

# Boustead Heavy Industries Corporation Berhad (11106-V)

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 September 2013	Note	Current Period		Cumulative Period	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Continuing operations</b>					
<b>Revenue</b>	<b>A7</b>	<b>81,161</b>	38,461	<b>207,401</b>	152,562
Operating cost		<b>(63,804)</b>	(68,137)	<b>(174,747)</b>	(205,326)
Profit / (Loss) from operations	<b>B18</b>	<b>17,357</b>	(29,676)	<b>32,654</b>	(52,764)
Interest income		<b>77</b>	53	<b>224</b>	416
Finance cost		<b>(4,787)</b>	(4,585)	<b>(14,445)</b>	(13,983)
Share of results of joint ventures		<b>2,873</b>	5,134	<b>9,465</b>	5,845
Share of results of associates		<b>1,417</b>	2,587	<b>5,409</b>	3,206
<b>Profit / (Loss) before taxation</b>	<b>A7</b>	<b>16,937</b>	(26,487)	<b>33,307</b>	(57,280)
Taxation	<b>B19</b>	<b>(1,006)</b>	(722)	<b>(2,091)</b>	(1,289)
<b>Profit / (Loss) for the period</b>		<b>15,931</b>	(27,209)	<b>31,216</b>	(58,569)
Attributable to:					
Shareholders of the Company		<b>15,931</b>	(27,110)	<b>31,216</b>	(58,776)
Non-controlling interests		-	(99)	-	207
<b>Net profit / (loss) for the period</b>		<b>15,931</b>	(27,209)	<b>31,216</b>	(58,569)
<b>Earnings / (Loss) per share - sen</b>					
Basic	<b>B27</b>	<b>6.41</b>	(10.91)	<b>12.56</b>	(23.66)

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 September 2013	Current Period		Cumulative Period	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Continuing operations</b>				
<b>Profit / (Loss) for the period</b>	<b>15,931</b>	<b>(27,209)</b>	<b>31,216</b>	<b>(58,569)</b>
Foreign currency translation	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>15,931</b>	<b>(27,209)</b>	<b>31,216</b>	<b>(58,569)</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Shareholders of the Company	<b>15,931</b>	<b>(27,110)</b>	<b>31,216</b>	<b>(58,776)</b>
Non-controlling interests	-	(99)	-	207
<b>Net profit / (loss) for the period</b>	<b>15,931</b>	<b>(27,209)</b>	<b>31,216</b>	<b>(58,569)</b>

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

	Note	As at 30 September	Restated Audited 31 December	Restated Audited 1 January
		2013 RM'000	2012 RM'000	2012 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		164,036	169,106	207,205
Design rights		390	-	-
Goodwill		-	-	-
Deferred tax assets		19,435	19,435	15,703
Joint ventures		79,403	75,293	53,005
Associates		205,259	202,956	196,780
		<u>468,523</u>	<u>466,790</u>	<u>472,693</u>
<b>Current assets</b>				
Inventories		5,172	5,221	6,103
Receivables		316,268	370,864	392,282
Tax recoverable		8,265	8,827	11,448
Cash and bank balances		22,202	21,352	70,011
		<u>351,907</u>	<u>406,264</u>	<u>479,844</u>
<b>TOTAL ASSETS</b>		<u>820,430</u>	<u>873,054</u>	<u>952,537</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital		248,458	248,458	248,458
Reserves		61,462	31,959	178,599
<b>Shareholders' funds</b>		<u>309,920</u>	<u>280,417</u>	<u>427,057</u>
Non-controlling interests		34	3,321	6,172
<b>Total equity</b>		<u>309,954</u>	<u>283,738</u>	<u>433,229</u>
<b>Non-current liabilities</b>				
Long term borrowings	B21	19,104	30,530	48,022
Deferred tax liabilities		-	-	564
		<u>19,104</u>	<u>30,530</u>	<u>48,586</u>
<b>Current liabilities</b>				
Borrowings	B21	388,407	386,962	322,900
Trade and other payables		102,965	171,824	145,023
Tax payables		-	-	2,799
		<u>491,372</u>	<u>558,786</u>	<u>470,722</u>
<b>Total liabilities</b>		<u>510,476</u>	<u>589,316</u>	<u>519,308</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>820,430</u>	<u>873,054</u>	<u>952,537</u>
<b>Net assets per share attributable to ordinary equity holders of the Company - RM</b>		<u>1.25</u>	<u>1.13</u>	<u>1.72</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 (11106-V)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 September 2013	Attributable to equity holders of the Company					
	Share Capital	*Exchange Fluctuation Reserves	Distributable Retained Earnings	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2013</b>	<b>248,458</b>	<b>-</b>	<b>31,959</b>	<b>280,417</b>	<b>3,321</b>	<b>283,738</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>31,216</b>	<b>31,216</b>	<b>-</b>	<b>31,216</b>
<b>Transactions with owners:</b>						
Dividends paid by a subsidiary to a non-controlling interest	-	-	-	-	(1,500)	(1,500)
Additional investment in a subsidiary	-	-	(1,713)	(1,713)	(1,787)	(3,500)
<b>Balance at 30 September 2013</b>	<b>248,458</b>	<b>-</b>	<b>61,462</b>	<b>309,920</b>	<b>34</b>	<b>309,954</b>
<b>At 1 January 2012 (Restated)</b>	<b>248,458</b>	<b>121</b>	<b>178,478</b>	<b>427,057</b>	<b>6,172</b>	<b>433,229</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(58,776)</b>	<b>(58,776)</b>	<b>207</b>	<b>(58,569)</b>
<b>Transactions with owners:</b>						
Disposal of interest in subsidiaries	-	(121)	-	(121)	(2,999)	(3,120)
Dividend on ordinary shares - interim for the previous year	-	-	(14,907)	(14,907)	-	(14,907)
<b>Balance at 30 September 2012 (Restated)</b>	<b>248,458</b>	<b>-</b>	<b>104,795</b>	<b>353,253</b>	<b>3,380</b>	<b>356,633</b>

#### 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 September	Restated As at 30 September
	2013 RM'000	2012 RM'000
<b>Operating Activities</b>		
Receipts from customers	259,201	151,515
Cash paid to suppliers and employees	(230,661)	(212,515)
Cash generated from / (used in) operations	28,540	(61,000)
Tax paid less refund	(1,529)	(2,708)
Net cash generated from / (used in) operating activities	27,011	(63,708)
<b>Investing Activities</b>		
Capital expenditure	(3,459)	(3,257)
Dividends received	8,460	-
Additional investment in a subsidiary	(3,500)	-
Disposal of interest in a subsidiary	-	14,109
Others	224	416
Net cash generated from / (used in) investing activities	1,725	11,268
<b>Financing Activities</b>		
Net drawdown / (repayment) of borrowings	(12,960)	37,527
Dividends paid to shareholders of the Company	-	(14,907)
Dividends paid by a subsidiary to a non-controlling interest	(1,500)	-
Interest paid	(13,651)	(13,063)
Net cash generated from / (used in) financing activities	(28,111)	9,557
Net increase / (decrease) in cash and cash equivalents	625	(42,883)
Effect of foreign exchange rate changes	225	(6)
Cash and cash equivalents at beginning of period	21,352	70,011
<b>Cash and Cash Equivalents at End of Period</b>	<b>22,202</b>	<b>27,122</b>
<b>Analysis of Cash and Cash Equivalents</b>		
Deposits, cash and bank balances	22,202	27,122
Overdraft	-	-
<b>Cash and Cash Equivalents at End of Period</b>	<b>22,202</b>	<b>27,122</b>

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 September 2013

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### Part A Explanatory Notes Pursuant to MFRS 134

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#### A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial period ended 30 September 2013, 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 2012. 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 2012 except as follows:

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets And Financial Liabilities	1 January 2013

The adoption of the above will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below:

#### MFRS 10 Consolidated Financial Statements (MFRS 10)

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements (MFRS 127) that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

## A2. Changes in Accounting Policies (cont'd)

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. This new control model differs from how previously companies were assessed to be a subsidiary. Under MFRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

### MFRS 11 Joint Arrangements (MFRS 11)

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The application of MFRS 10 and MFRS 11 affected the Group's financial statements, as follows:

- 1) Pyrotechnical Ordnance Malaysia Sdn Bhd ("POM") was previously treated as associate of the Group and accounted for using the equity accounting method. The directors have assessed and noted that POM is a joint venture rather than an associate under MFRS 11.

Other than reclassification, the change has no impact on the amounts reported in the Group's consolidated financial statements.

- 2) The following companies previously treated as subsidiaries of the Group have been assessed by the directors to be joint ventures rather than subsidiaries under MFRS 10 and MFRS 11:

<u>Name of Company</u>		<u>% of equity interest held as at 1 January 2013</u>
BHIC Bofors Asia Sdn Bhd	:	51
BYO Marine Sdn Bhd	:	51
Boustead DCNS Naval Corporation Sdn Bhd	:	60
Contraves Advanced Devices Sdn Bhd	:	51
BHIC MSM Sdn Bhd	:	60
BHIC Aeroservices Sdn Bhd	:	51

## A2. Changes in Accounting Policies (cont'd)

The change in accounting of the Group's investments in these companies have been applied in accordance with the relevant transitional provisions as set out in MFRS 10 as if the acquisitions of these companies had been accounted for in accordance with MFRS 3, i.e. at the respective dates of acquisition.

The above change in accounting policy has affected the amounts reported in the Group's consolidated financial statements, as shown in Note 1(i) to 1(iii) below.

### 1(i) Impact of the application of the above new standards on net assets and equity of the Group as at 1 January 2012 and 30 September 2012

	As at 1 Jan. 2012 RM'000	MFRS10 adj. RM'000	As at 1 Jan. 2012 RM'000	As at 30 Sep. 2012 RM'000	MFRS10 adj. RM'000	As at 30 Sep. 2012 RM'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	228,119	(20,914)	<b>207,205</b>	216,106	(24,032)	<b>192,074</b>
Goodwill	3,849	(3,849)	-	3,849	(3,849)	-
Deferred tax assets	15,703	-	<b>15,703</b>	15,703	-	<b>15,703</b>
Joint ventures	-	53,005	<b>53,005</b>	-	59,100	<b>59,100</b>
Associates	196,780	-	<b>196,780</b>	199,986	-	<b>199,986</b>
Other investments	-	-	-	-	-	-
	<u>444,451</u>	<u>28,242</u>	<u><b>472,693</b></u>	<u>435,644</u>	<u>31,219</u>	<u><b>466,863</b></u>
<b>Current assets</b>						
Inventories	41,150	(35,047)	<b>6,103</b>	27,124	(21,247)	<b>5,877</b>
Receivables	370,517	21,765	<b>392,282</b>	619,955	16,976	<b>636,931</b>
Tax recoverable	11,448	-	<b>11,448</b>	11,136	(1,475)	<b>9,661</b>
Cash and bank balances	290,883	(220,872)	<b>70,011</b>	262,274	(235,152)	<b>27,122</b>
	<u>713,998</u>	<u>(234,154)</u>	<u><b>479,844</b></u>	<u>920,489</u>	<u>(240,898)</u>	<u><b>679,591</b></u>
<b>TOTAL ASSETS</b>	<u>1,158,449</u>	<u>(205,912)</u>	<u><b>952,537</b></u>	<u>1,356,133</u>	<u>(209,679)</u>	<u><b>1,146,454</b></u>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to equity holders of the Company</b>						
Share capital	248,458	-	<b>248,458</b>	248,458	-	<b>248,458</b>
Exchange fluctuation reserve	121	-	<b>121</b>	-	-	-
Retained earnings	178,478	-	<b>178,478</b>	104,795	-	<b>104,795</b>
<b>Shareholders' funds</b>	<u>427,057</u>	<u>-</u>	<u><b>427,057</b></u>	<u>353,253</u>	<u>-</u>	<u><b>353,253</b></u>
Non-controlling interests	48,460	(42,288)	<b>6,172</b>	51,650	(48,270)	<b>3,380</b>
<b>Total equity</b>	<u>475,517</u>	<u>(42,288)</u>	<u><b>433,229</b></u>	<u>404,903</u>	<u>(48,270)</u>	<u><b>356,633</b></u>
<b>Non-current liabilities</b>						
Long term borrowings	48,071	(49)	<b>48,022</b>	35,613	(864)	<b>34,749</b>
Trade payable	-	-	-	2,885	-	<b>2,885</b>
Deferred tax liabilities	1,409	(845)	<b>564</b>	845	(845)	-
	<u>49,480</u>	<u>(894)</u>	<u><b>48,586</b></u>	<u>39,343</u>	<u>(1,709)</u>	<u><b>37,634</b></u>
<b>Current liabilities</b>						
Borrowings	329,670	(6,770)	<b>322,900</b>	371,936	(297)	<b>371,639</b>
Trade and other payables	301,359	(156,336)	<b>145,023</b>	535,366	(155,628)	<b>379,738</b>
Tax payable	2,423	376	<b>2,799</b>	4,585	(3,775)	<b>810</b>
	<u>633,452</u>	<u>(162,730)</u>	<u><b>470,722</b></u>	<u>911,887</u>	<u>(159,700)</u>	<u><b>752,187</b></u>
<b>Total liabilities</b>	<u>682,932</u>	<u>(163,624)</u>	<u><b>519,308</b></u>	<u>951,230</u>	<u>(161,409)</u>	<u><b>789,821</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,158,449</u>	<u>(205,912)</u>	<u><b>952,537</b></u>	<u>1,356,133</u>	<u>(209,679)</u>	<u><b>1,146,454</b></u>



## A2. Changes in Accounting Policies (cont'd)

- 1(ii) Impact of the application of the above new standards on profit for the Group for the nine months period ended 30 September 2012

RM'000	MFRS 10 adjustments
Increase / (decrease) in revenue	(279,847)
(Increase) / decrease in operating costs	266,707
Increase / (decrease) in interest income	(3,678)
(Increase) / decrease in finance costs	132
Increase / (decrease) in share of results of joint ventures	5,845
Increase / (decrease) in share of results of associates	-
(Increase) / decrease in income tax expense	5,099
(Increase) / decrease in loss for the period	(5,742)
<b>Increase / (decrease) in profit for the period attributable to:</b>	
Owners of the Company	-
Non-controlling interests	(5,742)

- 1(iii) Impact of the application of the above new standards on cash flows of the Group for the nine months period ended 30 September 2012

RM'000	MFRS 10 adjustments
Net cash inflow / (outflow) from operating activities	(20,959)
Net cash inflow / (outflow) from investing activities	(143)
Net cash inflow / (outflow) from financing activities	5,564
Net cash inflow / (outflow)	(15,538)

## 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 2013.

## 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 year.

## A6. Dividends Paid

There was no dividend paid during the current financial quarter ended 30 September 2013.

## 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
<b>2013</b>					
<b>Revenue</b>					
External revenue	181,828	-	25,573	-	207,401
<b>Results</b>					
Segmental results – external	37,768	-	(5,114)	-	32,654
Interest income	224	-	-	-	224
Finance cost	(14,445)	-	-	-	(14,445)
Share of results in joint ventures	5,634	3,831	-	-	9,465
Share of results in associates	5,409	-	-	-	5,409
Profit / (Loss) before taxation	34,590	3,831	(5,114)	-	33,307
Taxation					(2,091)
<b>Profit for the period</b>					<b>31,216</b>
<b>2012 (Restated)</b>					
<b>Revenue</b>					
External revenue	139,972	-	12,590	-	152,562
<b>Results</b>					
Segmental results – external	(55,787)	-	(4,704)	-	(60,491)
Interest income	416	-	-	-	416
Finance cost	(13,982)	-	(1)	-	(13,983)
Gain on disposal of a subsidiary	7,727	-	-	-	7,727
Share of results in joint ventures	(35)	5,880	-	-	5,845
Share of results in associates	3,206	-	-	-	3,206
Profit / (Loss) before taxation	(58,455)	5,880	(4,705)	-	(57,280)
Taxation					(1,289)
<b>Loss for the period</b>					<b>(58,569)</b>

## 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 up to the date of this report 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**

There has been no contingent liability arising since the financial year end.

**A13. Capital Commitments**

The Group has the following commitments as at 30 September 2013:

	<b>Approved but not contracted for RM'000</b>	<b>Approved and contracted for RM'000</b>	<b>Total RM'000</b>
Property, plant and equipment	30,987	13,984	44,971

**B14. Analysis of Performance (YTD September 2013 vs. YTD September 2012)**

For the current financial period under review, BHIC Group recorded revenue of RM207.4 million, an increase of RM54.8 million or 36% from the RM152.6 million reported in the corresponding period of the preceding year. Heavy engineering segment's improvement was principally due to the upturn in the level of maintenance, repair and overhaul (MRO) activities carried out, whereas the chartering segment continued to report utilisation and charter rates that were better than last year.

The Group registered a cumulative profit after tax of RM31.2 million against a RM58.6 million net loss for the corresponding period ended 30 September 2012. No longer burdened by the costs from the old shipbuilding projects, the heavy engineering segment yielded positive results mainly from higher income generated by MRO activities coupled with a better performance by the associates and the joint venture company undertaking submarine maintenance.

Against last year, the manufacturing segment recorded lower contribution, and this was attributed to the completion of a project in 2012. As for the chartering segment, its higher income was eroded by a larger foreign exchange losses attributed to unfavourable exchange rate fluctuations.

The associates' income is largely derived from the ongoing Littoral Combat Ship (LCS) project.

**B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q3 2013 vs. Q2 2013)**

Current quarter revenue of RM81.2 million was an increase of RM19.4 million or 31% from the RM61.8 million reported in the second quarter. This was mainly due to income from MRO and ship charter units. As a result, total profit from operations climbed by 53%, from RM11.3 million to RM17.4 million for the quarter, and profit before tax rose by 52%, or from RM11.1 million to RM16.9 million.

The share of joint venture companies' profit, at RM2.9 million, was comparable to the previous quarter. For the companies undertaking submarine and helicopter maintenance, they recorded growth in turnover and income, which translated into a higher share of profit for the heavy engineering segment. However, this gain was offset by the recording of an under provision in prior year taxation by a joint venture company in the manufacturing segment.

**B16. Current Year Prospects**

For the upcoming quarter, the heavy engineering segment's revenue will be mainly driven by the performance of the current MRO projects whereas the associates and manufacturing segment's income will continue to be largely contributed by the LCS project. The business units under the chartering segment have been recently awarded new or extension to their charter contracts and this is expected to improve its turnover.

The recent delivery of two tugboats constructed by our associate is testament to the success of our collaboration with an established design house, and the Group is developing this business model further to carve a niche in the commercial shipbuilding sector. Notwithstanding this, the Group's approach is to present the most competitive price bids through periodic review of cost structures and work processes.

**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:

	<b>Current Period 2013 RM'000</b>	<b>Cumulative Period 2013 RM'000</b>
Other income	(310)	(417)
Depreciation of property, plant and equipment	2,809	8,132
Net impairment / (write back) of receivables	(357)	(160)
Net loss / (gain) on foreign exchange	905	3,383

**B19. Taxation**

	<b>Current Period 2013 RM'000</b>	<b>Cumulative Period 2013 RM'000</b>
Malaysian taxation based on profit for the period:		
- Current	1,006	2,117
Under / (Over) provision in prior year:		
- Income tax	-	(26)
	<u>1,006</u>	<u>2,091</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 certain income not being subjected to income tax and availability of tax losses brought forward to offset against current profit of a subsidiary.

**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 September 2013 are as follows:

	<b>30.9.2013</b>	<b>Restated</b>
	<b>RM'000</b>	<b>31.12.2012</b>
		<b>RM'000</b>
Long term borrowings:		
Unsecured		
- Term loans	4,481	9,838
Secured		
- Term loans	14,534	20,560
- Hire purchase and finance lease liabilities	89	132
	<u>19,104</u>	<u>30,530</u>
Short term borrowings		
Unsecured		
- Term loans	7,287	7,651
- Revolving credits	335,000	335,000
- Bankers acceptance	-	382
Secured		
- Term loans	9,263	8,928
- Revolving credits	36,800	34,933
- Hire purchase and finance lease liabilities	57	68
	<u>388,407</u>	<u>386,962</u>

Included above is a secured revolving credit of RM36.8 million (US Dollar: 11.4 million) and a secured term loan of RM19.8 million (US Dollar: 6.1 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 September 2013.

**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 ended 30 September 2013.

**B24. Realised and Unrealised Unappropriated Profits**

	<b>As at 30 September 2013 RM'000</b>	<b>Restated As at 31 December 2012 RM'000</b>
Total retained profits of Company and its subsidiaries:		
- Realised	(278,453)	(305,622)
- Unrealised	16,302	19,653
Total share of retained profits from joint ventures:		
- Realised	54,574	39,425
- Unrealised	(1,768)	2,182
Total share of retained profits from associates:		
- Realised	156,224	150,815
- Unrealised	-	-
	<hr/>	<hr/>
	(53,121)	(93,547)
Consolidated adjustments	114,583	125,506
Total Group retained profits as per consolidated financial statements	<hr/>	<hr/>
	61,462	31,959

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.

**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 2012, except for the following cases:

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Marapura Sdn Bhd ("Marapura")	6,338	<p>On 2 September 2013, the Ipoh High Court had allowed Marapura's claims amounting to RM6,337,902.58, together with interest accruing thereon calculated on a daily basis at the rate of 4% per annum from 14 July 2010 (date of filing of the Writ of Summons) to 2 September 2013 (date of Judgment) and 5% per annum from 2 September 2013 until full settlement, and costs of RM150,000.00 to Marapura. The Court also dismissed BN Shipyard's counterclaim.</p> <p>BN Shipyard, in consultation with its lawyers, is of the view it has good grounds to appeal against the High Court's decision. BN Shipyard has subsequently filed a Notice of Appeal to the Court of Appeal on 24 September 2013.</p>

**B25. Changes in Material Litigations (cont'd)**

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Ingat Kawan (M) Sdn Bhd ("Plaintiff")	50,000	The Plaintiff had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal. Hearing on the appeal was heard on 11 November 2013, where the Court of Appeal had allowed the Plaintiff's appeal and ordered the matter to be tried at the High Court.
Boustead Penang Shipyard Sdn Bhd ("BP Shipyard")	Sealink Shipyard Sdn Bhd ("Plaintiff")	18,565	<p>During the case management on 24 September 2013, BP Shipyard's solicitors had informed the Court that parties are exploring the possibility of an amicable resolution to this matter. In addition, parties have agreed to put the Plaintiff's application for Summary Judgment on hold until the close of pleadings.</p> <p>On 11 November 2013, the Court was informed that settlement negotiations between the parties are still taking place, and the Court had fixed the next case management date to be on 8 January 2014 for parties to provide updates.</p>

**B26. Dividend Payable**

No dividend has been declared for the financial period ended 30 September 2013.

**B27. Earnings per Share**

	Current Period		Cumulative Period	
	2013	Restated 2012	2013	Restated 2012
Net profit / (loss) for the period – RM'000	15,931	(27,110)	31,216	(58,776)
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings / (loss) per share for – sen	6.41	(10.91)	12.56	(23.66)

**By Order of the Board**

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

Kuala Lumpur  
 Date: 14 November 2013