



COASTAL CONTRACTS BHD.
Registration No. 200001015043 (517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

		INDIVIDUAL		CUMULATIVE	
		3 months ended 30.09.2020 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2020 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)
	Note				
Revenue	8	37,979	61,227	37,979	61,227
Cost of sales and services		(26,579)	(38,990)	(26,579)	(38,990)
Gross profit		<u>11,400</u>	<u>22,237</u>	<u>11,400</u>	<u>22,237</u>
Other income		10,099	16,819	10,099	16,819
Administrative expenses		(5,336)	(4,381)	(5,336)	(4,381)
Other expenses		(16,312)	(3,823)	(16,312)	(3,823)
Finance costs		(4,238)	(3,507)	(4,238)	(3,507)
(Loss) / profit before tax	8, 19	<u>(4,387)</u>	<u>27,345</u>	<u>(4,387)</u>	<u>27,345</u>
Income tax expense	20	(3,807)	(3,696)	(3,807)	(3,696)
(Loss) / profit for the period		<u><u>(8,194)</u></u>	<u><u>23,649</u></u>	<u><u>(8,194)</u></u>	<u><u>23,649</u></u>
Attributable to:					
Owners of the Company		<u><u>(8,194)</u></u>	<u><u>23,649</u></u>	<u><u>(8,194)</u></u>	<u><u>23,649</u></u>
(Loss) / earnings per share attributable to owners of the Company:					
- basic (sen)	25	(1.56)	4.48	(1.56)	4.48
- diluted (sen)	25	<u><u>(1.56)</u></u>	<u><u>4.48</u></u>	<u><u>(1.56)</u></u>	<u><u>4.48</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 2020 and the accompanying explanatory notes attached to these interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 30.09.2020 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)	3 months ended 30.09.2020 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)
(Loss) / profit for the period		(8,194)	23,649	(8,194)	23,649
Other comprehensive (loss) / income:					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Cash flow hedge:					
- Fair value loss on derivatives		(116)	(415)	(116)	(415)
Currency translation differences arising from consolidation	15(a)	(10,696)	6,635	(10,696)	6,635
Total comprehensive (loss) / income for the period		<u>(19,006)</u>	<u>29,869</u>	<u>(19,006)</u>	<u>29,869</u>
Attributable to:					
Owners of the Company		<u>(19,006)</u>	<u>29,869</u>	<u>(19,006)</u>	<u>29,869</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 2020 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD.

Registration No. 200001015043 (517649-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

		As at 30.09.2020 RM'000 (unaudited)	As at 30.06.2020 RM'000 (audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		744,153	701,041
Right-of-use assets		9,201	7,322
Investment properties		3,384	3,404
Investment securities	14	9,894	1,938
		<u>766,632</u>	<u>713,705</u>
Current assets			
Inventories	15(b)	119,171	138,667
Trade receivables	15(c)	139,921	126,727
Other receivables		25,529	50,645
Amount due from a joint venture		310	445
Short term investments	14	118,784	259,955
Tax recoverable		53	55
Cash and bank balances		198,139	263,793
		<u>601,907</u>	<u>840,287</u>
TOTAL ASSETS	8	<u>1,368,539</u>	<u>1,553,992</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		307,050	307,050
Treasury shares		(11,646)	(10,400)
Share option reserve		27,489	27,540
Currency translation reserve		267,611	278,307
Cash flow hedge reserve		-	116
Retained earnings		475,183	483,326
Total equity		<u>1,065,687</u>	<u>1,085,939</u>
Non-current liabilities			
Borrowings	22	78,204	34,598
Lease liabilities		1,136	11
Deferred tax liabilities		613	612
		<u>79,953</u>	<u>35,221</u>
Current liabilities			
Borrowings	22	42,264	242,201
Lease liabilities		967	178
Trade payables		136,013	135,713
Other payables		41,775	52,355
Derivative liabilities		-	494
Income tax payable		1,880	1,891
		<u>222,899</u>	<u>432,832</u>
Total liabilities	8	<u>302,852</u>	<u>468,053</u>
TOTAL EQUITY AND LIABILITIES		<u>1,368,539</u>	<u>1,553,992</u>
Net assets per share (RM)		<u>2.0301</u>	<u>2.0611</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 2020 and the accompanying explanatory notes attached to these interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company						Total
	Share capital	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Retained earnings	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30 September 2019 (unaudited)							
Balance at 1 July 2019	302,519	(7,045)	28,336	263,522	1,386	588,144	1,176,862
Share options granted under ESOS	-	-	149	-	-	161	310
Total comprehensive income / (loss) for the period	-	-	-	6,635	(415)	23,649	29,869
Balance at 30 September 2019	302,519	(7,045)	28,485	270,157	971	611,954	1,207,041
3 months ended 30 September 2020 (unaudited)							
Balance at 1 July 2020	307,050	(10,400)	27,540	278,307	116	483,326	1,085,939
Purchase of treasury shares	6	(1,246)	-	-	-	-	(1,246)
Share options granted under ESOS	-	-	(51)	-	-	51	-
Total comprehensive loss for the period	-	-	-	(10,696)	(116)	(8,194)	(19,006)
Balance at 30 September 2020	307,050	(11,646)	27,489	267,611	-	475,183	1,065,687

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 2020 and the accompanying explanatory notes attached to these interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	CUMULATIVE	
	3 months ended 30.09.2020 RM'000 (unaudited)	3 months ended 30.09.2019 RM'000 (unaudited)
<u>Operating Activities</u>		
(Loss) / profit before tax	(4,387)	27,345
Adjustments for non-cash items	26,914	7,861
Operating cash flows before changes in working capital	22,527	35,206
Changes in working capital:		
Decrease in inventories	16,352	13,036
Decrease / (increase) in receivables	7,623	(8,993)
(Decrease) / increase in payables	(4,922)	1,631
Cash flows from operations	41,580	40,880
Interest paid	(2,527)	(3,479)
Income tax paid	(3,763)	(3,388)
Net cash flows from operating activities	35,290	34,013
<u>Investing Activities</u>		
Interest received	3,886	1,776
Purchase of investment securities	(8,295)	-
Net proceeds from disposal / (purchase) of short term investments	141,829	(9,926)
Income received from short term investments	748	1,883
Purchase of property, plant and equipment	(85,276)	(146)
Net cash flows from / (used in) investing activities	52,892	(6,413)
<u>Financing Activities</u>		
Purchase of treasury shares	(1,246)	-
Payment of lease liabilities	(283)	(335)
Net repayment of borrowings	(151,626)	(15,932)
Net cash flows used in financing activities	(153,155)	(16,267)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(64,973)	11,333
Effect of foreign exchange rate changes	(681)	6,561
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	263,793	209,015
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	198,139	226,909
 * Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	74,399	168,762
Cash and bank balances	123,740	58,147
Cash and cash equivalents at end of financial period	198,139	226,909

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 2020 and the accompanying explanatory notes attached to these interim financial statements.



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Explanatory Notes

FOR THE QUARTER ENDED 30 SEPTEMBER 2020

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 2020. 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 2020.

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 2020 except for the adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRSs") where applicable to the Group's financial period beginning 1 July 2020:

Amendments to MFRS 3 *Definition of a Business*

Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

Amendments to MFRS 101 and MFRS 108 *Definition of Material*

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the abovementioned Amendments to MFRSs, where applicable, will have no material impact on the financial statements of the Group.

3 Seasonal or Cyclical Factors

The Group's performance is affected by 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:

For the 3-months period ended 30 September 2020, 1,935,600 ordinary shares were repurchased in the open market at an average price of RM0.64 per share. The total consideration paid for the repurchase including transaction costs amounted to RM1,245,830 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 September 2020, the total number of treasury shares held was 10,402,000 ordinary shares.



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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 2020</u>				
Revenue				
External revenue	-	37,979	-	37,979
Inter-segment revenue	250	-	(250)	-
Total revenue	250	37,979	(250)	37,979
Results				
(Loss) / profit before tax	(20,315)	15,928	-	(4,387)
Total Assets				
30 September 2020	414,734	953,805	-	1,368,539
30 June 2020	607,208	946,784	-	1,553,992
Total Liabilities				
30 September 2020	164,811	138,041	-	302,852
30 June 2020	169,028	299,025	-	468,053

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	742,280

As at 30 September 2020, the Company is contingently liable for RM124,513,000 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 3 months ended 30 September 2020 RM'000	Cumulative 3 months ended 30 September 2020 RM'000
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	14	14
<i>Transactions with a company in which the Directors of the Company and of the Group are also directors and have financial interests:</i>		
- Rent of premises	5	5

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 2020, 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
<u>Financial assets</u>				
Investment securities	9,894	-	-	9,894
Short term investments	118,784	-	-	118,784
	128,678	-	-	128,678

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared with the last financial year ended 30 June 2020.

15 Detailed Analysis of Performance

The Group's revenue for the 3 months ended 30 September 2020 (1Q2021) stood at RM38.0 million, a decrease of 18% and 38% respectively compared to last quarter's (4Q2020) RM46.6 million and last year's corresponding period (1Q2020) of RM61.2 million.

Shipbuilding and Shiprepair Division

No external revenue was generated from this division in 1Q2021 as the Ship Repair Division is mainly working for the Group's own vessels in 1Q2021. The revenue recorded in 4Q2020 was RM0.4 million, contributed from ship repairing contract works. For 1Q2020, the revenue generated was RM19.1 million, comprised mainly the revenue from sale of 4 units of low-end vessel.

The division recorded a loss before tax of RM20.3 million in 1Q2021, as compared to the RM184.8 million loss recorded in 4Q2020. The significant loss incurred in 4Q2020 was owing to the impairment loss on receivables of RM142.4 million and inventories written-down of RM41.2 million. For 1Q2020, the division achieved a profit before tax of RM5.2 million. The year-on-year poorer performance was attributed to the foreign exchange loss on depreciation of USD and no revenue generated to cover the fixed overhead.



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Vessel Chartering Division

The revenue generated from this division in 1Q2021 stood at RM38.0 million, eased by RM8.2 million (or 18%) from RM46.2 million in 4Q2020 and by RM4.1 million (or 10%) from RM42.1 million in 1Q2020. The drop in revenue was principally due to lower utilisation of its OSV fleet as a result of the expiration of certain short term charter contracts.

The division's profit margin before tax of 42% (RM15.9 million) in 1Q2021 was fairly consistent with the 41% (RM18.7 million) achieved in 4Q2020. Against 1Q2020, current quarter's profit margin before tax was down by 11% from 53% (RM22.1 million) owing to lower fleet utilisation.

- (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 RM89.0 million (30 June 2020: RM91.7 million) and vessels work-in-progress of RM25.3 million (30 June 2020: RM42.5 million).
- (c) Out of the RM139.9 million of trade receivables as at 30 September 2020, RM29.0 million was subsequently received by the Group.

16 Material Change in Profit Before Tax

The Group reported a lower loss before tax of RM4.4 million in 1Q2021, compared to RM166.1 million posted in 4Q2020. The greater loss in 4Q2020 was principally due to the inventories written down and impairment loss on financial assets. For 1Q2020, the Group achieved a profit before tax of RM27.3 million. The decline in profit was in line with the lower revenue generated in the current quarter as well as net loss from foreign exchange on account of the weakened USD.

17 Prospects

The Oil and Gas industry remains challenging and exposes to the risks of global economic recession and sluggish global oil demand, which resulted from Coronavirus (Covid-19) pandemic. In the meantime, Saudi Arabia - Russia oil price war was kicked off at a time the world was dealing with the Covid-19 outbreak have resulted in the oil price to drop tremendously at an unprecedented rate. Many Oil and Gas companies have started to reduce their operational and capital spending as well as revise their investment plans to overcome the adverse impacts in the situation of global oil market downturn. However, there is an indication of "gradual recovery" in the global economy and global oil demand as many countries have lifted from Covid-19 prompted lockdowns or eased their movement control orders to resume business operations. Additionally, the joint commitment of Organisation of the Petroleum Exporting Countries (OPEC) plus non-OPEC major producers like Russia agreed to extend their subsequent oil productions cut in order to enhance global oil market stability. In view of the above, Coastal Group remains vigilant to maintain prudent business strategy and financial management policy to experience Oil and Gas market uncertainty and the impact of Covid-19 and United States - China trade war on the global economic.

In accommodating long term demand for fossil fuels, 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 ("JUGCSU") 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.

The Management believes that the OSV market remains oversupplied but the market equilibrium has improved in FY2019 mainly due to the gradual increase in upstream activities and also due to increasing consensus that a large number of vessels which have been laid up during the downturn may not return to service due to high reactivation costs and the reluctance of oil companies to contract vessels which have been out of service for longer period. These circumstances may reduce some of the supply overhang and provide a good opportunity for our shipbuilding division in the next few years.

In FY2019, Coastal Group obtained its Petronas licence under the category for "Floating & Mobile Offshore Facilities – Mobile Offshore Facilities" by virtue of its successful track record gained from JUGCSU. Moving forward, one of our growth strategies would be pursuing for projects similar as MOPU, such as Floating Production Storage and Offloading ("FPSO"), Floating Production Unit (FPU), Floating Storage and Offloading (FSO), Floating Storage and Regassification Unit (FSRU) and other O & G related projects.



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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 (Loss) / Profit Before Tax

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

	Individual 3 months ended 30 September 2020 RM'000	Cumulative 3 months ended 30 September 2020 RM'000
Interest income	2,275	2,275
Other income	4,523	4,523
Reversal of impairment loss on receivables	1,781	1,781
Impairment loss on receivables	2	2
Depreciation and amortisation	20,569	20,569
Fair value gain on short term investments	917	917
Fair value loss on quoted investment	267	267
Foreign exchange loss (net)	14,755	14,755

There were no 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 2020 RM'000	Cumulative 3 months ended 30 September 2020 RM'000
Income tax expense comprises:		
Current tax charge	3,806	3,806
Deferred tax charge / (reversal)	1	1
	3,807	3,807

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 the non-deductible losses 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 25 November 2020.

22 Group Borrowings and Debt Securities

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

	As at 30 September 2020 RM'000
Short term	
Secured	42,264
Long term	
Secured	78,204
Total	120,468



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Apart from RM1.4 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 decreased to 0.113 from last quarter's 0.255. 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 2020.

24 Dividend Payable

No interim dividend has been declared for the current quarter ended 30 September 2020.

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 3 months ended 30 September 2020	Cumulative 3 months ended 30 September 2020
<i>Basic (loss) / earnings per share</i>		
Loss attributable to owners of the Company (RM'000)	(8,194)	(8,194)
Weighted average number of ordinary shares in issue ('000)	526,136	526,136
Basic loss per share (sen)	(1.56)	(1.56)

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 Employees' Share Option Scheme ("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. 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 (RM0.64) 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 2020 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 2020.