

Boustead Heavy Industries Corporation Berhad (11106-V)
Notes to the Interim Financial Report for the Quarter Ended 31 December 2009

Part A Explanatory Notes Pursuant to FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market 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 2008.

A2. Changes in Accounting Policies

The accounting policies and method of computation adopted by the Group are consistent with those used in the preparation of the Y2008 Audited Financial Statements.

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 financial quarter ended 31 December 2009.

A5. Change in Estimates

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

A6. Dividends Paid

The final tax exempt dividend of 5.5% (2007: 1.5%) per share for the financial year ended 31 December 2008 amounting to RM13,665,169 was paid on 18 May 2009.

A7. Segmental Information

The Group is principally engaged in heavy engineering segment within Malaysia. The other segments are not significant to be disclosed under the requirement of FRS 114 - Segment Reporting.

A8. Debts and Equity Securities

There were no issuances 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.

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A10. Subsequent Events

There were no material subsequent events that will affect the financial statements of the financial period under review.

A11. Changes in Group Composition

There were no changes in the composition of the Group during the period under review.

A12. Changes in Contingent Liabilities

	31.12.2009	31.12.2008
	RM'000	RM'000
Bank guarantee to other corporation on behalf of a subsidiary company	83,569	33,116
Corporate guarantee to other corporation/financial institution on behalf of an associate	12,604	50,000
	<u>96,173</u>	<u>83,116</u>

Other than the above, the status of the contingent liabilities disclosed in the 2008 Annual Report remains unchanged. No other contingent liability has arisen since the financial year end.

A13. Capital Commitments

The Group has the following commitments as at 31 December 2009:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	37,806	813	<u>38,619</u>

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Part B Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

B14. Performance Review

For the financial year 2009, the Group's revenue increased by 10% to RM543.8 million from RM496.3 million attained in the previous year. Notwithstanding this, the Group recorded a lower profit before tax of RM94.9 million, attributed to higher cost of projects and lower share of profits from Associate. In 2009, our share of contribution from associates was lower because in 2008, there was a reversal of notional tax charge of approximately RM21.2 million.

Boustead DCNS Naval Cooperation Sdn Bhd, the joint venture company set up to provide In-Service Support to the Prime Minister's Class Scorpene Submarines has begun operations.

B15. Material Changes in Quarterly Results Compared to the Results of the Immediate Preceding Quarter

For the current quarter under review, the Group recorded revenue of RM163.6 million and profit before taxation of RM22.0 million. Compared to the previous quarter, revenue had increased by 13% mainly due to progress achieved for contracts in hand. However, profit before taxation declined by 22% due to higher cost of completion for on-going projects.

B16. Prospect for the Next Financial Year

There is uncertainty in the global economic outlook and continuing pressure on construction of new vessels and oil and gas projects. Important steps have been taken on the path of transforming the Group into a sustainably profitable entity, but more needs to be done. Prospects for 2010 are dependent on the continued recovery of the economy.

B17. 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 minority interests and shortfall in profit guarantee are not applicable.

B18. Taxation

	Current Period 2009 RM'000	Cumulative Period 2009 RM'000
Malaysian taxation based on profit for the period:		
- Current	3,355	19,020
- Under/(Over)provision in prior year	433	(864)
- Deferred	-	(15)
Non-Malaysian taxation based on profit for the period:		
- Current	528	528
- Deferred	(448)	(448)
	3,868	18,221

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B19. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the period under review.

B20. Quoted Securities

There were no purchases or disposals of quoted securities for the period under review.

B21. Status of Corporate Proposal

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

B22. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2009 are as follows:

	31.12.2009	31.12.2008
	RM'000	RM'000
Long term borrowings:		
- Term loan (unsecured)	12,287	-
- Hire Purchase and finance lease liabilities (secured)	107	187
	<hr/> 12,394	<hr/> 187
Short term borrowings		
- Term loan (unsecured)	1,713	-
- Revolving credit (unsecured)	10,000	5,000
- Banker acceptance (unsecured)	5,000	-
- Hire Purchase and finance lease liabilities (secured)	79	94
	<hr/> 16,792	<hr/> 5,094

B23. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at 31 December 2009.

B24. Changes in Material Litigations

There were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet as at 31 December 2008, except the following cases are pending:

Company	Claimant Company	Amount RM'000	Remark
Boustead Penang Shipyard Sdn Bhd	Tetuan Thanggaya Khoo & Co.	4,000	Claims for purported outstanding legal fees amounting to RM4,000,000. The Plaintiff has filed an application for summary judgment which is fixed for Decision on 5 January 2010. On the said date the Court has dismissed the Plaintiff's summary judgment application with cost.

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B24. Changes in Material Litigations (cont'd)

Company	Claimant Company	Amount RM'000	Remark
Boustead Naval Shipyard Sdn Bhd (BN Shipyard)	Meridien Shore Sdn Bhd (Meridien)	49,577	<p>BN Shipyard, an associate company, has been served with a writ of summons by Meridien for special damages, interest on amount claimed, general damages and other cost and relief that the Court deems fit over alleged loss suffered by Meridien arising from foreclosure of several of its land by Bank Kerjasama Rakyat Sdn Bhd.</p> <p>BN Shipyard on 22 July 2008 has filed defence against Meridien's claim. BN Shipyard also filed a counterclaim for general damages, interest on damages awarded, cost of action borne by Meridien on full indemnity basis and other relief that the Court deems fit and proper to grant over loss and damages suffered by BN Shipyard arising from Meridien's failure to repay the sum owed of RM14,946,277.28. On 29 August 2008, Meridien has filed defence to BN Shipyard's counterclaim. Meridien has yet to file the Notice for Pre-Trial Case Management.</p> <p>BN Shipyard in consultation with the solicitors is of the view that BN Shipyard has a good chance to win in this suit.</p>

B25. Dividend Payable

The Directors have declared a single tier first interim dividend of 6 % (2009: nil) per share in respect of year ending 31 December 2010 amounting to RM14,907,457. The dividend will be paid on 8 April 2010 to shareholders registered in the Register of Members at the close of business on 18 March 2010. These financial statements do not reflect the interim dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2010 when paid.

B26. Earnings per Share

	Current Period		Cumulative Period	
	2009	2008	2009	2008
Net profit for the period – RM'000	18,601	14,972	76,280	115,120
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings per share for – sen	7.49	6.02	30.70	46.33

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B27. Prior Year Adjustment (PYA)

The prior year adjustment is in respect of the following:

A foreign subsidiary PSC Tema Shipyard Ltd had purchased assets from Divestiture Implementation Committee, a Ghanaian statutory body in 1996. However, the full payment of the assets were not made until completion of the Group's restructuring exercise in 2007. The amount owing was subjected to interest charges of USD2.257 million (RM7.74 million). The interest charges was not accounted for in the financial statements from 1996 to 2009. Accordingly, a PYA has been effected to account the interest penalty under-recognised.

The effect of the resulting prior year adjustment is as follows:

(a) Effects on Consolidated Balance Sheets

	Trade and Other Payables	(Accumulated losses)/ Retained profit
	RM'000	RM'000
As at 1 January 2008		
As previously stated	114,921	(31,388)
Effects of prior year adjustment	7,743	(7,743)
At 1 January 2008, restated	<u>122,664</u>	<u>(39,131)</u>
As at 1 January 2009		
As previously stated	121,881	80,005
Effects of prior year adjustment	7,743	(7,743)
At 1 January 2009, restated	<u>129,624</u>	<u>72,262</u>

(b) Effects on consolidated net profits and earnings per share in prior year

There are no effects on the consolidated net profits and earnings per share for financial year ended 31 December 2008 arising from the prior year adjustment.

(c) Comparative amounts as at 31 December 2008 have been restated as follows:

Group	As previously stated	Adjustments	As restated
	RM'000	RM'000	RM'000
Balance sheets			
Current liabilities	121,881	7,743	129,624
Retained earnings	80,005	(7,743)	72,262