. Changes in material litigation

There were no material litigations during the current interim quarter up to the date of this interim report.

B11. Earnings per share

(a) Basic

The basic earnings per share for the current interim quarter and current financial year-to-date are computed as follows:

	Current year quarter 31.12.2011	Current year to date 31.12.2011
Profit attributable to equity holders of the Company (RM'000)	15,635	27,651
Weighted average number of ordinary shares in issue ('000)	1,200,000	1,200,000
Basic earnings per share (sen)	<u>1.30</u>	<u>2.30</u>

Earnings per share is computed based on the weighted average number of 1,200,000,000 shares issued for the interim quarter under review.

(b) Diluted

The Group has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share is presented as equal to basic earnings per share.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B12. Breakdown of realised and unrealised profit or loss

The breakdown of the accumulated losses of the Group as at 31 December 2011, into realised and unrealised, pursuant to a directive issued by Bursa Malaysia Securities Berhad are as follows;

	Accumulated quarter ended 31.12.2011 (RM'000)	Accumulated quarter ended 30.09.2011 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realized	651,123	644,652
- Unrealized	(20,945)	(21,691)
	630,178	622,961
Less: Consolidation adjustments	(422,586)	(431,004)
Total Group's retained profits	207,592	191,957

The analysis of realised and unrealised accumulated losses is compiled based on Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements as issued by the Malaysian Institute of Accountants.

The disclosure above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

INTERIM REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

PART C – ADDITIONAL DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT (“FRS 139”)

C1. Disclosure of Derivatives

The Group does not have any outstanding derivatives as at the end of the current interim quarter under review

C2. Disclosure of gains/losses arising from fair value changes of financial liabilities

There is no material effect to the Company's financial results upon adoption of FRS139

C3. Disclosure of breakdown of realised and unrealised gains/losses arising from fair value changes of financial liabilities

There is no material effect to the Company's financial results upon adoption of FRS139.

Authorised for issue

The interim report for the second quarter ended 31 December 2011 was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2012.

By order of the Board

Richard Ling Peng Liing
Company Secretary
27 February 2012