

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the period ended 30 September 2011	Current Period		Cumulative Period	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations				
Revenue	150,015	227,709	387,466	420,592
Operating cost	(157,179)	(193,009)	(367,993)	(353,832)
Profit / (Loss) from operations	(7,164)	34,700	19,473	66,760
Interest income	497	55	1,332	191
Finance cost	(4,589)	(1,146)	(12,116)	(2,435)
Share of results of Associates	5,992	3,412	7,400	10,561
Profit / (Loss) before taxation	(5,264)	37,021	16,089	75,077
Taxation	6,464	(6,690)	4,885	(13,075)
Profit for the period	1,200	30,331	20,974	62,002
Attributable to:				
Shareholders of the Company	(2,434)	26,900	9,035	58,372
Minority interests	3,634	3,431	11,939	3,630
Net profit for the period	1,200	30,331	20,974	62,002
Earnings / (Loss) per share - sen				
Basic	(0.98)	10.83	3.64	23.49

The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2010.

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the period ended 30 September 2011	Current Period		Cumulative Period	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations				
Profit for the period	1,200	30,331	20,974	62,002
Foreign currency translation	(89)	56	7	189
Total comprehensive income for the period	1,111	30,387	20,981	62,191
Total comprehensive income attributable to:				
Shareholders of the Company	(2,486)	26,934	9,040	58,486
Minority interests	3,597	3,453	11,941	3,705
Net profit for the period	1,111	30,387	20,981	62,191

The Unaudited Condensed Consolidated Statements Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2010.

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September	Audited 31 December
	2011 RM'000	2010 RM'000
ASSETS		
Non current assets		
Property, plant and equipment	222,647	93,553
Goodwill	3,849	3,849
Deferred tax assets	3,311	5,200
Associates	198,160	196,289
	<u>427,967</u>	<u>298,891</u>
Current assets		
Inventories	34,016	33,888
Receivables	568,130	583,460
Cash and bank balances	165,484	100,996
	<u>767,630</u>	<u>718,344</u>
TOTAL ASSETS	<u>1,195,597</u>	<u>1,017,235</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	248,458	248,458
Reserves	174,736	181,846
Shareholders' equity	<u>423,194</u>	<u>430,304</u>
Minority interests	55,620	43,283
Total equity	<u>478,814</u>	<u>473,587</u>
Non current liabilities		
Long term borrowings	52,284	33,449
Deferred tax liabilities	1,359	3,963
	<u>53,643</u>	<u>37,412</u>
Current liabilities		
Borrowings	341,219	170,342
Trade and other payables	327,715	323,347
Taxation	(5,794)	12,547
	<u>663,140</u>	<u>506,236</u>
Total liabilities	<u>716,783</u>	<u>543,648</u>
TOTAL EQUITY AND LIABILITIES	<u>1,195,597</u>	<u>1,017,235</u>
Net assets per share attributable to ordinary equity holders of the Company - RM	<u>1.70</u>	<u>1.73</u>

The Unaudited Condensed Consolidated Statements Of Financial Position should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2010.

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 September 2011	Attributable to shareholders of Company					
	Share Capital	*Exchange Fluctuation Reserves	Retained Profit /(Accumulated Loss)	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	248,458	(7,930)	189,776	430,304	43,283	473,587
Total comprehensive income for the period	-	5	9,035	9,040	11,941	20,981
Transaction with owners:						
Dividend						
- interim of the current year	-	-	(16,150)	(16,150)	-	(16,150)
Issue of shares by subsidiary to minority interests	-	-	-	-	396	396
Acquisition of minority interests	-	-	-	-	-	-
Balance at 30 September 2011	248,458	(7,925)	182,661	423,194	55,620	478,814
At 1 January 2010	248,458	(8,104)	134,877	375,231	10,390	385,621
Total comprehensive income for the period	-	113	58,372	58,485	3,705	62,190
Transaction with owners:						
Dividend						
- interim of the current year	-	-	(14,907)	(14,907)	-	(14,907)
Dilution in equity interest	-	-	-	-	(262)	(262)
Issue of shares by subsidiary to minority interests	-	-	-	-	1,600	1,600
Acquisition of minority interests	-	-	-	-	21,590	21,590
Balance at 30 September 2010	248,458	(7,991)	178,342	418,809	37,023	455,832

NOTES

* Denotes non distributable reserves.

The Unaudited Condensed Consolidated Statements of Changes of Equity should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2010.

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2011

	2011	2010
	RM'000	RM'000
Operating Activities		
Receipts from customers	552,722	134,818
Cash paid to suppliers and employees	(499,459)	(264,858)
Cash generated from / (used in) operations	53,263	(130,040)
Tax paid less refund	(11,839)	(12,971)
Net cash generated from / (used in) operating activities	41,424	(143,011)
Investing Activities		
Capital expenditure	(137,367)	(8,242)
Others	1,728	(21,125)
Net cash used in investing activities	(135,639)	(29,367)
Financing Activities		
Net drawdown/(repayment) of borrowings	186,301	163,686
Dividends paid to shareholders of the Company	(16,150)	(14,907)
Interest paid	(11,324)	(2,906)
Net cash generated from financing activities	158,827	145,873
Foreign exchange translation difference	(9)	(235)
Net increase/(decrease) in cash and cash equivalents	64,603	(26,740)
Cash and cash equivalent at beginning of period	99,819	52,571
Cash and Cash Equivalent at End of Period	164,422	25,831
Analysis of Cash and Cash Equivalents		
Deposits, cash and bank balances	165,484	25,831
Overdrafts	(1,062)	-
Cash and Cash Equivalent at End of Period	164,422	25,831

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2010.

Boustead Heavy Industries Corporation Berhad (11106-V)

Notes to the Interim Financial Report for the Quarter Ended 30 September 2011

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 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 2010.

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 Y2010 Audited Financial Statements, except for the adoption of the following:

Effective for financial periods beginning on or after 1 March 2010:

- Amendments to FRS 132: Classification of Right Issues

Effective for financial periods beginning on or after 1 July 2010:

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (Revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011:

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 1: First-time Adoption of Financing Reporting Standards [Improvements to FRS (2010)]
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 3: Business Combinations [Improvements to FRS (2010)]
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 7: Financial Instruments: Disclosures [Improvement to FRS (2010)]
- Amendments to FRS 101: Presentation of Financial Statements [Improvements to FRS (2010)]
- Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates [Improvements to FRS (2010)]

A2. Changes in Accounting Policies (cont'd)

Effective for financial periods beginning on or after 1 January 2011 (cont'd):

- Amendments to FRS 128: Investments in Associates [Improvements to FRS (2010)]
- Amendments to FRS 131: Interests in Joint Ventures [Improvements to FRS (2010)]
- Amendments to FRS 132: Financial Instruments: Presentation [Improvements to FRS (2010)]
- Amendments to FRS 134: Interim Financial Reporting [Improvements to FRS (2010)]
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement [Improvements to FRS (2010)]
- IC Interpretation 4: Determining whether an Arrangement contains a Lease
- Amendments to IC Interpretation 13: Customer Loyalty Programme [Improvements to FRS (2010)]
- IC Interpretation 18: Transfer of Assets from Customers

The adoption the above standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

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 30 September 2011.

A5. Change in Estimates

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

A6. Dividends Paid

A single tier first interim dividend of 6.5% per share for the financial year ended 31 December 2011 amounting to RM16,149,745 (2010: 6.0% per share amounting to RM14,907,457) was paid on 24 March 2011.

A7. Operating Segments

No segmental analysis is prepared as the Group is primarily engaged in heavy engineering segment within Malaysia.

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.

A10. Subsequent Material 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

The status of the contingent liabilities disclosed in the 2010 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 30 September 2011:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	27,699	2,051	29,750

B14. Performance Review

For the nine months period ended 30 September 2011, the Group recorded revenue of RM387.5 million, 8% lower as compared with RM420.6 million reported for the corresponding period ended 30 September 2010. The revenue was lower given that the previous year's corresponding period incorporated revenue for accumulation of work done on submarine maintenance for a longer period as compared with the nine months recorded in the current year cumulative period.

Cumulatively, the Group reported profit after tax of RM21.0 million against last year's net profit of RM62.0 million. This was mainly due to cost escalations in completing certain commercial shipbuilding projects, higher finance charges and lower share of profits from associates.

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

The current quarter revenue of RM150.0 million was higher as compared with the RM120.8 million achieved for the second quarter of 2011 mainly due to contributions by defence related projects. However, cost overruns in certain commercial shipbuilding projects resulted in the Group reporting a loss before tax of RM5.3 million compared with profit of RM2.7 million registered in the second quarter.

B16. Current Year Prospects

The Group will continue to strengthen its internal process and governance oversight, while the implementation of programmes to generate improvements in financial performance, including cost containment is ongoing.

As for Boustead Naval Shipyard Sdn Bhd, the associate company's negotiation for the contract to build the six Littoral Combatant Ships is at the advanced stage of preparations.

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 2011 RM'000	Cumulative Period 2011 RM'000
Malaysian taxation based on profit for the period:		
- Current	(603)	2,726
- Under / (Over) provision in prior year	(4,151)	(6,898)
- Deferred	(1,710)	(713)
	<u>(6,464)</u>	<u>(4,885)</u>

The Group's effective tax rate for the current period and financial year to-date are lower than the statutory rate of tax applicable mainly due to certain income not being subjected to income tax and overprovision in prior year.

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

On 6 September 2011, the Company had announced that arrangements are in hand which will lead to the return to the Republic of Ghana of the ownership of Tema Shipyard and Drydock (now known as PSC Tema Shipyard Limited ("PSCT")).

The parties have agreed to negotiate an outline framework for a structured and well organised transfer to the Republic of Ghana of the entire 60% of the shares in PSCT held by Boustead Penang Shipyard Sdn Bhd, a subsidiary of the Company. It is the hope and expectation of both parties that these arrangements will be amicably concluded not later than 31 December 2011.

Save as disclosed above, there were no other corporate proposals announced or pending completion.

B22. Group Borrowings and Debt Securities

Total group borrowings as at 30 September 2011 are as follows:

	30.09.2011	31.12.2010
	RM'000	RM'000
Long term borrowings:		
Unsecured		
- Term loans	19,374	24,966
Secured		
- Term loans	32,784	8,429
- Hire purchase and finance lease liabilities	126	54
	<u>52,284</u>	<u>33,449</u>
Short term borrowings		
Unsecured		
- Term loans	7,435	7,313
- Revolving credits	280,000	156,000
- Banker acceptances	-	516
- Overdraft	1,062	1,177
Secured		
- Term loans	9,194	2,217
- Revolving credits	43,338	3,066
- Hire purchase and finance lease liabilities	190	53
	<u>341,219</u>	<u>170,342</u>

Included above is a secured revolving credit of RM36.4 million (US Dollar: 11.4 million) and a secured term loan of RM32.7 million (US Dollar: 10.2 million) which are denominated in US Dollar. All other borrowings are denominated in Ringgit Malaysia.

B23. Disclosure of Derivatives

There were no outstanding derivatives as at 30 September 2011.

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 and financial period ended 30 September 2011.

B25. Realised and Unrealised Unappropriated Profits

	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	34,419	25,411
- Unrealised	(5,575)	(7,167)
Total share of retained profits from associates:		
- Realised	146,020	144,125
- Unrealised	-	24
	174,864	162,393
Consolidated adjustments	7,797	27,383
Total Group retained profits as per consolidated financial statements	182,661	189,776

The determination of realised and unrealised profits is compiled based on Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B26. Changes in Material Litigations

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2010, except the following cases are pending:

Company	Claimant Company	Amount RM'000	Remark
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Marapura Sdn Bhd ("Marapura")	10,367	On 14 July 2010, BN Shipyard was served with a Writ of Summons by Marapura in the Ipoh High Court, and was served on BN Shipyard's solicitors, Messrs Azzat & Izzat on 23 July 2010. Under the said Writ of Summons, Marapura is claiming against BN Shipyard for damages totaling RM10,367,063.74, interest at 8% per annum on the said amount of RM10,367,063.74, cost and other relief that the Court deems fit, arising from a contract dispute between Marapura and BN Shipyard.

B26. Changes in Material Litigations (cont'd)

Company	Claimant Company	Amount RM'000	Remark
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Maraputra Sdn Bhd ("Maraputra")	10,367	<p>Cont'd:</p> <p>BN Shipyard is disputing the claims based on records and contract terms. In consultation with solicitors, the BN Shipyard is of the view that it has a good defence to these claims by Maraputra.</p> <p>In August 2010, BN Shipyard had filed its Statement of Defence and a Counterclaim for damages totaling RM10,295,249.07, interest at 8% per annum on the said amount of RM10,295,249.07, cost and other relief that the Court deems fit against Maraputra. The said Statement of Defence and Counterclaim was filed in the Ipoh High Court.</p> <p>On 31 March 2011, BN Shipyard filed an Application to Strike Out the Action. On 25 May 2011, the Court dismissed the Application. The trial on 27 and 28 October 2011 has been postponed, and the Court has fixed this matter for further case management on 18 January 2012.</p>
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Meridien Shore Sdn Bhd (In Liquidation) ("Meridien")	49,577	<p>BN Shipyard had on 25 March 2011 been served with a Writ of Summons dated 13 January 2011 and Amended Statement of Claim dated 10 March 2011 by Meridien.</p> <p>The Writ of Summons dated 13 January 2011 and the Amended Statement of Claim dated 10 March 2011 are based on the same subject matter of the litigation that was fully discontinued as announced on 28 April 2010. However, BN Shipyard is not in a position to ascertain as to why Meridien has commenced a fresh action against BN Shipyard based on the same subject matter. From the description of Meridien, BN Shipyard believes that the fresh action has been commenced by the liquidators of the said company, whereas the discontinued litigation was before the winding up of Meridien Shore Sdn Bhd.</p> <p>Under the said Writ of Summons, Meridien is claiming against BN Shipyard for specific damages in the amount of RM49,577,510.10, interest at 8% per annum on the said amount of RM49,577,510.10, general damages, cost and other relief that the Court deems fit over alleged losses suffered by Meridien arising from foreclosure of several of its lands in Johor ("Lands") by Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat").</p>

B26. Changes in Material Litigations (cont'd)

Company	Claimant Company	Amount RM'000	Remark
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Meridien Shore Sdn Bhd (In Liquidation) ("Meridien")	49,577	<p>Cont'd:</p> <p>Meridien is alleging that it had created third party charges over the Lands as a form of security for a financing facility granted by Bank Rakyat to BN Shipyard for the sum of RM15 million. It was also alleged by Meridien that Bank Rakyat foreclosed and auctioned off the Lands because BN Shipyard had defaulted on its repayment obligations to Bank Rakyat.</p> <p>BN Shipyard has appointed solicitors to handle this case while its Directors, in consultation with the solicitors, are of the view that BN Shipyard has a good defence to this claim by Meridien. BN Shipyard's Statement of Defence & Counterclaim was filed on 13 April 2011. A case management was held on 3 November 2011 and the trial of the suit has been fixed on 28 to 30 December 2011. In the meantime, the solicitors for BN Shipyard are preparing the applications to include the defence of limitation and to strike out the case by Meridien.</p>

B27. Dividend Payable

No dividend has been declared for the financial period ended 30 September 2011.

B28. Earnings per Share

	Current Period		Cumulative Period	
	2011	2010	2011	2010
Net profit / (loss) for the period – RM'000	(2,434)	26,900	9,035	58,372
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings / (loss) per share for – sen	(0.98)	10.83	3.64	23.49