



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Note	INDIVIDUAL		PERIOD / YEAR ENDED	
		3 months ended 31.03.2016 RM'000 (unaudited)	3 months ended 31.03.2015 RM'000 (unaudited)	15 months ended 31.03.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
Revenue	8	198,702	350,952	1,808,540	877,211
Cost of sales and services		(165,070)	(285,354)	(1,655,631)	(682,333)
Gross profit		<u>33,632</u>	<u>65,598</u>	<u>152,909</u>	<u>194,878</u>
Other income		27,700	6,754	88,592	17,987
Administrative expenses		(12,446)	(4,593)	(35,163)	(19,328)
Other expenses		(25,504)	(1,515)	(40,592)	(2,539)
Finance costs		(4,813)	(28)	(9,560)	(119)
Profit before tax	8, 18	<u>18,569</u>	<u>66,216</u>	<u>156,186</u>	<u>190,879</u>
Income tax expense	19	(2,201)	(305)	(2,003)	(2,166)
Profit for the period		<u><u>16,368</u></u>	<u><u>65,911</u></u>	<u><u>154,183</u></u>	<u><u>188,713</u></u>
Attributable to: Owners of the Company		<u><u>16,368</u></u>	<u><u>65,911</u></u>	<u><u>154,183</u></u>	<u><u>188,713</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	3.08	12.41	29.04	36.26
- diluted (sen)	25	<u><u>3.06</u></u>	<u><u>12.41</u></u>	<u><u>28.94</u></u>	<u><u>35.11</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 2014 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 2016

	INDIVIDUAL		PERIOD / YEAR ENDED	
	3 months ended 31.03.2016 RM'000 (unaudited)	3 months ended 31.03.2015 RM'000 (unaudited)	15 months ended 31.03.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
Profit for the period	16,368	65,911	154,183	188,713
Other comprehensive income / (loss) :				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value gain on derivatives	13,214	-	11,974	-
- Transfer to profit or loss	(18,392)	-	(18,697)	-
Currency translation differences arising from consolidation	14(a) (138,183)	62,940	75,115	65,585
Total comprehensive (loss) / income for the period	<u>(126,993)</u>	<u>128,851</u>	<u>222,575</u>	<u>254,298</u>
Attributable to:				
Owners of the Company	<u>(126,993)</u>	<u>128,851</u>	<u>222,575</u>	<u>254,298</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 2014 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 2016

	As at 31.03.2016 RM'000 (unaudited)	As at 31.12.2014 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	716,061	188,387
Investment properties	3,753	3,855
Deferred tax assets	703	15
Trade and other receivables	18,504	8,094
	<u>739,021</u>	<u>200,351</u>
Current assets		
Inventories	14(b) 1,175,923	1,270,438
Trade receivables	14(c) 64,746	30,689
Other receivables	14(d) 134,129	116,536
Derivative financial instruments	14,791	-
Tax recoverable	300	323
Cash and short term deposits	400,580	469,690
	<u>1,790,469</u>	<u>1,887,676</u>
TOTAL ASSETS	8 <u>2,529,490</u>	<u>2,088,027</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	106,320	106,320
Share premium	195,820	195,820
Treasury shares	(2,664)	(1,251)
Share option reserve	7,969	-
Currency translation reserve	186,586	111,471
Cash flow hedge reserve	(6,723)	-
Warrants reserve	25,259	25,259
Retained earnings	20 1,102,342	989,566
Total equity	<u>1,614,909</u>	<u>1,427,185</u>
Non-current liabilities		
Borrowings	22 376,490	3,520
Deferred tax liabilities	439	1,357
	<u>376,929</u>	<u>4,877</u>
Current liabilities		
Borrowings	22 90,569	95,491
Trade payables	116,533	48,912
Other payables	14(e) 323,183	510,424
Derivative financial instruments	6,793	-
Income tax payable	574	1,138
	<u>537,652</u>	<u>655,965</u>
Total liabilities	8 <u>914,581</u>	<u>660,842</u>
TOTAL EQUITY AND LIABILITIES	<u>2,529,490</u>	<u>2,088,027</u>
Net assets per share (RM)	<u>3.0438</u>	<u>2.6867</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 2014 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 2016

	Attributable to owners of the Company								
	Non-distributable							Distributable	Total
	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Warrants reserve	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
12 months ended 31 December 2014 (audited)									
Balance at 1 January 2014	96,654	-	(427)	-	45,886	-	25,269	835,344	1,002,726
Issuance of ordinary shares pursuant to:									
- conversion of warrants	5	78	-	-	-	-	(10)	-	73
- private placement	9,661	198,059	-	-	-	-	-	-	207,720
Share issuance expenses	-	(2,317)	-	-	-	-	-	-	(2,317)
Purchase of treasury shares	-	-	(824)	-	-	-	-	-	(824)
Total comprehensive income for the period	-	-	-	-	65,585	-	-	188,713	254,298
Interim dividend for the financial year ended 31 December 2013	-	-	-	-	-	-	-	(16,425)	(16,425)
Interim dividend for the financial year ended 31 December 2014	-	-	-	-	-	-	-	(18,066)	(18,066)
Balance at 31 December 2014	106,320	195,820	(1,251)	-	111,471	-	25,259	989,566	1,427,185
15 months ended 31 March 2016 (unaudited)									
Balance at 1 January 2015	106,320	195,820	(1,251)	-	111,471	-	25,259	989,566	1,427,185
Purchase of treasury shares	6	-	(1,413)	-	-	-	-	-	(1,413)
Share options granted under ESOS	-	-	-	7,969	-	-	-	-	7,969
Total comprehensive income / (loss) for the period	-	-	-	-	75,115	(6,723)	-	154,183	222,575
Interim dividend for the financial year ended 31 December 2014	7	-	-	-	-	-	-	(20,184)	(20,184)
Interim dividends for the financial year ending 30 June 2016	7	-	-	-	-	-	-	(21,223)	(21,223)
Balance at 31 March 2016	106,320	195,820	(2,664)	7,969	186,586	(6,723)	25,259	1,102,342	1,614,909

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 2014 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 2016

	PERIOD / YEAR ENDED	
	15 months ended 31.03.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
<u>Operating Activities</u>		
Profit before tax	156,186	190,879
Adjustments for non-cash items	95,983	175
Operating cash flows before changes in working capital	252,169	191,054
Changes in working capital:		
Decrease / (increase) in inventories	103,142	(236,706)
Decrease in receivables	248,970	54,990
(Decrease) / increase in payables	(402,286)	1,377
Cash flows from operations	201,995	10,715
Interest paid	(10,510)	(393)
Income tax paid	(4,160)	(1,369)
Net cash flows from operating activities	187,325	8,953
<u>Investing Activities</u>		
Interest received	5,708	5,500
Placement in wholesale money market fund	-	(109,352)
Proceeds from withdrawal of wholesale money market fund	109,352	-
Income from wholesale money market fund	3,121	1,530
Proceeds from disposal of property, plant and equipment	77	5,006
Purchase of property, plant and equipment	(544,418)	(120,479)
Net cash flows used in investing activities	(426,160)	(217,795)
<u>Financing Activities</u>		
Purchase of treasury shares	(1,413)	(824)
Proceeds from issuance of ordinary shares	-	207,793
Share issuance expenses	-	(2,317)
Dividends paid on ordinary shares	(41,407)	(34,491)
Proceeds from borrowings	1,090,012	85,311
Repayment of borrowings	(732,861)	(2,879)
Net cash flows from financing activities	314,331	252,593
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,496	43,751
Effect of foreign exchange rate changes	(35,255)	(2,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	360,339	319,001
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	400,580	360,339

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

Fixed deposits	332,188	298,595
Cash and bank balances	68,392	61,744
Cash and cash equivalents at end of financial period	400,580	360,339

Subsequent to 31 March 2016, RM1.7 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 2014 and the accompanying explanatory notes attached to these interim financial statements.



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Explanatory Notes

FOR THE QUARTER ENDED 31 MARCH 2016

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 2014. 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 2014.

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 2014 except for the adoption of the following amendments and annual improvements to certain Malaysian Financial Reporting Standards ("MFRSs") where applicable to the Group's financial period beginning 1 January 2015:

Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of the abovementioned Amendments and Annual Improvements 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 volatile crude oil prices as well as the global and regional economic conditions. The demand for vessels and offshore assets for exploration and production as well as shiprepair and charter services are closely associated with the crude oil prices and 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 March 2016, 637,100 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM2.22 per share. The total consideration paid for the repurchase including transaction costs amounted to RM1,413,281 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 March 2016, the total number of treasury shares held was 1,037,100 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 single-tier dividend of 19% equivalent to 3.8 sen per ordinary share paid on 27 March 2015 for the financial year ended 31 December 2014	20,184
First interim single-tier dividend of 10% equivalent to 2.0 sen per ordinary share paid on 29 September 2015 for the financial period ending 30 June 2016	10,612
Second interim single-tier dividend of 10% equivalent to 2.0 sen per ordinary share paid on 28 March 2016 for the financial period ending 30 June 2016	10,611
	41,407
	41,407

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 March 2016</u>				
Revenue				
External revenue	171,174	27,528	-	198,702
Inter-segment revenue	12,369	-	(12,369)	-
Total revenue	183,543	27,528	(12,369)	198,702
Results				
Profit before tax	13,552	5,017	-	18,569
<u>15 months ended 31 March 2016</u>				
Revenue				
External revenue	1,768,456	40,084	-	1,808,540
Inter-segment revenue	834,172	5	(834,177)	-
Total revenue	2,602,628	40,089	(834,177)	1,808,540
Results				
Profit before tax	149,840	6,346	-	156,186
Total Assets				
31 March 2016	1,784,762	744,728	-	2,529,490
31 December 2014	2,059,965	28,062	-	2,088,027
Total Liabilities				
31 March 2016	458,090	456,491	-	914,581
31 December 2014	657,926	2,916	-	660,842

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.



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11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	<u>1,069,581</u>

As at 31 March 2016, the Company is contingently liable for RM472,378,000 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 31 March 2016 RM'000	Cumulative 15 months ended 31 March 2016 RM'000
<i>Transactions with a company in which certain Directors of the Company have financial interests:</i>		
- Rent of premises	3	14
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	4	24
<i>Transaction with a Director of the subsidiary:</i>		
- Purchase of motor vehicle	<u>450</u>	<u>450</u>

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 31 March 2016 scaled up by 14% to RM198.7 million, against RM173.6 million reported in the preceding quarter. However, against the corresponding period of last year, the Group's revenue was down by 43% from RM351.0 million.

Shipbuilding and Shiprepair Division

The revenue generated from this division in the current quarter stood at RM171.2 million, which was fairly consistent with the RM168.1 million posted in last quarter. Year-on-year, revenue has dropped by 51% from RM349.5 million. Only one vessel was delivered in the current quarter (4Q2015: 2 units; 1Q2015: 5 units).

The division registered a constant profit margin before tax of 8% (RM13.6 million) in the current quarter as compared to last quarter. Compared with last year's corresponding quarter, the profit margin has fallen 11% from 19% (RM65.6 million) as a result of the narrower margins derived from the sale of vessels and the share-based payment expenses recognised in the current quarter for share options granted to the employees and directors of this division.

Vessel Chartering Division

The division recorded a strong revenue of RM27.5 million in the current quarter under review, an increase of over 4 times quarter-on-quarter from RM5.6 million and 19 times year-on-year from RM1.4 million. The strong performance of the division was attributed to the bareboat charter income derived from the charter of Jack-Up Gas Compression Service Unit ("JUGCSU").

The division achieved a profit margin before tax of 18% (RM5.0 million) in the current quarter as compared to the loss margin before tax of 21% (RM1.2 million in loss) recorded in the preceding quarter owing to higher revenue contribution. Year-on-year, current quarter's profit margin before tax has fallen by 22% from 40% (RM0.6 million) as a result of the lower operating margin derived from the charter of JUGCSU and the share-based payment expenses on ESOS granted.



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- (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 RM365.3 million (31 December 2014: RM388.2 million) and vessels work-in-progress of RM793.7 million (31 December 2014: RM871.1 million). For the financial period-to-date, inventories were written-down by RM56.7 million.
- (c) Out of the RM64.7 million of short term trade receivables as at 31 March 2016, RM2.5 million was subsequently received by the Group.
- (d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM116.9 million (31 December 2014: RM100.1 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 RM264.4 million (31 December 2014: RM493.3 million), reflecting a vessel sales order book with deliveries through 2017.

15 **Material Change in Profit Before Tax**

The Group reported a profit before tax of RM18.6 million in the current quarter, a 46% increase quarter-on-quarter from RM12.7 million owing to the foreign exchange gain recognised in the current quarter as compared to the exchange loss posted in last quarter. Year-on-year, profit before tax was down by 72% from RM66.2 million. The poorer performance for the current quarter was principally due to lower revenue contribution from Shipbuilding Division on the back of lesser vessel deliveries as well as finance costs and share-based payment expenses recognised.

16 **Prospects**

Shale oil production from the United States at a breakneck pace coupled with supply glut in the oil and gas market has translated into plummeting global oil price in the recent months. Despite current signs of gloom, Coastal Group envisages the medium to long term fundamentals of Oil and Gas industry to remain positive given the hardly substitutable nature of oil and natural gas. In tandem with the rising population growth, motorization, emerging economies notably in China, India and Middle East as well as the development of rural areas in most countries, the demand for oil and gas would certainly move in an upward trend in the medium to long term which would in turn mask the near-term Oil and Gas production surplus and eventually the production-consumption balance could be achieved. In view of the above, oil prices are anticipated to normalize in the medium to long term as output adjusts to prevailing demand.

According to the recent provisional figures released by four of the world's six biggest oil firms, new reserves could only replenish two-thirds of the hydrocarbons extracted in 2014, implying the need for active involvement by the global oil majors in deep-water Oil and Gas drilling and exploration activities in consequence of shallow water fields' depletion. This phenomenon would subsequently trigger the demand surge for deep-water capable OSV in the medium to long run and hence, the OSV market is expected to stay firm in the long term.

Driven by the above factors, increasing demand of fossil fuels will eventually lead to its rapid depletion. 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 remains optimistic with the prospect of this market, particularly in the Gulf of Mexico and Southeast Asia. Coastal Group is determined to build up its expertise and global network in this market to procure opportunities that lie ahead.

Due to the current adverse market condition, Coastal Group has disposed its first Jack-up Drilling Rig to reduce the Group's exposure to a potential prolonged downturn in the drilling market while continue to defend its solid position in the offshore Oil and Gas market. As anemic performance in the drilling industry persists, the Group will put on hold its plan to venture into the drilling industry in the near term until the recovery of oil price. In any event, Coastal Group will leave itself well-positioned to riding out the downturn for future opportunities in the Oil and Gas market.

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 2016 RM'000	Cumulative 15 months ended 31 March 2016 RM'000
Interest income	928	5,956
Other income	728	6,849
Reversal of inventories written-down	76	76
Depreciation and amortisation	16,712	23,316
Impairment loss on receivables	-	903
Inventories written-down	-	56,683
Loss on derivative	477	3,976
Foreign exchange gain (net)	960	42,441

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

19 Income Tax Expense

	Individual 3 months ended 31 March 2016 RM'000	Cumulative 15 months ended 31 March 2016 RM'000
Income tax expense comprises:		
Current tax charge	2,611	3,608
Deferred tax charge / (reversal)	(410)	(1,605)
	<u>2,201</u>	<u>2,003</u>

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 2016 and 31 December 2014 were further analysed as follows:

	As at 31 March 2016 RM'000	As at 31 December 2014 RM'000
Total retained earnings of the Group:		
- Realised	1,255,770	1,048,848
- Unrealised	820	(599)
	<u>1,256,590</u>	<u>1,048,249</u>
Consolidation adjustments	(154,248)	(58,683)
Total Group retained earnings as per consolidated accounts	<u>1,102,342</u>	<u>989,566</u>

21 Status of Corporate Proposals

- (a) On 2 December 2015, the shareholders of the Company have approved the proposed Employees' Share Option Scheme ("ESOS") during the Company's Extraordinary General Meeting held on that day.

On 2 February 2016, the Company announced its effective date for the implementation of the ESOS, which is the date of full compliance of the ESOS in accordance with paragraph 6.43 of the Main Market Listing Requirements.

On 16 February 2016, the Company granted 47,618,000 options pursuant to the ESOS at an exercise price of RM1.40 per share to the eligible employees and Directors of the Company and its subsidiaries. As at 31 March 2016, no options pursuant to the ESOS has been exercised.

(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 25 May 2016 are summarised below:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation	
				Initial	Extended**
*Working capital:					
- purchase of offshore support vessels	195,133	24,331	170,802	Within 24 months from March 2014	Within 18 months from March 2016
- other operational expenses, including utilities, staff salaries, marketing, administrative and other operating expenses	10,270	8,580	1,690	Within 24 months from March 2014	Within 18 months from March 2016
*Estimated expenses in relation to the Proposed Private Placement	2,317	2,317	-	Completed	N/A
Total	207,720	35,228	172,492		

* 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.

** The Board wishes to announce that the Company has decided to extend the initial expected timeframe for the utilisation of its private placement proceeds by up to 18 months for those categories of expenditures that have yet to achieve full utilisation as at 25 February 2016, as shown in the table above.

In view of the unfavourable changes in market condition, the Company has reposition its business strategy by slowing down its expansion plan for shipbuilding. The Board is of the opinion that the extension of timeframe is in the best interest of the Group and will not have material adverse effect on the financial performance of the Group.

The extension of timeframe is not subject to the approval of any regulatory authorities in Malaysia or the shareholders of the Company. In addition, none of the Directors of the Company, substantial shareholders and persons connected to them, have any interest, direct or indirect, in the extension of timeframe.

22 Group Borrowings and Debt Securities

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

	As at 31 March 2016 RM'000
Short term	
Secured	59,353
Unsecured	<u>31,216</u>
	90,569
Long term	
Secured	376,490
Total	<u>467,059</u>

Apart from RM3.6 million of secured borrowings which are denominated in Ringgit Malaysia, all the other borrowings are denominated in United States Dollar.

The debt-equity ratio of the Group has reduced to 0.289 from last quarter's 0.321. The reduction was mainly due to repayment of short term unsecured borrowings. 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 Material Litigation

- (a) 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. The hearing of appeal had initially fixed on 4 August 2015 in the Court of Appeal at Kota Kinabalu, but subsequently, it was postponed to 18 May 2016. There is no further development on the above litigation proceedings as of to-date.
- (b) As announced on 9 October 2015, the Company's wholly-owned subsidiary, Thaumaz Marine Ltd ("TM"), a party to a shipbuilding contract ("SBC") with Yantai CIMC Raffles Offshore Limited ("Builder") and Dynamic Driller Limited ("Co-Builder"), has on the same date filed a Notice of Arbitration with the Singapore International Arbitration Centre against the Builder and Co-Builder to refer certain disputes to arbitration, thereby commencing arbitration proceedings against the same. The arbitration proceedings were commenced following disputes resulting from 1) the late delivery of 1 unit brand new JU 2000E F&G Design Jack-Up Drilling Rig ("Vessel") by the Builder and Co-Builder to TM, and 2) the non-conformities of the Vessel's parts and equipment against the Technical Specifications as agreed between the Parties. TM claims from the Builder and Co-Builder the liquidated damages of USD3,650,000 for the 73-days delay after the Cancellation Date in accordance to the terms and conditions of the SBC and USD2,000,000 being the damages incurred by TM as a result of the non-conformities of the Vessel's parts and equipment, specifically with regard to the Vessel's generators and cranes. TM is, as a result, claiming for the sum USD5,650,000 and applicable interest, any other damages as the arbitration tribunal deems fit and the costs of the arbitration. TM has on 4 March 2016 filed its Statement of Claim.

Subsequently on 11 April 2016, TM received the Statement of Defence and Counterclaim from the Builder and Co-Builder (collectively referred to as "the Respondents"). The Respondents are counter-claiming from TM 1) the sum of approximately USD2,516,843.43 arising from alleged Change Proposals and/or additional work carried out by the Respondents; 2) a declaration that TM is in breach of its obligation and/or duty of confidentiality arising from disclosures made to its parent company relating to the arbitration proceedings, and for damages payable to the Respondents for such alleged breach; 3) a declaration that TM has improperly, illegally and/or bad faith procured, induced, encouraged, abetted and/or conspired with one of the Respondents' former employees to leave the Respondents' employ and enter into a subsequent contract of employment with TM, and damages to be assessed for such alleged improper, illegal and/or bad faith conduct; 4) interest as applicable; and 5) such further and/or other relief or remedies as the Tribunal may deem fit and proper. TM has then on 25 April 2016 filed its Statement of Reply and Defence to Counterclaim to the Statement of Defence and Counterclaim from the Respondents. As of to-date, this case is still pending before the Arbitral Tribunal.

The Group is not engaged in other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 25 May 2016.

24 Dividend

On 25 February 2016, the Directors declared a second interim single-tier dividend of 10% equivalent to 2.0 sen per ordinary share in respect of the financial period ending 30 June 2016. This dividend was paid on 28 March 2016 to depositors registered in the Records of Depositors at close of business on 14 March 2016. The dividend declared in the corresponding period of last year was 3.8 sen.

Inclusive of the first interim single-tier dividend of 2.0 sen per ordinary share paid on 29 September 2015, the total single-tier dividend distribution per ordinary share in respect of the financial period ending 30 June 2016 was 4.0 sen.



25 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 2016	Cumulative 15 months ended 31 March 2016
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	16,368	154,183
Weighted average number of ordinary shares in issue ('000)	530,575	530,862
Basic earnings per share (sen)	3.08	29.04

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") and ESOS. The dilutive portion of the ordinary shares deemed issued pursuant to the Warrants and ESOS are accounted for in the diluted earnings per share calculation.

	Individual 3 months ended 31 March 2016	Cumulative 15 months ended 31 March 2016
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	16,368	154,183
Weighted average number of ordinary shares in issue ('000)	530,575	530,862
Effect of dilution of Warrants ('000)	-	-
Effect of dilution of ESOS ('000)	3,487	1,841
Adjusted weighted average number of ordinary shares ('000)	534,062	532,703
Diluted earnings per share (sen)	3.06	28.94

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

26 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 2014 was not subject to any qualification.

27 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 May 2016.

28 Change of Financial Year End

On 25 August 2015, the Board has approved to change the financial year end from 31 December to 30 June and the next audited financial statements shall be for a period of 18 months, made up from 1 January 2015 to 30 June 2016.