



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.12.2010 RM'000 (unaudited)	3 months ended 31.12.2009 RM'000 (unaudited)	12 months ended 31.12.2010 RM'000 (unaudited)	12 months ended 31.12.2009 RM'000 (audited)
Revenue	9	203,403	150,901	675,255	466,058
Cost of sales and services		(144,561)	(93,667)	(462,895)	(298,431)
Gross profit		<u>58,842</u>	<u>57,234</u>	<u>212,360</u>	<u>167,627</u>
Other income		938	3,097	5,540	9,712
Administrative expenses		(3,767)	(4,287)	(8,871)	(9,081)
Other expenses		(536)	(936)	(5,274)	(1,424)
Finance costs		(513)	(915)	(3,586)	(3,727)
Profit before tax	9	<u>54,964</u>	<u>54,193</u>	<u>200,169</u>	<u>163,107</u>
Income tax expense	19	699	(163)	709	(664)
Profit for the period		<u><u>55,663</u></u>	<u><u>54,030</u></u>	<u><u>200,878</u></u>	<u><u>162,443</u></u>
Attributable to:					
Equity holders of the Company		<u><u>55,663</u></u>	<u><u>54,030</u></u>	<u><u>200,878</u></u>	<u><u>162,443</u></u>
Earnings per share attributable to equity holders of the Company:					
- basic (sen)	28	<u><u>15.36</u></u>	<u><u>14.97</u></u>	<u><u>55.43</u></u>	<u><u>45.48</u></u>

The above Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	INDIVIDUAL		CUMULATIVE	
	3 months ended 31.12.2010 RM'000 (unaudited)	3 months ended 31.12.2009 RM'000 (unaudited)	12 months ended 31.12.2010 RM'000 (unaudited)	12 months ended 31.12.2009 RM'000 (audited)
Profit for the period	55,663	54,030	200,878	162,443
Other comprehensive (loss) / income :				
Currency translation differences arising from consolidation	15(a) (1,494)	(4,404)	(39,711)	(5,560)
Total comprehensive income for the period	<u>54,169</u>	<u>49,626</u>	<u>161,167</u>	<u>156,883</u>
Attributable to:				
Equity holders of the Company	<u>54,169</u>	<u>49,626</u>	<u>161,167</u>	<u>156,883</u>

The above Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

		As at 31.12.2010 RM'000 (unaudited)	As at 31.12.2009 RM'000 (audited) (restated)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	2(c)	106,503	107,806
Intangible asset		5,884	5,884
Deferred tax assets		243	-
		<u>112,630</u>	<u>113,690</u>
Current assets			
Inventories	15(b)	786,899	781,225
Trade receivables	15(c)	16,575	90,484
Other receivables	15(d)	26,450	54,258
Tax refundable		571	934
Cash and bank balances		149,792	102,894
		<u>980,287</u>	<u>1,029,795</u>
TOTAL ASSETS	9	<u><u>1,092,917</u></u>	<u><u>1,143,485</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		72,490	72,223
Share premium		18,664	18,250
Currency translation reserve		(45,097)	(5,386)
Retained earnings	20	556,458	373,388
Total equity		<u>602,515</u>	<u>458,475</u>
Non-current liabilities			
Borrowings	24	14,747	18,018
Deferred tax liabilities		5,186	5,847
		<u>19,933</u>	<u>23,865</u>
Current liabilities			
Borrowings	24	36,332	85,186
Trade payables		4,582	42,223
Other payables	15(e)	429,502	533,387
Current tax payable		53	349
		<u>470,469</u>	<u>661,145</u>
Total liabilities		<u>490,402</u>	<u>685,010</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,092,917</u></u>	<u><u>1,143,485</u></u>
Net assets per share (RM)		<u>1.6623</u>	<u>1.2696</u>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Note	Attributable to equity holders of the Company				Total
		Non distributable			Distributable	
		Share capital	Share premium	Currency translation reserve	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>12 months ended 31 December 2009 (audited)</u>						
Balance at 1 January 2009 (as previously stated)		70,561	15,675	174	221,561	307,971
Effects of adopting FRS 117	2(c)	-	-	-	120	120
Balance at 1 January 2009 (restated)		<u>70,561</u>	<u>15,675</u>	<u>174</u>	<u>221,681</u>	<u>308,091</u>
Issuance of ordinary shares pursuant to the Employees' Share Option Scheme		1,662	2,576	-	-	4,238
Transaction costs		-	(1)	-	-	(1)
Effects of adopting FRS 117		-	-	-	82	82
Total comprehensive (loss) / income for the period		-	-	(5,560)	162,443	156,883
First and final dividend for the financial year ended 31 December 2008		-	-	-	(8,654)	(8,654)
Special dividend for the financial year ended 31 December 2008		-	-	-	(2,164)	(2,164)
Balance at 31 December 2009 (restated)		<u>72,223</u>	<u>18,250</u>	<u>(5,386)</u>	<u>373,388</u>	<u>458,475</u>
<u>12 months ended 31 December 2010 (unaudited)</u>						
Balance at 1 January 2010 (as previously stated)		72,223	18,250	(5,386)	373,186	458,273
Effects of adopting FRS 117	2(c)	-	-	-	202	202
		<u>72,223</u>	<u>18,250</u>	<u>(5,386)</u>	<u>373,388</u>	<u>458,475</u>
Effects of adopting FRS 139	2(e)	-	-	-	315	315
Balance at 1 January 2010 (restated)		<u>72,223</u>	<u>18,250</u>	<u>(5,386)</u>	<u>373,703</u>	<u>458,790</u>
Issuance of ordinary shares pursuant to the Employees' Share Option Scheme	7	267	414	-	-	681
Total comprehensive (loss) / income for the period		-	-	(39,711)	200,878	161,167
First and final dividend for the financial year ended 31 December 2009	8	-	-	-	(8,699)	(8,699)
Special dividend for the financial year ended 31 December 2009	8	-	-	-	(9,424)	(9,424)
Balance at 31 December 2010		<u>72,490</u>	<u>18,664</u>	<u>(45,097)</u>	<u>556,458</u>	<u>602,515</u>

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	CUMULATIVE	
	12 months ended 31.12.2010 RM'000 (unaudited)	12 months ended 31.12.2009 RM'000 (audited)
Net cash generated from operating activities	133,041	30,882
Net cash used in investing activities	(7,657)	(6,363)
Net cash (used in) / generated from financing activities	(67,273)	7,121
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,111	31,640
Effect of exchange rate changes	(11,918)	(1,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	102,780	72,728
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	148,973	102,780

* Cash and cash equivalents at end of financial period comprise the following:

Fixed deposits	122,782	84,494
Cash and bank balances	27,010	18,400
	149,792	102,894
Bank overdrafts	(819)	(114)
Cash and cash equivalents at end of financial period	148,973	102,780

Out of the total fixed deposits of RM122.8 million, RM5.2 million were held under lien as securities for guarantee and documentary credits issued by banks in favour of third parties. Subsequent to 31 December 2010, RM26.9 million of fixed deposits were utilised for payment to contractors and suppliers.

The above Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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Explanatory Notes

FOR THE QUARTER ENDED 31 DECEMBER 2010

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared under the historical cost convention and in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

2 Changes in Accounting Policies and Effects Arising from Adoption of Revised FRSs

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new Financial Reporting Standards ("FRSs") and Interpretations, and amendments to certain FRSs and Interpretations effective for financial period beginning 1 January 2010:

FRS 4 *Insurance Contracts*

FRS 7 *Financial Instruments: Disclosures*

FRS 8 *Operating Segments*

FRS 101 *Presentation of Financial Statements (Revised)*

FRS 123 *Borrowing Costs*

FRS 139 *Financial Instruments: Recognition and Measurement*

Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*

Amendments to FRS 132 *Financial Instruments: Presentation*

Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*

Improvements to FRS issued in 2009

IC Interpretation 9 *Reassessment of Embedded Derivatives*

IC Interpretation 10 *Interim Financial Reporting and Impairment*

IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions*

IC Interpretation 13 *Customer Loyalty Programmes*

IC Interpretation 14 *FRS119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of the abovementioned FRSs, Interpretations, Amendments to FRS and Interpretation will have no material impact on the financial statements of the Group except for the following:

(a) FRS 8 : Operating Segments

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.



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(b) FRS 101 : Presentation of Financial Statements (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group.

(c) Amendments to FRS 117 : Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 *Leases* clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated as follows:

Group	Previously stated RM'000	Adjustments RM'000	Restated RM'000
At 31 December 2009			
Property, plant and equipment	101,733	6,073	107,806
Prepaid lease payments	5,852	(5,852)	-
Retained earnings	373,186	202	373,388
Deferred tax liabilities	5,828	19	5,847
At 1 January 2009			
Property, plant and equipment	103,501	6,073	109,574
Prepaid lease payments	5,940	(5,940)	-
Retained earnings	221,561	120	221,681
Deferred tax liabilities	6,548	13	6,561



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(d) **FRS 123: Borrowing Costs**

FRS 123 has been revised to require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. The Group has amended its accounting policy based on the revised FRS 123. In accordance with the transitional provisions of the Standard, the Group has adopted this as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2010. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

(e) **FRS 139: Financial Instruments: Recognition and Measurement**

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated.

Prior to 1 January 2010, borrowings were recorded at cost in the financial statements of the Group. Upon the adoption of FRS 139, borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. As at 1 January 2010, the Group has remeasured such borrowings at their respective amortised cost. The effects on the adjustments to the previous carrying amounts of these borrowings are as follows:

Group	Previously stated RM'000	Adjustments RM'000	Restated RM'000
At 1 January 2010			
Retained earnings	373,186	315	373,501
Borrowings	103,204	(392)	102,812
Deferred tax liabilities	5,828	77	5,905

(f) **FRS 7: Financial Instruments: Disclosures**

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures will be included in the Group's financial statements for the year ended 31 December 2010.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's most recent annual audited financial statements for the year ended 31 December 2009 was not subject to any qualification.

4 Seasonal or Cyclical Factors

The Group's performance is affected by the regional economic conditions. The demand for vessels as well as shiprepair and charter services are closely associated with the regional economic climate.

5 Unusual Items Affecting the Financial Statements

There were no items affecting assets, liabilities, equity, net income or cash flows during the financial period under review that were unusual because of their nature, size or incidence.



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6 Change in Accounting Estimate

There were no changes in estimates that have had material effects in the financial period under review.

7 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review except for the following:

On 14 June 2005, the Company offered 33,400,000 new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") at an exercise price of RM0.51 per share to the eligible employees and Directors of the Company and its subsidiaries. 30,482,000 of the options offered were accepted and subsequently granted on 14 July 2005. During the financial year-to-date, a total of 1,336,000 new ordinary shares were issued pursuant to the Company's ESOS. The Company's ESOS had expired on 17 January 2010.

8 Dividends Paid

The following dividends were paid during the financial year-to-date:

	RM'000
In respect of the financial year ended 31 December 2009:	
- First and final dividend of 12% tax exempt (or 2.4 sen per ordinary share) paid on 3 September 2010	8,699
- Special dividend of 13% tax exempt (or 2.6 sen per ordinary share) paid on 3 September 2010	9,424
	18,123
	18,123

9 Segmental Reporting

Segment information is presented in respect of the Group's primary business segments, which is based on the Company's management and internal reporting structure.

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
<u>3 months ended 31 December 2010</u>				
Revenue				
External revenue	202,004	1,399	-	203,403
Inter-segment revenue	677	169	(846)	-
Total revenue	202,681	1,568	(846)	203,403
Results				
Profit/(loss) before tax	56,901	(1,937)	-	54,964
<u>12 months ended 31 December 2010</u>				
Revenue				
External revenue	657,264	17,991	-	675,255
Inter-segment revenue	902	2,043	(2,945)	-
Total revenue	658,166	20,034	(2,945)	675,255
Results				
Profit before tax	195,495	4,674	-	200,169
Total Assets				
31 December 2010	1,027,650	65,267	-	1,092,917
31 December 2009	1,064,131	79,354	-	1,143,485



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10 Subsequent Event

There was no material event subsequent to the end of the current quarter.

11 Changes in the Composition of the Group

There was no change in the composition of the Group for the financial period under review.

12 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	252,708
Corporate guarantee to a financial institution in respect of documentary credits issued on behalf of a subsidiary	75,977
	328,685

As at 31 December 2010, the Company is contingently liable for RM50,363,000 of banking facilities utilised by its subsidiaries and RM10,977,000 of documentary credits issued on behalf of the subsidiary.

13 Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2010 is as follows:

	RM'000
Approved and contracted for	408

14 Related Party Transactions

	Individual 3 months ended 31 December 2010 RM'000	Cumulative 12 months ended 31 December 2010 RM'000
<i>Transactions with a company in which certain Directors of the Company have financial interests:</i>		
<i>- Top Pride Sdn. Bhd.</i>		
Rent of premises	3	16
<i>Transactions with a company in which a director is the spouse of a person connected with the Directors of the Company:</i>		
<i>- PT. Prima Armada Nusantara</i>		
Agency service fees charged	-	44
<i>Transactions with a person connected with certain Directors of the Company:</i>		
<i>- Ng Lai Whoon</i>		
Rent of premises	5	19
<i>Transactions with a Director of the Company:</i>		
<i>- Ng Chin Shin</i>		
Rent of premises	3	19
<i>Transactions with a partnership in which certain Directors of the Company have financial interests:</i>		
<i>- Syarikat Guan Huat Trading</i>		
Purchase of fuel and oil	54	54



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The above transactions were entered into in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

15 **Review of Performance**

Coastal Group capped off the final three months of the financial year ended 31 December 2010 strongly with a net profit of RM55.7 million on revenue of RM203.4 million, both of which are new quarterly highs, with revenue breaking the RM200 million-mark for the first time. This represented an increase of 4% and 6% respectively from last quarter's net profit of RM53.6 million and revenue of RM192.1 million. Year-on-year, current quarter net profit was up by 3% from RM54.0 million previously, while revenue soared 35% from RM150.9 million. Current quarter's strong performance was underpinned mainly by the delivery of higher end vessels.

The current fourth quarter results took the Group's full year net profit to RM200.9 million with revenue of RM675.3 million, both also record-breaking numbers.

Shipbuilding and Shiprepair Division

In the current quarter under review, the division's revenue has edged up 7% to RM202.0 million from the preceding quarter's RM188.0 million. Year-on-year, this represented a jump of 41% from RM143.6 million. 4 units of high-end offshore support vessels were delivered in the current quarter, compared to 3 units in both the preceding quarter and last year's same quarter.

Vessel Chartering Division

The division registered lower revenue of RM1.4 million in the current quarter compared to RM4.1 million recorded in last quarter and RM7.3 million in the corresponding quarter a year earlier, a decrease of 66% and 81% respectively. This was mainly attributed to lower tonnage transported and the effect of contract transition.

- (a) Currency translation differences arising from consolidation were attributed to exchange differences arising on the translation of the financial statements of foreign operations.
- (b) Included in inventories of the Group are finished goods totalling RM357.2 million (31 December 2009: RM328.5 million) and vessels work-in-progress amounting to RM414.0 million (31 December 2009: RM433.7 million). For the current quarter under review, there are no provisions made for obsolete or slow-moving inventories or work-in-progress write-off.
- (c) Out of the RM16.6 million of trade receivables as at 31 December 2010, RM2.3 million was subsequently received by the Group.
- (d) Included in other receivables of the Group are payments made to suppliers and contractors totalling RM20.1 million (31 December 2009: RM45.8 million) to secure the supply of input materials, equipment and services intended for the Group's rolling vessel building programme.
- (e) Included in other payables are advance payments received from vessel buyers totalling RM418.4 million (31 December 2009: RM524.1 million), reflecting a solid vessel sales order book that will present the Group with progressive revenue and earnings until 2011.

16 **Material Change in Profit Before Taxation**

The Group registered a fairly consistent profit before tax of RM55.0 million in the current quarter, a marginal increase of 3% and 1% compared with RM53.6 million and RM54.2 million achieved in the immediate preceding quarter and the same period last year, respectively. On the whole, current quarter's profit margin before tax of 27% was a shade lower than the 28% achieved in the previous quarter. Profit margin before tax in the corresponding quarter a year ago was higher at 36% due to higher margins derived from the sale of vessels.



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17 Prospects

The improving macroeconomic sentiment has stabilised crude oil price around USD85 a barrel. With a backdrop of a relatively high and stable oil price to support increased activities in offshore exploration and production, the market is seeing an encouraging increase in requirements for new drilling assets. Although this positive trend will take a while to trickle through the value chain to translate into new orders for offshore support vessels (“OSV”), the outlook is increasingly turning favourable for the offshore shipbuilding industry looking ahead. An especially promising development is the return of the smaller OSV owners and operators. These companies are an attractive alternative source of demand and with the easing of the credit markets have been resuming their fleet expansion plans.

With Sabah set to become Malaysia’s oil and gas hub, particularly in deepwater oilfield developments off its western coast, Coastal Group is looking to enter a new phase of growth by diversifying into offshore structure fabrication to gain industry knowledge of the oil and gas engineering, procurement and construction business. Central to this plan are the Group’s strong foundation in marine structures and the geographical proximity of the Group’s 52-acre fabrication yard to the heart of Sabah’s growing oil and gas activities. Upgrading of infrastructure is currently at advanced stage to expand the fabrication yard’s capabilities.

Given the encouraging signs of activity levels picking up in the offshore oil and gas industry regionally and globally, Coastal Group has modest optimism of clinching new contracts to add to its vessel sales order book (as evident in a recent announcement by the Group for new contract wins on 9 February 2011). The Group also expects the income stream from the ship chartering division to improve through continued utilisation of the Group’s fleet in coastal transportation and in various oil and gas support services. It is anticipated that future participation in the offshore structure fabrication business will be earnings-accretive and reduce the Group’s dependency on shipbuilding orders. The Group’s strong financial footing paired with low level of borrowings will further shield it from major financial distress.

Barring adverse changes in the global and regional economic outlook, Coastal Group expects a reasonably satisfactory financial performance for 2011, backed by the strong revenue visibility of the shipbuilding division’s vessel sales order book.

18 Explanatory Notes for Variance of Forecast and Profit Guarantee

The Company did not issue any profit forecast or profit guarantee and therefore, this note is not applicable.

19 Income Tax Expense

	Individual 3 months ended 31 December 2010 RM'000	Cumulative 12 months ended 31 December 2010 RM'000
Income tax expense comprises:		
Estimated tax payable	(453)	221
Foreign tax	(1)	51
Deferred tax charge / (reversal)	(245)	(981)
	(699)	(709)

The effective tax rates for the current quarter and the financial year-to-date were lower than the statutory tax rate in Malaysia due to the reversal of deferred tax relating to temporary differences as well as the different income tax rate applicable to subsidiaries of the Group in other jurisdictions.



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20 Retained Earnings

The retained earnings as at 31 December 2010 and 30 September 2010 are further analysed as follows:

	As at 31 December 2010 RM'000	As at 30 September 2010 RM'000
Total retained earnings of the Group:		
- Realised	608,793	555,237
- Unrealised	(4,257)	(6,580)
	<u>604,536</u>	<u>548,657</u>
Consolidation adjustments	(48,078)	(47,862)
Total Group retained earnings as per consolidated accounts	<u>556,458</u>	<u>500,795</u>

21 Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

22 Purchase or Disposal of Quoted Securities

There was no purchase or sale of quoted securities for the current quarter and financial year-to-date. In addition, the Group did not own any quoted security as at the end of the reporting period.

23 Status of Corporate Proposals

There are no corporate proposals announced but not completed as at 23 February 2011.

24 Group Borrowings and Debt Securities

The Group's borrowings as at the end of the quarter were as follows:

	As at 31 December 2010 RM'000
Secured	
Short term	36,332
Long term	14,747
Total	<u>51,079</u>

All the borrowings are denominated in Ringgit Malaysia.

The debt-equity ratio of the Group has reduced to 0.085 from last quarter's 0.120. The reduction was mainly due to repayment of short term borrowings and significantly lower utilisation of credit facilities. Internally generated funds derived from operations were utilised to sustain the Group's working capital requirements during the quarter under review.

With renewed domestic and regional demand from oil and gas and related services as well as commodity transportation sectors, the Group will continue to strategically invest both internal and external funds into its vessel building programme intended for eventual sale and also for its fleet development for charter purposes.

The current gearing is within management comfort level.



COASTAL CONTRACTS BHD (Company No. 517649-A)

25 Financial Instruments

(a) Derivatives

There were no outstanding derivatives as at 31 December 2010.

(b) Gains or Losses Arising from Fair Value Changes of Financial Liabilities

As the Group did not have any financial liabilities measured at fair value through profit or loss, there were no gains or losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

26 Material Litigation

As announced on 19 May 2009, 29 January 2010, 19 March 2010 and 13 May 2010, the Company's wholly-owned subsidiary, Thamas Marine Ltd ("TML"), a party to a Memorandum of Agreement ("MOA") with Scorpio Logistics Pte Ltd (as subsequently assigned to Zeus Logistics Company Limited) ("Buyer") relating to the sale of one unit flat top barge ("Vessel"), had on 6 May 2009 received a notice from the Buyer to refer a dispute to arbitration. The arbitration proceedings was instigated following a dispute over an allegation by the Buyer that the Vessel was not in conformance with a certain specification. The Buyer claims for the sum of USD722,164, interest, cost and such further and other relief as may be appropriate or just. This case is still pending before the Arbitral Tribunal.

The Group is not engaged in other material litigation and is not aware of any proceedings which materially affect the position or business of the Group as at 23 February 2011.

27 Dividend Payable

No interim dividend has been declared for the current quarter ended 31 December 2010.

28 Earnings Per Share

Basic earnings per share attributable to equity holders of the Company

Basic earnings per share of the Group is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual 3 months ended 31 December 2010	Cumulative 12 months ended 31 December 2010
<i>Basic earnings per share</i>		
Profit attributable to equity holders of the Company (RM'000)	55,663	200,878
Weighted average number of ordinary shares in issue ('000)	362,452	362,401
Basic earnings per share (sen)	15.36	55.43

As at the end of the quarter, there was only one class of shares in issue and they rank pari passu with each other.

29 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 23 February 2011.