

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

| For the quarter ended 31 December 2013 | Note | Current Period | | Cumulative Period | |
|---|------------|------------------|----------------------------|-------------------|----------------------------|
| | | 2013 RM'000 | Restated 2012 RM'000 | 2013 RM'000 | Restated 2012 RM'000 |
| Continuing operations | | | | | |
| Revenue | A7 | 111,650 | 105,106 | 319,051 | 257,668 |
| Operating cost | | (114,849) | (198,665) | (289,596) | (403,991) |
| Profit / (Loss) from operations | B18 | (3,199) | (93,559) | 29,455 | (146,323) |
| Interest income | | 117 | 86 | 341 | 502 |
| Finance cost | | (5,041) | (4,936) | (19,486) | (18,919) |
| Share of results of joint ventures | | 10,869 | 11,586 | 20,334 | 17,431 |
| Share of results of associates | | (28,658) | 2,970 | (23,249) | 6,176 |
| Profit / (Loss) before taxation | A7 | (25,912) | (83,853) | 7,395 | (141,133) |
| Taxation | B19 | (2,143) | 3,440 | (4,234) | 2,151 |
| Profit / (Loss) for the period | | (28,055) | (80,413) | 3,161 | (138,982) |
| Attributable to: | | | | | |
| Shareholders of the Company | | (28,055) | (80,356) | 3,161 | (139,132) |
| Non-controlling interests | | - | (57) | - | 150 |
| Net profit / (loss) for the period | | (28,055) | (80,413) | 3,161 | (138,982) |
| Earnings / (Loss) per share - sen | | | | | |
| Basic | B27 | (11.29) | (32.34) | 1.27 | (56.00) |

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 31 December 2013 | Current Period | | Cumulative Period | |
|---|-----------------|----------------------------|-------------------|----------------------------|
| | 2013 RM'000 | Restated 2012 RM'000 | 2013 RM'000 | Restated 2012 RM'000 |
| Continuing operations | | | | |
| Profit / (Loss) for the period | (28,055) | (80,413) | 3,161 | (138,982) |
| Foreign currency translation | - | - | - | - |
| Total comprehensive income / (loss) for the period | (28,055) | (80,413) | 3,161 | (138,982) |
| Total comprehensive income / (loss) attributable to: | | | | |
| Shareholders of the Company | (28,055) | (80,356) | 3,161 | (139,132) |
| Non-controlling interests | - | (57) | - | 150 |
| Net profit / (loss) for the period | (28,055) | (80,413) | 3,161 | (138,982) |

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 31 December | Restated Audited 31 December | Restated Audited 1 January |
|---|------|----------------------|------------------------------------|----------------------------------|
| | | 2013 RM'000 | 2012 RM'000 | 2012 RM'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 145,555 | 169,104 | 207,205 |
| Design rights | | 390 | - | - |
| Goodwill | | - | - | - |
| Deferred tax assets | | 18,815 | 19,435 | 15,703 |
| Joint ventures | | 91,115 | 76,136 | 59,168 |
| Associates | | 176,602 | 202,956 | 196,780 |
| | | <u>432,477</u> | <u>467,631</u> | <u>478,856</u> |
| Current assets | | | | |
| Inventories | | 3,001 | 5,221 | 6,103 |
| Receivables | | 246,246 | 371,075 | 392,282 |
| Tax recoverable | | 9,227 | 8,827 | 11,448 |
| Cash and bank balances | | 42,149 | 21,352 | 70,011 |
| | | <u>300,623</u> | <u>406,475</u> | <u>479,844</u> |
| TOTAL ASSETS | | <u>733,100</u> | <u>874,106</u> | <u>958,700</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to equity holders of the Company | | | | |
| Share capital | | 248,458 | 248,458 | 248,458 |
| Reserves | | 34,249 | 32,801 | 186,961 |
| Shareholders' funds | | <u>282,707</u> | <u>281,259</u> | <u>435,419</u> |
| Non-controlling interests | | 36 | 3,323 | 6,172 |
| Total equity | | <u>282,743</u> | <u>284,582</u> | <u>441,591</u> |
| Non-current liabilities | | | | |
| Long term borrowings | B21 | 15,942 | 30,530 | 48,022 |
| Deferred tax liabilities | | - | - | 564 |
| | | <u>15,942</u> | <u>30,530</u> | <u>48,586</u> |
| Current liabilities | | | | |
| Borrowings | B21 | 343,273 | 386,962 | 322,900 |
| Trade and other payables | | 88,500 | 172,032 | 142,824 |
| Tax payables | | 2,642 | - | 2,799 |
| | | <u>434,415</u> | <u>558,994</u> | <u>468,523</u> |
| Total liabilities | | <u>450,357</u> | <u>589,524</u> | <u>517,109</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>733,100</u> | <u>874,106</u> | <u>958,700</u> |
| Net assets per share attributable to ordinary equity holders of the Company - RM | | <u>1.14</u> | <u>1.13</u> | <u>1.75</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 31 December 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 |
| At 1 January 2013 | 248,458 | - | 32,801 | 281,259 | 3,323 | 284,582 |
| Total comprehensive income for the period | - | - | 3,161 | 3,161 | - | 3,161 |
| Transactions with owners: | | | | | | |
| 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) |
| Balance at 31 December 2013 | 248,458 | - | 34,249 | 282,707 | 36 | 282,743 |
| At 1 January 2012 (Restated) | 248,458 | 121 | 186,840 | 435,419 | 6,172 | 441,591 |
| Total comprehensive income for the period | - | - | (139,132) | (139,132) | 150 | (138,982) |
| Transactions with owners: | | | | | | |
| 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) |
| Balance at 31 December 2012 (Restated) | 248,458 | - | 32,801 | 281,259 | 3,323 | 284,582 |

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 31 December | Restated As at 31 December |
|--|----------------------|----------------------------------|
| | 2013 RM'000 | 2012 RM'000 |
| Operating Activities | | |
| Receipts from customers | 321,612 | 296,303 |
| Cash paid to suppliers and employees | (223,390) | (366,259) |
| Cash generated from / (used in) operations | 98,222 | (69,956) |
| Tax paid less refund | (1,372) | (2,814) |
| Net cash generated from / (used in) operating activities | 96,850 | (72,770) |
| Investing Activities | | |
| Capital expenditure | (4,278) | (4,447) |
| Dividends received | 8,460 | 714 |
| Additional investment in a subsidiary | (3,500) | - |
| Disposal of interest in a subsidiary | - | 11,681 |
| Others | 341 | 252 |
| Net cash generated from / (used in) investing activities | 1,023 | 8,200 |
| Financing Activities | | |
| Net drawdown / (repayment) of borrowings | (61,256) | 48,765 |
| Dividends paid to shareholders of the Company | - | (14,907) |
| Dividends paid by a subsidiary to a non-controlling interest | (1,500) | - |
| Interest paid | (13,670) | (17,777) |
| Net cash generated from / (used in) financing activities | (76,426) | 16,081 |
| Net increase / (decrease) in cash and cash equivalents | 21,447 | (48,489) |
| Effect of foreign exchange rate changes | (650) | (170) |
| Cash and cash equivalents at beginning of period | 21,352 | 70,011 |
| Cash and Cash Equivalents at End of Period | 42,149 | 21,352 |
| Analysis of Cash and Cash Equivalents | | |
| Deposits, cash and bank balances | 42,149 | 21,352 |
| Overdraft | - | - |
| Cash and Cash Equivalents at End of Period | 42,149 | 21,352 |

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 31 December 2013

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial year ended 31 December 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 does not have 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 31 December 2012

| | As at 1 Jan. 2012 RM'000 | MFRS10 adj. RM'000 | As at 1 Jan. 2012 RM'000 | As at 31 Dec. 2012 RM'000 | MFRS10 adj. RM'000 | As at 31 Dec. 2012 RM'000 |
|---|-----------------------------------|--------------------------|-----------------------------------|------------------------------------|--------------------------|------------------------------------|
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 228,119 | (20,914) | 207,205 | 207,464 | (38,360) | 169,104 |
| Goodwill | 3,849 | (3,849) | - | 3,849 | (3,849) | - |
| Deferred tax assets | 15,703 | - | 15,703 | 19,435 | - | 19,435 |
| Joint ventures | - | 59,168 | 59,168 | - | 76,136 | 76,136 |
| Associates | 196,780 | - | 196,780 | 202,956 | - | 202,956 |
| Other investments | - | - | - | - | - | - |
| | <u>444,451</u> | <u>34,405</u> | <u>478,856</u> | <u>433,704</u> | <u>33,927</u> | <u>467,631</u> |
| Current assets | | | | | | |
| Inventories | 41,150 | (35,047) | 6,103 | 22,763 | (17,542) | 5,221 |
| Receivables | 370,517 | 21,765 | 392,282 | 629,957 | (258,882) | 371,075 |
| Tax recoverable | 11,448 | - | 11,448 | 7,550 | 1,277 | 8,827 |
| Cash and bank balances | 290,883 | (220,872) | 70,011 | 395,427 | (374,075) | 21,352 |
| | <u>713,998</u> | <u>(234,154)</u> | <u>479,844</u> | <u>1,055,697</u> | <u>(649,222)</u> | <u>406,475</u> |
| TOTAL ASSETS | <u>1,158,449</u> | <u>(199,749)</u> | <u>958,700</u> | <u>1,489,401</u> | <u>(615,295)</u> | <u>874,106</u> |
| EQUITY AND LIABILITIES | | | | | | |
| Equity attributable to equity holders of the Company | | | | | | |
| Share capital | 248,458 | - | 248,458 | 248,458 | - | 248,458 |
| Exchange fluctuation reserve | 121 | - | 121 | - | - | - |
| Retained earnings | 178,478 | 8,362 | 186,840 | 31,959 | 842 | 32,801 |
| Shareholders' funds | <u>427,057</u> | <u>8,362</u> | <u>435,419</u> | <u>280,417</u> | <u>842</u> | <u>281,259</u> |
| Non-controlling interests | 48,460 | (42,288) | 6,172 | 64,353 | (61,030) | 3,323 |
| Total equity | <u>475,517</u> | <u>(33,926)</u> | <u>441,591</u> | <u>344,770</u> | <u>(60,188)</u> | <u>284,582</u> |
| Non-current liabilities | | | | | | |
| Long term borrowings | 48,071 | (49) | 48,022 | 31,985 | (1,455) | 30,530 |
| Trade payable | - | - | - | - | - | - |
| Deferred tax liabilities | 1,409 | (845) | 564 | 884 | (884) | - |
| | <u>49,480</u> | <u>(894)</u> | <u>48,586</u> | <u>32,869</u> | <u>(2,339)</u> | <u>30,530</u> |
| Current liabilities | | | | | | |
| Borrowings | 329,670 | (6,770) | 322,900 | 387,338 | (376) | 386,962 |
| Trade and other payables | 301,359 | (158,535) | 142,824 | 724,424 | (552,392) | 172,032 |
| Tax payable | 2,423 | 376 | 2,799 | - | - | - |
| | <u>633,452</u> | <u>(164,929)</u> | <u>468,523</u> | <u>1,111,762</u> | <u>(552,768)</u> | <u>558,994</u> |
| Total liabilities | <u>682,932</u> | <u>(165,823)</u> | <u>517,109</u> | <u>1,144,631</u> | <u>(555,107)</u> | <u>589,524</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,158,449</u> | <u>(199,749)</u> | <u>958,700</u> | <u>1,489,401</u> | <u>(615,295)</u> | <u>874,106</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 year ended 31 December 2012

| RM'000 | MFRS 10 adjustments |
|--|---------------------|
| Increase / (decrease) in revenue | (388,850) |
| (Increase) / decrease in operating costs | 341,848 |
| Increase / (decrease) in interest income | (4,552) |
| (Increase) / decrease in finance costs | 152 |
| Increase / (decrease) in share of results of joint ventures | 17,431 |
| Increase / (decrease) in share of results of associates | - |
| (Increase) / decrease in income tax expense | 7,263 |
| (Increase) / decrease in loss for the period | (26,708) |
| Increase / (decrease) in profit for the period attributable to: | |
| Owners of the Company | (7,520) |
| Non-controlling interests | (19,188) |

- 1(iii) Impact of the application of the above new standards on cash flows of the Group for the year ended 31 December 2012

| RM'000 | MFRS 10 adjustments |
|---|---------------------|
| Net cash inflow/(outflow) from operating activities | (157,969) |
| Net cash inflow/(outflow) from investing activities | 14,955 |
| Net cash inflow/(outflow) from financing activities | (11,447) |
| Effect of foreign exchange rate changes | - |
| Net cash inflow/(outflow) | (154,461) |

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 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 31 December 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 |
|---------------------------------------|--------------------------------|-------------------------|----------------------|-----------------------|------------------|
| 2013 | | | | | |
| Revenue | | | | | |
| External revenue | 279,447 | - | 39,604 | - | 319,051 |
| Results | | | | | |
| Segmental results – external | 49,065 | - | (19,610) | - | 29,455 |
| Interest income | 341 | - | - | - | 341 |
| Finance cost | (19,267) | - | (219) | - | (19,486) |
| Share of results in joint ventures | 9,502 | 10,832 | - | - | 20,334 |
| Share of results in associates | (23,249) | - | - | - | (23,249) |
| Profit / (Loss) before taxation | 16,392 | 10,832 | (19,829) | - | 7,395 |
| Taxation | | | | | (4,234) |
| Profit for the period | | | | | 3,161 |
| 2012 (Restated) | | | | | |
| Revenue | | | | | |
| External revenue | 236,582 | - | 21,086 | - | 257,668 |
| Results | | | | | |
| Segmental results – external | (116,210) | - | (30,113) | - | (146,323) |
| Interest income | 502 | - | - | - | 502 |
| Finance cost | (18,918) | - | (1) | - | (18,919) |
| Share of results in joint ventures | 4,250 | 13,181 | - | - | 17,431 |
| Share of results in associates | 6,176 | - | - | - | 6,176 |
| Profit / (Loss) before taxation | (124,200) | 13,181 | (30,114) | - | (141,133) |
| Taxation | | | | | 2,151 |
| Loss for the period | | | | | (138,982) |

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 31 December 2013:

| | Approved but not contracted for RM'000 | Approved and contracted for RM'000 | Total RM'000 |
|-------------------------------|---|---|-------------------------|
| Property, plant and equipment | 28,155 | 15,648 | 43,803 |

B14. Analysis of Performance (FYE 2013 vs. FYE 2012)

For the current financial year under review, BHIC Group recorded revenue of RM319.1 million, an increase of RM61.4 million or 24% from the RM257.7 million reported in the preceding year. The heavy engineering segment recorded higher revenue from completed projects whereas the chartering segment reported utilisation and charter rates that were better than last year.

The Group recorded a cumulative profit after tax of RM3.2 million against 2012's RM139.0 million net loss. The heavy engineering segment's loss in 2012 was attributed to the old shipbuilding projects, with the final vessel delivered in January 2013. Thus, the current year's profit was mainly derived from higher income generated by maintenance, repair and overhaul (MRO) activities.

The associates registered a loss in 2013 primarily due to revisions in its projects' cost. For the Littoral Combat Ship (LCS) project, the revision arose following further scope of work discussion held during the year under review with various stakeholders, including the navy and original equipment manufacturers. In addition, the associates' results were affected by cost overruns from its ship repair projects.

Against last year, the manufacturing segment recorded lower contribution, and this was attributed to the completion of a project in 2012. The chartering segment's income was dampened by foreign exchange losses attributed to unfavourable exchange rate fluctuations, but 2013's loss was smaller than last year due to higher turnover coupled with a lower impairment cost of RM16.7 million on its three chemical tankers (2012: RM21.4 million impairment cost on the same tankers).

B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q4 2013 vs. Q3 2013)

Current quarter revenue of RM111.7 million was an increase of RM30.5 million or 38% from the RM81.2 million reported in the third quarter. This was mainly due to income from completed projects. However, the fourth quarter saw the Group registering a loss from operations due to the chemical tankers' impairment cost.

The share of joint venture companies' profit, at RM10.9 million, was substantially better than the previous quarter of RM2.9 million due largely to a joint venture company in the manufacturing segment undertaking combat management systems integration for the LCS project. However, the associates recorded a loss in the fourth quarter, as explained above. Consequently, the Group registered a loss before tax of RM25.9 million against a third quarter profit of RM16.9 million.

B16. Commentary on Prospects

In November 2013, the Group obtained a RM108.0 million oil and gas project for the Engineering, Procurement, Construction and Commissioning (EPCC) of Belum (BE-SA) Topsides for Murphy's SK309/311 Phase 2 Sarawak Gas Development Project. In addition, the Group has obtained a USD3.0 million contract in January 2014 for the design and construction of a 17-metre 28-tonne bollard pull harbour tug. These, along with ongoing MRO projects, are expected to be the main generators of income in 2014 for the heavy engineering segment.

B16. Commentary on Prospects (cont'd)

The Group has been engaging with several strategic partners in order to garner viable business opportunities for its subsidiaries and joint ventures across the business segments. An added boost would come from the recovery of the U.S. market and the predicted growth in Europe which may positively impact the global shipping industry in 2014, and specifically benefit the Group's ship building and chartering units.

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 2013 RM'000 | Cumulative Period 2013 RM'000 |
|---|---|--|
| Other income | (718) | (1,135) |
| Depreciation of property, plant and equipment | 2,619 | 10,751 |
| Impairment of property, plant and equipment | 16,680 | 16,680 |
| Net impairment / (write back) of receivables | (357) | (517) |
| Stock written off / impaired | 2,291 | 2,291 |
| Deposit written off | 2,253 | 2,253 |
| Net loss / (gain) on foreign exchange | 2,100 | 5,483 |

B19. Taxation

| | Current Period 2013 RM'000 | Cumulative Period 2013 RM'000 |
|--|---|--|
| Malaysian taxation based on profit for the period: | | |
| - Current | 1,521 | 3,638 |
| - Deferred tax | 620 | 620 |
| Under / (Over) provision in prior year: | | |
| - Income tax | 2 | (24) |
| | <u>2,143</u> | <u>4,234</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 31 December 2013 are as follows:

| | 31.12.2013 | Restated |
|---|-------------------|-------------------|
| | RM'000 | 31.12.2012 |
| | | RM'000 |
| Long term borrowings: | | |
| Unsecured | | |
| - Term loans | 3,447 | 9,838 |
| Secured | | |
| - Term loans | 12,421 | 20,560 |
| - Hire purchase and finance lease liabilities | 74 | 132 |
| | <u>15,942</u> | <u>30,530</u> |
| Short term borrowings | | |
| Unsecured | | |
| - Term loans | 6,392 | 7,651 |
| - Revolving credits | 290,000 | 335,000 |
| - Bankers acceptance | - | 382 |
| Secured | | |
| - Term loans | 9,378 | 8,928 |
| - Revolving credits | 37,445 | 34,933 |
| - Hire purchase and finance lease liabilities | 58 | 68 |
| | <u>343,273</u> | <u>386,962</u> |

Included above is a secured revolving credit of RM37.4 million (US Dollar: 11.4 million) and a secured term loan of RM18.5 million (US Dollar: 5.6 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 31 December 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 31 December 2013.

B24. Realised and Unrealised Unappropriated Profits

| | As at 31 December 2013 RM'000 | Restated As at 31 December 2012 RM'000 |
|---|--|--|
| Total retained profits of Company and its subsidiaries: | | |
| - Realised | (313,955) | (264,015) |
| - Unrealised | 15,896 | 19,653 |
| Total share of retained profits from joint ventures: | | |
| - Realised | 64,222 | 39,425 |
| - Unrealised | (547) | 2,182 |
| Total share of retained profits from associates: | | |
| - Realised | 127,567 | 150,815 |
| - Unrealised | - | - |
| | <u>(106,817)</u> | <u>(51,940)</u> |
| Consolidated adjustments | 141,066 | 84,741 |
| Total Group retained profits as per consolidated financial statements | <u>34,249</u> | <u>32,801</u> |

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") | 7,199 | <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 has subsequently filed a Notice of Appeal to the Court of Appeal on 24 September 2013.</p> <p>On the advice of its solicitors, BN Shipyard had paid RM7,198,631.57 into a joint stakeholders account pending the disposal of the appeal in the Court of Appeal. The amount included the judgment sum, interest and costs of RM150,000.00.</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. BN Shipyard has filed a leave application to appeal to the Federal Court. This matter has been fixed for hearing on 23 June 2014. |
| Boustead Penang Shipyard Sdn Bhd ("BP Shipyard") | Sealink Shipyard Sdn Bhd ("Plaintiff") | 18,565 | No agreed resolution was reached during the settlement negotiations. Subsequently, the Plaintiff has filed its Reply and Defence to BP Shipyard's Amended Counterclaim on 12 February 2014. BP Shipyard will file its reply to the Plaintiff's Defence to the Amended Counterclaim, and the Affidavit in Reply for the Summary Judgment application, by 28 February 2014. The Plaintiff will file a further Affidavit in Reply by 5 March 2014, with the next case management scheduled on 5 March 2014. Parties will then file their respective written submissions by 14 March 2014. |

B26. Dividend Payable

No dividend has been declared for the financial period ended 31 December 2013.

B27. Earnings per Share

| | Current Period | | Cumulative Period | |
|---|----------------|------------------|-------------------|------------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| Net profit / (loss) for the period – RM'000 | (28,055) | (80,356) | 3,161 | (139,132) |
| Number of ordinary shares in issue – '000 | 248,458 | 248,458 | 248,458 | 248,458 |
| Basic earnings / (loss) per share – sen | (11.29) | (32.34) | 1.27 | (56.00) |

By Order of the Board

LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)

SUZANA BINTI SANUDIN (LS 008028)

Secretaries

Kuala Lumpur

Date: 20 February 2014