



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.03.2014 RM'000 (unaudited)	3 months ended 31.03.2013 RM'000 (unaudited)	3 months ended 31.03.2014 RM'000 (unaudited)	3 months ended 31.03.2013 RM'000 (unaudited)
Revenue	8	224,701	168,884	224,701	168,884
Cost of sales and services		(172,186)	(135,819)	(172,186)	(135,819)
Gross profit		<u>52,515</u>	<u>33,065</u>	<u>52,515</u>	<u>33,065</u>
Other income		1,994	1,145	1,994	1,145
Administrative expenses		(3,481)	(2,924)	(3,481)	(2,924)
Other expenses		(1,259)	(195)	(1,259)	(195)
Finance costs		(31)	(33)	(31)	(33)
Profit before tax	8, 18	<u>49,738</u>	<u>31,058</u>	<u>49,738</u>	<u>31,058</u>
Income tax expense	19	(580)	47	(580)	47
Profit for the period		<u><u>49,158</u></u>	<u><u>31,105</u></u>	<u><u>49,158</u></u>	<u><u>31,105</u></u>
Attributable to: Owners of the Company		<u><u>49,158</u></u>	<u><u>31,105</u></u>	<u><u>49,158</u></u>	<u><u>31,105</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	26	10.09	6.44	10.09	6.44
- diluted (sen)	26	<u>9.76</u>	<u>6.44</u>	<u>9.76</u>	<u>6.44</u>

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	INDIVIDUAL		CUMULATIVE	
	3 months ended 31.03.2014 RM'000 (unaudited)	3 months ended 31.03.2013 RM'000 (unaudited)	3 months ended 31.03.2014 RM'000 (unaudited)	3 months ended 31.03.2013 RM'000 (unaudited)
Profit for the period	49,158	31,105	49,158	31,105
Other comprehensive (loss) / income:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Currency translation differences arising from consolidation	14(a) (2,685)	7,387	(2,685)	7,387
Net loss on available-for-sale financial assets	-	(7)	-	(7)
Total comprehensive income for the period	<u>46,473</u>	<u>38,485</u>	<u>46,473</u>	<u>38,485</u>
Attributable to:				
Owners of the Company	<u>46,473</u>	<u>38,485</u>	<u>46,473</u>	<u>38,485</u>

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 MARCH 2014

		As at 31.03.2014 RM'000 (unaudited)	As at 31.12.2013 RM'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		67,765	69,310
Investment properties		3,917	3,937
Intangible asset		5,884	5,884
Deferred tax assets		-	409
Trade receivable		9,454	10,102
		<u>87,020</u>	<u>89,642</u>
<b>Current assets</b>			
Inventories	14(b)	977,656	961,424
Trade receivables	14(c)	57,316	22,379
Other receivables	14(d)	195,275	156,080
Tax recoverable		766	968
Cash and bank balances		550,490	319,001
		<u>1,781,503</u>	<u>1,459,852</u>
<b>TOTAL ASSETS</b>	8	<u><u>1,868,523</u></u>	<u><u>1,549,494</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		106,319	96,654
Share premium		195,809	-
Treasury shares		(470)	(427)
Currency translation reserve		43,201	45,886
Warrants reserve		25,261	25,269
Retained earnings	20	873,719	840,986
<b>Total equity</b>		<u>1,243,839</u>	<u>1,008,368</u>
<b>Non-current liabilities</b>			
Borrowings	22	4,008	4,584
Deferred tax liabilities		1,758	2,331
		<u>5,766</u>	<u>6,915</u>
<b>Current liabilities</b>			
Borrowings	22	2,659	11,417
Trade payables		16,009	21,557
Other payables	14(e)	599,193	500,833
Income tax payable		1,057	404
		<u>618,918</u>	<u>534,211</u>
<b>Total liabilities</b>	8	<u>624,684</u>	<u>541,126</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,868,523</u></u>	<u><u>1,549,494</u></u>
Net assets per share (RM)		<u>2.3407</u>	<u>2.0874</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 2013 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

Note	Attributable to owners of the Company							
	Non-distributable						Distributable	Total
	Share capital	Share premium	Treasury shares	Currency translation reserve	Fair value adjustment reserve	Warrants reserve	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>3 months ended 31 March 2013 (unaudited)</b>								
<b>Balance at 1 January 2013</b>	96,654	-	(303)	(4,047)	28	25,269	717,849	835,450
Purchase of treasury shares	-	-	(41)	-	-	-	-	(41)
Total comprehensive income / (loss) for the period	-	-	-	7,387	(7)	-	31,105	38,485
Interim dividend for the financial year ended 31 December 2012	-	-	-	-	-	-	(13,527)	(13,527)
<b>Balance at 31 March 2013</b>	<b>96,654</b>	<b>-</b>	<b>(344)</b>	<b>3,340</b>	<b>21</b>	<b>25,269</b>	<b>735,427</b>	<b>860,367</b>
<b>3 months ended 31 March 2014 (unaudited)</b>								
<b>Balance at 1 January 2014</b>	96,654	-	(427)	45,886	-	25,269	840,986	1,008,368
Issuance of ordinary shares pursuant to:								
- conversion of warrants	6	4	68	-	-	(8)	-	64
- private placement	6	9,661	198,058	-	-	-	-	207,719
Share issuance expenses	-	(2,317)	-	-	-	-	-	(2,317)
Purchase of treasury shares	6	-	(43)	-	-	-	-	(43)
Total comprehensive (loss) / income for the period	-	-	-	(2,685)	-	-	49,158	46,473
Interim dividend for the financial year ended 31 December 2013	7	-	-	-	-	-	(16,425)	(16,425)
<b>Balance at 31 March 2014</b>	<b>106,319</b>	<b>195,809</b>	<b>(470)</b>	<b>43,201</b>	<b>-</b>	<b>25,261</b>	<b>873,719</b>	<b>1,243,839</b>

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 2013 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	<b>CUMULATIVE</b>	
	3 months ended 31.03.2014 RM'000 (unaudited)	3 months ended 31.03.2013 RM'000 (unaudited)
<b><u>Operating Activities</u></b>		
Profit before tax	49,738	31,058
Adjustments for non-cash items	1,686	1,503
Operating cash flows before changes in working capital	<u>51,424</u>	<u>32,561</u>
Changes in working capital:		
(Increase) / Decrease in inventories	(19,174)	36,763
Increase in receivables	(74,470)	(41,110)
Increase / (Decrease) in payables	<u>94,649</u>	<u>(83,521)</u>
Cash flows from / (used in) operations	52,429	(55,307)
Interest paid	(96)	(151)
Income tax refunded / (paid)	<u>111</u>	<u>(317)</u>
Net cash flows from / (used in) operating activities	<u><u>52,444</u></u>	<u><u>(55,775)</u></u>
<b><u>Investing Activities</u></b>		
Interest received	545	151
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment	<u>(176)</u>	<u>(160)</u>
Net cash flows from / (used in) investing activities	<u><u>369</u></u>	<u><u>(8)</u></u>
<b><u>Financing Activities</u></b>		
Purchase of treasury shares	(43)	(41)
Proceeds from issuance of ordinary shares	207,783	-
Share issuance expenses	(2,317)	-
Dividends paid on ordinary shares	(16,425)	(13,527)
Repayment of borrowings	<u>(9,395)</u>	<u>(1,059)</u>
Net cash flows from / (used in) financing activities	<u><u>179,603</u></u>	<u><u>(14,627)</u></u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	232,416	(70,410)
Effect of foreign exchange rate changes	(927)	1,363
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>319,001</u>	<u>208,322</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	<u><u>550,490</u></u>	<u><u>139,275</u></u>
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	497,221	86,554
Cash and bank balances	<u>53,269</u>	<u>52,721</u>
Cash and cash equivalents at end of financial period	<u><u>550,490</u></u>	<u><u>139,275</u></u>

Subsequent to 31 March 2014, RM71.8 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 2013 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 MARCH 2014

### **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 2013. 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 2013.

### **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 2013 except for the adoption of the following new Interpretation and amendments to certain Malaysian Financial Reporting Standards ("MFRSs") where applicable to the Group's financial period beginning 1 January 2014:

*Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities*

*Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities*

*Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets*

*Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting*

*IC Interpretation 21 Levies*

The adoption of the abovementioned Interpretation and Amendments to MFRSs, where applicable, will have no material impact on the financial statements of the Group.

### **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.



COASTAL CONTRACTS BHD (Company No. 517649-A)

## 6 Debt and Equity Securities

- (a) For the period ended 31 March 2014, the paid-up share capital of the Company was increased by RM9,665,367 by way of the issuance of:
- (i) 19,900 new ordinary shares of RM0.20 each pursuant to the conversion of 19,900 warrants; and
  - (ii) 48,306,933 new ordinary shares of RM0.20 each, representing approximately 10% of the issued and paid-up share capital of the Company, via private placement.
- (b) For the period ended 31 March 2014, 10,000 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM4.36 per share. The total consideration paid for the repurchase including transaction costs amounted to RM43,637 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 March 2014, the total number of treasury shares held was 210,000 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 17% equivalent to 3.4 sen per ordinary share paid on 28 March 2014 for the financial year ended 31 December 2013	16,425

## 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
<b><u>3 months ended 31 March 2014</u></b>				
<b>Revenue</b>				
External revenue	223,517	1,184	-	224,701
Inter-segment revenue	-	-	-	-
Total revenue	223,517	1,184	-	224,701
<b>Results</b>				
Profit/(loss) before tax	49,811	(73)	-	49,738
<b>Total Assets</b>				
31 March 2014	1,832,865	35,658	-	1,868,523
31 December 2013	1,491,256	58,238	-	1,549,494
<b>Total Liabilities</b>				
31 March 2014	620,674	4,010	-	624,684
31 December 2013	536,151	4,975	-	541,126



COASTAL CONTRACTS BHD (Company No. 517649-A)

**9 Subsequent Event**

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

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

- (a) The Company had on 19 March 2014 incorporated a wholly-owned subsidiary in the British Virgin Islands known as Coastal International Marine Inc. ("CIM"). The issued and paid-up capital of CIM is USD50,000. It is a company limited by shares and is registered under the BVI Business Companies Act 2004, Territory of the British Virgin Islands. The principal activities of CIM are sale of offshore support and marine transportation vessels, provision of vessel chartering and marine related services.
- (b) The Company had on 9 April 2014 incorporated a wholly-owned subsidiary in Labuan, Malaysia known as Coastal Offshore Venture Pte Ltd ("COV"). The issued and paid-up capital of COV is USD50,000. It is a company limited by shares and is registered under the Labuan Companies Act 1990, Labuan, Malaysia. The principal activities of COV are sale of offshore support and marine transportation vessels and provision of marine related services.

**11 Contingent Liabilities and Contingent Assets**

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	257,749

As at 31 March 2014, the Company is contingently liable for RM16,690,000 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 March 2014 are estimated as follows:

	RM'000
Approved and contracted for	602,566
Approved but not contracted for	71,841
	674,407

**13 Related Party Transactions**

	Individual 3 months ended 31 March 2014 RM'000	Cumulative 3 months ended 31 March 2014 RM'000
<i>Transactions with a company in which certain Directors of the Company have financial interests:</i>		
- Top Pride Sdn. Bhd.		
Rent of premises	2	2
<i>Transactions with a Director of the Company:</i>		
- Ng Chin Shin		
Rent of premises	5	5

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.





COASTAL CONTRACTS BHD (Company No. 517649-A)

#### 14 Detailed Analysis of Performance

Coastal Group's net profit for the current quarter ended 31 March 2014 of RM49.2 million was almost on par of that recorded in last quarter (4Q2013: RM49.0 million) despite a 12% decrease in revenue from RM255.0 million in 4Q2013 to RM224.7 million in 1Q2014. Against last year's first quarter (1Q2013), current quarter's net profit has risen by 58% from RM31.1 million, while revenue soared 33% from RM168.9 million.

##### Shipbuilding and Shiprepair Division

The division registered a slightly lower revenue of RM223.5 million in 1Q2014 as compared to the RM253.4 million recorded in 4Q2013 on the back of lower number of delivery of offshore support vessels. Year-on-year, revenue has jumped 36% from RM164.6 million due to greater number of vessel deliveries. Of the total 5 units of vessels delivered in 1Q2014 (4Q2013: 5 units; 1Q2013: 4 units), 3 units were offshore support vessels (4Q2013: 5 units; 1Q2013: 4 units).

The division's profit margin before tax for the current quarter of 22% (RM49.8 million) was greater than the 20% (RM49.8 million) and 18% (RM29.3 million) achieved in 4Q2013 and 1Q2013, respectively, owing to higher margins derived from the different vessel sales mix.

##### Vessel Chartering Division

The revenue generated from this division in 1Q2014 stood at RM1.2 million, eased by RM0.4 million (or 25%) from RM1.6 million in 4Q2013 and by RM3 million (or 71%) from RM4.2 million in 1Q2013, as a result of the lower fleet utilisation.

The division incurred a lower loss margin before tax of 6% (RM0.1 million in loss) in 1Q2014 as compared to the 100% (RM1.6 million in loss) posted in 4Q2013, on the back of lower administrative expenses incurred. For 1Q2013, the division generated a profit margin before tax of 42% (RM1.8 million). The loss margin incurred for 1Q2014 as compared to 1Q2013's profit margin 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 RM435.8 million (31 December 2013: RM391.3 million) and vessels work-in-progress of RM531.3 million (31 December 2013: RM560.0 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 RM57.3 million of short term trade receivables as at 31 March 2014, RM32.7 million was subsequently received by the Group.
- (d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM178.5 million (31 December 2013: RM137.4 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 RM579.5 million (31 December 2013: RM489.7 million), indicative of the Group's solid vessel sales order book that will last until 2015.

#### 15 Material Change in Profit Before Tax

The Group registered a fairly consistent profit before tax of RM49.7 million in 1Q2014, a slight 3% increase as compared to RM48.2 million recorded in 4Q2013. The constant profit achieved despite lower revenue reported was due to higher margins derived from the sale of high-end vessels. Year-on-year, profit before tax has edged up 60% from RM31.1 million owing to greater number of vessels deliveries 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 the 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 deep-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 environment as the current available OSV fleet might no longer be suitable since the majority of offshore activities is now concentrated in the deep-water regions.

Sustained high crude oil prices combined with offshore exploration success are contributing to rising demand 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 March 2014 RM'000	Cumulative 3 months ended 31 March 2014 RM'000
Interest income	545	545
Other income	1,204	1,204
Depreciation and amortisation	1,741	1,741
Foreign exchange loss (net)	1,014	1,014

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, impairment of assets, gain or loss on derivatives and other exceptional items for the current quarter under review and financial year-to-date.



COASTAL CONTRACTS BHD (Company No. 517649-A)

## 19 Income Tax Expense

	Individual 3 months ended 31 March 2014 RM'000	Cumulative 3 months ended 31 March 2014 RM'000
Income tax expense comprises:		
Current tax charge	745	745
Deferred tax charge / (reversal)	(165)	(165)
	580	580
	580	580

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 March 2014 and 31 December 2013 were further analysed as follows:

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained earnings of the Group:		
- Realised	928,766	895,343
- Unrealised	(609)	(271)
	928,157	895,072
Consolidation adjustments	(54,438)	(54,086)
Total Group retained earnings as per consolidated accounts	873,719	840,986

## 21 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 28 May 2014.

## 22 Group Borrowings and Debt Securities

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

	As at 31 March 2014 RM'000
Secured	
Short term	2,659
Long term	4,008
Total	6,667

All the borrowings were denominated in Ringgit Malaysia.

The debt-equity ratio of the Group has reduced to 0.005 from last quarter's 0.016. 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.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**23 Financial Instruments**

(a) Derivatives

There were no outstanding derivatives as at 31 March 2014.

(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 between SM and the Plaintiffs has been finished on 13 November 2013. On 4 March 2014, SM received a correspondence from its solicitors informing that the High Court at Sandakan had adjudged that the Plaintiffs' claims against SM be dismissed with costs of RM50,000 to SM. However, on 19 March 2014, the Plaintiffs had lodged an appeal to the Court of Appeal against the decision made. To-date, there is no further development on the above litigation proceedings.

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 28 May 2014.

**25 Dividend**

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 was paid 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 Company*

Basic earnings per share of the Group was calculated by dividing the profit for the period attributable to owners of the Company 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 March 2014	Cumulative 3 months ended 31 March 2014
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	49,158	49,158
Weighted average number of ordinary shares in issue ('000)	487,367	487,367
Basic earnings per share (sen)	10.09	10.09



COASTAL CONTRACTS BHD (Company No. 517649-A)

*Diluted earnings per share attributable to owners of the Company*

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 March 2014	Cumulative 3 months ended 31 March 2014
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	49,158	49,158
Weighted average number of ordinary shares in issue ('000)	487,367	487,367
Effect of dilution of Warrants ('000)	16,448	16,448
Adjusted weighted average number of ordinary shares ('000)	<u>503,815</u>	<u>503,815</u>
Diluted earnings per share (sen)	9.76	9.76

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 2013 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 28 May 2014.