



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)
Revenue	8	61,227	37,126	61,227	37,126
Cost of sales and services		(38,990)	(20,585)	(38,990)	(20,585)
Gross profit		<u>22,237</u>	<u>16,541</u>	<u>22,237</u>	<u>16,541</u>
Other income		16,819	16,753	16,819	16,753
Administrative expenses		(4,381)	(5,754)	(4,381)	(5,754)
Other expenses		(3,823)	(2,293)	(3,823)	(2,293)
Finance costs		(3,507)	(4,121)	(3,507)	(4,121)
Profit before tax	8, 19	<u>27,345</u>	<u>21,126</u>	<u>27,345</u>	<u>21,126</u>
Income tax expense	20	(3,696)	(4,030)	(3,696)	(4,030)
Profit for the period		<u><u>23,649</u></u>	<u><u>17,096</u></u>	<u><u>23,649</u></u>	<u><u>17,096</u></u>
Attributable to:					
Owners of the Company		23,649	17,101	23,649	17,101
Non-controlling interests		-	(5)	-	(5)
		<u><u>23,649</u></u>	<u><u>17,096</u></u>	<u><u>23,649</u></u>	<u><u>17,096</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	4.48	3.24	4.48	3.24
- diluted (sen)	25	<u><u>4.48</u></u>	<u><u>3.24</u></u>	<u><u>4.48</u></u>	<u><u>3.24</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 30 June 2019 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 SEPTEMBER 2019

	INDIVIDUAL		CUMULATIVE	
	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)
Profit for the period	23,649	17,096	23,649	17,096
Other comprehensive (loss) / income:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value (loss) / gain on derivatives	(415)	86	(415)	86
Currency translation differences arising from consolidation	15(a) 6,635	17,566	6,635	17,566
Total comprehensive income for the period	<u>29,869</u>	<u>34,748</u>	<u>29,869</u>	<u>34,748</u>
Attributable to:				
Owners of the Company	29,869	34,744	29,869	34,744
Non-controlling interests	-	4	-	4
	<u>29,869</u>	<u>34,748</u>	<u>29,869</u>	<u>34,748</u>

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 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 SEPTEMBER 2019

	Note	As at 30.09.2019 RM'000 (unaudited)	As at 30.06.2019 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		691,387	701,984
Right-of-use assets		1,206	-
Investment properties		3,465	3,486
Investment securities	14	775	923
		<u>696,833</u>	<u>706,393</u>
Current assets			
Inventories	15(b)	244,167	252,123
Trade receivables	15(c)	90,011	88,936
Contract assets		-	559
Other receivables		105,163	93,507
Amount due from a joint venture		415	412
Short term investments	14	304,286	293,732
Derivative assets	14	364	773
Tax recoverable		69	264
Cash and bank balances		226,909	209,015
		<u>971,384</u>	<u>939,321</u>
TOTAL ASSETS	8	<u>1,668,217</u>	<u>1,645,714</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		302,519	302,519
Treasury shares		(7,045)	(7,045)
Share option reserve		28,485	28,336
Currency translation reserve		270,157	263,522
Cash flow hedge reserve		971	1,386
Retained earnings		611,954	588,144
Total equity		<u>1,207,041</u>	<u>1,176,862</u>
Non-current liabilities			
Borrowings	22	1,290	231,213
Lease liabilities		55	-
Deferred tax liabilities		567	523
		<u>1,912</u>	<u>231,736</u>
Current liabilities			
Borrowings	22	279,797	62,724
Lease liabilities		1,155	-
Trade payables		132,588	129,738
Contract liabilities		-	121
Other payables		45,437	44,318
Income tax payable		287	215
		<u>459,264</u>	<u>237,116</u>
Total liabilities	8	<u>461,176</u>	<u>468,852</u>
TOTAL EQUITY AND LIABILITIES		<u>1,668,217</u>	<u>1,645,714</u>
Net assets per share (RM)		<u>2.2874</u>	<u>2.2302</u>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 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 SEPTEMBER 2019

	Attributable to owners of the Company							Non-controlling interests	Equity, Total	
	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Retained earnings			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>3 months ended 30 September 2018 (unaudited)</u>										
Balance at 1 July 2018	106,320	195,820	(7,045)	24,095	247,781	5,622	572,733	1,145,326	121	1,145,447
Share options granted under ESOS	-	-	-	525	-	-	209	734	-	734
Total comprehensive income for the period	-	-	-	-	17,557	86	17,101	34,744	4	34,748
Balance at 30 September 2018	106,320	195,820	(7,045)	24,620	265,338	5,708	590,043	1,180,804	125	1,180,929
<u>3 months ended 30 September 2019 (unaudited)</u>										
Balance at 1 July 2019	302,519	-	(7,045)	28,336	263,522	1,386	588,144	1,176,862	-	1,176,862
Share options granted under ESOS	-	-	-	149	-	-	161	310	-	310
Total comprehensive income / (loss) for the period	-	-	-	-	6,635	(415)	23,649	29,869	-	29,869
Balance at 30 September 2019	302,519	-	(7,045)	28,485	270,157	971	611,954	1,207,041	-	1,207,041

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	CUMULATIVE	
	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)
<u>Operating Activities</u>		
Profit before tax	27,345	21,126
Adjustments for non-cash items	7,861	15,948
Operating cash flows before changes in working capital	35,206	37,074
Changes in working capital:		
Decrease / (increase) in inventories	13,036	(672)
Decrease in receivables	(8,993)	(10,457)
Increase / (decrease) in payables	1,631	(33,159)
Cash flows from / (used in) operations	40,880	(7,214)
Interest paid	(3,479)	(3,997)
Income tax paid	(3,388)	(4,130)
Net cash flows from / (used in) operating activities	34,013	(15,341)
<u>Investing Activities</u>		
Interest received	1,776	1,063
Net (purchase) / proceeds from disposal of short term investments	(9,926)	257
Income received from short term investments	1,883	1,094
Purchase of property, plant and equipment	(146)	(164)
Net cash flows (used in) / from investing activities	(6,413)	2,250
<u>Financing Activities</u>		
Payment of lease liabilities	(335)	-
Repayment of borrowings	(15,932)	(15,718)
Net cash flows used in financing activities	(16,267)	(15,718)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	11,333	(28,809)
Effect of foreign exchange rate changes	6,561	(2,066)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	209,015	282,291
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	226,909	251,416
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	168,762	167,278
Cash and bank balances	58,147	84,138
Cash and cash equivalents at end of financial period	226,909	251,416

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.



Explanatory Notes

FOR THE QUARTER ENDED 30 SEPTEMBER 2019

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 30 June 2019. 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 30 June 2019.

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 30 June 2019 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), Interpretation, amendments and annual improvements to certain MFRSs where applicable to the Group's financial period beginning 1 July 2019:

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9 Prepayment Features with Negative Compensation

Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRSs 2015 - 2017 Cycles

The adoption of the abovementioned new MFRSs, Interpretation, Amendments and Annual Improvements to MFRSs, where applicable, will have no material impact on the financial statements of the Group except as follows:

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces MFRS 117 *Leases* and the related interpretations. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise right-of-use assets of the underlying assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

As permitted by the transitional provisions of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative amounts. The financial impacts upon the adoption of MFRS 16 are summarised below:

	RM'000
<u><i>Statement of Financial Position</i></u>	
Decrease in property, plant and equipment	(69)
Increase in right-of-use assets	1,398
Increase in lease liabilities	1,402
Decrease in borrowings	<u>(73)</u>

**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

There were no issue, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

As at 30 September 2019, the total number of treasury shares held was 4,196,800 ordinary shares.

7 Dividend Paid

No dividend was paid in the current quarter under review.

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 30 September 2019</u>				
<i>Revenue</i>				
External revenue	19,152	42,075	-	61,227
Inter-segment revenue	41	-	(41)	-
Total revenue	19,193	42,075	(41)	61,227
<i>Results</i>				
Profit before tax	5,248	22,097	-	27,345
Total Assets				
30 September 2019	771,631	896,586	-	1,668,217
30 June 2019	753,762	891,952	-	1,645,714
Total Liabilities				
30 September 2019	168,541	292,635	-	461,176
30 June 2019	163,993	304,859	-	468,852

9 Subsequent Event

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



10 Changes in the Composition of the Group

On 5 November 2019, the Company had incorporated a wholly-owned subsidiary in Singapore known as Coastal Supreme 1 Pte. Ltd. (“CS1”). The issued and paid-up ordinary share capital of CS1 amounted to SGD1,000. CS1 is a company limited by shares and registered under the Companies Act (CAP.50), Singapore. The principal activity of CS1 is the provision of offshore support vessel chartering services.

11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	<u>710,746</u>

As at 30 September 2019, the Company is contingently liable for RM282,433,000 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 September 2019 RM'000	Cumulative 3 months ended 30 September 2019 RM'000
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	<u>14</u>	<u>14</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 Fair Value of Financial Instruments

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 30 September 2019, the Group's financial instruments measured and recognised at fair value on a recurring basis are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<i>Financial assets</i>				
Investment securities	775	-	-	775
Short term investments	304,286	-	-	304,286
Derivative assets	-	364	-	364
	<u>305,061</u>	<u>364</u>	<u>-</u>	<u>305,425</u>

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared with the last financial year ended 30 June 2019.



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15 Detailed Analysis of Performance

The Group achieved a higher revenue of RM61.2 million in the current quarter ended 30 September 2019 (1Q2020) as compared to last quarter's RM44.6 million (4Q2019) and last year corresponding period's RM37.1 million (1Q2019), an increase of 37% and 65%, respectively.

Shipbuilding and Shiprepair Division

The division's revenue for 1Q2020 has risen substantively to RM19.1 million from RM2.3 million and RM1.6 million recorded in 4Q2019 and 1Q2019, respectively. The increase in revenue was credited to the successful delivery of 4 units of low-end vessels in the current quarter.

The division achieved a profit before tax of RM5.2 million in 1Q2020, as compared to the loss before tax of RM38.1 million posted in 4Q2019. The profit generated this quarter was mainly attributed to profit from sales of vessels and the foreign exchange gain on appreciation of USD whereas the loss occurred in last quarter was owing to the inventories written down and impairment loss on financial assets. As compared to 1Q2019, the division registered a higher profit before tax by RM1.5 million or 41%. The year-on-year improved performance was mainly due to profit derived from the sales of vessels.

Vessel Chartering Division

The division's revenue of RM42.1 million in 1Q2020 was fairly consistent with the RM42.3 million reported in 4Q2019. Against 1Q2019, the revenue was up by 19% from RM35.5 million. The year-on-year improved revenue contribution was principally due to charter income contributed from new vessel charter contracts secured in 3Q2019.

The division's profit margin before tax of 53% (RM22.1 million) in 1Q2020 was lower than the 70% (RM29.4 million) achieved in 4Q2019. The better showing in 4Q2019 was mainly attributed to higher income generation in relation to the charter of JUGCSU as well as reversal of impairment loss on receivables. Against 1Q2019, current quarter's profit margin before tax was up by 4% from 49% (RM17.5 million).

- (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 RM84.5 million (30 June 2019: RM92.5 million) and vessels work-in-progress of RM154.8 million (30 June 2019: RM155.0 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 RM90.0 million of trade receivables as at 30 September 2019, RM6.4 million was subsequently received by the Group.

16 Material Change in Profit Before Tax

The Group made a RM27.3 million of profit before tax in 1Q2020. Comparatively, 4Q2019 recorded a loss before tax of RM8.7 million. The loss position in 4Q2019 was principally due to the inventories written-down, deposits written off and impairment loss on financial assets. Compared to 1Q2019, profit before tax was up by 29% from RM21.1 million in line with the higher revenue recognised during the quarter.

17 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 2019 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.

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.

18 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.

19 Profit Before Tax

The following items have been included in arriving at profit before tax:

	Individual 3 months ended 30 September 2019 RM'000	Cumulative 3 months ended 30 September 2019 RM'000
Interest income	910	910
Other income	5,405	5,405
Reversal of inventories written-down	7	7
Depreciation and amortisation	19,258	19,258
Fair value gain on short term investments	628	628
Fair value loss on quoted investment	149	149
Foreign exchange gain (net)	6,214	6,214

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.

20 Income Tax Expense

	Individual 3 months ended 30 September 2019 RM'000	Cumulative 3 months ended 30 September 2019 RM'000
Income tax expense comprises:		
Current tax charge	3,652	3,652
Deferred tax charge / (reversal)	44	44
	3,696	3,696

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 rates applicable to subsidiaries of the Group in other jurisdictions.



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21 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 25 November 2019.

22 Group Borrowings and Debt Securities

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

	As at 30 September 2019 RM'000
Short term Secured	279,797
Long term Secured	1,290
Total	<u>281,087</u>

Apart from RM1.5 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 0.233 from last quarter's 0.250. The reduction was mainly due to repayment of short term 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.

23 Material Litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 25 November 2019.

24 Dividend Payable

No interim dividend has been declared for the current quarter ended 30 September 2019.

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 September 2019	Cumulative 3 months ended 30 September 2019
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	23,649	23,649
Weighted average number of ordinary shares in issue ('000)	527,692	527,692
Basic earnings per share (sen)	4.48	4.48



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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 Employees' Share Option Scheme ("ESOS"). The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average market price of ordinary shares of the Company during the period exceeds the exercise prices of the options granted. As the average market price of ordinary shares during the period (RM0.95) was lower than the exercise prices of the options (RM1.40 and RM0.96), the options were not assumed to be exercised because they were antidilutive in the period.

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 30 June 2019 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 November 2019.