COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 30.06.2013 RM'000 (unaudited)	3 months ended 30.06.2012 RM'000 (unaudited)	6 months ended 30.06.2013 RM'000 (unaudited)	6 months ended 30.06.2012 RM'000 (unaudited)
Revenue	8	143,044	160,736	311,928	393,585
Cost of sales and services		(109,060)	(131,998)	(244,879)	(332,366)
Gross profit		33,984	28,738	67,049	61,219
Other income		1,126	3,646	2,271	6,030
Administrative expenses		(2,876)	(2,208)	(5,800)	(4,804)
Other expenses		(105)	(358)	(300)	(2,272)
Finance costs		(32)	(34)	(65)	(69)
Profit before tax	8, 18	32,097	29,784	63,155	60,104
Income tax expense	19	(64)	(870)	(17)	(431)
Profit for the period		32,033	28,914	63,138	59,673
Attributable to:					
Owners of the parent		32,033	28,914	63,138	59,673
Earnings per share attributable to owners of the parent:					
- basic (sen)	26	6.63	5.98	13.07	12.35
- diluted (sen)	26	6.63	5.98	13.07	12.35

The above Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

		INDIVIDUAL		**CUMULATIVE**	
	Note	3 months ended 30.06.2013 RM'000 (unaudited)	3 months ended 30.06.2012 RM'000 (unaudited)	6 months ended 30.06.2013 RM'000 (unaudited)	6 months ended 30.06.2012 RM'000 (unaudited)
Profit for the period		32,033	28,914	63,138	59,673
Other comprehensive income / (loss):					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences arising from consolidation	14(a)	15,148	23,228	22,535	3,070
Net loss on available-for-sale financial assets		(21)	-	(28)	-
Total comprehensive income for the period		47,160	52,142	85,645	62,743
Attributable to:					
Owners of the parent		47,160	52,142	85,645	62,743

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 2012 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	As at 30.06.2013 RM'000 (unaudited)	As at 31.12.2012 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		77,871	74,861
Investment properties		3,978	4,019
Intangible asset		5,884	5,884
Investment securities	14(b)	322	365
Deferred tax assets		425	371
Other receivable		187	962
		88,667	86,462
Current assets			
Inventories	14(c)	1,001,435	801,466
Trade receivables	14(d)	11,796	12,930
Other receivables	14(e)	86,212	50,997
Tax recoverable		796	570
Cash and bank balances		291,928	208,322
		1,392,167	1,074,285
TOTAL ASSETS	8	1,480,834	1,160,747
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		96,654	96,654
Treasury shares		(344)	(303)
Currency translation reserve		18,488	(4,047)
Fair value adjustment reserve		-	28
Warrant reserve		25,269	25,269
Retained earnings	20	767,460	717,849
Total equity		907,527	835,450
Non-current liabilities			
Borrowings	22	5,859	7,519
Deferred tax liabilities		3,337	3,558
		9,196	11,077
Current liabilities			
Borrowings	22	3,567	4,018
Trade payables		41,582	18,223
Other payables	14(f)	518,526	291,692
Income tax payable		436	287
		564,111	314,220
Total liabilities	8	573,307	325,297
TOTAL EQUITY AND LIABILITIES		1,480,834	1,160,747
Net assets per share (RM)		1.8785	1.7293

The above Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	Note	Attributable to owners of the parent						
		Non distributable					Distributable	
		Share capital	Treasury shares	Currency translation reserve	Fair value adjustment reserve	Warrant reserve	Retained earnings	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 30 June 2012 (unaudited)								
Balance at 1 January 2012		96,654	(82)	17,711	-	25,269	630,881	770,433
Purchase of treasury shares		-	(129)	-	-	-	-	(129)
Total comprehensive income for the period		-	-	3,070	-	-	59,673	62,743
Interim dividend for the financial year ended 31 December 2011		-	-	-	-	-	(18,362)	(18,362)
Balance at 30 June 2012		96,654	(211)	20,781	-	25,269	672,192	814,685
6 months ended 30 June 2013 (unaudited)								
Balance at 1 January 2013		96,654	(303)	(4,047)	28	25,269	717,849	835,450
Purchase of treasury shares	6	-	(41)	-	-	-	-	(41)
Total comprehensive income / (loss) for the period		-	-	22,535	(28)	-	63,138	85,645
Interim dividend for the financial year ended 31 December 2012	7	-	-	-	-	-	(13,527)	(13,527)
Balance at 30 June 2013		96,654	(344)	18,488	-	25,269	767,460	907,527

The above Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	CUMULATIVE	
	6 months ended 30.06.2013 RM'000 (unaudited)	6 months ended 30.06.2012 RM'000 (unaudited)
Operating Activities		
Profit before tax	63,155	60,104
Adjustments for non-cash items	2,858	3,328
Operating cash flows before changes in working capital	66,013	63,432
Changes in working capital:		
(Increase) / Decrease in inventories	(171,018)	116,207
(Increase) / Decrease in receivables	(29,288)	39,717
Increase / (Decrease) in payables	232,908	(188,502)
Cash flows from operations	98,615	30,854
Interest paid	(287)	(558)
Income tax paid	(373)	(95)
Net cash flows from operating activities	97,955	30,201
Investing Activities		
Interest received	281	244
Proceeds from disposal of property, plant and equipment	7	3,426
Purchase of property, plant and equipment	(6,180)	(405)
Net cash flows (used in) / from investing activities	(5,892)	3,265
Financing Activities		
Purchase of treasury shares	(41)	(129)
Dividends paid on ordinary shares	(13,527)	(18,362)
Proceeds from borrowings	-	38,476
Repayment of borrowings	(2,118)	(32,948)
Net cash flows used in financing activities	(15,686)	(12,963)
NET INCREASE IN CASH AND CASH EQUIVALENTS	76,377	20,503
Effect of foreign exchange rate changes	7,229	(450)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	208,322	150,000
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	291,928	170,053

* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	251,873	89,868
Cash and bank balances	40,055	80,185
Cash and cash equivalents at end of financial period	291,928	170,053

Subsequent to 30 June 2013, RM91.7 million of fixed deposits were utilised for payment to contractors and suppliers.

The above Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

Explanatory Notes
FOR THE QUARTER ENDED 30 JUNE 2013

1 **Basis of Preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared under the historical cost convention except for certain financial assets that are stated at fair value.

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The explanatory notes attached to these condensed consolidated 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 financial year ended 31 December 2012.

2 **Changes in Accounting Policies and Effects Arising from Adoption of New and Revised MFRSs**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2012 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") and Interpretation, and amendments to certain MFRSs and Interpretation where applicable to the Group's financial period beginning 1 January 2013:

MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits*
MFRS 127 *Separate Financial Statements*
MFRS 128 *Investments in Associates and Joint Ventures*
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans*
Amendments to MFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

The adoption of the abovementioned MFRSs, Interpretation, Amendments to MFRS and Interpretation, where applicable, will have no material impact on the financial statements of the Group except for the following:

Amendments to MFRS 101 *Presentation of Financial Statements* (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

3 **Seasonal or Cyclical Factors**

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

4 **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.

5 **Change in Accounting Estimate**

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

6 **Debt and Equity Securities**

For the period ended 30 June 2013, 20,000 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM2.02 per share. The total consideration paid for the repurchase including transaction costs amounted to RM40,494 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 June 2013, the total number of treasury shares held was 170,000 ordinary shares of RM0.20 each.

Save as disclosed above, there were no other issue, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

7 **Dividend Paid**

The following dividend was paid during the financial year-to-date:

	RM'000
Second interim tax exempt dividend of 14% equivalent to 2.8 sen per ordinary share paid on 28 March 2013 for the financial year ended 31 December 2012	13,527

8 **Segment Information**

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
3 months ended 30 June 2013				
Revenue				
External revenue	137,214	5,830	-	143,044
Inter-segment revenue	5,841	1,614	(7,455)	-
Total revenue	143,055	7,444	(7,455)	143,044
Results				
Profit before tax	29,545	2,552	-	32,097
6 months ended 30 June 2013				
Revenue				
External revenue	301,850	10,078	-	311,928
Inter-segment revenue	5,877	3,523	(9,400)	-
Total revenue	307,727	13,601	(9,400)	311,928
Results				
Profit before tax	58,799	4,356	-	63,155

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
Total Assets				
30 June 2013	1,428,567	52,267	-	1,480,834
31 December 2012	1,108,192	52,555	-	1,160,747
Total Liabilities				
30 June 2013	565,511	7,796	-	573,307
31 December 2012	316,265	9,032	-	325,297

9 **Subsequent Event**

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

10 **Changes in the Composition of the Group**

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

11 **Contingent Liabilities and Contingent Assets**

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	251,554

As at 30 June 2013, the Company is contingently liable for RM6,483,000 of banking facilities utilised by its subsidiaries.

12 **Capital Commitments**

There was no material capital commitment as at the end of the current quarter.

13 **Related Party Transactions**

	Individual 3 months ended 30 June 2013 RM'000	Cumulative 6 months ended 30 June 2013 RM'000
Transactions with a company in which certain Directors of the Company have financial interests:		
- Top Pride Sdn. Bhd.		
Rent of premises	3	5
Transactions with a person connected with certain Directors of the Company:		
- Ng Lai Whoon		
Rent of premises	5	10
Transactions with a Director of the Company:		
- Ng Chin Shin		
Rent of premises	5	10

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.

14 **Detailed Analysis of Performance**

Coastal Group achieved RM32.0 million in net profit for the second quarter ended 30 June 2013, a 11% increase year-on-year from RM28.9 million. Quarter-on-quarter, the Group reported a 3% surge in net profit from RM31.1 million.

Current quarter’s net profit was increased despite a 11% and 15% drop in revenue to RM143.0 million from 2Q2012's RM160.7 million and 1Q2013’s RM168.9 million, respectively.

Shipbuilding and Shiprepair Division

Revenue generated from this division in the current quarter stood at RM137.2 million, 14% lower compared with RM159.1 million recorded in 2Q2012. Against 1Q2013, revenue has fallen 17% from RM164.6 million. In spite of this sequential decline, the division contributed earnings before tax that is almost on par with 1Q2013. A total of 3 units of vessels were delivered in the current quarter (2Q2012: 5 units; 1Q2013: 4 units).

The division's profit margin before tax for 2Q2013 of 22% (RM29.5 million) was greater than the 19% (RM30.8 million) achieved in 2Q2012 as well as 18% (RM29.3 million) posted last quarter. The improved performance was vastly driven by higher margins derived from the sale of vessels .

Vessel Chartering Division

In the current quarter under review, the division's revenue has jumped over 3.6 times to RM5.8 million from 2Q2012's RM1.6 million. This was mainly attributed to income earned from the charter of offshore support vessels of which the contracts were started in the second half of 2012. Against 1Q2013, this represented a jump of 38% from RM4.2 million, owing to higher tonnage transported.

The division registered a profit margin before tax of 44% (RM2.6 million) in 2Q2013, which was comparable to the 42% (RM1.8 million) recorded in 1Q2013. For 2Q2012, the division incurred a loss margin before tax of 64% (RM1.0 million in loss) as a result of the lower charter revenue and constant overhead costs.

(a) Currency translation differences arising from consolidation were a result of exchange differences arising on the translation of the financial statements of foreign operations.

(b) The Group's investment securities comprises available-for-sale investment in quoted shares.

(c) Included in inventories of the Group were finished goods of RM497.8 million (31 December 2012: RM327.4 million) and vessels work-in-progress of RM487.6 million (31 December 2012: RM461.9 million). For the current quarter under review and financial year-to-date, there were no provisions made for obsolete or slow-moving inventories or work-in-progress write-off.

(d) Out of the RM11.8 million of trade receivables as at 30 June 2013, RM6.5 million was subsequently received by the Group.

(e) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM64.9 million (31 December 2012: RM31.1 million) to secure the supply of input materials, equipment and services intended for the Group’s rolling vessel building programme.

(f) Included in other payables were advance payments received from vessel buyers totalling RM507.6 million (31 December 2012: RM279.9 million), reflecting a solid vessel sales order book that will present the Group with progressive revenue and earnings until 2014.

15 **Material Change in Profit Before Tax**

The Group registered a fairly consistent profit before tax of RM32.1 million in 2Q2013, a marginal increase of 3% compared with RM31.1 million recorded in 1Q2013. The constant profit achieved despite lower revenue reported was due to higher margins derived from the sale of vessels by Shipbuilding Division as well as improved vessel utilisation for Chartering Division. Year-on-year, profit before tax was up by 8% from RM29.8 million owing to greater revenue contribution by Chartering Division.

16 **Prospects**

Global economic prospects for 2013 are more promising when compared to that in 2012, although the risks of uncertainties and vulnerabilities continue to persist. As for oil and gas sector, the management foreseen the medium to long term fundamentals remain favourable, underpinned by favourable oil prices and growing energy demand from developing economies. The global oil and gas upstream capex spending on exploration and production is expected to rise in 2013, compared with the lacklustre spending in 2012. In addition to the anticipated upbeat exploration and production activities, the demand for OSV is expected to grow, especially for more sophisticated OSV. This is given that current OSV fleet may not be capable in meeting current demand, due to charterers' increasingly demanding requirements and the push for younger and more environmentally-friendly vessels by regulators.

Moving forward, the Group will focus on building and selling more technologically advanced and deepwater-capable OSV that can withstand harsher environment. The management expects sustained recovery in the OSV market soon, especially for higher-end OSV.

Sustained high crude oil prices combined with offshore exploration success are contributing to rising for international jack-up drilling rigs in key markets, particularly in Southeast Asia, Middle East, Gulf of Mexico and North Sea. Current global jack-up rig utilisation rate is quite encouraging and the charter rate is recovering robustly, especially in US Gulf of Mexico. This will have positive spillover effects on charter rates in Southeast Asia. In addition, majority of the current global fleet was delivered in 1980s and the industry will soon face a significant challenge in replenishing its aging equipment. In view of the above, the management expects the jack-up rig market will witness high growth in the next few years.

17 **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.

18 **Profit Before Tax**

The following items have been included in arriving at profit before tax:

	Individual 3 months ended 30 June 2013 RM'000	Cumulative 6 months ended 30 June 2013 RM'000
Interest income	130	281
Other income	73	230
Depreciation and amortisation	1,879	3,672
Impairment loss on available-for-sale investment	14	14
Foreign exchange gain (net)	832	1,570

There were no impairment loss on receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and other exceptional items for the current quarter under review and financial year-to-date.

19 Income Tax Expense

	Individual 3 months ended 30 June 2013 RM'000	Cumulative 6 months ended 30 June 2013 RM'000
Income tax expense comprises:		
Current tax charge	3	293
Deferred tax charge / (reversal)	61	(276)
	64	17

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 different income tax rate applicable to subsidiaries of the Group in other jurisdictions.

20 Retained Earnings

The retained earnings as at 30 June 2013 and 31 December 2012 were further analysed as follows:

	As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
Total retained earnings of the Group:		
- Realised	823,344	774,077
- Unrealised	(1,094)	(1,890)
	822,250	772,187
Consolidation adjustments	(54,790)	(54,338)
Total Group retained earnings as per consolidated accounts	767,460	717,849

21 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 26 August 2013.

22 Group Borrowings and Debt Securities

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

	As at 30 June 2013 RM'000
Secured	
Short term	3,567
Long term	5,859
Total	9,426

All the borrowings are denominated in Ringgit Malaysia.

The debt-equity ratio of the Group has reduced to 0.010 from last quarter's 0.012. The reduction was mainly due to repayment of short term borrowings and 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.

The current gearing is within management comfort level.

23 **Financial Instruments**

(a) Derivatives

There were no outstanding derivatives as at 30 June 2013.

(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.

24 **Material Litigation**

As announced on 26 September 2012, the Company's wholly-owned subsidiary, Seri Modalwan Sdn Bhd ("SM"), had on 24 September 2012 received a Writ of Summons and Statement of Claim dated 20 September 2012 from a customer, namely PT Mainstream Indonesia ("PTMI") and its affiliate, Mainstream Venture Sdn Bhd ("collectively referred to as the Plaintiffs") pertaining to the loss of use and damage to PTMI's vessel while under repair at SM's premises. The Plaintiffs alleged that the damage to the subject vessel by fire was due to negligence of SM, which allegation was denied by SM. The Plaintiffs claim for the sum of RM7,927,314.46 being the cost of the subject vessel and the loss of income for the subject vessel from September 2011 to July 2012 and other relevant costs, interest, cost and such other relief as may be appropriate or just. As announced on 19 November 2012, SM had via its solicitors filed a Statement of Defence on 16 November 2012 in response to the Statement of Claim served by the Plaintiffs. Subsequently on 30 November 2012, the Plaintiffs served a Statement of Reply against SM. The trial of litigation proceedings has been fixed on 11 November 2013 and 12 November 2013 in the High Court at Sandakan. There is no further development on the above litigation proceedings as of to-date.

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 26 August 2013.

25 **Dividend Payable**

On 26 August 2013, the Directors declared a first interim tax exempt dividend of 15% equivalent to 3.0 sen per ordinary share in respect of the financial year ending 31 December 2013. This dividend will be payable on 27 September 2013 to depositors registered in the Records of Depositors at close of business on 11 September 2013. The dividend declared in the corresponding period of last year was 2.8 sen.

26 **Earnings Per Share**

Basic earnings per share attributable to owners of the parent

Basic earnings per share of the Group was calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Individual 3 months ended 30 June 2013	Cumulative 6 months ended 30 June 2013
Basic earnings per share		
Profit attributable to owners of the parent (RM'000)	32,033	63,138
Weighted average number of ordinary shares in issue ('000)	483,099	483,105
Basic earnings per share (sen)	6.63	13.07

Diluted earnings per share attributable to owners of the parent

For diluted earnings per share calculation, the weighted average number of ordinary shares in issue was adjusted to assume that the maximum number of new ordinary shares have been issued pursuant to the share options granted under the warrants ("Warrants"). The dilutive portion of the ordinary shares deemed issued pursuant to the Warrants are accounted for in the diluted earnings per share calculation. The Warrants will have a dilutive effect only when the average market price of ordinary shares of the Company during the period exceeds the exercise price of the options granted. As the average market price of ordinary shares during the period (RM2.07) was lower than the exercise price of the options (RM3.18), the options were not assumed to be exercised because they were antidilutive in the period.

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

27 **Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

28 **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 26 August 2013.