



COASTAL CONTRACTS BHD (Company No. 517649-A)

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

|  |       | INDIVIDUAL  |   | CUMULATIVE   |  |
|--|-------|---|---|--|--|
|  |       | 3 months ended<br>30.06.2019<br>RM'000<br>(unaudited) | 3 months ended<br>30.06.2018<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2019<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2018<br>RM'000<br>(audited) |
|  | Note  |   |   |  |  |
| Revenue  | 8     | 44,574  | 33,888  | 156,328  | 158,675  |
| Cost of sales and services   |       | (26,281)  | (33,680)  | (89,289)   | (111,430)  |
| Gross profit   |       | <u>18,293</u>   | <u>208</u>  | <u>67,039</u>  | <u>47,245</u>  |
| Other income   |       | 27,539  | 40,338  | 58,473   | 44,155   |
| Administrative expenses  |       | (4,881)   | (5,074)   | (24,403)   | (23,283)   |
| Other expenses   |       | (46,008)  | (593,457)   | (55,562)   | (618,319)  |
| Finance costs  |       | (3,692)   | (5,154)   | (15,687)   | (17,923)   |
| (Loss) / profit before tax   | 8, 19 | <u>(8,749)</u>  | <u>(563,139)</u>                                      | <u>29,860</u>  | <u>(568,125)</u>                                     |
| Income tax expense   | 20    | (3,691)   | (2,575)   | (15,315)   | (14,929)   |
| (Loss) / profit for the period                                     |       | <u><u>(12,440)</u></u>                                | <u><u>(565,714)</u></u>                               | <u><u>14,545</u></u>                                   | <u><u>(583,054)</u></u>                              |
| Attributable to:   |       |   |   |  |  |
| Owners of the Company  |       | (12,440)  | (565,743)   | 14,550   | (583,105)  |
| Non-controlling interests  |       | <u>-</u>  | <u>29</u>   | <u>(5)</u>   | <u>51</u>  |
|  |       | <u><u>(12,440)</u></u>                                | <u><u>(565,714)</u></u>                               | <u><u>14,545</u></u>                                   | <u><u>(583,054)</u></u>                              |
| (Loss) / earnings per share attributable to owners of the Company: |       |   |   |  |  |
| - basic (sen)  | 25    | (2.36)  | (107.27)  | 2.76   | (110.56)   |
| - diluted (sen)  | 25    | <u><u>(2.36)</u></u>                                  | <u><u>(107.27)</u></u>                                | <u><u>2.76</u></u>                                     | <u><u>(110.56)</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 2018 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 2019

|   |       | <b>INDIVIDUAL</b> |                  | <b>CUMULATIVE</b> |                  |
|---|-------|-------------------|------------------|-------------------|------------------|
|   |       | 3 months ended    | 3 months ended   | 12 months ended   | 12 months ended  |
|   |       | 30.06.2019        | 30.06.2018       | 30.06.2019        | 30.06.2018       |
|   |       | RM'000            | RM'000           | RM'000            | RM'000           |
|   | Note  | (unaudited)       | (unaudited)      | (unaudited)       | (audited)        |
| (Loss) / profit for the period  |       | (12,440)          | (565,714)        | 14,545            | (583,054)        |
| 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                             |       | (1,551)           | (2,498)          | (4,236)           | 15,188           |
| - Transfer to profit or loss  |       | -                 | (1,261)          | -                 | (13,065)         |
| Currency translation differences arising from consolidation           | 15(a) | 8,402             | 56,028           | 15,753            | (71,956)         |
| Total comprehensive (loss) / income for the period                    |       | <u>(5,589)</u>    | <u>(513,445)</u> | <u>26,062</u>     | <u>(652,887)</u> |
| Attributable to:  |       |                   |                  |                   |                  |
| Owners of the Company   |       | (5,589)           | (513,468)        | 26,058            | (652,924)        |
| Non-controlling interests   |       | -                 | 23               | 4                 | 37               |
|   |       | <u>(5,589)</u>    | <u>(513,445)</u> | <u>26,062</u>     | <u>(652,887)</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 2018 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 2019

|   |       | As at<br>30.06.2019<br>RM'000<br>(unaudited) | As at<br>30.06.2018<br>RM'000<br>(audited) |
|---|-------|--|--|
|   | Note  |  |  |
| <b>ASSETS</b>                                       |       |  |  |
| <b>Non-current assets</b>                           |       |  |  |
| Property, plant and equipment                       |       | 701,984                                      | 588,599                                    |
| Investment properties                               |       | 3,486  | 3,568                                      |
| Investment securities                               | 14    | 923  | 2,299                                      |
|   |       | <u>706,393</u>                               | <u>594,466</u>                             |
| <b>Current assets</b>                               |       |  |  |
| Inventories   | 15(b) | 251,935                                      | 394,103                                    |
| Trade receivables                                   | 15(c) | 88,936                                       | 113,783                                    |
| Contract assets                                     |       | 559  | -  |
| Other receivables                                   |       | 93,794                                       | 204,083                                    |
| Amount due from a joint venture                     |       | 288  | 379  |
| Short term investments                              | 14    | 293,732                                      | 121,462                                    |
| Derivative assets                                   | 14    | 773  | 4,901                                      |
| Tax recoverable                                     |       | 264  | 317  |
| Cash and bank balances                              |       | 209,015                                      | 282,291                                    |
|   |       | <u>939,296</u>                               | <u>1,121,319</u>                           |
| <b>TOTAL ASSETS</b>                                 | 8     | <u>1,645,689</u>                             | <u>1,715,785</u>                           |
| <b>EQUITY AND LIABILITIES</b>                       |       |  |  |
| <b>Equity</b>                                       |       |  |  |
| Share capital                                       |       | 302,519                                      | 106,320                                    |
| Share premium                                       |       | -  | 195,820                                    |
| Treasury shares                                     |       | (7,045)                                      | (7,045)                                    |
| Share option reserve                                |       | 28,336                                       | 24,095                                     |
| Currency translation reserve                        |       | 263,521                                      | 247,781                                    |
| Cash flow hedge reserve                             |       | 1,386  | 5,622                                      |
| Retained earnings                                   |       | 588,257                                      | 590,030                                    |
| <b>Equity attributable to owners of the Company</b> |       | <u>1,176,974</u>                             | <u>1,162,623</u>                           |
| <b>Non-controlling interests</b>                    |       | <u>-</u>                                     | <u>121</u>                                 |
| <b>Total equity</b>                                 |       | <u>1,176,974</u>                             | <u>1,162,744</u>                           |
| <b>Non-current liabilities</b>                      |       |  |  |
| Borrowings  | 22    | 231,213                                      | 286,887                                    |
| Deferred tax liabilities                            |       | 523  | 415  |
|   |       | <u>231,736</u>                               | <u>287,302</u>                             |
| <b>Current liabilities</b>                          |       |  |  |
| Borrowings  | 22    | 62,724                                       | 61,346                                     |
| Trade payables                                      |       | 129,717                                      | 127,495                                    |
| Contract liabilities                                |       | 121  | -  |
| Other payables                                      |       | 44,318                                       | 76,740                                     |
| Income tax payable                                  |       | 99   | 158  |
|   |       | <u>236,979</u>                               | <u>265,739</u>                             |
| <b>Total liabilities</b>                            | 8     | <u>468,715</u>                               | <u>553,041</u>                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |       | <u>1,645,689</u>                             | <u>1,715,785</u>                           |
| Net assets per share (RM)                           |       | <u>2.2304</u>                                | <u>2.2044</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 2018 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 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        | RM'000           |
| <b><u>12 months ended 30 June 2018 (audited)</u></b>                                |                                       |                |                 |                      |                              |                         |                   |                           |               |                  |
| <b>Balance at 1 July 2017</b>   | 106,320                               | 195,820        | (7,045)         | 19,692               | 319,723                      | 3,499                   | 1,178,145         | 1,816,154                 | 91            | 1,816,245        |
| Share options granted under ESOS  | -                                     | -              | -               | 4,403                | -                            | -                       | 256               | 4,659                     | -             | 4,659            |
| Total comprehensive (loss) / income for the period                                  | -                                     | -              | -               | -                    | (71,942)                     | 2,123                   | (583,105)         | (652,924)                 | 37            | (652,887)        |
| Changes in subsidiary's ownership interests that do not result in a loss of control | -                                     | -              | -               | -                    | -                            | -                       | 8                 | 8                         | (7)           | 1                |
| Interim dividend for the financial year ended 30 June 2017                          | -                                     | -              | -               | -                    | -                            | -                       | (5,274)           | (5,274)                   | -             | (5,274)          |
| <b>Balance at 30 June 2018</b>  | <b>106,320</b>                        | <b>195,820</b> | <b>(7,045)</b>  | <b>24,095</b>        | <b>247,781</b>               | <b>5,622</b>            | <b>590,030</b>    | <b>1,162,623</b>          | <b>121</b>    | <b>1,162,744</b> |
| <b><u>12 months ended 30 June 2019 (unaudited)</u></b>                              |                                       |                |                 |                      |                              |                         |                   |                           |               |                  |
| <b>Balance at 1 July 2018 (as previously stated)</b>                                | 106,320                               | 195,820        | (7,045)         | 24,095               | 247,781                      | 5,622                   | 590,030           | 1,162,623                 | 121           | 1,162,744        |
| Effect of adoption of MFRS 9  | -                                     | -              | -               | -                    | -                            | -                       | (17,321)          | (17,321)                  | -             | (17,321)         |
| <b>Balance at 1 July 2018 (as restated)</b>   | <b>106,320</b>                        | <b>195,820</b> | <b>(7,045)</b>  | <b>24,095</b>        | <b>247,781</b>               | <b>5,622</b>            | <b>572,709</b>    | <b>1,145,302</b>          | <b>121</b>    | <b>1,145,423</b> |
| Issuance of ordinary shares pursuant to the ESOS                                    | 379                                   | -              | -               | (101)                | -                            | -                       | -                 | 278                       | -             | 278              |
| Share options granted under ESOS  | -                                     | -              | -               | 4,342                | -                            | -                       | 909               | 5,251                     | -             | 5,251            |
| Changes in subsidiary's ownership interests that do not result in a loss of control | -                                     | -              | -               | -                    | (4)                          | -                       | 89                | 85                        | (125)         | (40)             |
| Transfer in accordance with Section 618(2) of the Companies Act 2016                | 195,820                               | (195,820)      | -               | -                    | -                            | -                       | -                 | -                         | -             | -                |
| Total comprehensive income / (loss) for the period                                  | -                                     | -              | -               | -                    | 15,744                       | (4,236)                 | 14,550            | 26,058                    | 4             | 26,062           |
| <b>Balance at 30 June 2019</b>  | <b>302,519</b>                        | <b>-</b>       | <b>(7,045)</b>  | <b>28,336</b>        | <b>263,521</b>               | <b>1,386</b>            | <b>588,257</b>    | <b>1,176,974</b>          | <b>-</b>      | <b>1,176,974</b> |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 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 JUNE 2019

|  | <b>CUMULATIVE</b> |                 |
|--|-------------------|-----------------|
|  | 12 months ended   | 12 months ended |
|  | 30.06.2019        | 30.06.2018      |
|  | RM'000            | RM'000          |
|  | (unaudited)       | (audited)       |
| <b><u>Operating Activities</u></b>   |                   |                 |
| Profit / (loss) before tax   | 29,860            | (568,125)       |
| Adjustments for non-cash items   | 112,832           | 683,484         |
| Operating cash flows before changes in working capital                             | 142,692           | 115,359         |
| Changes in working capital:  |                   |                 |
| Increase in inventories  | (4,748)           | (122,581)       |
| Decrease in receivables  | 99,588            | 87,627          |
| (Decrease) / increase in payables  | (34,857)          | 3,049           |
| Cash flows from operations   | 202,675           | 83,454          |
| Interest paid  | (15,154)          | (17,205)        |
| Income tax paid  | (15,221)          | (17,493)        |
| Net cash flows from operating activities   | 172,300           | 48,756          |
| <b><u>Investing Activities</u></b>   |                   |                 |
| Additional investments in existing subsidiaries                                    | (46)              | -               |
| Interest received  | 10,799            | 4,144           |
| Proceeds from settlement of derivative   | -                 | 10,311          |
| Placement in short term investments  | (171,346)         | (74,887)        |
| Income received from short term investments  | 5,824             | 2,537           |
| Proceeds from disposal of property, plant and equipment                            | -                 | 3,886           |
| Purchase of property, plant and equipment  | (27,031)          | (1,438)         |
| Net cash flows used in investing activities  | (181,800)         | (55,447)        |
| <b><u>Financing Activities</u></b>   |                   |                 |
| Proceeds from issuance of ordinary shares  | 278               | -               |
| Dividend paid on ordinary shares   | -                 | (5,274)         |
| Repayment of borrowings  | (63,476)          | (62,597)        |
| Net cash flows used in financing activities  | (63,198)          | (67,871)        |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                   | (72,698)          | (74,562)        |
| Effect of foreign exchange rate changes  | (578)             | (11,556)        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>                  | 282,291           | 368,409         |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>                       | 209,015           | 282,291         |
| <br>* Cash and cash equivalents at end of financial period comprise the following: |                   |                 |
| Fixed deposits   | 161,777           | 181,592         |
| Cash and bank balances   | 47,238            | 100,699         |
| Cash and cash equivalents at end of financial period                               | 209,015           | 282,291         |

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 2018 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

## **Explanatory Notes**

FOR THE QUARTER ENDED 30 JUNE 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 2018. 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 2018.

### **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 2018 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 2018:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 15 *Revenue from Contracts with Customers*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 15 *Effective Date of MFRS 15*

Amendments to MFRS 15 *Clarifications to MFRS 15 'Revenue from Contracts with Customers'*

Amendments to MFRS 140 *Transfers of Investment Property*

Annual Improvements to MFRSs 2014 - 2016 Cycles:

- Amendments to MFRS 1 *Deletion of Short-term Exemptions for First-time Adopters*
- Amendments to MFRS 128 *Measuring an Associate or Joint Venture at Fair Value*

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 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting. There is no financial impact arising from the adoption of the new standard except for the replacement of the forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL).

As permitted by the transitional provisions of MFRS 9, the Group not to restate the comparatives. The impact on the Group as at 1 July 2018 is a decrease of RM17,321,000 in retained earnings and trade and other receivables.

#### MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for revenue recognition and supersedes the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and other related interpretations when it became effective. Under MFRS 15, an entity should recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers.

The application of MFRS 15 does not have a material effect on the Group's financial statements.



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### 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 except for the following:

- During the financial year-to-date, a total of 289,500 new ordinary shares were issued pursuant to the Company's Employees' Share Option Scheme.
- As at 30 June 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<br>and Shiprepair<br>RM'000 | Vessel<br>Chartering<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|-------------------------------------|--|--------------------------------|------------------------|------------------------|
| <b>3 months ended 30 June 2019</b>  |  |                                |                        |                        |
| <b>Revenue</b>                      |  |                                |                        |                        |
| External revenue                    | 2,319                                    | 42,255                         | -                      | 44,574                 |
| Inter-segment revenue               | 423                                      | 31                             | (454)                  | -                      |
| Total revenue                       | 2,742                                    | 42,286                         | (454)                  | 44,574                 |
| <b>Results</b>                      |  |                                |                        |                        |
| (Loss) / profit before tax          | (38,121)                                 | 29,372                         | -                      | (8,749)                |
| <b>12 months ended 30 June 2019</b> |  |                                |                        |                        |
| <b>Revenue</b>                      |  |                                |                        |                        |
| External revenue                    | 4,113                                    | 152,215                        | -                      | 156,328                |
| Inter-segment revenue               | 60,557                                   | 31                             | (60,588)               | -                      |
| Total revenue                       | 64,670                                   | 152,246                        | (60,588)               | 156,328                |
| <b>Results</b>                      |  |                                |                        |                        |
| (Loss) / profit before tax          | (54,086)                                 | 83,946                         | -                      | 29,860                 |



COASTAL CONTRACTS BHD (Company No. 517649-A)

|                          | Shipbuilding<br>and Shiprepair<br>RM'000 | Vessel<br>Chartering<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|--------------------------|--|--------------------------------|------------------------|------------------------|
| <b>Total Assets</b>      |  |                                |                        |                        |
| 30 June 2019             | 770,788                                  | 874,901                        | -                      | 1,645,689              |
| 30 June 2018             | 835,832                                  | 879,953                        | -                      | 1,715,785              |
| <b>Total Liabilities</b> |  |                                |                        |                        |
| 30 June 2019             | 164,353                                  | 304,362                        | -                      | 468,715                |
| 30 June 2018             | 195,720                                  | 357,321                        | -                      | 553,041                |

**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 18 September 2018, the Company had incorporated a wholly-owned subsidiary in Singapore known as Coastal Dynamic Pte. Ltd. ("CDPL"). The issued and paid-up ordinary share capital of CDPL amounted to SGD1,000. CDPL is a company limited by shares and registered under the Companies Act (CAP.50), Singapore. The principal activity of CDPL is the provision of offshore support vessel chartering services.
- On 28 November 2018, the Company acquired 15,000 ordinary shares representing 30% equity interests in Coastal Drilling Pte. Ltd. for SGD15,000 in cash, increasing its ownership from 70% to 100%.
- On 14 December 2018, the Company acquired 100 ordinary shares representing 10% equity interests in Ace Capital Pte. Ltd. for USD100 in cash, increasing its ownership from 90% to 100%.
- As announced on 1 March 2019, the Companies Commission of Malaysia ("CCM") had struck off Asiapride Sdn Bhd ("AP"), a wholly-owned subsidiary, from its register of companies pursuant to Section 550 of the Companies Act 2016 following an application made by AP to the CCM for striking-off of AP pursuant to Section 550 of the Companies Act 2016.
- As announced on 18 April 2019, the Company had incorporated a subsidiary in Mexico known as Coastoil Dynamic S.A. de C.V. ("CD"). It is a company limited by shares and is registered under the General Corporation Law, Mexico. The issued and paid-up capital of CD is Pesos \$50,000 of which the Company and its wholly-owned subsidiary, Coastal Marine Pte Ltd ("CTM") have 50% shares each in CD. Both the Company and CTM have each contributed Pesos \$25,000. The principal activities of CD are leasing and subleasing of all kind of offshore assets related to the oil and gas industry and provision of drilling and engineering and other ancillary services to the oil and gas industry.

**11 Contingent Liabilities and Contingent Assets**

|   |         |
|---|---------|
|   | RM'000  |
| Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries | 701,706 |

As at 30 June 2019, the Company is contingently liable for RM294,285,000 of banking facilities utilised by its subsidiaries.

**12 Capital Commitments**

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





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### 13 Related Party Transactions

|   | Individual<br>3 months ended<br>30 June 2019<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2019<br>RM'000 |
|---|--|---|
| <i>Transactions with a Director of the Company:</i> |  |   |
| - Rent of premises                                  | 15   | 58  |

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

|                         | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|-------------------------|-------------------|-------------------|-------------------|-----------------|
| <u>Financial assets</u> |                   |                   |                   |                 |
| Investment securities   | 923               | -                 | -                 | 923             |
| Short term investments  | 293,732           | -                 | -                 | 293,732         |
| Derivative assets       | -                 | 773               | -                 | 773             |
|                         | 294,655           | 773               | -                 | 295,428         |

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared with the last financial year ended 30 June 2018.

### 15 Detailed Analysis of Performance

The Group's revenue for the 3 months ended 30 June 2019 (4Q2019) scaled up by 21% to RM44.6 million, against RM36.9 million reported in the preceding quarter (3Q2019). Compared to last year's corresponding quarter (4Q2018), revenue has jumped 32% from RM33.9 million.

#### Shipbuilding and Shiprepair Division

The division's revenue for 4Q2019 stood at RM2.3 million, which was higher than the RM0.02 million and RM0.1 million posted in 3Q2019 and 4Q2018, respectively. Current quarter's revenue included a RM1.7 million of income generated from contract with a customer for construction of a low-end vessel.

The division incurred a greater loss before tax of RM38.1 million in 4Q2019, as compared to the RM13.6 million posted in 3Q2019 owing to the inventories written down and impairment loss on financial assets. For 4Q2018, the division's loss before tax was higher at RM580.3 million. The significant loss incurred in 4Q2018 was owing to the inventories written-down of RM518.2 million.



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#### Vessel Chartering Division

The division registered a greater revenue of RM42.3 million in 4Q2019, an increase of 15% quarter-on-quarter from RM36.9 million. Against the corresponding quarter a year ago, the revenue was up by 25% from RM33.8 million. The improved performance this quarter was principally due to full charter income earned throughout the quarter for vessel charter contracts secured in 3Q2019.

The division's profit margin before tax of 70% (RM29.4 million) in 4Q2019 was higher than the 47% (RM17.3 million) and 51% (RM17.1 million) achieved in 3Q2019 and 4Q2018, respectively. The better showing this quarter was mainly attributed to higher income generation in relation to the charter of JUGCSU as well as reversal of impairment loss on receivables.

- (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 RM92.5 million (30 June 2018: RM226.2 million) and vessels work-in-progress of RM155.0 million (30 June 2018: RM163.0 million). For the current quarter under review and financial year-to-date, inventories were written-down by RM15.3 million.
- (c) Out of the RM88.9 million of trade receivables as at 30 June 2019, RM34.1 million was subsequently received by the Group.

#### **16 Material Change in Profit Before Tax**

The Group made a RM8.7 million of loss before tax in 4Q2019. Comparatively, 3Q2019 recorded a profit before tax of RM3.7 million and 4Q2018 reported a loss before tax of RM563.1 million. The loss position in the current quarter was principally due to the inventories written-down, deposits written off and impairment loss on financial assets whereas the huge loss in 4Q2018 was due to the inventories written-down of RM518.2 million

#### **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.



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## 19 (Loss) / Profit Before Tax

The following items have been included in arriving at (loss) / profit before tax:

|  | Individual<br>3 months ended<br>30 June 2019<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2019<br>RM'000 |
|--|--|---|
| Interest income                            | 1,098  | 5,942   |
| Other income                               | 12,646   | 25,407  |
| Reversal of inventories written-down       | 568  | 599   |
| Reversal of impairment loss on receivables | 7,067  | 7,072   |
| Depreciation and amortisation              | 19,508   | 70,642  |
| Fair value gain on short term investments  | 190  | 923   |
| Fair value loss on quoted investment       | 365  | 1,376   |
| Inventories written down                   | 15,309   | 15,309  |
| Impairment loss on receivables             | 13,763   | 13,763  |
| Deposits written off                       | 15,267   | 15,267  |
| Foreign exchange gain (net)                | 4,783  | 8,953   |

There were no 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<br>3 months ended<br>30 June 2019<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2019<br>RM'000 |
|----------------------------------|--|---|
| Income tax expense comprises:    |  |   |
| Current tax charge               | 3,675  | 15,208  |
| Deferred tax charge / (reversal) | 16   | 107   |
|                                  | 3,691  | 15,315  |

The effective tax rates for the current quarter and the financial year-to-date were higher than the statutory tax rate in Malaysia due to deferred tax assets not recognised and the non-deductible loss for certain subsidiaries of the Group in other jurisdictions.

## 21 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 30 August 2019.

## 22 Group Borrowings and Debt Securities

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

|            | As at<br>30 June 2019<br>RM'000 |
|------------|---------------------------------|
| Short term |                                 |
| Secured    | 62,724                          |
| Long term  |                                 |
| Secured    | 231,213                         |
| Total      | 293,937                         |



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Apart from RM1.6 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 0.250 from last quarter's 0.256. 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

In August 2016, one of the Group's subsidiary ("Subsidiary") was served with a notice of arbitration from one of its supplier for an alleged wrongful termination of a shipbuilding contract for the construction and sale of a vessel ("Vessel").

In July 2016, the Subsidiary terminated the shipbuilding contract with its suppliers for the failure to deliver the Vessel on time and in accordance with the terms and conditions of the shipbuilding contract.

Further to the Subsidiary's termination of the shipbuilding contract, the Subsidiary has also written to its suppliers for:

- (i) The refund of all sums paid to the suppliers under the shipbuilding contract; and
- (ii) The payment of liquidated damages in accordance with the terms and conditions of the shipbuilding contract.

Subsequently, the Subsidiary and the suppliers have reached an agreement whereby the suppliers shall pay the Subsidiary a settlement sum equivalent to RM61,305,000. Upon the full payment of the settlement sum, the Parties shall no longer have any rights and/or claim whatsoever arising out of and/or relating to and/or in connection with the shipbuilding contract. During the current quarter, the Subsidiary has received the settlement sum from the suppliers. The arbitration has been officially terminated.

The Group is not engaged in any other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 30 August 2019.

## 24 Dividend Payable

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

## 25 (Loss) / Earnings Per Share

### Basic (loss) / earnings per share attributable to owners of the Company

Basic (loss) / earnings per share of the Group was calculated by dividing the (loss) / 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<br>3 months ended<br>30 June 2019 | Cumulative<br>12 months ended<br>30 June 2019 |
|--|--|---|
| <i>Basic (loss) / earnings per share</i>                       |  |   |
| (Loss) / profit attributable to owners of the Company (RM'000) | (12,440)                                     | 14,550  |
| Weighted average number of ordinary shares in issue ('000)     | 527,679                                      | 527,479                                       |
| Basic (loss) / earnings per share (sen)                        | (2.36)                                       | 2.76  |



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*Diluted (loss) / earnings per share attributable to owners of the Company*

For diluted (loss) / 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 ESOS. The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted (loss) / earnings per share calculation.

|  | Individual<br>3 months ended<br>30 June 2019 | Cumulative<br>12 months ended<br>30 June 2019 |
|--|--|---|
| <i>Diluted (loss) / earnings per share</i>                     |  |   |
| (Loss) / profit attributable to owners of the Company (RM'000) | (12,440)                                     | 14,550  |
| Weighted average number of ordinary shares in issue ('000)     | 527,679                                      | 527,479                                       |
| Effect of dilution of ESOS ('000)                              | 229  | 54  |
| Adjusted weighted average number of ordinary shares ('000)     | <u>527,908</u>                               | <u>527,533</u>                                |
| Diluted (loss) / earnings per share (sen)                      | (2.36)                                       | 2.76  |

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

**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 2018 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 30 August 2019.