



COASTAL CONTRACTS BHD.

Registration No. 200001015043 (517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.12.2022 RM'000 (unaudited)	3 months ended 31.12.2021 RM'000 (unaudited)	6 months ended 31.12.2022 RM'000 (unaudited)	6 months ended 31.12.2021 RM'000 (unaudited)
Revenue	8	62,354	74,893	114,297	127,011
Cost of sales and services		(36,215)	(42,043)	(72,701)	(73,850)
Gross profit		<u>26,139</u>	<u>32,850</u>	<u>41,596</u>	<u>53,161</u>
Other income		98,723	12,856	141,026	27,520
Administrative expenses		(6,578)	(16,541)	(11,656)	(20,207)
Other expenses		(33,897)	(5,740)	(36,526)	(8,495)
Finance costs		(8,284)	(613)	(15,397)	(1,276)
Share of profit of joint venture, net of tax		74,888	-	184,691	-
Profit before tax	8, 19	<u>150,991</u>	<u>22,812</u>	<u>303,734</u>	<u>50,703</u>
Income tax expense	20	(10,261)	(10,144)	(21,542)	(15,228)
Profit for the period		<u><u>140,730</u></u>	<u><u>12,668</u></u>	<u><u>282,192</u></u>	<u><u>35,475</u></u>
Attributable to:					
Owners of the Company		139,032	11,796	280,000	33,750
Non-controlling interests		<u>1,698</u>	<u>872</u>	<u>2,192</u>	<u>1,725</u>
		<u><u>140,730</u></u>	<u><u>12,668</u></u>	<u><u>282,192</u></u>	<u><u>35,475</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	26.37	2.26	53.14	6.46
- diluted (sen)	25	<u>25.21</u>	<u>2.25</u>	<u>50.96</u>	<u>6.46</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 2022 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 2022

	INDIVIDUAL		CUMULATIVE	
	3 months ended 31.12.2022 RM'000 (unaudited)	3 months ended 31.12.2021 RM'000 (unaudited)	6 months ended 31.12.2022 RM'000 (unaudited)	6 months ended 31.12.2021 RM'000 (unaudited)
Profit for the period	140,730	12,668	282,192	35,475
Other comprehensive (loss) / income:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value gain on derivatives	-	26	-	32
Currency translation differences arising from consolidation	15(a) (80,405)	(2,039)	(21,225)	(325)
Share of other comprehensive (loss) / income of joint venture:				
- Currency translation differences	(7,137)	-	1,501	-
Total comprehensive income for the period	<u>53,188</u>	<u>10,655</u>	<u>262,468</u>	<u>35,182</u>
Attributable to:				
Owners of the Company	51,806	9,790	260,324	33,457
Non-controlling interests	<u>1,382</u>	<u>865</u>	<u>2,144</u>	<u>1,725</u>
	<u>53,188</u>	<u>10,655</u>	<u>262,468</u>	<u>35,182</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 2022 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 2022

		As at 31.12.2022 RM'000 (unaudited)	As at 30.06.2022 RM'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		667,565	714,619
Right-of-use assets		7,174	7,739
Investment in joint ventures		282,760	95,595
Investment properties		3,199	3,240
Investment securities	14	11,656	11,958
Trade receivables		110,820	125,904
		<u>1,083,174</u>	<u>959,055</u>
<b>Current assets</b>			
Inventories		26,492	25,017
Trade receivables	15(b)	169,087	111,966
Contract assets		-	212
Other receivables		26,240	26,624
Amount due from joint ventures		724,200	650,548
Short term investments	14	17,842	15,554
Tax recoverable		253	253
Cash and bank balances		177,714	223,114
		<u>1,141,828</u>	<u>1,053,288</u>
<b>TOTAL ASSETS</b>	8	<u>2,225,002</u>	<u>2,012,343</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		314,802	311,976
Treasury shares		(13,336)	(13,336)
Share option reserve		10,279	10,897
Currency translation reserve		301,500	321,176
Retained earnings		1,003,521	723,459
<b>Equity attributable to owners of the Company</b>		<u>1,616,766</u>	<u>1,354,172</u>
<b>Non-controlling interests</b>		<u>6,836</u>	<u>4,692</u>
<b>Total equity</b>		<u>1,623,602</u>	<u>1,358,864</u>
<b>Non-current liabilities</b>			
Borrowings	22	99,057	119,521
Lease liabilities		166	183
Deferred tax liabilities		7,729	4,196
		<u>106,952</u>	<u>123,900</u>
<b>Current liabilities</b>			
Borrowings	22	299,527	343,766
Lease liabilities		86	571
Trade payables		142,463	140,850
Contract liabilities		1,004	-
Other payables		48,135	41,542
Income tax payable		3,233	2,850
		<u>494,448</u>	<u>529,579</u>
<b>Total liabilities</b>	8	<u>601,400</u>	<u>653,479</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,225,002</u>	<u>2,012,343</u>
Net assets per share (RM)		<u>3.0572</u>	<u>2.5718</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 2022 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 2022

	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	
<b>6 months ended 31 December 2021 (unaudited)</b>									
<b>Balance at 1 July 2021</b>	307,050	(12,700)	-	266,169	(26)	543,241	1,103,734	1,055	1,104,789
Purchase of treasury shares	-	(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
<b>Balance at 31 December 2021</b>	<b>307,050</b>	<b>(13,336)</b>	<b>11,889</b>	<b>265,844</b>	<b>6</b>	<b>576,991</b>	<b>1,148,444</b>	<b>2,780</b>	<b>1,151,224</b>
<b>6 months ended 31 December 2022 (unaudited)</b>									
<b>Balance at 1 July 2022</b>	311,976	(13,336)	10,897	321,176	-	723,459	1,354,172	4,692	1,358,864
Issuance of ordinary shares pursuant to the ESOS	2,826	-	(556)	-	-	-	2,270	-	2,270
Value of share options forfeited	-	-	(62)	-	-	62	-	-	-
Total comprehensive (loss) / income for the period	-	-	-	(19,676)	-	280,000	260,324	2,144	262,468
<b>Balance at 31 December 2022</b>	<b>314,802</b>	<b>(13,336)</b>	<b>10,279</b>	<b>301,500</b>	<b>-</b>	<b>1,003,521</b>	<b>1,616,766</b>	<b>6,836</b>	<b>1,623,602</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 2022 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 2022

	<b>CUMULATIVE</b>	
	6 months ended	6 months ended
	31.12.2022	31.12.2021
	RM'000	RM'000
	(unaudited)	(unaudited)
<b><u>Operating Activities</u></b>		
Profit before tax	303,734	50,703
Adjustments for non-cash items	(158,528)	58,900
Operating cash flows before changes in working capital	145,206	109,603
Changes in working capital:		
Increase in inventories	(1,365)	(523)
Increase in receivables	(39,295)	(51,180)
Increase in payables	318	30,295
Cash flows from operations	104,864	88,195
Interest paid	(5,464)	(1,276)
Income tax paid	(17,638)	(9,417)
Net cash flows from operating activities	81,762	77,502
<b><u>Investing Activities</u></b>		
Interest received	61,424	234
Loan to joint venture	(74,758)	-
Net purchase of investment securities	(16)	(533)
Net (purchase) / proceeds from disposal of short term investments	(2,093)	87,989
Income received from investments	350	1,297
Proceeds from disposal of property, plant and equipment	-	776
Purchase of property, plant and equipment	(101)	(36,146)
Net cash flows (used in) / from investing activities	(15,194)	53,617
<b><u>Financing Activities</u></b>		
Proceeds from issuance of ordinary shares	2,270	-
Purchase of treasury shares	-	(636)
Payment of lease liabilities	(587)	(520)
Net (repayment) / proceeds from drawdown of borrowings	(65,620)	40,979
Net cash flows (used in) / from financing activities	(63,937)	39,823
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,631	170,942
Effect of foreign exchange rate changes	(48,031)	(1,496)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	223,114	163,703
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	177,714	333,149
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	71,870	68,079
Cash and bank balances	105,844	265,070
Cash and cash equivalents at end of financial period	177,714	333,149

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 2022 and the accompanying explanatory notes attached to these interim financial statements.



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**Explanatory Notes**  
FOR THE QUARTER ENDED 31 DECEMBER 2022

**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 2022. 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 2022.

**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 2022 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 2022:

Amendments to MFRS 3 *Reference to the Conceptual Framework*  
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*  
Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*  
Annual Improvements to MFRS Standards 2018 - 2020 Cycles

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:

- (a) During the financial year-to-date, a total of 2,292,740 new ordinary shares were issued pursuant to the Company's Employees' Share Option Scheme.
- (b) As at 31 December 2022, the total number of treasury shares held was 12,801,500 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.

	Gas Processing RM'000	Vessel Chartering RM'000	Shipbuilding and Shiprepair RM'000	Eliminations RM'000	Consolidated RM'000
<b><u>3 months ended 31 December 2022</u></b>					
<b><i>Revenue</i></b>					
External revenue	39,588	22,668	98	-	62,354
Inter-segment revenue	-	-	1,147	(1,147)	-
Total revenue	<u>39,588</u>	<u>22,668</u>	<u>1,245</u>	<u>(1,147)</u>	<u>62,354</u>
<b><i>Results</i></b>					
Profit before tax	<u>138,131</u>	<u>1,261</u>	<u>11,599</u>	<u>-</u>	<u>150,991</u>
<b><u>6 months ended 31 December 2022</u></b>					
<b><i>Revenue</i></b>					
External revenue	78,437	35,558	302	-	114,297
Inter-segment revenue	-	-	2,317	(2,317)	-
Total revenue	<u>78,437</u>	<u>35,558</u>	<u>2,619</u>	<u>(2,317)</u>	<u>114,297</u>
<b><i>Results</i></b>					
Profit / (loss) before tax	<u>298,728</u>	<u>(3,805)</u>	<u>8,811</u>	<u>-</u>	<u>303,734</u>
<b>Total Assets</b>					
31 December 2022	1,726,279	436,827	61,896	-	2,225,002
30 June 2022	<u>1,495,847</u>	<u>433,711</u>	<u>82,785</u>	<u>-</u>	<u>2,012,343</u>
<b>Total Liabilities</b>					
31 December 2022	320,794	101,415	179,191	-	601,400
30 June 2022	<u>365,123</u>	<u>110,585</u>	<u>177,771</u>	<u>-</u>	<u>653,479</u>

**9 Subsequent Event**

As announced on 16 February 2023, the Company had entered into a Memorandum of Understanding ("MOU") with MECOM Power and Construction Limited and Yong Mui Global Pte. Ltd. for the proposed development of the electric vehicle charging system business in Singapore, Malaysia and Vietnam for a term of 3 years commencing from the date of the MOU.

**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>292,425</u>

As at 31 December 2022, the Group is contingently liable for RM214,395,000 of banking facilities utilised by the Group.



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## 12 Capital Commitments

	As at 31 December 2022 RM'000
<i>Capital expenditure:</i>	
- Property, plant and equipment of the joint venture	<u>27,748</u> #

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

## 13 Related Party Transactions

	Individual 3 months ended 31 December 2022 RM'000	Cumulative 6 months ended 31 December 2022 RM'000
<i>Transactions with Directors of the Company:</i>		
- Rent of premises	29	55
<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
<i>Transactions with a joint venture:</i>		
- Interest income	26,279	54,057
- Service fee income	760	2,769

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 2022, 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	11,656	-	-	11,656
Short term investments	17,842	-	-	17,842
	<u>29,498</u>	<u>-</u>	<u>-</u>	<u>29,498</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 2022.



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## 15 Detailed Analysis of Performance

The Group achieved a higher revenue of RM62.4 million in the current quarter ended 31 December 2022 (2Q2023) as compared to the RM51.9 million achieved in last quarter (1Q2023), an increase of 20%. Year-on-year (2Q2022), revenue was down by 17% from RM74.9 million.

### Gas Processing Division

The division reported a marginal increase in revenue in 2Q2023 from RM38.8 million posted in 1Q2023 to RM39.6 million. Against 2Q2022, the revenue has drop 33% from RM58.9 million owing to the subsidiary that contributed the onshore gas sweetening income in last year became a joint venture and accounted for using equity accounting method for the current year.

The division recorded a lower profit before tax of RM138.1 million in 2Q2023 compared to RM160.6 million achieved in 1Q2023. This was mainly attributed to the lower profit contributed from the joint venture because of lower profit contributed by Papan Plant in this quarter. However, compared to 2Q2022, current quarter's profit before tax has increase 254% from RM39.0 million. The better showing this quarter was mainly due to the interest income earned from loan granted to a joint venture and profit shared from joint venture.

### Vessel Chartering Division

The division's revenue for 2Q2023 has risen substantively to RM22.7 million from RM12.9 million and RM14.7 million recorded in 1Q2023 and 2Q2022, respectively. The greater in revenue this quarter was mainly due to higher OSV charter income driven by improvement in utilisation rate as well as higher liftboat charter income driven by improvement in charter rate.

The division achieved a profit before tax margin of 6% (RM1.3 million) in 2Q2023 as compared to the loss margin of 39% (RM5.1 million in loss) and 48% (RM7.0 million in loss) reported in 1Q2023 and 2Q2022, respectively. The improved performance was mainly attributed to higher OSV utilisation rate and improvement in liftboat charter rate.

### Shipbuilding and Shiprepair Division

The revenue generated from this division in 2Q2023 was RM0.1 million. The revenue posted in 1Q2023 and 2Q2022 were RM0.2 million and RM1.4 million, respectively. This division's revenue was generated from ship repairing contract works.

The division reported a profit before tax of RM11.6 million in 2Q2023, as compared to the loss before tax of RM2.8 million and RM9.2 million recorded in 1Q2023 and 2Q2022, respectively. The profit derived in the current quarter was mainly due to receipt of an one-off compensation related to non-conformities of a vessel's parts and equipments from a supplier.

- (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 RM169.1 million of short term trade receivables as at 31 December 2022, RM6.1 million was subsequently received by the Group.

## 16 Material Change in Profit Before Tax

The Group achieved a fairly consistent profit before tax of RM151.0 million in 2Q2023, compared to RM152.7 million reported in 1Q2023. Against last year's corresponding quarter, the profit before tax has jumped more than 500% from RM22.8 million. The improved performance this quarter was mainly attributed to the profit shared from the joint venture and interest income earned from loan granted to the joint venture.

## 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.



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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 the prospect of our Gas Processing Division.

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 2022 RM'000	Cumulative 6 months ended 31 December 2022 RM'000
Interest income	31,537	61,474
Other income	17,731	20,361
Depreciation and amortisation	24,690	48,887
Fair value gain on short term investments	110	195
Fair value gain / (loss) on quoted investments	36	(582)
Foreign exchange gain (net)	15,416	23,073

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.



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## 20 Income Tax Expense

	Individual 3 months ended 31 December 2022 RM'000	Cumulative 6 months ended 31 December 2022 RM'000
Income tax expense comprises:		
Current tax charge	9,636	18,010
Deferred tax charge / (reversal)	625	3,532
	<u>10,261</u>	<u>21,542</u>

The effective tax rate for the current quarter and the financial year-to-date (excluding the results of joint ventures which is equity accounted net of tax) were lower than the statutory tax rate in Malaysia mainly due to the non-taxable income of the Company and certain subsidiaries of the Group in other jurisdiction.

## 21 Status of Corporate Proposals

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 would be delayed to second half of FY2023.

The JVC was accounted for as a "Joint Arrangement" using equity accounting method in accordance with MFRS 11 **upon all the conditions precedents stipulated in the Transaction Documents are fulfilled** (as mentioned in the previous paragraph). The Company accounted the results of the JVC according to its current effective shareholdings in the JVC, which is 100% as at 31 December 2022. As the Shares Sale is not completed as at 31 December 2022, the Company is required to account **100% of the JVC's results** under equity accounting method.

The summarised financial information of the JVC as at 31 December 2022 was as follows:

	RM'000
Non-current assets	717,457
Current assets	530,219
Non-current liabilities	(19,818)
Current liabilities	(947,827)
Net assets	<u>280,031</u>
Less: Group's contribution for future capital increase in JVC	(24,679)
Adjusted net assets	<u>255,352</u>
Contractual proceeds from Shares Sale	6
Alfair's share of net assets based on the <b>eventual effective shareholdings</b> in the JVC which is 50%	<u>127,676</u>
Effect of the Shares Sale to the Group as at 31 December 2022	<u>(127,670)</u>



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Should the Shares Sale was completed on 31 December 2022 and the equity accounting method been applied in accordance with MFRS 11 based on the Company's **eventual effective shareholdings** in the JVC which is 50%, the Effect of the Shares Sale to the profit for the period would have been as follows:

	Individual 3 months ended 31 December 2022 RM'000	Cumulative 6 months ended 31 December 2022 RM'000
Profit for the period	140,730	282,192
Less: Effect of the Shares Sale	(127,670)	(127,670)
Adjusted profit for the period	<u>13,060</u>	<u>154,522</u>

Upon completion of the Shares Sale, the Company shall account **50% of the JVC's results** under equity accounting method. In addition, the abovementioned Effect of the Shares Sale would be accounted for as a **loss on disposal of effective interest in the Joint Arrangement**.

## 22 Group Borrowings and Debt Securities

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

	As at 31 December 2022 RM'000
Short term	
Secured	31,372
Unsecured	<u>268,155</u>
	<u>299,527</u>
Long term	
Secured	66,385
Unsecured	<u>32,672</u>
	<u>99,057</u>
Total	<u>398,584</u>

Apart from RM9.6 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 decreased to 0.247 from last quarter's 0.295. 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 28 February 2023.

## 24 Dividend Payable

No interim dividend has been declared for the current quarter ended 31 December 2022.



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## 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 2022	Cumulative 6 months ended 31 December 2022
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	139,032	280,000
Weighted average number of ordinary shares in issue ('000)	527,221	526,896
Basic earnings per share (sen)	26.37	53.14

### 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 2022	Cumulative 6 months ended 31 December 2022
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	139,032	280,000
Weighted average number of ordinary shares in issue ('000)	527,221	526,896
Effect of dilution of ESOS ('000)	24,266	22,562
Adjusted weighted average number of ordinary shares ('000)	<u>551,487</u>	<u>549,458</u>
Diluted earnings per share (sen)	25.21	50.96

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 2022 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 2023.