



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 30.06.2014 RM'000 (unaudited)	3 months ended 30.06.2013 RM'000 (unaudited)	6 months ended 30.06.2014 RM'000 (unaudited)	6 months ended 30.06.2013 RM'000 (unaudited)
Revenue	8	242,365	143,044	467,066	311,928
Cost of sales and services		(192,564)	(109,060)	(364,750)	(244,879)
Gross profit		<u>49,801</u>	<u>33,984</u>	<u>102,316</u>	<u>67,049</u>
Other income		3,922	1,126	5,916	2,271
Administrative expenses		(3,410)	(2,876)	(6,891)	(5,800)
Other expenses		(1,064)	(105)	(2,323)	(300)
Finance costs		(29)	(32)	(60)	(65)
Profit before tax	8, 18	<u>49,220</u>	<u>32,097</u>	<u>98,958</u>	<u>63,155</u>
Income tax expense	19	(993)	(64)	(1,573)	(17)
Profit for the period		<u><u>48,227</u></u>	<u><u>32,033</u></u>	<u><u>97,385</u></u>	<u><u>63,138</u></u>
Attributable to: Owners of the Company		<u><u>48,227</u></u>	<u><u>32,033</u></u>	<u><u>97,385</u></u>	<u><u>63,138</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	26	9.08	6.63	19.11	13.07
- diluted (sen)	26	<u><u>8.72</u></u>	<u><u>6.63</u></u>	<u><u>18.42</u></u>	<u><u>13.07</u></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.



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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	INDIVIDUAL		CUMULATIVE	
	3 months ended 30.06.2014 RM'000 Note (unaudited)	3 months ended 30.06.2013 RM'000 (unaudited)	6 months ended 30.06.2014 RM'000 (unaudited)	6 months ended 30.06.2013 RM'000 (unaudited)
Profit for the period	48,227	32,033	97,385	63,138
Other comprehensive (loss) / income:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Currency translation differences arising from consolidation	14(a) (14,574)	15,148	(17,259)	22,535
Net loss on available-for-sale financial assets	-	(21)	-	(28)
Total comprehensive income for the period	<u>33,653</u>	<u>47,160</u>	<u>80,126</u>	<u>85,645</u>
Attributable to:				
Owners of the Company	<u>33,653</u>	<u>47,160</u>	<u>80,126</u>	<u>85,645</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 30 JUNE 2014

		As at 30.06.2014 RM'000 (unaudited)	As at 31.12.2013 RM'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		66,769	69,310
Investment properties		3,896	3,937
Intangible asset		5,884	5,884
Deferred tax assets		-	409
Trade receivable		8,682	10,102
		<u>85,231</u>	<u>89,642</u>
<b>Current assets</b>			
Inventories	14(b)	1,001,291	961,424
Trade receivables	14(c)	35,071	22,379
Other receivables	14(d)	241,974	156,080
Tax recoverable		365	968
Cash and bank balances		580,115	319,001
		<u>1,858,816</u>	<u>1,459,852</u>
<b>TOTAL ASSETS</b>	8	<u><u>1,944,047</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		195,811	-
Treasury shares		(470)	(427)
Currency translation reserve		28,627	45,886
Warrants reserve		25,261	25,269
Retained earnings	20	921,946	840,986
<b>Total equity</b>		<u>1,277,494</u>	<u>1,008,368</u>
<b>Non-current liabilities</b>			
Borrowings	22	3,837	4,584
Deferred tax liabilities		1,572	2,331
		<u>5,409</u>	<u>6,915</u>
<b>Current liabilities</b>			
Borrowings	22	2,007	11,417
Trade payables		57,903	21,557
Other payables	14(e)	599,443	500,833
Income tax payable		1,791	404
		<u>661,144</u>	<u>534,211</u>
<b>Total liabilities</b>	8	<u>666,553</u>	<u>541,126</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,944,047</u></u>	<u><u>1,549,494</u></u>
Net assets per share (RM)		<u>2.4041</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.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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>6 months ended 30 June 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	-	-	-	22,535	(28)	-	63,138	85,645
Interim dividend for the financial year ended 31 December 2012	-	-	-	-	-	-	(13,527)	(13,527)
<b>Balance at 30 June 2013</b>	<b>96,654</b>	<b>-</b>	<b>(344)</b>	<b>18,488</b>	<b>-</b>	<b>25,269</b>	<b>767,460</b>	<b>907,527</b>
<b>6 months ended 30 June 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(a) 4	69	-	-	-	(8)	-	65
- private placement	6(a) 9,661	198,059	-	-	-	-	-	207,720
Share issuance expenses	-	(2,317)	-	-	-	-	-	(2,317)
Purchase of treasury shares	6(b) -	-	(43)	-	-	-	-	(43)
Total comprehensive (loss) / income for the period	-	-	-	(17,259)	-	-	97,385	80,126
Interim dividend for the financial year ended 31 December 2013	7 -	-	-	-	-	-	(16,425)	(16,425)
<b>Balance at 30 June 2014</b>	<b>106,319</b>	<b>195,811</b>	<b>(470)</b>	<b>28,627</b>	<b>-</b>	<b>25,261</b>	<b>921,946</b>	<b>1,277,494</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.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<b>CUMULATIVE</b>	
	6 months ended 30.06.2014 RM'000 (unaudited)	6 months ended 30.06.2013 RM'000 (unaudited)
<b><u>Operating Activities</u></b>		
Profit before tax	98,958	63,155
Adjustments for non-cash items	1,344	2,858
Operating cash flows before changes in working capital	100,302	66,013
Changes in working capital:		
Increase in inventories	(58,585)	(171,018)
Increase in receivables	(102,358)	(29,288)
Increase in payables	147,104	232,908
Cash flows from operations	86,463	98,615
Interest paid	(157)	(287)
Income tax refunded / (paid)	72	(373)
Net cash flows from operating activities	86,378	97,955
<b><u>Investing Activities</u></b>		
Interest received	2,720	281
Proceeds from disposal of property, plant and equipment	-	7
Purchase of property, plant and equipment	(959)	(6,180)
Net cash flows from / (used in) investing activities	1,761	(5,892)
<b><u>Financing Activities</u></b>		
Purchase of treasury shares	(43)	(41)
Proceeds from issuance of ordinary shares	207,785	-
Share issuance expenses	(2,317)	-
Dividends paid on ordinary shares	(16,425)	(13,527)
Repayment of borrowings	(10,137)	(2,118)
Net cash flows from / (used in) financing activities	178,863	(15,686)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	267,002	76,377
Effect of foreign exchange rate changes	(5,888)	7,229
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	319,001	208,322
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	580,115	291,928
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	520,070	251,873
Cash and bank balances	60,045	40,055
Cash and cash equivalents at end of financial period	580,115	291,928

Subsequent to 30 June 2014, RM113.1 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.



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## **Explanatory Notes**

FOR THE QUARTER ENDED 30 JUNE 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.



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## 6 Debt and Equity Securities

- (a) For the period ended 30 June 2014, the paid-up share capital of the Company was increased by RM9,665,466 by way of the issuance of:
- (i) 20,399 new ordinary shares of RM0.20 each pursuant to the conversion of 20,399 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 30 June 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 30 June 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	<div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; margin: 0 auto;">16,425</div>

## 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 30 June 2014</u></b>				
<b><i>Revenue</i></b>				
External revenue	241,047	1,318	-	242,365
Inter-segment revenue	-	25	(25)	-
Total revenue	241,047	1,343	(25)	242,365
<b><i>Results</i></b>				
Profit/(loss) before tax	49,348	(128)	-	49,220
<b><u>6 months ended 30 June 2014</u></b>				
<b><i>Revenue</i></b>				
External revenue	464,564	2,502	-	467,066
Inter-segment revenue	-	25	(25)	-
Total revenue	464,564	2,527	(25)	467,066
<b><i>Results</i></b>				
Profit/(loss) before tax	99,159	(201)	-	98,958



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	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
<b>Total Assets</b>				
30 June 2014	1,902,017	42,030	-	1,944,047
31 December 2013	1,491,256	58,238	-	1,549,494
<b>Total Liabilities</b>				
30 June 2014	663,056	3,497	-	666,553
31 December 2013	536,151	4,975	-	541,126

#### 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	247,112

As at 30 June 2014, the Company is contingently liable for RM15,771,000 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 30 June 2014 are estimated as follows:

	RM'000
Approved and contracted for	524,517
Approved but not contracted for	70,642
	<u>595,159</u>





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### 13 Related Party Transactions

	Individual 3 months ended 30 June 2014 RM'000	Cumulative 6 months ended 30 June 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	3	5
<i>Transactions with a Director of the Company:</i>		
- 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

The Group's revenue for the 3 months ended 30 June 2014 (2Q2014) scaled up by 8% to RM242.4 million, against RM224.7 million reported in the preceding quarter (1Q2014). Year-on-year (2Q2013), the revenue has leaped 70% from RM143.0 million.

For the six-month period, Coastal Group's net profit rose 54% to RM97.4 million on the back of a 50% increase in revenue to RM467.1 million compared with a year earlier.

#### Shipbuilding and Shiprepair Division

Revenue generated from this division in 2Q2014 stood at RM241.0 million, 8% higher compared to RM223.5 million recorded in 1Q2014. Against 2Q2013, this represented a jump of 76% from RM137.2 million. The increase in revenue mainly due to higher number of offshore support vessels delivered in the current quarter. Of the total 6 units of vessels delivered in 2Q2014 (1Q2014: 5 units; 2Q2013: 3 units), 4 units were offshore support vessels (1Q2014: 3 units; 2Q2013: 3 units).

The division's profit margin before tax for the current quarter of 20% (RM49.3 million) was lower than the 22% recorded in both 1Q2014 (RM49.8 million) and 2Q2013 (RM29.5 million), owing to lower margins derived from the different vessel sales mix.

#### Vessel Chartering Division

The division's revenue of RM1.3 million in 2Q2014 was fairly consistent with the RM1.2 million reported in 1Q2014. Year-on-year, revenue has dropped by 78% from RM5.8 million, as a result of the reduction in fleet size and lower fleet utilisation.

The division incurred a greater loss margin before tax of 10% (RM0.1 million in loss) in 2Q2014 as compared to the 6% (RM0.1 million in loss) posted in 1Q2014, owing to foreign exchange loss arising from a weakened United States Dollar. For 2Q2013, the division generated a profit margin before tax of 44% (RM2.6 million). The loss margin incurred for 2Q2014 as compared to 2Q2013'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.



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- (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 RM552.7 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 RM35.1 million of short term trade receivables as at 30 June 2014, RM5.6 million was subsequently received by the Group.
- (d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM225.4 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 RM575.9 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 RM49.2 million in 2Q2014, a marginal decrease of 1% compared to RM49.7 million recorded in 1Q2014. The constant profit achieved despite higher revenue reported was due to lower operating margins derived by the Shipbuilding Division. Against 2Q2013, profit before tax has jumped over 53% from RM32.1 million on the back of greater revenue from higher number of vessels deliveries.

#### 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.



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**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 2014 RM'000	Cumulative 6 months ended 30 June 2014 RM'000
Interest income	2,175	2,720
Other income	1,639	2,843
Depreciation and amortisation	1,763	3,504
Foreign exchange loss (net)	956	1,970

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.

**19 Income Tax Expense**

	Individual 3 months ended 30 June 2014 RM'000	Cumulative 6 months ended 30 June 2014 RM'000
Income tax expense comprises:		
Current tax charge	1,178	1,923
Deferred tax charge / (reversal)	(185)	(350)
	993	1,573

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 2014 and 31 December 2013 were further analysed as follows:

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained earnings of the Group:		
- Realised	977,086	895,343
- Unrealised	(528)	(271)
	976,558	895,072
Consolidation adjustments	(54,612)	(54,086)
Total Group retained earnings as per consolidated accounts	921,946	840,986



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## 21 Status of Corporate Proposals

(a) There were no corporate proposals that have been announced but not completed as at 21 August 2014.

### (b) Status of Utilisation of Proceeds

The proceeds raised from the private placement were approved for the following activities and status on the fund utilised as at 21 August 2014 are summarised below:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation
*Working capital:				
- purchase of offshore support vessels	195,133	-	195,133	Within 24 months from March 2014
- other operational expenses, including utilities, staff salaries, marketing, administrative and other operating expenses	10,270	-	10,270	Within 24 months from March 2014
*Estimated expenses in relation to the Proposed Private Placement	2,317	2,317	-	Completed
Total	<u>207,720</u>	<u>2,317</u>	<u>205,403</u>	

\* The actual amount raised was RM207.7 million as compared to the initial announcement of RM184.0 million under the Minimum Scenario, and the surplus of RM23.7 million was proportionately added to the working capital and estimated expenses.

## 22 Group Borrowings and Debt Securities

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

	As at 30 June 2014 RM'000
Secured	
Short term	2,007
Long term	3,837
Total	<u>5,844</u>

All the borrowings were denominated in Ringgit Malaysia.

The debt-equity ratio of the Group was consistent with last quarter's 0.005. 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.



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**23 Financial Instruments**

(a) Derivatives

There were no outstanding derivatives as at 30 June 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 21 August 2014.

**25 Dividend Payable**

On 21 August 2014, the Directors declared a first interim single-tier dividend of 17% equivalent to 3.4 sen per ordinary share in respect of the financial year ending 31 December 2014. This dividend will be payable on 26 September 2014 to depositors registered in the Records of Depositors at close of business on 9 September 2014. The dividend declared in the corresponding period of last year was 3.0 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 30 June 2014	Cumulative 6 months ended 30 June 2014
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	48,227	97,385
Weighted average number of ordinary shares in issue ('000)	531,386	509,498
Basic earnings per share (sen)	9.08	19.11



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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 30 June 2014	Cumulative 6 months ended 30 June 2014
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	48,227	97,385
Weighted average number of ordinary shares in issue ('000)	531,386	509,498
Effect of dilution of Warrants ('000)	21,853	19,328
Adjusted weighted average number of ordinary shares ('000)	<u>553,239</u>	<u>528,826</u>
Diluted earnings per share (sen)	8.72	18.42

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 21 August 2014.