

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 31 March 2014	Note	Current Period		Cumulative Period	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations					
Revenue	A7	64,204	64,405	64,204	64,405
Operating cost		(58,119)	(60,420)	(58,119)	(60,420)
Profit from operations	B18	6,085	3,985	6,085	3,985
Interest income		161	65	161	65
Finance cost		(4,059)	(4,830)	(4,059)	(4,830)
Share of results of joint ventures		130	3,726	130	3,726
Share of results of associates		(1,506)	2,278	(1,506)	2,278
Profit before taxation	A7	811	5,224	811	5,224
Taxation	B19	(32)	(220)	(32)	(220)
Profit for the period		779	5,004	779	5,004
Attributable to:					
Shareholders of the Company		779	5,108	779	5,108
Non-controlling interests		-	(104)	-	(104)
Net profit for the period		779	5,004	779	5,004
Earnings / (Loss) per share - sen					
Basic	B27	0.31	2.06	0.31	2.06

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 March 2014	Current Period		Cumulative Period	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations				
Profit for the period	779	5,004	779	5,004
Foreign currency translation	-	-	-	-
Total comprehensive income for the period	779	5,004	779	5,004
Total comprehensive income attributable to:				
Shareholders of the Company	779	5,108	779	5,108
Non-controlling interests	-	(104)	-	(104)
Net profit for the period	779	5,004	779	5,004

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 March	As at 31 December
		2014 RM'000	2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		144,937	145,555
Design rights		1,441	390
Goodwill		-	-
Deferred tax assets		18,891	18,891
Joint ventures		91,244	91,115
Associates		175,096	176,602
		431,609	432,553
Current assets			
Inventories		3,655	3,001
Receivables		222,541	246,246
Tax recoverable		7,191	9,227
Cash and bank balances		30,682	42,149
		264,069	300,623
TOTAL ASSETS		695,678	733,176
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		248,458	248,458
Reserves		35,028	34,249
Shareholders' funds		283,486	282,707
Non-controlling interests		36	36
Total equity		283,522	282,743
Non-current liabilities			
Long term borrowings	B21	12,509	15,942
Deferred tax liabilities		76	76
		12,585	16,018
Current liabilities			
Borrowings	B21	342,216	343,273
Trade and other payables		57,355	88,500
Tax payables		-	2,642
		399,571	434,415
Total liabilities		412,156	450,433
TOTAL EQUITY AND LIABILITIES		695,678	733,176
Net assets per share attributable to ordinary equity holders of the Company - RM		1.14	1.14

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 2014	248,458	-	34,249	282,707	36	282,743
Total comprehensive income for the period	-	-	779	779	-	779
Balance at 31 March 2014	248,458	-	35,028	283,486	36	283,522
At 1 January 2013	248,458	-	31,959	280,417	3,321	283,738
Total comprehensive income for the period	-	-	5,108	5,108	(104)	5,004
Balance at 31 March 2013	248,458	-	37,067	285,525	3,217	288,742

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 March	As at 31 March
	2014	2013
	RM'000	RM'000
Operating Activities		
Receipts from customers	36,141	72,532
Cash paid to suppliers and employees	(35,665)	(42,051)
Cash generated from operations	476	30,481
Tax paid less refund	(638)	(840)
Net cash (used in) / generated from operating activities	(162)	29,641
Investing Activities		
Capital expenditure	(1,979)	(1,625)
Dividends received	-	5,355
Others	(890)	65
Net cash (used in) / generated from investing activities	(2,869)	3,795
Financing Activities		
Net repayment of borrowings	(4,358)	(7,984)
Interest paid	(4,087)	(3,500)
Net cash used in financing activities	(8,445)	(11,484)
Net (decrease)/increase in cash and cash equivalents	(11,476)	21,952
Effect of foreign exchange rate changes	9	116
Cash and cash equivalents at beginning of period	42,149	21,352
Cash and Cash Equivalents at End of Period	30,682	43,420
Analysis of Cash and Cash Equivalents		
Deposits, cash and bank balances	30,682	43,420
Overdraft	-	-
Cash and Cash Equivalents at End of Period	30,682	43,420

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 March 2014

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial period ended 31 March 2014, 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 2013. 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 2013 except as follows:

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014

The adoption of the above does not have material impact on the financial statements of the Group in the period of initial application.

A2. Changes in Accounting Policies (cont'd)

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

MFRS and Amendments to MFRSs		Effective for annual periods beginning on or after
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements	MFRSs 2010-2012 Cycle	1 July 2014
Annual improvements	MFRSs 2010-2013 Cycle	1 July 2014
MFRS 9 Financial Instruments	IFRS 9 issued by IASB in November 2009	To be Announced
MFRS 9 Financial Instruments	IFRS 9 issued by IASB in October 2010	To be Announced
MFRS 9 Financial Instruments	Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be Announced

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 March 2014.

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 March 2014.

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
2014					
Revenue					
External revenue	54,603	-	9,601	-	64,204
Results					
Segmental results – external	7,364	-	(1,279)	-	6,085
Interest income	161	-	-	-	161
Finance cost	(4,059)	-	-	-	(4,059)
Share of results in joint ventures	(1,185)	1,315	-	-	130
Share of results in associates	(1,506)	-	-	-	(1,506)
Profit / (Loss) before taxation	775	1,315	(1,279)	-	811
Taxation					(32)
Profit for the period					779
2013					
Revenue					
External revenue	57,258	-	7,147	-	64,405
Results					
Segmental results – external	5,571	-	(1,586)	-	3,985
Interest income	65	-	-	-	65
Finance cost	(4,830)	-	-	-	(4,830)
Share of results in joint ventures	1,796	1,930	-	-	3,726
Share of results in associates	2,278	-	-	-	2,278
Profit / (Loss) before taxation	4,880	1,930	(1,586)	-	5,224
Taxation					(220)
Profit for the period					5,004

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 March 2014:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	14,604	26,181	40,785

B14. Analysis of Performance (FYE 2014 vs. FYE 2013)

For the current financial year under review, BHIC Group recorded first quarter revenue of RM64.2 million, a slight decrease of RM0.2 million or 0.3% from the RM64.4 million reported in the corresponding period to 31 March 2013. The current period revenue contributed by heavy engineering segment and chartering segment amounted to RM54.6 million and RM9.6 million respectively. The result from heavy engineering segment is contributed mainly by the maintenance, repair and overhaul (“MRO”) of navy vessels.

The Group recorded a first quarter profit after tax of RM0.8 million against RM5.0 million net profit in 2013. The decrease in the period under review compared to Quarter 1 2013 profit after tax is due mainly to a reduced in share of profit in associates by 166%. The higher losses in the associate and JV companies involved in MRO work for the Royal Malaysia Navy, were primarily as a result of cost overruns from ship repair projects.

The Joint Venture Companies (“JV Cos”) contributed a lower share of profit for the period amounting to RM0.1 million mainly from the manufacturing segment. The decrease of RM3.0 million in the share of profit in JV Cos arose from adverse fluctuations of foreign currency exchange rates, which affected entities in the heavy engineering segment.

Despite reported higher average charter rates in the current period and a stronger foreign currency exchange rate, the chartering segment continued to report a loss mainly due to the high level of operating costs incurred on its three chemical tankers.

B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q1 2014 vs. Q4 2013)

Current quarter revenue of RM64.2 million was a decrease of RM47.5 million or 43% from the RM111.7 million reported in the fourth quarter 2013. The decline in revenue was mainly due to reduced revenue recognition for certain construction contracts. The Group posted profit after tax of RM0.8 million in the current period compared with a RM28.1 million loss in the fourth quarter 2013. The loss from operations in the fourth quarter 2013 was mainly due to the impairment loss of chemical tankers amounting to RM16.7 million.

The current period share of profit in JV Cos of RM0.1 million declined from RM10.9 million profit in the preceding quarter. The decrease was largely the result of losses in a JV Cos in the heavy engineering segment undertaking MRO projects for the Royal Malaysian Navy, and a reduced contribution from the JV in the manufacturing segment. However, the share of associate company losses was reduced to RM1.5 million in the current quarter compared with Quarter 4 2013 mainly due to the impact of a revision of project costs undertaken in the prior period. Consequently, the Group registered a profit before tax of RM0.8 million against a fourth quarter 2013 loss of RM28.1 million.

B16. Commentary on Prospects

In March 2014, a JV Co obtained a RM220.0 million contract from the Government for maintenance and supply of spare parts, by way of In-Service Support for the Royal Malaysian Air Force EC725 Helicopters ("the Contract"). The contract is valid for a 3 year period effective from 24 March 2014.

In the prior year, 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 from a New Zealand client 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.

The Group has been engaging with several strategic partners in order to gain viable business opportunities to 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 2014 RM'000	Cumulative Period 2014 RM'000
Other income	(525)	(525)
Depreciation of property, plant and equipment	2,600	2,600
Net loss on foreign currency exchange	1,355	1,355

B19. Taxation

	Current Period 2014 RM'000	Cumulative Period 2014 RM'000
Malaysian taxation based on profit for the period:		
- Current	36	36
Less: Overprovision in prior year	(4)	(4)
	<u>32</u>	<u>32</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 incomes were granted a tax exemption and availability of tax losses brought forward from prior years to be offset against current profit.

The current domestic statutory tax rate of 25% will be reduced by 1% to 24%, effective year of assessment 2016.

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 March 2014 are as follows:

	31.03.2014 RM'000	31.12.2013 RM'000
Long term borrowings:		
Unsecured		
- Term loans	2,413	3,447
Secured		
- Term loans	10,037	12,421
- Hire purchase and finance lease liabilities	59	74
	<u>12,509</u>	<u>15,942</u>
Short term borrowings		
Unsecured		
- Term loans	5,485	6,392
- Revolving credits	290,000	290,000
Secured		
- Term loans	9,359	9,378
- Revolving credits	37,313	37,445
- Hire purchase and finance lease liabilities	59	58
	<u>342,216</u>	<u>343,273</u>

Included above is a secured revolving credit of RM37.3 million (US Dollar: 11.4 million) and a secured term loan of RM16.7 million (US Dollar: 5.1 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 31 March 2014.

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 March 2014.

B24. Realised and Unrealised Unappropriated Profits

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	(311,605)	(313,955)
- Unrealised	12,734	15,896
Total share of retained profits from joint ventures:		
- Realised	69,129	64,222
- Unrealised	(1,546)	(547)
Total share of retained profits from associates:		
- Realised	126,061	127,567
- Unrealised	-	-
	<hr/>	<hr/>
	(105,227)	(106,817)
Consolidated adjustments	140,255	141,066
Total Group retained profits as per consolidated financial statements	<hr/> 35,028	<hr/> 34,249

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 2013, except for the following cases:

Company	Claimant Company	Amount RM'000	Status
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Maraputra Sdn Bhd ("Maraputra")	7,199	<p>On 2 September 2013, the Ipoh High Court had allowed Maraputra'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 Maraputra. 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> <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>
Boustead Naval Shipyard Sdn Bhd ("BN Shipyard")	Ingat Kawan (M) Sdn Bhd ("Plaintiff")	50,000	<p>On 14 March 2013, the Court had allowed the application to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to BN Shipyard.</p> <p>BN Shipyard, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs. 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.</p> <p>BN Shipyard has filed a leave application to appeal to the Federal Court. This matter has been fixed for hearing on 23 June 2014.</p>
Boustead Penang Shipyard Sdn Bhd ("BP Shipyard")	Sealink Shipyard Sdn Bhd ("Plaintiff")	18,565	<p>The Court has fixed the next Case Management of this matter on 8th May 2014.</p> <p>Both parties have agreed to settle this matter amicably. Both parties' solicitors will meet, discuss and analyse the merits of their respective case based on all the documents made available.</p> <p>In view thereof, the parties have agreed to request the Judge to stay all proceedings during the next Case Management on 8th May 2014.</p>

B26. Dividend Payable

The Board does not recommend any dividend for the financial period ended 31 March 2014 (previous year corresponding quarter ended 31 March 2013: Nil).

B27. Earnings per Share

	2014	Current Period 2013	2014	Cumulative Period 2013
Net profit for the period – RM'000	779	5,004	779	5,004
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings per share – sen	0.31	2.06	0.31	2.06

By Order of the Board

LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)

SUZANA BINTI SANUDIN (LS 008028)

Secretaries

Kuala Lumpur

Date: 8 May 2014