



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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2021

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.12.2021 RM'000 (unaudited)	3 months ended 31.12.2020 RM'000 (unaudited)	6 months ended 31.12.2021 RM'000 (unaudited)	6 months ended 31.12.2020 RM'000 (unaudited)
Revenue	8	74,893	37,702	127,011	75,681
Cost of sales and services		(42,043)	(24,811)	(73,850)	(51,390)
Gross profit		<u>32,850</u>	<u>12,891</u>	<u>53,161</u>	<u>24,291</u>
Other income		12,856	14,125	27,520	24,224
Administrative expenses		(16,541)	(3,533)	(20,207)	(8,869)
Other expenses		(5,740)	(19,168)	(8,495)	(35,480)
Finance costs		(613)	(855)	(1,276)	(5,093)
Profit / (loss) before tax	8, 19	<u>22,812</u>	<u>3,460</u>	<u>50,703</u>	<u>(927)</u>
Income tax expense	20	(10,144)	(4,977)	(15,228)	(8,784)
Profit / (loss) for the period		<u><u>12,668</u></u>	<u><u>(1,517)</u></u>	<u><u>35,475</u></u>	<u><u>(9,711)</u></u>
Attributable to:					
Owners of the Company		11,796	(1,517)	33,750	(9,711)
Non-controlling interests		872	-	1,725	-
		<u><u>12,668</u></u>	<u><u>(1,517)</u></u>	<u><u>35,475</u></u>	<u><u>(9,711)</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	2.26	(0.29)	6.46	(1.85)
- diluted (sen)	25	<u><u>2.25</u></u>	<u><u>(0.29)</u></u>	<u><u>6.46</u></u>	<u><u>(1.85)</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 2021 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 31 DECEMBER 2021

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.12.2021 RM'000 (unaudited)	3 months ended 31.12.2020 RM'000 (unaudited)	6 months ended 31.12.2021 RM'000 (unaudited)	6 months ended 31.12.2020 RM'000 (unaudited)
Profit / (loss) for the period		12,668	(1,517)	35,475	(9,711)
Other comprehensive income / (loss):					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Cash flow hedge:					
- Fair value gain / (loss) on derivatives		26	-	32	(116)
Currency translation differences arising from consolidation	15(a)	(2,039)	(14,493)	(325)	(25,189)
Total comprehensive income / (loss) for the period		<u>10,655</u>	<u>(16,010)</u>	<u>35,182</u>	<u>(35,016)</u>
Attributable to:					
Owners of the Company		9,790	(16,010)	33,457	(35,016)
Non-controlling interests		<u>865</u>	<u>-</u>	<u>1,725</u>	<u>-</u>
		<u>10,655</u>	<u>(16,010)</u>	<u>35,182</u>	<u>(35,016)</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 2021 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD.
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		As at 31.12.2021 RM'000 (unaudited)	As at 30.06.2021 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		842,094	774,350
Right-of-use assets		8,311	8,868
Investment properties		3,281	3,322
Investment securities	14	<u>12,015</u>	<u>12,124</u>
		<u>865,701</u>	<u>798,664</u>
Current assets			
Inventories		43,353	120,311
Trade receivables	15(b)	188,088	169,670
Contract assets		-	1,233
Other receivables		65,472	31,230
Amount due from a joint venture		97	96
Short term investments	14	22,830	111,038
Derivative assets	14	6	-
Tax recoverable		231	237
Cash and bank balances		<u>333,149</u>	<u>163,703</u>
		<u>653,226</u>	<u>597,518</u>
TOTAL ASSETS	8	<u><u>1,518,927</u></u>	<u><u>1,396,182</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		307,050	307,050
Treasury shares		(13,336)	(12,700)
Share option reserve		11,889	-
Currency translation reserve		265,844	266,169
Cash flow hedge reserve		6	(26)
Retained earnings		<u>576,991</u>	<u>543,241</u>
Equity attributable to owners of the Company		<u>1,148,444</u>	<u>1,103,734</u>
Non-controlling interests		<u>2,780</u>	<u>1,055</u>
Total equity		<u>1,151,224</u>	<u>1,104,789</u>
Non-current liabilities			
Borrowings	22	70,173	48,863
Lease liabilities		207	712
Deferred tax liabilities		<u>6,967</u>	<u>589</u>
		<u>77,347</u>	<u>50,164</u>
Current liabilities			
Borrowings	22	59,342	43,419
Lease liabilities		1,042	1,013
Trade payables		168,434	134,675
Contract liabilities		9	-
Other payables		58,158	58,118
Derivative liabilities		-	26
Income tax payable		<u>3,371</u>	<u>3,978</u>
		<u>290,356</u>	<u>241,229</u>
Total liabilities	8	<u>367,703</u>	<u>291,393</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,518,927</u></u>	<u><u>1,396,182</u></u>
Net assets per share (RM)		<u>2.1978</u>	<u>2.1089</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 2021 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 31 DECEMBER 2021

Note	Attributable to owners of the Company						Non-controlling interests	Equity, Total	
	Share capital	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	
<u>6 months ended 31 December 2020 (unaudited)</u>									
Balance at 1 July 2020	307,050	(10,400)	27,540	278,307	116	483,326	1,085,939	-	1,085,939
Purchase of treasury shares	-	(1,874)	-	-	-	-	(1,874)	-	(1,874)
Share options granted under ESOS	-	-	(454)	-	-	454	-	-	-
Total comprehensive loss for the period	-	-	-	(25,189)	(116)	(9,711)	(35,016)	-	(35,016)
Balance at 31 December 2020	307,050	(12,274)	27,086	253,118	-	474,069	1,049,049	-	1,049,049
<u>6 months ended 31 December 2021 (unaudited)</u>									
Balance at 1 July 2021	307,050	(12,700)	-	266,169	(26)	543,241	1,103,734	1,055	1,104,789
Purchase of treasury shares	6	(636)	-	-	-	-	(636)	-	(636)
Share options granted under ESOS	-	-	11,889	-	-	-	11,889	-	11,889
Total comprehensive (loss) / income for the period	-	-	-	(325)	32	33,750	33,457	1,725	35,182
Balance at 31 December 2021	307,050	(13,336)	11,889	265,844	6	576,991	1,148,444	2,780	1,151,224

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 2021 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 31 DECEMBER 2021

	CUMULATIVE	
	6 months ended 31.12.2021 RM'000 (unaudited)	6 months ended 31.12.2020 RM'000 (unaudited)
<u>Operating Activities</u>		
Profit / (loss) before tax	50,703	(927)
Adjustments for non-cash items	58,900	65,065
Operating cash flows before changes in working capital	109,603	64,138
Changes in working capital:		
(Increase)/Decrease in inventories	(523)	15,695
Increase in receivables	(51,180)	(14,024)
Increase/(Decrease) in payables	30,295	(12,499)
Cash flows from operations	88,195	53,310
Interest paid	(1,276)	(3,401)
Income tax paid	(9,417)	(9,158)
Net cash flows from operating activities	77,502	40,751
<u>Investing Activities</u>		
Interest received	234	4,115
Net purchase of investment securities	(533)	(7,616)
Net proceeds from disposal of short term investments	87,989	143,287
Income received from investments	1,297	1,470
Proceeds from disposal of property, plant and equipment	776	16
Purchase of property, plant and equipment	(36,146)	(84,378)
Net cash flows from investing activities	53,617	56,894
<u>Financing Activities</u>		
Purchase of treasury shares	(636)	(1,874)
Payment of lease liabilities	(520)	(525)
Net proceeds from drawdown/(repayment) of borrowings	40,979	(160,344)
Net cash flows from / (used in) financing activities	39,823	(162,743)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	170,942	(65,098)
Effect of foreign exchange rate changes	(1,496)	(10,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	163,703	263,793
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	333,149	188,658
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	68,079	97,322
Cash and bank balances	265,070	91,336
Cash and cash equivalents at end of financial period	333,149	188,658

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 2021 and the accompanying explanatory notes attached to these interim financial statements.



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Explanatory Notes

FOR THE QUARTER ENDED 31 DECEMBER 2021

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 2021. 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 2021.

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 2021 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 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform – Phase 2*

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 6-months period ended 31 December 2021, 829,000 ordinary shares were repurchased in the open market at an average price of RM0.76 per share. The total consideration paid for the repurchase including transaction costs amounted to RM635,935 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 December 2021, the total number of treasury shares held was 12,801,500 ordinary shares.

7 Dividend Paid

No dividend was paid in the current quarter under review.



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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.

During the financial period under review, the Group has identified a new reportable operating segment namely Gas Processing Division, as the business activities of this division have similar economic characteristics such as, the nature of the products and services, the nature of the production processes and the type of customer. The new division comprises of its onshore gas conditioning business and its jack-up gas compression business (which was reported under Vessel Chartering Division in the previous financial periods).

Following the change in the composition of the reportable segments, the Group has restated the corresponding items of segment information for the previous financial periods.

	Gas Processing RM'000	Vessel Chartering RM'000	Shipbuilding and Shiprepair RM'000	Eliminations RM'000	Consolidated RM'000
<u>3 months ended 31 December 2021</u>					
Revenue					
External revenue	58,876	14,661	1,356	-	74,893
Inter-segment revenue	-	-	359	(359)	-
Total revenue	<u>58,876</u>	<u>14,661</u>	<u>1,715</u>	<u>(359)</u>	<u>74,893</u>
Results					
Profit / (loss) before tax	<u>39,013</u>	<u>(7,027)</u>	<u>(9,174)</u>	<u>-</u>	<u>22,812</u>

3 months ended 30 September 2021 (restated)

Revenue					
External revenue	40,138	11,804	176	-	52,118
Inter-segment revenue	-	-	363	(363)	-
Total revenue	<u>40,138</u>	<u>11,804</u>	<u>539</u>	<u>(363)</u>	<u>52,118</u>
Results					
Profit / (loss) before tax	<u>31,210</u>	<u>(837)</u>	<u>(2,482)</u>	<u>-</u>	<u>27,891</u>

3 months ended 31 December 2020 (restated)

Revenue					
External revenue	35,569	1,575	558	-	37,702
Inter-segment revenue	-	-	145	(145)	-
Total revenue	<u>35,569</u>	<u>1,575</u>	<u>703</u>	<u>(145)</u>	<u>37,702</u>
Results					
Profit / (loss) before tax	<u>13,820</u>	<u>(7,780)</u>	<u>(2,580)</u>	<u>-</u>	<u>3,460</u>

6 months ended 31 December 2021

Revenue					
External revenue	99,014	26,465	1,532	-	127,011
Inter-segment revenue	-	-	722	(722)	-
Total revenue	<u>99,014</u>	<u>26,465</u>	<u>2,254</u>	<u>(722)</u>	<u>127,011</u>
Results					
Profit / (loss) before tax	<u>70,223</u>	<u>(7,864)</u>	<u>(11,656)</u>	<u>-</u>	<u>50,703</u>



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	Gas Processing RM'000	Vessel Chartering RM'000	Shipbuilding and Shiprepair RM'000	Eliminations RM'000	Consolidated RM'000
<u>6 months ended 31 December 2020 (restated)</u>					
Revenue					
External revenue	71,954	3,169	558	-	75,681
Inter-segment revenue	-	-	395	(395)	-
Total revenue	<u>71,954</u>	<u>3,169</u>	<u>953</u>	<u>(395)</u>	<u>75,681</u>
Results					
Profit / (loss) before tax	<u>18,841</u>	<u>(11,963)</u>	<u>(7,805)</u>	<u>-</u>	<u>(927)</u>
Total Assets					
31 December 2021	965,226	449,092	104,609	-	1,518,927
30 June 2021 (restated)	<u>823,500</u>	<u>385,198</u>	<u>187,484</u>	<u>-</u>	<u>1,396,182</u>
Total Liabilities					
31 December 2021	161,925	43,902	161,876	-	367,703
30 June 2021 (restated)	<u>83,399</u>	<u>46,575</u>	<u>161,419</u>	<u>-</u>	<u>291,393</u>

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 the Group	<u>837,598</u>

As at 31 December 2021, the Group is contingently liable for RM247,643,000 of banking facilities utilised by the Group.

12 Capital Commitments

	As at
	31 December
	2021
	RM'000
Capital expenditure:	
- Property, plant and equipment	<u>333,179</u> #

Includes the Group's portion (after the completion of the Shares Sale stated in Note 21(a)) of capital commitment under the Joint Venture Company (defined in Note 21(a)).



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13 Related Party Transactions

	Individual 3 months ended 31 December 2021 RM'000	Cumulative 6 months ended 31 December 2021 RM'000
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	10	20
<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	10

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 31 December 2021, 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	12,015	-	-	12,015
Short term investments	22,830	-	-	22,830
Derivative assets	-	6	-	6
	<u>34,845</u>	<u>6</u>	<u>-</u>	<u>34,851</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 2021.

15 Detailed Analysis of Performance

The revenue of the Group for the 3 months ended 31 December 2021 (2Q2022) stood at RM74.9 million. This represented a quarter-on-quarter surge of 44% from RM52.1 million and year-on-year increase of 99% from RM37.7 million.

Gas Processing Division

The division generated greater revenue in 2Q2022 of RM58.9 million, against RM40.1 million and RM35.6 million reported in 1Q2022 and 2Q2021, an increase of 47% and 65% respectively. The better performance this quarter was principally due to higher revenue contributed by the onshore gas sweetening business.

The division's profit margin before tax of 66% (RM39.0 million) in 2Q2022 was 12% lower than the 78% (RM31.2 million) achieved in 1Q2022, attributed to the unrealised loss on foreign exchange of RM1.3 million (1Q2022: gain of RM3.0 million) on the account of depreciation of USD against RM, given that the exchange rate of USD/RM was depreciated from 4.187 to 4.165 during 2Q2022. For 2Q2021, the profit margin before tax was lower at 39% (RM13.8 million) owing to greater loss on foreign exchange of RM16.7 million posted in that quarter.



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Vessel Chartering Division

The division generated a greater revenue of RM14.7 million in 2Q2022, an increase of 25% from RM11.8 million posted in 1Q2022 on the account of charter income earned from a new vessel charter contract. For 2Q2021, revenue recorded was RM1.6 million. The year-on-year increase in revenue was principally due to contribution from the newly acquired liftboat chartering business.

The division recorded a greater loss margin before tax of 48% (RM7.0 million in loss) in 2Q2022 as compared to the 7% (RM0.8 million in loss) reported in 1Q2022 as a result of the share-based payment expenses of RM4.6 million recognised on share options granted on 16 December 2021 under the new ESOS scheme. For 2Q2021, the division posted a loss margin before tax of 494% (RM7.8 million in loss) was mainly attributed to the fixed overhead costs incurred for the division while the fleet utilisation was low.

Shipbuilding and Shiprepair Division

The division registered a higher revenue of RM1.4 million in 2Q2022, as compared to RM0.2 million and RM0.6 million posted in 1Q2022 and 2Q2021 respectively. This division's revenue was generated from ship repairing contract works.

The division incurred a higher loss before tax of RM9.2 million in 2Q2022, compared to the loss before tax of RM2.5 million and RM2.6 million reported in 1Q2022 and 2Q2021, respectively. The greater loss incurred for this quarter was mainly attributed to the share-based payment expenses of RM6.6 million recognised on share options granted on 16 December 2021 under the new ESOS scheme.

- (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) Out of the RM188.1 million of trade receivables as at 31 December 2021, RM18.5 million was subsequently received by the Group.

16 Material Change in Profit Before Tax

The Group reported a RM22.8 million of profit before tax in 2Q2022, which was 18% lower compared to the RM27.9 million achieved in 1Q2022 owing to the share-based payment expenses of RM11.9 million recognised on share options granted on 16 December 2021 under the new ESOS scheme. For 2Q2021, the Group recorded a profit before tax of RM3.5 million. The year-on-year improvement in profit before tax was in line with the increase in revenue contributed by Gas Processing Division.

17 Prospects

In view of the most rapid vaccine rollout globally, the global economy is expected to recover quickly from the Covid-19 pandemic triggered recession. At the meantime, joint commitment of Organisation of the Petroleum Exporting Countries (OPEC) plus non-OPEC major producers in tightening their supply shall further stabilise the global oil market. Given the strong recovery of oil prices driven by vaccine optimism and oil producers' supply cuts, Coastal Group shall have plenty of opportunities to materialise more deals in the short to medium term.

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. Recently, Coastal Group diversified its earnings portfolio in Mexico by venturing into gas sweetening processing plant project. Natural gas burns fewer emissions of air pollutants and carbon dioxide compared to other types of fossils to produce equal amount of energy. Globally, the demand trend for natural gas is expected to increase mainly due to the development of industries and growth in electricity demand using natural gas as power generation source. In view of the above, the Management is optimistic with our JUGCSU business.



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The Management believes that the OSV market remains oversupplied but the market equilibrium has improved since 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. While waiting for the recovery of OSV market, Coastal Group has embarked into liftboat chartering with a long term plan to tap into the wind farm renewable energy sector which is currently the fastest growing energy sources in the world.

Other than the above, Coastal Group shall still continue to pursue new business that suits its growth strategies, 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.

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 31 December 2021 RM'000	Cumulative 6 months ended 31 December 2021 RM'000
Interest income	26	293
Other income	9,292	18,035
Depreciation and amortisation	25,156	48,675
Fair value loss on short term investments	163	221
Fair value loss on quoted investments	114	644
Foreign exchange (loss) / gain (net)	(1,926)	1,561

There were no impairment loss on receivables, provision for write down 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 31 December 2021 RM'000	Cumulative 6 months ended 31 December 2021 RM'000
Income tax expense comprises:		
Current tax charge	3,702	8,791
Deferred tax charge / (reversal)	6,442	6,437
	<u>10,144</u>	<u>15,228</u>

The effective tax rate for the current quarter and the financial year-to-date were higher than the statutory tax rate in Malaysia mainly due to the non-deductible share-based payment expenses as well as higher income tax rate applicable to certain subsidiaries of the Group in other jurisdiction.



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21 Status of Corporate Proposals

- (a) On 17 February 2021, the Company and its Mexican strategic business partner, Grupo Empresarial Alfair S.A.P.I. De C.V. ("Alfair"), has entered into a Share Purchase Agreement ("SPA") to sell and transfer its 50% equity interest in its indirect wholly owned subsidiary, Coastoil Dynamic S.A.De C.V. (the Joint Venture Company or "JVC"), to its JV Partner, Alfair. On the same date, a Shareholders Agreement ("SA") was entered among a wholly owned subsidiary of the Company, Coastal Marine Pte Ltd, Alfair and JVC to set out the rights and obligations of Coastal Marine Pte Ltd and Alfair ("JV Partners") under the JVC. The SPA, SA and other executed related documents are collectively known as "Transaction Documents". Pursuant to the Transaction Documents, the JVC shall undertake an onshore gas sweetening plant project in Mexico for Petroleos Mexicanos ("Pemex"), Mexican state-owned petroleum company. The completion of the Joint Venture is subject to the fulfilment and satisfaction of the condition precedents stipulated in the Transaction Documents.

On 30 December 2021, the Joint Venture was completed as all the conditions precedents stipulated in the Transaction Documents have been fulfilled. The Company is in the progress of selling its 50% equity interests in the JVC to Alfair ("Shares Sale"), which shall be completed by the first quarter of 2022. Currently, the results of the JVC is accounted for as a subsidiary of the Company. The results of the JVC would be accounted for as a "Joint Arrangement" in accordance with MFRS 11 after completion of the Shares Sale.

- (b) On 16 December 2021, the shareholders of the Company have approved the proposed Employees' Share Option Scheme ("ESOS") during the Company's Extraordinary General Meeting held on that day.

On the same date, the Company announced its effective date for the implementation of the ESOS, which is the date of full compliance of the ESOS in accordance with paragraph 6.43(1) of the Main Market Listing Requirements. The Company allocated 49,220,600 options pursuant to the ESOS at an exercise price of RM0.99 per share to the eligible employees and Directors of the Company and its subsidiaries. As at 31 December 2021, no options pursuant to the ESOS has been exercised.

- (c) On 19 January 2022, the Company announced that Coastal Marine Pte. Ltd., a wholly-owned subsidiary of the Company, is proposing to provide financial assistance of up to USD220.0 million (equivalent to approximately RM924.0 million) ("Proposed Provision of Financial Assistance") to Coastoil Dynamic S.A. de C.V. ("Coastoil Dynamic") in stages and subject to the funding requirements of Coastoil Dynamic.

The Proposed Provision of Financial Assistance is undertaken by the Group to provide funding to Coastoil Dynamic following the award of a new project by the Pemex group of companies to undertake an onshore gas conditioning plant project in Tierra Blanca, Veracruz, Mexico.

The Proposed Provision of Financial Assistance is subject to shareholders' approval at an extraordinary general meeting of the Company to be convened on 10 March 2022.

22 Group Borrowings and Debt Securities

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

	As at 31 December 2021 RM'000
Short term	
Secured	43,850
Unsecured	15,492
	<u>59,342</u>
Long term	
Secured	23,697
Unsecured	46,476
	<u>70,173</u>
Total	<u>129,515</u>



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Apart from RM1.1 million of secured borrowings which are denominated in Ringgit Malaysia, all the other borrowings are denominated in United States Dollar.

The debt-equity ratio of the Group has increased to 0.113 from last quarter's 0.073. Additional funds were drawn down from new credit facility to finance the Group's gas processing business operations.

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 28 February 2022.

24 Dividend Payable

No interim dividend has been declared for the current quarter ended 31 December 2021.

25 Earnings Per Share

Basic earnings per share attributable to owners of the Company

Basic earnings per share of the Group was calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Individual 3 months ended 31 December 2021	Cumulative 6 months ended 31 December 2021
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	11,796	33,750
Weighted average number of ordinary shares in issue ('000)	522,556	522,729
Basic earnings per share (sen)	2.26	6.46

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

	Individual 3 months ended 31 December 2021	Cumulative 6 months ended 31 December 2021
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	11,796	33,750
Weighted average number of ordinary shares in issue ('000)	522,556	522,729
Effect of dilution of ESOS ('000)	1,353	-
Adjusted weighted average number of ordinary shares ('000)	523,909	522,729
Diluted earnings per share (sen)	2.25	6.46

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 price of the options granted. As the average market price of ordinary shares for the 6-months period ended 31 December 2021 (RM0.98) was lower than the exercise price of the options (RM0.99), 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.



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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 2021 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 28 February 2022.