COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.12.2013 RM'000 (unaudited)	3 months ended 31.12.2012 RM'000 (unaudited)	12 months ended 31.12.2013 RM'000 (unaudited)	12 months ended 31.12.2012 RM'000 (audited)
Revenue	8	255,009	193,652	761,588	764,369
Cost of sales and services		(202,462)	(160,445)	(604,636)	(637,271)
Gross profit		52,547	33,207	156,952	127,098
Other income		3,956	1,705	11,918	6,941
Administrative expenses		(7,078)	(5,309)	(15,837)	(12,515)
Other expenses		(1,171)	(1,444)	(1,973)	(3,792)
Finance costs		(31)	(33)	(128)	(136)
Profit before tax	8, 18	48,223	28,126	150,932	117,596
Income tax expense	19	754	259	690	1,262
Profit for the period		48,977	28,385	151,622	118,858
Attributable to:					
Owners of the parent		48,977	28,385	151,622	118,858
Earnings per share attributable to owners of the parent:					
- basic (sen)	26	10.14	5.88	31.39	24.60
- diluted (sen)	26	10.07	5.88	31.39	24.60

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 31 DECEMBER 2013

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.12.2013 RM'000 (unaudited)	3 months ended 31.12.2012 RM'000 (unaudited)	12 months ended 31.12.2013 RM'000 (unaudited)	12 months ended 31.12.2012 RM'000 (audited)
Profit for the period		48,977	28,385	151,622	118,858
Other comprehensive income / (loss):					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences arising from consolidation	14(a)	4,804	(1,503)	49,307	(21,758)
Net gain/(loss) on available-for-sale financial assets		-	28	(28)	28
Total comprehensive income for the period		53,781	26,910	200,901	97,128
Attributable to:					
Owners of the parent		53,781	26,910	200,901	97,128

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 31 DECEMBER 2013

	Note	As at 31.12.2013 RM'000 (unaudited)	As at 31.12.2012 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		69,275	74,861
Investment properties		3,937	4,019
Intangible asset		5,884	5,884
Investment securities		-	365
Deferred tax assets		410	371
Trade receivable		10,102	-
Other receivable		-	962
		89,608	86,462
Current assets			
Inventories	14(b)	961,424	801,466
Trade receivables	14(c)	22,597	12,930
Other receivables	14(d)	155,862	50,997
Tax recoverable		968	570
Cash and bank balances		319,001	208,322
		1,459,852	1,074,285
TOTAL ASSETS	8	1,549,460	1,160,747
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		96,654	96,654
Treasury shares		(427)	(303)
Currency translation reserve		45,260	(4,047)
Fair value adjustment reserve		-	28
Warrant reserve		25,269	25,269
Retained earnings	20	841,452	717,849
Total equity		1,008,208	835,450
Non-current liabilities			
Borrowings	22	4,584	7,519
Deferred tax liabilities		2,457	3,558
		7,041	11,077
Current liabilities			
Borrowings	22	11,417	4,018
Trade payables		21,557	18,223
Other payables	14(e)	500,833	291,692
Income tax payable		404	287
		534,211	314,220
Total liabilities	8	541,252	325,297
TOTAL EQUITY AND LIABILITIES		1,549,460	1,160,747
Net assets per share (RM)		2.0871	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 31 DECEMBER 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
<u>12 months ended 31 December 2012 (audited)</u>								
Balance at 1 January 2012		96,654	(82)	17,711	-	25,269	630,880	770,432
Purchase of treasury shares		-	(221)	-	-	-	-	(221)
Total comprehensive (loss) / income for the period		-	-	(21,758)	28	-	118,858	97,128
Interim dividend for the financial year ended 31 December 2011		-	-	-	-	-	(18,362)	(18,362)
Interim dividend for the financial year ended 31 December 2012		-	-	-	-	-	(13,527)	(13,527)
Balance at 31 December 2012		96,654	(303)	(4,047)	28	25,269	717,849	835,450
<u>12 months ended 31 December 2013 (unaudited)</u>								
Balance at 1 January 2013		96,654	(303)	(4,047)	28	25,269	717,849	835,450
Purchase of treasury shares	6	-	(124)	-	-	-	-	(124)
Total comprehensive income / (loss) for the period		-	-	49,307	(28)	-	151,622	200,901
Interim dividend for the financial year ended 31 December 2012	7	-	-	-	-	-	(13,527)	(13,527)
Interim dividend for the financial year ended 31 December 2013	7	-	-	-	-	-	(14,492)	(14,492)
Balance at 31 December 2013		96,654	(427)	45,260	-	25,269	841,452	1,008,208

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 31 DECEMBER 2013

	CUMULATIVE	
	12 months ended 31.12.2013 RM'000 (unaudited)	12 months ended 31.12.2012 RM'000 (audited)
Operating Activities		
Profit before tax	150,932	117,596
Adjustments for non-cash items	2,910	4,243
Operating cash flows before changes in working capital	153,842	121,839
Changes in working capital:		
(Increase) / Decrease in inventories	(103,434)	3,322
Increase in receivables	(111,960)	(3,054)
Increase / (Decrease) in payables	180,800	(30,561)
Cash flows from operations	119,248	91,546
Interest paid	(508)	(969)
Income tax paid	(743)	(392)
Net cash flows from operating activities	117,997	90,185
Investing Activities		
Interest received	1,281	565
Proceeds from disposal of investment securities	152	-
Proceeds from disposal of property, plant and equipment	14,245	8,314
Purchase of property, plant and equipment	(12,266)	(936)
Net cash flows from investing activities	3,412	7,943
Financing Activities		
Purchase of treasury shares	(124)	(221)
Dividends paid on ordinary shares	(28,019)	(31,889)
Proceeds from borrowings	8,196	43,430
Repayment of borrowings	(4,066)	(47,605)
Net cash flows used in financing activities	(24,013)	(36,285)
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,396	61,843
Effect of foreign exchange rate changes	13,283	(3,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	208,322	150,000
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	319,001	208,322

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

Fixed deposits	258,721	146,872
Cash and bank balances	60,280	61,450
Cash and cash equivalents at end of financial period	319,001	208,322

Subsequent to 31 December 2013, RM120.2 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.

COASTAL CONTRACTS BHD (Company No. 517649-A)

Explanatory Notes
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 2013, 50,000 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM2.47 per share. The total consideration paid for the repurchase including transaction costs amounted to RM123,446 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 December 2013, the total number of treasury shares held was 200,000 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 **Dividends Paid**

The following dividends were 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
First interim tax exempt dividend of 15% equivalent to 3.0 sen per ordinary share paid on 27 September 2013 for the financial year ended 31 December 2013	14,492
	28,019

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
<u>3 months ended 31 December 2013</u>				
Revenue				
External revenue	253,391	1,618	-	255,009
Inter-segment revenue	901	2,528	(3,429)	-
Total revenue	254,292	4,146	(3,429)	255,009
Results				
Profit/(loss) before tax	49,834	(1,611)	-	48,223

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
12 months ended 31 December 2013				
Revenue				
External revenue	744,245	17,343	-	761,588
Inter-segment revenue	14,680	7,888	(22,568)	-
Total revenue	758,925	25,231	(22,568)	761,588
Results				
Profit before tax	146,912	4,020	-	150,932
Total Assets				
31 December 2013	1,491,257	58,203	-	1,549,460
31 December 2012	1,108,192	52,555	-	1,160,747
Total Liabilities				
31 December 2013	536,181	5,071	-	541,252
31 December 2012	316,265	9,032	-	325,297

9 Subsequent Event

As announced on 10 February 2014, Thaumas Marine Ltd., a wholly-owned subsidiary of the Company, has secured a charter contract for a Jack-Up Gas Compression Service Unit for an aggregate value of approximately RM1.24 billion from a group of Mexican companies.

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	258,339

As at 31 December 2013, the Company is contingently liable for RM25,951,000 of banking facilities utilised by its subsidiaries.

12 Capital Commitments

The amounts of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2013 are estimated as follows:

	RM'000
Approved and contracted for	629,813
Approved but not contracted for	72,061
	701,874

13 **Related Party Transactions**

	Individual 3 months ended 31 December 2013 RM'000	Cumulative 12 months ended 31 December 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	10
Transactions with a person connected with certain Directors of the Company:		
- Ng Lai Whoon		
Rent of premises	-	14
Transactions with a Director of the Company:		
- Ng Chin Shin		
Rent of premises	5	19

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 capped off the final three months of the financial year ended 31 December 2013 (4Q2013) strongly with a net profit of RM49.0 million on a new quarterly high revenue of RM255.0 million. This represented an increase of 24% and 31% respectively from last quarter's (3Q2013) net profit of RM39.5 million and revenue of RM194.7 million. Year-on-year (4Q2012), current quarter's net profit was up by 73% from RM28.4 million previously, while revenue soared 32% from RM193.7 million.

<u>*Shipbuilding and Shiprepair Division*</u>

The division booked higher revenue of RM253.4 million in 4Q2013 against RM189.0 million in 3Q2013 and RM190.4 million in 4Q2012, an increase of 34% and 33% respectively. The better showing was principally due to higher number of delivery of offshore support vessels, i.e. 5 units in contrast to 3 units in 3Q2013 and 4 units in 4Q2012.

The division registered a constant profit margin before tax of 20% (RM49.8 million) in 4Q2013 as compared to 3Q2013. Against 4Q2012, the profit margin before tax has risen by 5% from 15% (RM28.2 million) owing to higher margins derived from the sale of vessels.

<u>*Vessel Chartering Division*</u>

The division registered lower revenue of RM1.6 million in 4Q2013 compared to RM5.6 million recorded in 3Q2013 and RM3.3 million in 4Q2012, a decrease of 71% and 52% respectively. The poorer performance was principally due to lower fleet utilisation.

The division incurred a loss margin before tax of 100% (RM1.6 million in loss) in 4Q2013 as compared to the profit margin before tax of 23% (RM1.3 million) achieved in 3Q2013. The losses incurred were resulted by the underperformance of the division as well as lower gain on disposal of used vessels. For 4Q2012, the loss margin was lower at 3% (RM0.1 million in loss). The greater loss margin incurred as compared to 4Q2012 was attributable to lower revenue reported.

(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) Included in inventories of the Group were finished goods of RM391.3 million (31 December 2012: RM327.4 million) and vessels work-in-progress of RM560.0 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.

(c) Out of the RM22.6 million of short term trade receivables as at 31 December 2013, RM4.2 million was subsequently received by the Group.

(d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM135.0 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.

(e) Included in other payables were advance payments received from vessel buyers totalling RM487.7 million (31 December 2012: RM279.9 million), reflecting a strong 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 reported a profit before tax of RM48.2 million in 4Q2013, a 22% increase quarter-on-quarter from RM39.6 million on the back of higher number of offshore support vessels delivered by Shipbuilding Division. Against 4Q2012, profit before tax has jumped 72% from RM28.1 million owing to greater revenue contribution and higher operating margins by Shipbuilding Division.

16 Prospects

Seeing that the world economy is finally breaking free from a long and sluggish recovery after the global financial crisis, global economic prospects for 2014 is anticipated to be more favourable than that in 2013. For oil and gas industry, the overall prospect in 2014 is foreseen to be positive due to the expectations of an improving economy. World oil demand is expected to rise and so sustained high crude oil prices are to remain stable in 2014.

In relation to the depletion of shallow water fields, the Oil and Gas Industry is now driven into deep-water fields. Hence, more drilling and production activities are expected to be carried out in deeper water zones and this leads to the rise in demand of deep-water capable OSV, which are necessary to support such operations. In order to meet with increasingly challenging demand of the market, the Group will focus on building more technologically advanced and deep-water capable OSV with high specification which can work in harsh environments as the current available OSV fleet might no longer be suitable since the majority of offshore activities are now concentrated in the deeper water regions.

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.

The increasing demand of fossil fuels has eventually led to its rapid depletion and hence resulting in excess of demand over supply. To overcome this, Enhanced Oil Recovery (EOR) technology has been practised immensely since the past few years as it can ensure the optimum exploitation of oil resources and thus able to increase overall production while slowing down the depletion rate of oil resources. With the recent Jack-up Gas Compression Service Unit charter contract secured by the Group, the management is optimistic with the prospect of this market, particularly in the Gulf of Mexico and Southeast Asia.

Moving forward, the Group will continue to execute its expansion plan via a two-pronged approach, which is extending its participation in lucrative oil and gas upstream sector and scaling up its shipbuilding value chain.

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 31 December 2013 RM'000	Cumulative 12 months ended 31 December 2013 RM'000
Interest income	554	1,281
Other income	2,137	5,931
Depreciation and amortisation	1,781	7,395
Impairment loss on available-for-sale investment	-	71
Loss on disposal of available-for-sale investment	113	113
Foreign exchange gain (net)	208	3,016

There were no impairment loss on receivables, provision for and write off of inventories, gain or loss on disposal of 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 31 December 2013 RM'000	Cumulative 12 months ended 31 December 2013 RM'000
Income tax expense comprises:		
Current tax charge	41	450
Deferred tax charge / (reversal)	(795)	(1,140)
	(754)	(690)

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 31 December 2013 and 31 December 2012 were further analysed as follows:

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total retained earnings of the Group:		
- Realised	895,343	774,077
- Unrealised	(405)	(1,890)
	894,938	772,187
Consolidation adjustments	(53,486)	(54,338)
Total Group retained earnings as per consolidated accounts	841,452	717,849

21 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 25 February 2014.

22 Group Borrowings and Debt Securities

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

	As at 31 December 2013 RM'000
Secured	
Short term	11,417
Long term	4,584
Total	16,001

Apart from RM8.5 million of short term secured borrowings which are denominated in United States Dollar, all the other borrowings are denominated in Ringgit Malaysia.

The debt-equity ratio of the Group has increased to 0.016 from last quarter's 0.009. A moderate amount of external borrowings was 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 31 December 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. On 18 November 2013, SM received a correspondence from its solicitors informing that the trial of litigation proceedings between SM and the Plaintiffs has been finished on 13 November 2013. To-date, the case is still pending for Court Decision.

The Group is not engaged in other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 25 February 2014.

25 Dividend Payable

On 25 February 2014, the Directors declared a second interim tax exempt dividend of 17% equivalent to 3.4 sen per ordinary share in respect of the financial year ended 31 December 2013. This dividend will be payable on 28 March 2014 to depositors registered in the Records of Depositors at close of business on 13 March 2014. The dividend declared in the corresponding period of last year was 2.8 sen.

Inclusive of the first interim tax exempt dividend of 3.0 sen per ordinary share paid on 27 September 2013, the total tax exempt dividend distribution per ordinary share in respect of the financial year ended 31 December 2013 was 6.4 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 31 December 2013	Cumulative 12 months ended 31 December 2013
Basic earnings per share		
Profit attributable to owners of the parent (RM'000)	48,977	151,622
Weighted average number of ordinary shares in issue ('000)	483,069	483,091
Basic earnings per share (sen)	10.14	31.39

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.

	Individual 3 months ended 31 December 2013	Cumulative 12 months ended 31 December 2013
Diluted earnings per share		
Profit attributable to owners of the parent (RM'000)	48,977	151,622
Weighted average number of ordinary shares in issue ('000)	483,069	483,091
Effect of dilution of Warrants ('000)	3,349	-
Adjusted weighted average number of ordinary shares ('000)	486,418	483,091
Diluted earnings per share (sen)	10.07	31.39

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 25 February 2014.