

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2005**

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - MASB 26

1 Accounting Policies

The interim financial report has been prepared in accordance with FRS 134 (formerly known as MASB 26) Interim Financial Reporting and Chapter 9 part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the financial year ended 31 December 2004.

The interim financial report is to be read in conjunction with the most recent annual financial statements.

2 Declaration of audit qualification

The auditor's report of the preceding annual financial statements of the Company and of the Group was not subjected to any qualification.

3 Seasonal or cyclical factors

The business operations of the Group for the current financial year ended 31 December 2005 were not materially affected by any seasonal or cyclical factors.

4 Items of unusual nature, size, or incidence

During the current financial quarter, there is a gain on disposal of a subsidiary company amounting to RM1,327.8 million, impairment of property, plant and equipment of RM37.5 million, goodwill written off amounting to RM203.5 million, provision of doubtful debt amounting to RM66.8 million, deferred expenditure/assets written off of RM655.0 million and revision of profit margin for Offshore Patrol Vessels projects of RM377.4 million .

There were no other 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 2005.

5 Changes in estimates of amounts

There were no material changes in estimates in respect of amounts reported in the prior interim period of the current financial year or that of prior financial years.

6 Details of Issuances and Repayment of Debt

There were no issuances or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial quarter ended 31 December 2005.

7 Dividends paid

There was no dividend paid for the current financial quarter ended 31 December 2005.

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8 Segmental Reporting

A) By business segment

	Turnover	Profit/(loss)
	RM '000	Before Taxation
		RM '000
<i>Trading</i>	10,733	379
<i>Construction</i>	76,250	(151,318)
<i>Investment Properties</i>	5,562	1,295
<i>Shipbuilding and shiprepair related activities</i>	113,455	(204,914)
<i>Other operations</i>	1,189	(182,353)
	207,189	(536,911)
Intersegment elimination	(34,004)	(493)
	-	(537,404)
Unallocated expenses	-	(1,952)
		(539,356)
Interest income	-	4,029
Finance cost	-	(100,842)
Share of associated company loss	-	(59)
	173,185	(636,228)

B) By geographical segment

	Turnover	Profit/(loss)
	RM '000	Before Taxation
		RM '000
Malaysia	164,366	(638,147)
Republic of Ghana	8,819	1,919
TOTAL	173,185	(636,228)

9 Valuation of property, plant, and equipment

The valuation of property, plant, and equipment have been brought forward, without amendment from the annual financial statements for the financial year ended 31 December 2005.

10 Material events subsequent to the reporting period

There were no material events subsequent to the end of the financial period that have not been reflected in this interim financial report.

11 Changes in the Composition of the Group

On 11 October 2005, the Company announced that its subsidiary Perstim Industries Sdn Bhd ("PISB") has agreed with Limaran Logistics Sdn Bhd ("Limaran") for the foreclosure of 40 million ordinary shares of RM1.00 each ("Foreclosure Shares") in the capital of PSC-Naval Dockyard Sdn Bhd ("Dockyard") in final settlement for its term loan facility of USD31.6 million ("Term Loan") granted by Credit Suisse, Labuan branch ("Lender") under a facility agreement dated 11 June 2002. The Foreclosure Shares represent approximately 30.77% of the paid up share capital of Dockyard. Upon the said foreclosure, Dockyard has ceased to be a subsidiary of the Company. After the said foreclosure, the Company will hold in aggregate 63 million shares in Dockyard, representing approximately 48.5% of the paid up share capital of Dockyard.

On 22 November 2005, the Company announced that its subsidiary, Penang Shipbuilding & Construction Sdn Bhd (PSCSB) has received a letter from Affin Bank Berhad (Affin Bank) notifying PSCSB that Affin Bank will be taking all relevant steps to realise by sale thereof, 36,000,001 ordinary shares of RM1.00 each in the capital of Dockyard ("the ABB Shares") which had been mortgaged to Affin Bank. The ABB Shares represent approximately 27.7% of the paid up share capital of Dockyard. After the said foreclosure by Affin Bank, the Company will hold approximately 27 million shares in Dockyard representing approximately 20.7% of the paid up share capital of Dockyard.

On 22 November 2005, the ABB shares has been transferred to ABB Nominee (Tempatan) Sdn Bhd.

On 5 December 2005, PISB has received a notice from Limaran notifying of their exercise of rights to foreclose the said Foreclosure shares as final settlement of the Term Loan granted by the Lender.

On 30 November 2005, a wholly owned subsidiary, Penang Shipbuilding & Construction Sdn Bhd and an associate company, Penang Shipbuilding & Construction Holding (Thailand) Limited entered into an agreement with Madam Kesinee Sutthisan for the disposal of 49,000 and 21,000 ordinary shares of 100 Baht each respectively in WEC International Co. Ltd. for RM1.5 million.

On 30 December 2005, the Company acquired from Boustead Holdings Berhad, a substantial shareholder of the Company, 2 ordinary shares of RM1 each representing 100% of the issued and paid-up capital of Asia Coins Sdn Bhd for a cash consideration of RM2 .

There were no other changes in the composition of the Group for the current financial quarter ended 31 December 2005.

12 Contingent Liabilities/Assets

There were no other material changes in contingent liabilities/assets since the last annual balance sheet date except for the exclusion of the contingent liabilities and assets in relation to the estimated liquidated ascertain damages payable to Government of Malaysia and claimable against main contractor for Offshore Patrol Vessels project as a result of disposal of the subsidiary, PSC Naval Dockyard Sdn Bhd during the financial quarter.

**ADDITIONAL INFORMATION AS REQUIRED BY BMSB LISTING REQUIREMENTS
(PART A OF APPENDIX 9B)**

13 Review of Performance

The decline in the Group's turnover for the current financial quarter and for the financial year ended 31 December 2005 was mainly due to the lower contribution from all business segment with no contribution from the Offshore Patrol Vessels project.

The lower performance together with high financing cost, provision for doubtful debts, goodwill written off, deferred expenditure written off, impairment of property, plant and equipment and revision of profit margin for Offshore Patrol Vessel project has led to the Group pre-tax loss.

14 Comment on Financial Results (current quarter compared with the preceding quarter)

The Group's pre-tax loss of RM97.0 million for the quarter under review as compared to loss of RM436.3 million in preceding quarter was mainly due to gain on disposal of PSC Naval Dockyard Sdn Bhd, which has ceased to be a subsidiary during the current financial quarter.

15 Current Year Prospects

Despite the Group's current status as an affected listed issuer pursuant to PN 17, the Group's operations are expected to improve in year 2006 onwards. Restructuring programs introduced by the new management has shown positive impact, such as cost reduction and improvement in stakeholders' level of confidence.

The marine industry is expected to continue its positive industry outlook. The group's main priority is to secure more orders for its shipyard for which it has the capability, manpower experience and capacity. Further, the Group is in discussion with various parties to take advantage of the active oil and gas sector.

Based on the generally positive business environment and the capability of the shipyard, the Group hopes for improved results.

16 Variance of Actual Profit from Forecast Profit

Not Applicable.

17 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM '000	RM '000	RM '000	RM '000
Current Taxation	(919)	238	(1,852)	(862)
Overprovision in respect of prior years	(291)	(14)	51	9,419
Transfer (to)/from deferred taxation	8,788	(128)	7,788	(128)
	7,578	96	5,987	18,429

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Although the Group suffered pre-tax loss, the Group still incurred taxation as a result of profits made by certain Group companies which cannot be offset against losses incurred by certain Group companies as group relief is not available for the current year.

18 Profits / (Losses) on Sale of Investment and/or Properties

There were no profits/(losses) on sale of investments and/or properties for the current financial quarter ended 31 December 2005 except for the following:-

- a) Gain of RM1,327.8 million in relation to the disposal of a subsidiary company, PSC Naval Dockyard Sdn Bhd.
- b) A gain of RM1.1 million in relation to disposal of associate company WEC International Co. Ltd.

19 Quoted Securities

There were no purchase or disposal of quoted securities for the current financial quarter ended 31 December 2005.

20 Status of Corporate Proposals

There were no outstanding corporate proposal as at the date of this announcement.

21 Group Borrowings and Debt Securities

Total Group Borrowings as at 31 December 2005 are as follows:-

	Foreign Currency (‘000)	RM ‘000
<i>Long Term Borrowings:</i>		
Secured	Cedis423,980	180
<i>Short Term Borrowings:</i>		
Secured	Cedis1,463,680	466,044
Unsecured	-	618
		107,341
TOTAL		574,183

22 Off Balance Sheet Financial Instruments

There were no material off balance sheet financial instruments during the current financial quarter ended 31 December 2005.

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23 Material Litigation

The Company and its subsidiary companies, Penang Shipbuilding & Construction Sdn Bhd ("PSCSB") and PSC Asset Holdings Sdn Bhd ("PSC Asset") have received demands from the following financial institutions and creditors:-

	Company	Financial Institutions/creditors	Amount	Remarks
a.	PSCI	Affin Bank Berhad	RM146,200,000	Judgement obtained. Pending appeal on summary judgement.
b.	PSCSB	Affin Bank Berhad	RM262,400,000	Judgement obtained. Pending appeal on summary judgement. Banker is taking steps to realize sale of 36 million shares of another subsidiary company which had been mortgaged to the banker.
b.	PSCSB	Danaharta Urus Sdn Bhd	RM67,612,662	Filed defence and counter claim. Banker withdrawn summary judgement.
c.	PSC Asset	OCBC Bank (M) Bhd	RM41,383,173	Judgement obtained. Pending appeal on judgement.
d.	PSCSB	OCBC Bank (M) Bhd	RM31,324,914	Pending hearing on summary judgement.
e.	PSCI	Danaharta Managers Sdn Bhd	RM39,802,687	Judgement obtained. Pending appeal on judgement.
f.	PSCI & PSCSB	Bank Islam Malaysia Bhd	RM27,624,427	Pending hearing on summary judgement.
h.	PSCI	Affin-ACFFinance Berhad	RM5,439,395	Pending hearing on summary judgement.
i.	PSCI	Bumiputra Commerce Bank Bhd	RM4,343,478	Judgement obtained.
j.	PSCI	Ambank	RM3,157,432	Pending hearing on summary judgement.

Other than the above, there are also other litigation matters which in the opinion of the Board of Directors are immaterial.

24 Dividend

There was no dividend declared or recommended for the current financial quarter ended 31 December 2005.

25 Earnings Per Share

The basic earnings per share has been calculated based on the Group's net loss for the financial year of RM544,365,000 over the number of ordinary shares of 174,083,348 in issue during the financial year.