

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 June 2012	Current Period		Cumulative Period	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Continuing operations				
Revenue	142,217	120,760	247,014	237,451
Operating cost	(155,863)	(114,883)	(269,237)	(210,814)
Profit / (Loss) from operations	(13,646)	5,877	(22,223)	26,637
Interest income	1,617	373	2,571	835
Finance cost	(4,285)	(3,748)	(9,488)	(7,527)
Share of results of Associates	(116)	235	619	1,408
Profit / (Loss) before taxation	(16,430)	2,737	(28,521)	21,353
Taxation	(928)	3,458	(2,050)	(1,579)
Profit / (Loss) for the period	(17,358)	6,195	(30,571)	19,774
Attributable to:				
Shareholders of the Company	(17,157)	1,397	(31,666)	11,469
Non-controlling interests	(201)	4,798	1,095	8,305
Net profit / (loss) for the period	(17,358)	6,195	(30,571)	19,774
Earnings / (Loss) per share - sen				
Basic	(6.91)	0.56	(12.75)	4.62

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 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2012	Current Period		Cumulative Period	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Continuing operations				
Profit / (Loss) for the period	(17,358)	6,195	(30,571)	19,774
Foreign currency translation	(274)	(49)	-	96
Total comprehensive income / (loss) for the period	(17,632)	6,146	(30,571)	19,870
Total comprehensive income / (loss) attributable to:				
Shareholders of the Company	(17,320)	1,367	(31,666)	11,526
Non-controlling interests	(312)	4,779	1,095	8,344
Net profit / (loss) for the period	(17,632)	6,146	(30,571)	19,870

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 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June	Restated Audited 31 December	Restated Audited 1 January
	2012 RM'000	2011 RM'000	2011 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	214,907	228,119	93,553
Goodwill	3,849	3,849	3,849
Deferred tax assets	15,703	15,703	5,200
Associates	197,399	196,780	196,289
	431,858	444,451	298,891
Current assets			
Inventories	28,987	41,150	33,888
Receivables	524,218	370,517	581,125
Tax recoverable	10,541	11,448	2,335
Cash and bank balances	323,068	290,883	100,996
	886,814	713,998	718,344
TOTAL ASSETS	1,318,672	1,158,449	1,017,235
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	248,458	248,458	248,458
Reserves	131,905	178,599	181,846
Shareholders' funds	380,363	427,057	430,304
Non-controlling interests	46,556	48,460	43,283
Total equity	426,919	475,517	473,587
Non-current liabilities			
Long term borrowings	39,792	48,071	33,449
Trade payables	4,477	-	-
Deferred tax liabilities	845	1,409	3,963
	45,114	49,480	37,412
Current liabilities			
Borrowings	349,991	329,670	170,342
Trade and other payables	493,777	301,359	323,347
Tax payables	2,871	2,423	12,547
	846,639	633,452	506,236
Total liabilities	891,753	682,932	543,648
TOTAL EQUITY AND LIABILITIES	1,318,672	1,158,449	1,017,235
Net assets per share attributable to ordinary equity holders of the Company - RM	1.53	1.72	1.73

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 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2012	Attributable to equity holders of the Company					Total Equity
	Share Capital	*Exchange Fluctuation Reserves	Distributable Retained Earnings	Total	Non- controlling Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	248,458	121	178,478	427,057	48,460	475,517
Total comprehensive income for the period	-	-	(31,666)	(31,666)	1,095	(30,571)
Transactions with owners:						
Disposal of interest in subsidiaries	-	(121)	-	(121)	(2,999)	(3,120)
Dividend on ordinary shares - interim for the current year	-	-	(14,907)	(14,907)	-	(14,907)
Balance at 30 June 2012	248,458	-	131,905	380,363	46,556	426,919
At 1 January 2011	248,458	-	181,846	430,304	43,283	473,587
Total comprehensive income for the period	-	57	11,469	11,526	8,344	19,870
Transactions with owners:						
Issue of shares by a subsidiary to a non-controlling interest	-	-	-	-	396	396
Dividend on ordinary shares - interim for the previous year	-	-	(16,150)	(16,150)	-	(16,150)
Balance at 30 June 2011	248,458	57	177,165	425,680	52,023	477,703

NOTES

* Denotes non-distributable reserves.

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 (11106-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 30 June	As at 30 June
	2012	2011
	RM'000	RM'000
Operating Activities		
Receipts from customers	406,302	318,485
Cash paid to suppliers and employees	(372,186)	(352,753)
Cash generated from / (used in) operations	34,116	(34,268)
Tax paid less refund	(1,751)	(3,227)
Net cash generated from / (used in) operating activities	32,365	(37,495)
Investing Activities		
Capital expenditure	(4,621)	(111,783)
Disposal of interest in a subsidiary	14,109	-
Others	2,571	1,231
Net cash generated from / (used in) investing activities	12,059	(110,552)
Financing Activities		
Net drawdown / (repayment) of borrowings	12,102	177,348
Dividends paid to shareholders of the Company	(14,907)	(16,150)
Interest paid	(9,002)	(6,765)
Net cash generated from / (used in) financing activities	(11,807)	154,433
Net increase / (decrease) in cash and cash equivalents	32,617	6,386
Effect of foreign exchange rate changes	(11)	282
Cash and cash equivalents at beginning of period	289,625	99,819
Cash and Cash Equivalents at End of Period	322,231	106,487
Analysis of Cash and Cash Equivalents		
Deposits, cash and bank balances	323,068	107,975
Overdraft	(837)	(1,488)
Cash and Cash Equivalents at End of Period	322,231	106,487

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 (11106-V)

Notes to the Interim Financial Report for the Quarter Ended 30 June 2012

Part A Explanatory Notes Pursuant to MFRS 134

A1. First-time Adoption of Malaysian Financial Reporting Standards (“MFRS”)

These condensed consolidated interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position is set out in Note A2 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS.

The transition from FRS to MFRS has not affected the Group’s financial performance, and thus no reconciliation to the statement of comprehensive income is prepared. The transition from FRS to MFRS also has not had a material impact on the statement of cash flows.

A2. Significant Accounting Policies and Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business Combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

A2. Significant Accounting Policies and Application of MFRS 1 (cont'd)

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

- i) The classification of former business combinations under FRS is maintained;
- ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Foreign Currency Translation Reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM7,930,000 (30 June 2011: RM7,930,000; 31 December 2011: RM7,930,000) were adjusted to retained earnings.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS, are provided below:

	FRS as at		MFRS as at	FRS as at		MFRS as at	FRS as at		MFRS as at
	1 Jan. 2011	Adj.	1 Jan. 2011	30 Jun. 2011	Adj.	30 Jun. 2011	31 Dec. 2011	Adj.	31 Dec. 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY									
Retained earnings	189,776	(7,930)	181,846	185,095	(7,930)	177,165	186,408	(7,930)	178,478
Exchange fluctuation reserve	(7,930)	7,930	-	(7,873)	7,930	57	(7,809)	7,930	121

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 June 2012, except for the disposal of a subsidiary.

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 6.0% per share for the financial year ended 31 December 2012 amounting to RM14,907,457 (2011: 6.5% per share amounting to RM16,149,745) was paid on 26 March 2012.

A7. Operating Segments

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

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Elimination RM'000	Total RM'000
2012					
Revenue					
Group total sales	182,273	59,256	5,927	(442)	247,014
Inter-segment sales	-	(442)	-	442	-
External sales	<u>182,273</u>	<u>58,814</u>	<u>5,927</u>	<u>-</u>	<u>247,014</u>
Results					
Segmental results – external	(24,682)	741	(6,009)	-	(29,950)
Interest income	1,588	983	-	-	2,571
Finance cost	(9,457)	(30)	(1)	-	(9,488)
Gain on disposal of a subsidiary	7,727	-	-	-	7,727
Share of results in Associates	619	-	-	-	619
Profit / (Loss) before taxation	<u>(24,205)</u>	<u>1,694</u>	<u>(6,010)</u>	<u>-</u>	<u>(28,521)</u>
Taxation					<u>(2,050)</u>
Loss for the period					<u>(30,571)</u>
2011					
Revenue					
External revenue	<u>193,289</u>	<u>44,162</u>	<u>-</u>	<u>-</u>	<u>237,451</u>
Results					
Segmental results – external	24,450	2,187	-	-	26,637
Interest income	835	-	-	-	835
Finance cost	(7,501)	(26)	-	-	(7,527)
Share of results in Associates	1,408	-	-	-	1,408
Profit / (Loss) before taxation	<u>19,192</u>	<u>2,161</u>	<u>-</u>	<u>-</u>	<u>21,353</u>
Taxation					<u>(1,579)</u>
Profit for the period					<u>19,774</u>

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

A11. Changes in Group Composition

(a) Dissolution of Subsidiaries

- i) Pursuant to a request by the Company under Section 308(4) of the Companies Act, 1965, the Company had received a Notice of striking off of its 60% sub-subsidiary, Burlington Capital Sdn Bhd ("Burlington Capital"), on 12 March 2012. Accordingly, Burlington Capital was dissolved.
- ii) Pursuant to a request by the Company under Section 308(4) of the Companies Act, 1965, the Company had received a Notice of striking off of its 60% sub-subsidiary, Burlington Engineering & Construction Sdn Bhd ("Burlington Engineering"), on 15 March 2012. Accordingly, Burlington Engineering was dissolved.

(b) Acquisition of a Subsidiary

The Company, via its 51% owned sub-subsidiary, Contraves Advanced Devices Sdn Bhd ("CAD"), had on 28 March 2012, acquired two (2) ordinary shares of RM1.00 each in Contraves Electrodynamics Sdn Bhd ("CESB"), representing 100% of the total issued and paid up capital of CESB, for the purchase consideration of RM2.

(c) Disposal of a Subsidiary

On 29 June 2012, the Company's wholly owned subsidiary, Boustead Penang Shipyard Sdn Bhd ("BPS"), completed the transaction in which it disposed its entire 60% equity interest in PSC Tema Shipyard Limited ("PSCT") to the Government of the Republic of Ghana. The overall transaction value is USD 6.36 million, of which USD 5.12 million (subject to tax) is in respect of the equity investment, and USD 1.24 million is in respect of the agreed settlement of certain accounts between PSCT and BPS.

Save as disclosed above, there were no other 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 2011 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 June 2012:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	22,198	2,013	24,211

B14. Analysis of Performance

For the six months period ended 30 June 2012, turnover of RM247.0 million was recorded, 4% higher as compared with the RM237.4 million reported for the corresponding period ended 30 June 2011. This was attributed mainly to higher revenue recognised from the Group's manufacturing segment arising from a defence related project. However, it was partially offset by lower revenue in the heavy engineering segment involved in maintenance, repair and overhaul (MRO) activities.

The Group reported loss after tax of RM30.6 million against last year's corresponding period net profit of RM19.8 million. The variance was due to a lower profit contribution from the heavy engineering segment in subsidiaries involved in MRO, as well as commercial shipbuilding losses. The chartering segment continued to experience tough economic conditions and also contributed to the current year losses.

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

The current quarter revenue of RM142.2 million was higher as compared with the RM104.8 million achieved for the first quarter of 2012 owing to the manufacturing segment's contribution. However, loss from operations increased from RM8.6 million to RM13.6 million due to higher losses from the chartering segment. Consequently, loss before tax stood at RM16.4 million compared with loss of RM12.1 million in the previous quarter.

B16. Current Year Prospects

The heavy engineering's segment contribution will be largely dependent on the performance of ongoing shipbuilding and MRO projects. The manufacturing segment's income will continue to be driven by its defence related projects as its commercial business is affected by the economic slowdown in Europe. The chartering segment's outlook remains unfavourable with depressed charter rates dampening results.

As for the associate company Boustead Naval Shipyard Sdn Bhd, mobilisation work on the Second Generation Patrol Vessels – Littoral Combat Ship project is on track. Accordingly, BN Shipyard is expected to maintain its positive contribution to the Group's result.

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 non-controlling interests and shortfall in profit guarantee are not applicable.

B18. 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 2012 RM'000	Cumulative Period 2012 RM'000
Other income	(255)	(2,046)
Depreciation of property, plant and equipment	2,824	6,157
Gain on disposal of a subsidiary	7,727	7,727
Net impairment / (write back) of receivables	161	(554)
Net loss / (gain) on foreign exchange	1,300	1,136

B19. Taxation

	Current Period 2012 RM'000	Cumulative Period 2012 RM'000
Malaysian taxation based on profit for the period:		
- Current	788	1,805
- Under provision in prior year	191	296
- Deferred	(51)	(51)
	<u>928</u>	<u>2,050</u>

The Group reported tax expense for the current period even though it reported a loss before tax due to profits recorded by certain subsidiaries.

B20. Status of Corporate Proposal

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

B21. Group Borrowings and Debt Securities

Total group borrowings as at 30 June 2012 are as follows:

	30.6.2012 RM'000	31.12.2011 RM'000
Long term borrowings:		
Unsecured		
- Term loans	13,691	17,489
Secured		
- Term loans	25,892	30,332
- Hire purchase and finance lease liabilities	209	250
	<u>39,792</u>	<u>48,071</u>

B21. Group Borrowings and Debt Securities (cont'd)

	30.6.2012	31.12.2011
	RM'000	RM'000
Short term borrowings		
Unsecured		
- Term loans	7,560	7,476
- Revolving credits	295,000	270,000
- Overdraft	837	1,258
Secured		
- Term loans	9,195	9,153
- Revolving credits	37,309	41,683
- Hire purchase and finance lease liabilities	90	100
	349,991	329,670

Included above is a secured revolving credit of RM36.4 million (US Dollar: 11.4 million) and a secured term loan of RM27.8 million (US Dollar: 8.7 million) which are denominated in US Dollar. All other borrowings are denominated in Ringgit Malaysia.

B22. Disclosure of Derivatives

There were no outstanding derivatives as at 30 June 2012.

B23. 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 June 2012.

B24. Realised and Unrealised Unappropriated Profits

	As at	Restated
	30 June	As at
	2012	31 December
	RM'000	RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	(36,544)	11,514
- Unrealised	11,864	3,362
Total share of retained profits from associates:		
- Realised	145,258	144,640
- Unrealised	-	-
	120,578	159,516
Consolidated adjustments	11,327	18,962
Total Group retained profits as per consolidated financial statements	131,905	178,478

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.

B24. Realised and Unrealised Unappropriated Profits (cont'd)

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.

B25. 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 2011, except for the following cases:

Company	Claimant Company	Amount RM'000	Remark
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Maraputra Sdn Bhd ("Maraputra")	10,367	<p>On 14 July 2010, BN Shipyard was served with a Writ of Summons by Maraputra in the Ipoh High Court, and was served on BN Shipyard's solicitors, Messrs Azzat & Izzat on 23 July 2010.</p> <p>Under the said Writ of Summons, Maraputra 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 Maraputra and BN Shipyard.</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 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 Court has also postponed the trial to 14, 16, 17 and 18 January 2013.</p>
Boustead Naval Shipyard Sdn Bhd ("Defendant")	Meridien Shore Sdn Bhd (In Liquidation) ("Plaintiff")	49,577	<p>On 25 May 2012, the Kuala Lumpur High Court had delivered its decision and dismissed the Plaintiff's claim with costs. The Defendant's counterclaim was also dismissed with no order as to costs.</p> <p>The Plaintiff has appealed against the Kuala Lumpur High Court's decision to the Court of Appeal and the matter is now fixed for case management on 14 August 2012 pending filing of appeal record.</p>

B26. Dividend Payable

No dividend has been declared for the financial period ended 30 June 2012.

B27. Earnings per Share

	Current Period		Cumulative Period	
	2012	2011	2012	2011
Net profit / (loss) for the period – RM'000	(17,157)	1,397	(31,666)	11,469
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings / (loss) per share for – sen	(6.91)	0.56	(12.75)	4.62

By Order of the Board

SUZANA BINTI SANUDIN (LS 008028)
LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)
Secretaries

Kuala Lumpur
Date: 7 August 2012