

Boustead Heavy Industries Corporation Berhad (11106-V)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 June 2014	Note	Current Period		Cumulative Period	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations					
Revenue	A7	66,471	61,835	130,675	126,240
Operating cost		(55,775)	(50,523)	(113,894)	(110,943)
Profit from operations	B18	10,696	11,312	16,781	15,297
Interest income		73	82	234	147
Finance cost		(4,065)	(4,828)	(8,124)	(9,658)
Share of results of joint ventures		6,386	2,866	6,516	6,592
Share of results of associates		(1,422)	1,714	(2,928)	3,992
Profit before taxation	A7	11,668	11,146	12,479	16,370
Taxation	B19	(499)	(865)	(531)	(1,085)
Profit for the period		11,169	10,281	11,948	15,285
Attributable to:					
Shareholders of the Company		11,169	10,177	11,948	15,285
Non-controlling interests		-	104	-	-
Net profit for the period		11,169	10,281	11,948	15,285
Earnings per share - sen					
Basic	B27	4.50	4.10	4.81	6.15

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 2014	Current Period		Cumulative Period	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations				
Profit for the period	11,169	10,281	11,948	15,285
Foreign currency translation	-	-	-	-
Total comprehensive income for the period	11,169	10,281	11,948	15,285
Total comprehensive income attributable to:				
Shareholders of the Company	11,169	10,177	11,948	15,285
Non-controlling interests	-	104	-	-
Net profit for the period	11,169	10,281	11,948	15,285

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 June	As at 31 December
		2014 RM'000	2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		147,246	145,555
Design rights		1,865	390
Goodwill		-	-
Deferred tax assets		18,891	18,891
Joint ventures		97,631	91,115
Associates		173,674	176,602
		<u>439,307</u>	<u>432,553</u>
Current assets			
Inventories		3,081	3,001
Receivables		227,622	246,246
Tax recoverable		9,227	9,227
Cash and bank balances		20,223	42,149
		<u>260,153</u>	<u>300,623</u>
TOTAL ASSETS		<u>699,460</u>	<u>733,176</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		248,458	248,458
Reserves		46,197	34,249
Shareholders' funds		<u>294,655</u>	<u>282,707</u>
Non-controlling interests		36	36
Total equity		<u>294,691</u>	<u>282,743</u>
Non-current liabilities			
Long term borrowings	B21	11,585	15,942
Deferred tax liabilities		76	76
		<u>11,661</u>	<u>16,018</u>
Current liabilities			
Borrowings	B21	344,853	343,273
Trade and other payables		45,593	88,500
Tax payables		2,662	2,642
		<u>393,108</u>	<u>434,415</u>
Total liabilities		<u>404,769</u>	<u>450,433</u>
TOTAL EQUITY AND LIABILITIES		<u>699,460</u>	<u>733,176</u>
Net assets per share attributable to ordinary equity holders of the Company - RM		<u>1.19</u>	<u>1.14</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 June 2014	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	-	-	11,948	11,948	-	11,948
Balance at 30 June 2014	248,458	-	46,197	294,655	36	294,691
At 1 January 2013	248,458	-	31,959	280,417	3,321	283,738
Total comprehensive income for the period	-	-	15,285	15,285	-	15,285
Transactions with owners:						
Dividends paid by a subsidiary to a non-controlling interest	-	-	-	-	(1,500)	(1,500)
Additional investment in subsidiary	-	-	(1,713)	(1,713)	(1,787)	(3,500)
Balance at 30 June 2013	248,458	-	45,531	293,989	34	294,023

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
	2014	2013
	RM'000	RM'000
Operating Activities		
Receipts from customers	82,171	149,633
Cash paid to suppliers and employees	(85,660)	(125,002)
Cash (used in) / generated from operations	(3,489)	24,631
Tax paid less refund	(511)	(308)
Net cash (used in) / generated from operating activities	(4,000)	24,323
Investing Activities		
Capital expenditure	(8,319)	(2,690)
Dividends received	-	8,460
Additional investment in a subsidiary	-	(3,500)
Proceed from disposal of property, plant and equipment	8	-
Others	234	147
Net cash (used in) / generated from investing activities	(8,077)	2,417
Financing Activities		
Net repayment of borrowings	(1,656)	(13,728)
Dividends paid by a subsidiary to a non-controlling interest	-	(1,500)
Interest paid	(8,131)	(8,487)
Net cash used in financing activities	(9,787)	(23,715)
Net (decrease) / increase in cash and cash equivalents	(21,864)	3,025
Effect of foreign exchange rate changes	(62)	168
Cash and cash equivalents at beginning of period	42,149	21,352
Cash and Cash Equivalents at End of Period	20,223	24,545
Analysis of Cash and Cash Equivalents		
Deposits, cash and bank balances	20,223	24,545
Overdraft	-	-
Cash and Cash Equivalents at End of Period	20,223	24,545

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 2014

Part A Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the financial period ended 30 June 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 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 2011-2013 Cycle	1 July 2014
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
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 the classification and measurements of the Group's financial assets, but will not 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 30 June 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 30 June 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	111,657	-	19,018	-	130,675
Results					
Segmental results – external	20,102	-	(3,321)	-	16,781
Interest income	234	-	-	-	234
Finance cost	(8,124)	-	-	-	(8,124)
Share of results in joint ventures	3,718	2,798	-	-	6,516
Share of results in associates	(2,928)	-	-	-	(2,928)
Profit / (Loss) before taxation	13,002	2,798	(3,321)	-	12,479
Taxation					(531)
Profit for the period					11,948
2013					
Revenue					
External revenue	110,747	-	15,493	-	126,240
Results					
Segmental results – external	19,771	-	(4,474)	-	15,297
Interest income	147	-	-	-	147
Finance cost	(9,658)	-	-	-	(9,658)
Share of results in joint ventures	3,311	3,281	-	-	6,592
Share of results in associates	3,992	-	-	-	3,992
Profit / (Loss) before taxation	17,563	3,281	(4,474)	-	16,370
Taxation					(1,085)
Profit for the period					15,285

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 June 2014:

	Approved but not contracted for RM'000	Approved and contracted for RM'000	Total RM'000
Property, plant and equipment	14,181	24,232	38,413

B14. Analysis of Performance (YTD Q2 2014 vs. YTD Q2 2013)

For the first half of 2014, BHIC Group posted total revenue of RM130.7 million, an increase of RM4.5 million or 4% against RM126.2 million reported in last year's corresponding period. The increase in revenue was mainly contributed by the chartering segment due to higher average charter rate obtained in the current period. The Belum topside project also contributed marginally to the revenue from the heavy engineering segment.

The Group posted profit after tax of RM11.9 million for the first half of 2014 against net profit of RM15.3 million in corresponding period of 2013. The lower profit after tax recorded in the current period against last year's corresponding period was mainly due to negative share of result in associates, primarily as a result of cost overruns from certain ship repair projects.

Despite recording higher 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.

The Joint Venture Companies ("JV Cos") contributed a slightly lower share of profit for the period. However, the JV Cos involved in the heavy engineering segment posted a higher share of profits primarily due to a new helicopter maintenance contract secured from the Government of Malaysia in 2014.

B15. Material Changes in Quarterly Results Compared with the Results of the Immediate Preceding Quarter (Q2 2014 vs. Q1 2014)

For the second quarter of 2014, BHIC Group reported profit before taxation of RM11.7 million as compared with RM0.8 million in the preceding quarter. The increase in profit before tax was mainly due to higher revenue recognition for certain construction contracts and an increase in share of profit from JV Cos.

The current period share of profit in JV Cos of RM6.4 million showed a significant increase from RM0.1 million profit in the preceding quarter. The increase was largely due to a new helicopter maintenance contract secured from Government of Malaysia in 2014. The share of associate company losses was slightly reduced to RM1.4 million from RM1.5 million posted in the first quarter. The negative share of result in the associates was due to Littoral Combat Ships ("LCS") project's slow progress in 2014 and cost overruns on certain ship repair projects.

B16. Commentary on Prospects

On 17 July 2014, the BHIC Group's associate company, Boustead Naval Shipyard Sdn Bhd ("BNS") signed a formal contract with the Government of Malaysia to build 6 units of second generation patrol vessels with littoral combat ship capability for the Royal Malaysian Navy. The contract value is RM9.0 billion. With the signing of the formal contract, the progress of work would be accelerated and is expected to contribute significantly to BHIC Group's performance going forward.

Work on the RM108 million Belum (BE-SA) Topsides for Murphy Sarawak Oil Co. Ltd. are progressing well and along with the ongoing MRO projects, are expected to be the main generators of income in 2014 for the heavy engineering segment.

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	(148)	(673)
Depreciation of property, plant and equipment	2,550	5,150
Gain on disposal of property, plant and equipment	(8)	(8)
Net loss on foreign currency exchange	(25)	1,330

B19. Taxation

	Current Period 2014 RM'000	Cumulative Period 2014 RM'000
Malaysian taxation based on profit for the period:		
- Current	499	535
Less: Overprovision in prior year	-	(4)
	<u>499</u>	<u>531</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 30 June 2014 are as follows:

	30.06.2014	31.12.2013
	RM'000	RM'000
Long term borrowings:		
Unsecured		
- Term loans	3,327	3,447
Secured		
- Term loans	8,215	12,421
- Hire purchase and finance lease liabilities	43	74
	<hr/>	<hr/>
	11,585	15,942
	<hr/>	<hr/>
Short term borrowings		
Unsecured		
- Term loans	4,567	6,392
- Revolving credits	295,000	290,000
Secured		
- Term loans	8,574	9,378
- Revolving credits	36,651	37,445
- Hire purchase and finance lease liabilities	61	58
	<hr/>	<hr/>
	344,853	343,273
	<hr/>	<hr/>

Included above is a secured revolving credit of RM36.7 million (US Dollar: 11.4 million) and a secured term loan of RM14.8 million (US Dollar: 4.6 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 30 June 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 30 June 2014.

B24. Realised and Unrealised Unappropriated Profits

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of Company and its subsidiaries:		
- Realised	(308,322)	(313,917)
- Unrealised	18,487	15,722
Total share of retained profits from joint ventures:		
- Realised	73,808	65,065
- Unrealised	(2,774)	(547)
Total share of retained profits from associates:		
- Realised	120,093	127,566
- Unrealised	-	-
	<hr/>	<hr/>
	(98,708)	(106,111)
Consolidated adjustments	144,905	140,360
Total Group retained profits as per consolidated financial statements	<hr/>	<hr/>
	46,197	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> <p>The court has fixed hearing date for the appeal on 21 August 2014.</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. Ingat Kawan 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 Ingat Kawan'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 was originally fixed for hearing on 23 June 2014 but later adjourned by the Court to 15 October 2014.</p>

B25. Changes in Material Litigations (cont'd)

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 (cont'd):

Company	Claimant Company	Amount RM'000	Status
Boustead Penang Shipyard Sdn Bhd ("BP Shipyard")	Sealink Shipyard Sdn Bhd ("Plaintiff")	18,565	<p>BP Shipyard was served with a Statement of Claim dated 6 June 2013. Sealink is claiming for damages totaling RM18,565,374.12, plus interest, costs and other reliefs that the Court deems just and fit arising from an alleged breach of two contracts, both dated 3 September 2008, by BP Shipyard, with regard to the work done and/or goods supplied for the construction of the accommodation work barges for Hull No. 131 (first contract) and Hull No. 132 (second contract).</p> <p>BP Shipyard had on 12th August 2013 filed its Amended Defence and Amended Counterclaim. The total amount of BP Shipyard's counterclaim against Sealink is RM17,305,907.27. Subsequently, Sealink filed its Reply and Defence to BP Shipyard's Amended Counterclaim on 12th February 2014.</p> <p>Sealink filed an application for a Summary Judgement against BP Shipyard on 12th July 2013 and served the same to BP Shipyard on 15th July 2013. BP Shipyard has filed its Affidavit in Reply on 28th February 2014. During the Case Management before the Judge on 16 May 2014, Sealink withdrew its application for a Summary Judgment against BP Shipyard.</p> <p>The negotiation for settlement between the parties did not materialise. As such, this case will proceed with Trial.</p> <p>The parties are to update the Judge on the preparation for Trial during the Case Management which is scheduled on 22 August 2014.</p> <p>The Court has fixed the Trial of this matter on 17 to 19 September 2014 and 7 to 10 October 2014.</p>

B26. Dividend Payable

The Board does not recommend any dividend for the financial period ended 30 June 2014 (previous year corresponding quarter ended 30 June 2013: Nil).

B27. Earnings per Share

	2014	Current Period 2013	2014	Cumulative Period 2013
Net profit for the period – RM'000	11,169	10,177	11,948	15,285
Number of ordinary shares in issue – '000	248,458	248,458	248,458	248,458
Basic earnings per share – sen	4.50	4.10	4.81	6.15

By Order of the Board**LILYROHAYU BINTI AB. HAMID @ KASSIM (MAICSA 7044674)****SUZANA BINTI SANUDIN (LS 008028)**

Secretaries

Kuala Lumpur

Date: 13 August 2014