COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

		INDIVIDUAL		PERIOD / YEAR ENDED	
	Note	3 months ended 30.06.2016 RM'000 (unaudited)	3 months ended 30.06.2015 RM'000 (unaudited)	18 months ended 30.06.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
Revenue	8	200,839	164,014	2,009,379	877,211
Cost of sales and services		(168,519)	(132,638)	(1,824,150)	(682,333)
Gross profit		32,320	31,376	185,229	194,878
Other income		5,209	9,084	93,801	17,987
Administrative expenses		(8,510)	(4,158)	(43,673)	(19,328)
Other expenses		(7,159)	(1,657)	(47,751)	(2,539)
Finance costs		(5,041)	(28)	(14,601)	(119)
Profit before tax	8, 18	16,819	34,617	173,005	190,879
Income tax expense	19	(3,952)	209	(5,955)	(2,166)
Profit for the period		12,867	34,826	167,050	188,713
Attributable to:					
Owners of the Company		12,867	34,826	167,050	188,713
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	2.43	6.56	31.47	36.26
- diluted (sen)	25	2.40	6.56	31.22	35.11

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 30 JUNE 2016

	Note	INDIVIDUAL		PERIOD / YEAR ENDED	
		3 months ended 30.06.2016 RM'000 (unaudited)	3 months ended 30.06.2015 RM'000 (unaudited)	18 months ended 30.06.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
Profit for the period		12,867	34,826	167,050	188,713
Other comprehensive income / (loss) :					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge:					
- Fair value (loss) / gain on derivatives		(7,507)	-	4,467	-
- Transfer to profit or loss		6,083	-	(12,614)	-
Currency translation differences arising from consolidation	14(a)	41,791	16,972	116,906	65,585
Total comprehensive income for the period		53,234	51,798	275,809	254,298
Attributable to:					
Owners of the Company		53,234	51,798	275,809	254,298

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 30 JUNE 2016

	Note	As at 30.06.2016 RM'000 (unaudited)	As at 31.12.2014 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		719,835	188,387
Investment properties		3,732	3,855
Deferred tax assets		93	15
Trade and other receivables		17,770	8,094
		741,430	200,351
Current assets			
Inventories	14(b)	985,928	1,270,438
Trade receivables	14(c)	91,203	30,689
Other receivables	14(d)	245,012	116,536
Derivative financial instruments		9,359	-
Tax recoverable		374	323
Cash and short term deposits		529,362	469,690
		1,861,238	1,887,676
TOTAL ASSETS	8	2,602,668	2,088,027
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		11,460	-
Currency translation reserve		228,377	111,471
Cash flow hedge reserve		(8,147)	-
Warrants reserve		25,259	25,259
Retained earnings	20	1,115,232	989,566
Total equity		1,671,657	1,427,185
Non-current liabilities			
Borrowings	22	370,795	3,520
Deferred tax liabilities		463	1,357
		371,258	4,877
Current liabilities			
Borrowings	22	201,997	95,491
Trade payables		87,753	48,912
Other payables	14(e)	261,301	510,424
Derivative financial instruments		8,264	-
Income tax payable		438	1,138
		559,753	655,965
Total liabilities	8	931,011	660,842
TOTAL EQUITY AND LIABILITIES		2,602,668	2,088,027
Net assets per share (RM)		3.1507	2.6867

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 30 JUNE 2016

	Note	Attributable to owners of the Company								
		Non-distributable							Distributable	
		Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Warrants reserve	Retained earnings	Total
		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
18 months ended 30 June 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		-	-	-	11,460	-	-	-	23	11,483
Total comprehensive income / (loss) for the period		-	-	-	-	116,906	(8,147)	-	167,050	275,809
Interim dividend for the financial year ended 31 December 2014	7	-	-	-	-	-	-	-	(20,184)	(20,184)
Interim dividends for the financial year ended 30 June 2016	7	-	-	-	-	-	-	-	(21,223)	(21,223)
Balance at 30 June 2016		106,320	195,820	(2,664)	11,460	228,377	(8,147)	25,259	1,115,232	1,671,657

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 30 JUNE 2016

	PERIOD / YEAR ENDED	
	18 months ended 30.06.2016 RM'000 (unaudited)	12 months ended 31.12.2014 RM'000 (audited)
Operating Activities		
Profit before tax	173,005	190,879
Adjustments for non-cash items	125,187	175
Operating cash flows before changes in working capital	298,192	191,054
Changes in working capital:		
Decrease / (increase) in inventories	325,940	(236,706)
Decrease in receivables	112,351	54,990
(Decrease) / increase in payables	(504,447)	1,377
Cash flows from operations	232,036	10,715
Interest paid	(15,453)	(393)
Income tax paid	(7,696)	(1,369)
Net cash flows from operating activities	208,887	8,953
Investing Activities		
Interest received	5,402	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	(548,611)	(120,479)
Net cash flows used in investing activities	(430,659)	(217,795)
Financing Activities		
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	1,232,573	85,311
Repayment of borrowings	(781,384)	(2,879)
Net cash flows from financing activities	408,369	252,593
NET INCREASE IN CASH AND CASH EQUIVALENTS	186,597	43,751
Effect of foreign exchange rate changes	(17,574)	(2,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	360,339	319,001
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	529,362	360,339

* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	419,272	298,595
Cash and bank balances	110,090	61,744
Cash and cash equivalents at end of financial period	529,362	360,339

Subsequent to 30 June 2016, RM0.9 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.

Explanatory Notes
FOR THE QUARTER ENDED 30 JUNE 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 30 June 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 30 June 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 ended 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 ended 30 June 2016	10,611
	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
3 months ended 30 June 2016				
Revenue				
External revenue	164,257	36,582	-	200,839
Inter-segment revenue	1,997	-	(1,997)	-
Total revenue	166,254	36,582	(1,997)	200,839
Results				
Profit before tax	1,755	15,064	-	16,819
18 months ended 30 June 2016				
Revenue				
External revenue	1,932,713	76,666	-	2,009,379
Inter-segment revenue	836,169	5	(836,174)	-
Total revenue	2,768,882	76,671	(836,174)	2,009,379
Results				
Profit before tax	151,595	21,410	-	173,005
Total Assets				
30 June 2016	1,805,256	797,412	-	2,602,668
31 December 2014	2,059,965	28,062	-	2,088,027
Total Liabilities				
30 June 2016	476,203	454,808	-	931,011
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.

11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	1,103,627

As at 30 June 2016, the Company is contingently liable for RM581,382,000 of banking facilities utilised by its subsidiaries.

12 Capital Commitments

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

13 Related Party Transactions

	Individual 3 months ended 30 June 2016 RM'000	Cumulative 18 months ended 30 June 2016 RM'000
Transactions with a company in which certain Directors of the Company have financial interests:		
- Rent of premises	3	17
Transactions with a Director of the Company:		
- Rent of premises	5	29
Transaction with a Director of the subsidiary:		
- Purchase of motor vehicle	-	450

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 recorded a fairly consistent revenue of RM200.8 million in the current quarter ended 30 June 2016, a marginal increase of 1% as compared to the RM198.7 million reported in the preceding quarter. Year-on-year, the Group's revenue was up by 22% from RM164.0 million.

Shipbuilding and Shiprepair Division

The division generated a slightly lower revenue of RM164.3 million in the current quarter, a quarter-on-quarter decrease of 4% from RM171.2 million. Against last year's corresponding period, revenue was slightly increased by 2% from RM161.2 million. A total of 10 units of vessel were delivered in the current quarter (1Q2016: 1 unit; 2Q2015: 3 units).

The division's profit margin before tax for the current quarter of 1% (RM1.8 million) was lower than the 8% (RM13.6 million) recorded in last quarter, owing to lower margins derived from the different vessel sales mix and impairment loss on receivables. Compared with last year's corresponding quarter, the profit margin has fallen substantially from 20% (RM32.6 million) as a result of the narrower margins derived from the sale of vessels, impairment loss on receivables as well as 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 registered a greater revenue of RM36.6 million in the current quarter under review, an increase of 33% quarter-on-quarter from RM27.5 million. Against the corresponding quarter a year ago, the revenue has jumped over 13 times from RM2.8 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 greater profit margin before tax of 41% (RM15.1 million) in the current quarter as compared to the 18% (RM5.0 million) recorded in the preceding quarter owing to higher revenue contribution. Year-on-year, current quarter's profit margin before tax has fallen by 29% from 70% (RM2.0 million) as a result of the lower operating margin derived from the charter of JUGCSU.

(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 RM293.8 million (31 December 2014: RM388.2 million) and vessels work-in-progress of RM678.2 million (31 December 2014: RM871.1 million). For the financial period-to-date, inventories were written-down by RM57.6 million.

(c) Out of the RM91.2 million of short term trade receivables as at 30 June 2016, RM2.9 million was subsequently received by the Group.

(d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM205.4 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 RM196.9 million (31 December 2014: RM493.3 million).

15 **Material Change in Profit Before Tax**

The Group reported a profit before tax of RM16.8 million in the current quarter, a 10% decrease quarter-on-quarter from RM18.6 million owing to impairment of long outstanding receivables. Year-on-year, profit before tax was down by 51% from RM34.6 million. The decline in profit was attributed to the recognition of impairment loss on receivables and share-based payment expenses on share options granted under ESOS, as well as higher finance costs.

16 **Prospects**

Roiled by global economic turmoil, rampant oil supply and weak global oil demand have translated into the sensational drop in oil prices and increased flow of Iranian oil has further worsened the glut. However, the Management believes that low oil prices environment is not sustainable and key industry players foresee a more positive outlook in the longer term where oil prices are expected to pick up from 2018 to 2020, making it essential for the OSV market to gear up for this recovery and hence, the OSV market is expected to stay firm in the long term.

Additionally, given the scarcely substitutable nature of oil and natural gas, Coastal Group envisages the medium to long term fundamentals of Oil and Gas industry to remain positive. In accommodating sustaining demand for fossil fuels in the medium to long term, Enhanced Oil Recovery (EOR) technology has been practised immensely since the past few years to ensure optimum exploitation of oil resources. With the Jack-up Gas Compression Service Unit charter contract secured by the Group, which is currently in operation, the Group is able to effectively leverage its competitive advantage and strong foothold in this sector with promising prospects. Coastal Group is determined to build up its expertise and global network in this market to procure opportunities ahead.

At present, in line with the Group's strategy to reduce its risk exposure in the Oil and Gas upstream sector, it has recently ventured into the Liquefied Natural Gas ("LNG") supply chain. As part of the LNG supply chain, the Group will focus on the Floating Storage Regasification Unit ("FSRU") business moving forward. The move not only diverges the Group's risk profile from the Oil and Gas upstream sector, it also allows Coastal Group to diversify its earnings stream. Further, the widened geographical and product spread has magnified the Group's presence in the Oil and Gas industry.

Driven by the need to diversify energy mix and switch away from crude and coal to cleaner fuels such as gas, the projected soaring demand for LNG in some of the developing economies has transformed the LNG market into the current fastest growing market and has in turn popularized the use of FSRU as an ideal LNG transmission gateway given its excellence in terms of time and cost efficiency, flexibility and suitability for archipelagic region. Considering the facts, Coastal Group foresees high potential for development and exciting opportunities in the FSRU market.

Coastal Group remains optimistic toward surviving the transition by venturing into the Oil and Gas downstream sector and moving further up the value chain in terms of technology, technical knowledge and expertise in the downstream sector. Moving forward, the Group will maintain its diversified portfolio and sharpen its focus on the Oil and Gas downstream sector in pursuit of growth while enhancing its long term sustainability.

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 2016 RM'000	Cumulative 18 months ended 30 June 2016 RM'000
Interest income	2,396	8,352
Other income	865	7,714
Reversal of inventories written-down	336	412
Depreciation and amortisation	16,234	39,550
Impairment loss on receivables	7,066	7,969
Inventories written-down	912	57,595
Gain / (loss) on derivative	604	(3,372)
Foreign exchange gain (net)	932	43,373

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 30 June 2016 RM'000	Cumulative 18 months ended 30 June 2016 RM'000
Income tax expense comprises:		
Current tax charge	3,318	6,926
Deferred tax charge / (reversal)	634	(971)
	3,952	5,955

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 2016 and 31 December 2014 were further analysed as follows:

	As at 30 June 2016 RM'000	As at 31 December 2014 RM'000
Total retained earnings of the Group:		
- Realised	1,281,459	1,048,848
- Unrealised	547	(599)
	1,282,006	1,048,249
Consolidation adjustments	(166,774)	(58,683)
Total Group retained earnings as per consolidated accounts	1,115,232	989,566

21 Status of Corporate Proposals

(a) There were no corporate proposals that have been announced but not completed as at 29 August 2016.

(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 29 August 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	78,308	116,825	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	8,918	1,352	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	89,543	118,177		

* 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 addtion, 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 30 June 2016 RM'000
Short term	
Secured	60,895
Unsecured	141,102
	201,997
Long term	
Secured	370,795
Total	572,792

Apart from RM3.4 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 increased to 0.343 from last quarter's 0.289. Additional funds were drawn down from existing credit lines to finance the Group's working capital requirements during the quarter under review.

The current gearing is within management comfort level.

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. On 23 May 2016, SM received a correspondence from its solicitor informing that the Court of Appeal at Kota Kinabalu had adjudged that the Plaintiffs' claims against SM be dismissed with costs of RM20,000 paid to SM.

(b) As announced on 9 October 2015, the Company's wholly-owned subsidiary, Thaumas 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 29 August 2016.

24 **Dividend Payable**

On 29 August 2016, the Directors declared a third interim single-tier dividend of 5% equivalent to 1.0 sen per ordinary share in respect of the financial period ended 30 June 2016. This dividend will be payable on 28 September 2016 to depositors registered in the Records of Depositors at close of business on 15 September 2016. The dividend declared in the corresponding period of last year was 2.0 sen.

Inclusive of the first and second interim single-tier dividends of 2.0 sen per ordinary share each paid on 29 September 2015 and 28 March 2016, the total single-tier dividend distribution per ordinary share in respect of the financial period ended 30 June 2016 was 5.0 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 30 June 2016	Cumulative 18 months ended 30 June 2016
Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	12,867	167,050
Weighted average number of ordinary shares in issue ('000)	530,562	530,813
Basic earnings per share (sen)	2.43	31.47

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 30 June 2016	Cumulative 18 months ended 30 June 2016
Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	12,867	167,050
Weighted average number of ordinary shares in issue ('000)	530,562	530,813
Effect of dilution of Warrants ('000)	-	-
Effect of dilution of ESOS ('000)	4,870	4,222
Adjusted weighted average number of ordinary shares ('000)	535,432	535,035
Diluted earnings per share (sen)	2.40	31.22

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 29 August 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.