



COASTAL CONTRACTS BHD (Company No. 517649-A)

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

|   | Note  | INDIVIDUAL  |   | CUMULATIVE   |  |
|---|-------|---|---|--|--|
|   |       | 3 months ended<br>30.06.2020<br>RM'000<br>(unaudited) | 3 months ended<br>30.06.2019<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2020<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2019<br>RM'000<br>(audited) |
| Revenue   | 8     | 46,576  | 44,574  | 211,008  | 156,329  |
| Cost of sales and services  |       | (28,040)  | (26,281)  | (136,694)  | (89,416)   |
| Gross profit  |       | <u>18,536</u>   | <u>18,293</u>   | <u>74,314</u>  | <u>66,913</u>  |
| Other income  |       | 20,257  | 27,539  | 84,729   | 51,161   |
| Administrative expenses   |       | (3,913)   | (4,881)   | (17,991)   | (24,411)   |
| Other expenses  |       | (198,142)   | (46,008)  | (215,632)  | (48,138)   |
| Finance costs   |       | (2,813)   | (3,692)   | (12,581)   | (15,687)   |
| (Loss) / profit before tax  | 8, 19 | <u>(166,075)</u>                                      | <u>(8,749)</u>  | <u>(87,161)</u>  | <u>29,838</u>  |
| Income tax expense  | 20    | (4,290)   | (3,691)   | (17,329)   | (15,431)   |
| (Loss) / profit for the period  |       | <u><u>(170,365)</u></u>                               | <u><u>(12,440)</u></u>                                | <u><u>(104,490)</u></u>                                | <u><u>14,407</u></u>                                 |
| Attributable to:  |       |   |   |  |  |
| Owners of the Company   |       | (170,365)   | (12,440)  | (104,490)  | 14,413   |
| Non-controlling interests   |       | -   | -   | -  | (6)  |
|   |       | <u><u>(170,365)</u></u>                               | <u><u>(12,440)</u></u>                                | <u><u>(104,490)</u></u>                                | <u><u>14,407</u></u>                                 |
| (Loss) / earnings per share attributable<br>to owners of the Company: |       |   |   |  |  |
| - basic (sen)   | 25    | (32.32)   | (2.36)  | (19.78)  | 2.73   |
| - diluted (sen)   | 25    | <u><u>(32.32)</u></u>                                 | <u><u>(2.36)</u></u>                                  | <u><u>(19.77)</u></u>                                  | <u><u>2.73</u></u>                                   |

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



COASTAL CONTRACTS BHD (Company No. 517649-A)

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

|   | INDIVIDUAL  |   | CUMULATIVE   |  |
|---|---|---|--|--|
|   | 3 months ended<br>30.06.2020<br>RM'000<br>(unaudited) | 3 months ended<br>30.06.2019<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2020<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2019<br>RM'000<br>(audited) |
| (Loss) / profit for the period  | (170,365)   | (12,440)  | (104,490)  | 14,407   |
| Other comprehensive (loss) / income:                                      |   |   |  |  |
| <i>Items that may be subsequently<br/>reclassified to profit or loss:</i> |   |   |  |  |
| Cash flow hedge:  |   |   |  |  |
| - Fair value gain / (loss) on derivatives                                 | 276   | (1,551)   | (1,270)  | (4,236)  |
| Currency translation differences<br>arising from consolidation            | 15(a) (7,210)   | 8,402   | 14,795   | 15,754   |
| Total comprehensive (loss) / income<br>for the period                     | <u>(177,299)</u>                                      | <u>(5,589)</u>  | <u>(90,965)</u>  | <u>25,925</u>  |
| Attributable to:  |   |   |  |  |
| Owners of the Company   | (177,299)   | (5,589)   | (90,965)   | 25,921   |
| Non-controlling interests   | -   | -   | -  | 4  |
|   | <u>(177,299)</u>                                      | <u>(5,589)</u>  | <u>(90,965)</u>  | <u>25,925</u>  |

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



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2020

|                                     | Note  | As at<br>30.06.2020<br>RM'000<br>(unaudited) | As at<br>30.06.2019<br>RM'000<br>(audited) |
|-------------------------------------|-------|--|--|
| <b>ASSETS</b>                       |       |  |  |
| <b>Non-current assets</b>           |       |  |  |
| Property, plant and equipment       |       | 701,041                                      | 701,984                                    |
| Right-of-use assets                 |       | 7,322  | -  |
| Investment properties               |       | 3,404  | 3,486                                      |
| Investment securities               | 14    | 1,938  | 923  |
|                                     |       | <u>713,705</u>                               | <u>706,393</u>                             |
| <b>Current assets</b>               |       |  |  |
| Inventories                         | 15(b) | 138,602                                      | 252,123                                    |
| Trade receivables                   | 15(c) | 127,082                                      | 88,936                                     |
| Contract assets                     |       | -  | 559  |
| Other receivables                   |       | 50,924                                       | 93,507                                     |
| Amount due from a joint venture     |       | 445  | 412  |
| Short term investments              | 14    | 259,955                                      | 293,732                                    |
| Derivative assets                   |       | -  | 773  |
| Tax recoverable                     |       | 55   | 264  |
| Cash and bank balances              |       | 263,796                                      | 209,015                                    |
|                                     |       | <u>840,859</u>                               | <u>939,321</u>                             |
| <b>TOTAL ASSETS</b>                 | 8     | <u>1,554,564</u>                             | <u>1,645,714</u>                           |
| <b>EQUITY AND LIABILITIES</b>       |       |  |  |
| <b>Equity</b>                       |       |  |  |
| Share capital                       |       | 307,050                                      | 302,519                                    |
| Treasury shares                     |       | (10,399)                                     | (7,045)                                    |
| Share option reserve                |       | 27,540                                       | 28,336                                     |
| Currency translation reserve        |       | 278,317                                      | 263,522                                    |
| Cash flow hedge reserve             |       | 116  | 1,386                                      |
| Retained earnings                   |       | 483,887                                      | 588,144                                    |
| <b>Total equity</b>                 |       | <u>1,086,511</u>                             | <u>1,176,862</u>                           |
| <b>Non-current liabilities</b>      |       |  |  |
| Borrowings                          | 22    | 34,598                                       | 231,213                                    |
| Lease liabilities                   |       | 11   | -  |
| Deferred tax liabilities            |       | 612  | 523  |
|                                     |       | <u>35,221</u>                                | <u>231,736</u>                             |
| <b>Current liabilities</b>          |       |  |  |
| Borrowings                          | 22    | 242,201                                      | 62,724                                     |
| Lease liabilities                   |       | 178  | -  |
| Trade payables                      |       | 135,123                                      | 129,738                                    |
| Contract liabilities                |       | -  | 121  |
| Other payables                      |       | 52,945                                       | 44,318                                     |
| Derivative liabilities              | 14    | 494  | -  |
| Income tax payable                  |       | 1,891  | 215  |
|                                     |       | <u>432,832</u>                               | <u>237,116</u>                             |
| <b>Total liabilities</b>            | 8     | <u>468,053</u>                               | <u>468,852</u>                             |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u>1,554,564</u>                             | <u>1,645,714</u>                           |
| Net assets per share (RM)           |       | <u>2.0621</u>                                | <u>2.2302</u>                              |

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



COASTAL CONTRACTS BHD (Company No. 517649-A)

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

|   | 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        |                  |
| <b><u>12 months ended 30 June 2019 (audited)</u></b>                                |                                       |               |                 |                      |                              |                         |                   |                           |               |                  |
| <b>Balance at 1 July 2018</b>   | 106,320                               | 195,820       | (7,045)         | 24,095               | 247,781                      | 5,622                   | 572,733           | 1,145,326                 | 121           | 1,145,447        |
| 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                                  | -                                     | -             | -               | -                    | 15,745                       | (4,236)                 | 14,413            | 25,922                    | 4             | 25,926           |
| <b>Balance at 30 June 2019</b>  | <b>302,519</b>                        | <b>-</b>      | <b>(7,045)</b>  | <b>28,336</b>        | <b>263,522</b>               | <b>1,386</b>            | <b>588,144</b>    | <b>1,176,862</b>          | <b>-</b>      | <b>1,176,862</b> |
| <b><u>12 months ended 30 June 2020 (unaudited)</u></b>                              |                                       |               |                 |                      |                              |                         |                   |                           |               |                  |
| <b>Balance at 1 July 2019</b>   | 302,519                               | -             | (7,045)         | 28,336               | 263,522                      | 1,386                   | 588,144           | 1,176,862                 | -             | 1,176,862        |
| Purchase of treasury shares   | -                                     | -             | (3,354)         | -                    | -                            | -                       | -                 | (3,354)                   | -             | (3,354)          |
| Issuance of ordinary shares pursuant to the ESOS                                    | 4,531                                 | -             | -               | (1,208)              | -                            | -                       | -                 | 3,323                     | -             | 3,323            |
| Share options granted under ESOS  | -                                     | -             | -               | 412                  | -                            | -                       | 233               | 645                       | -             | 645              |
| Total comprehensive income / (loss) for the period                                  | -                                     | -             | -               | -                    | 14,795                       | (1,270)                 | (104,490)         | (90,965)                  | -             | (90,965)         |
| <b>Balance at 30 June 2020</b>  | <b>307,050</b>                        | <b>-</b>      | <b>(10,399)</b> | <b>27,540</b>        | <b>278,317</b>               | <b>116</b>              | <b>483,887</b>    | <b>1,086,511</b>          | <b>-</b>      | <b>1,086,511</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 2019 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

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

|  | <b>CUMULATIVE</b>                                      |  |
|--|--|--|
|  | 12 months ended<br>30.06.2020<br>RM'000<br>(unaudited) | 12 months ended<br>30.06.2019<br>RM'000<br>(audited) |
| <b><u>Operating Activities</u></b>   |  |  |
| (Loss) / profit before tax   | (87,161)   | 29,838   |
| Adjustments for non-cash items   | 242,360  | 112,836  |
| Operating cash flows before changes in working capital                         | 155,199  | 142,674  |
| Changes in working capital:  |  |  |
| Decrease / (increase) in inventories   | 13,111   | (4,813)  |
| (Increase) / decrease in receivables   | (125,940)  | 99,687   |
| Increase / (decrease) in payables  | 7,813  | (34,836)   |
| Cash flows from operations   | 50,183   | 202,712  |
| Interest paid  | (12,170)   | (15,154)   |
| Income tax paid  | (15,394)   | (15,221)   |
| Net cash flows from operating activities                                       | 22,619   | 172,337  |
| <b><u>Investing Activities</u></b>   |  |  |
| Interest received  | 6,619  | 10,799   |
| Net proceeds from disposal / (purchase) of short term investments              | 33,532   | (171,346)  |
| Income received from short term investments                                    | 7,537  | 5,825  |
| Purchase of investment securities  | (1,512)  | -  |
| Proceeds from disposal of property, plant and equipment                        | 3,298  | -  |
| Purchase of property, plant and equipment                                      | (674)  | (27,219)   |
| Net cash flows from / (used in) investing activities                           | 48,800   | (181,941)  |
| <b><u>Financing Activities</u></b>   |  |  |
| Additional investments in existing subsidiaries                                | -  | (46)   |
| Purchase of treasury shares  | (3,354)  | -  |
| Proceeds from issuance of ordinary shares                                      | 3,323  | 278  |
| Payment of lease liabilities   | (1,369)  | -  |
| Net repayment of borrowings  | (26,796)   | (63,476)   |
| Net cash flows used in financing activities                                    | (28,196)   | (63,244)   |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                  | 43,223   | (72,848)   |
| Effect of foreign exchange rate changes  | 11,558   | (428)  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>              | 209,015  | 282,291  |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>                   | 263,796  | 209,015  |
| * Cash and cash equivalents at end of financial period comprise the following: |  |  |
| Fixed deposits   | 197,753  | 161,777  |
| Cash and bank balances   | 66,043   | 47,238   |
| Cash and cash equivalents at end of financial period                           | 263,796  | 209,015  |

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



**Explanatory Notes**

FOR THE QUARTER ENDED 30 JUNE 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 2019. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

**2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised MFRSs**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2019 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), Interpretation, amendments and annual improvements to certain MFRSs where applicable to the Group's financial period beginning 1 July 2019:

MFRS 16 *Leases*

IC Interpretation 23 *Uncertainty Over Income Tax Treatments*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

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

Annual Improvements to MFRSs 2015 - 2017 Cycles

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

MFRS 16 *Leases*

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

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

|   | RM'000      |
|---|-------------|
| <u>Statement of Financial Position</u>    |             |
| Decrease in property, plant and equipment | (7,339)     |
| Increase in right-of-use assets           | 8,668       |
| Increase in lease liabilities             | 1,402       |
| Decrease in borrowings                    | <u>(73)</u> |

**3 Seasonal or Cyclical Factors**

The Group's performance is affected by volatile crude oil prices as well as the global and regional economic conditions. The demand for vessels and offshore assets for exploration and production as well as shiprepair and charter services are closely associated with the crude oil prices and economic climate.

**4 Unusual Items Affecting the Financial Statements**

There were no items affecting assets, liabilities, equity, net income or cash flows during the financial period under review that were unusual because of their nature, size or incidence.

**5 Change in Accounting Estimate**

There were no changes in estimates that have had material effects in the financial period under review.

**6 Debt and Equity Securities**

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

- (a) During the financial year-to-date, a total of 3,461,100 new ordinary shares were issued pursuant to the Company's Employees' Share Option Scheme.
- (b) For the 12-months period ended 30 June 2020, 4,269,600 ordinary shares were repurchased in the open market at an average price of RM0.79 per share. The total consideration paid for the repurchase including transaction costs amounted to RM3,354,111 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 June 2020, the total number of treasury shares held was 8,466,400 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><u>3 months ended 30 June 2020</u></b>  |  |                                |                        |                        |
| <b>Revenue</b>                             |  |                                |                        |                        |
| External revenue                           | 373                                      | 46,203                         | -                      | 46,576                 |
| Inter-segment revenue                      | 3,029                                    | 432                            | (3,461)                | -                      |
| Total revenue                              | 3,402                                    | 46,635                         | (3,461)                | 46,576                 |
| <b>Results</b>                             |  |                                |                        |                        |
| (Loss) / profit before tax                 | (184,794)                                | 18,719                         | -                      | (166,075)              |
| <b><u>12 months ended 30 June 2020</u></b> |  |                                |                        |                        |
| <b>Revenue</b>                             |  |                                |                        |                        |
| External revenue                           | 28,077                                   | 182,931                        | -                      | 211,008                |
| Inter-segment revenue                      | 5,394                                    | 439                            | (5,833)                | -                      |
| Total revenue                              | 33,471                                   | 183,370                        | (5,833)                | 211,008                |
| <b>Results</b>                             |  |                                |                        |                        |
| (Loss) / profit before tax                 | (177,714)                                | 90,553                         | -                      | (87,161)               |



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 2020             | 608,445                                  | 946,119                        | -                      | 1,554,564              |
| 30 June 2019             | 753,762                                  | 891,952                        | -                      | 1,645,714              |
| <b>Total Liabilities</b> |  |                                |                        |                        |
| 30 June 2020             | 169,028                                  | 299,025                        | -                      | 468,053                |
| 30 June 2019             | 163,993                                  | 304,859                        | -                      | 468,852                |

**9 Subsequent Event**

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

**10 Changes in the Composition of the Group**

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

(b) On 17 December 2019, the Company had incorporated a wholly-owned subsidiary in Singapore known as Coastal C I Pte. Ltd. ("CCI"). The issued and paid-up ordinary share capital of CCI amounted to SGD1,000. CCI is a company limited by shares and registered under the Companies Act (CAP.50), Singapore.

**11 Contingent Liabilities and Contingent Assets**

|   | RM'000  |
|---|---------|
| Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries | 764,088 |

As at 30 June 2020, the Company is contingently liable for RM288,007,000 of banking facilities utilised by its subsidiaries.

**12 Capital Commitments**

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

**13 Related Party Transactions**

|  | Individual<br>3 months ended<br>30 June 2020<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2020<br>RM'000 |
|--|--|---|
| <i>Transactions with a Director of the Company:</i>  |  |   |
| - Rent of premises   | 14   | 57  |
| <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   | 4  | 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 June 2020, 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 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
| <i>Financial assets</i>      |                   |                   |                   |                 |
| Investment securities        | 1,938             | -                 | -                 | 1,938           |
| Short term investments       | 259,955           | -                 | -                 | 259,955         |
|                              | <u>261,893</u>    | <u>-</u>          | <u>-</u>          | <u>261,893</u>  |
| <i>Financial liabilities</i> |                   |                   |                   |                 |
| Derivative liabilities       | -                 | 494               | -                 | 494             |

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

#### 15 Detailed Analysis of Performance

The Group booked a lower revenue of RM46.6 million in the current quarter ended 30 June 2020 (4Q2020) as compared to last quarter's (3Q2020) RM51.8 million, a reduction of 10%. Year-on-year, revenue was increased by 4% from RM44.6 million.

##### Shipbuilding and Shiprepair Division

The revenue generated from this division in 4Q2020 stood at RM0.4 million, eased by RM3.2 million (or 89%) from RM3.6 million recorded in 3Q2020 and by RM1.9 million (or 83%) from RM2.3 million in 4Q2019. Current quarter's revenue was contributed from ship repairing contract works, whereas both the 3Q2020 and 4Q2019 revenue included the delivery of 1 unit of low-end vessel respectively.

The division recorded a loss before tax of RM184.8 million in 4Q2020, as compared to the profit before tax of RM19.9 million achieved in 3Q2020. For 4Q2019, the division reported a loss before tax of RM38.1 million. The significant loss incurred this current quarter was owing to the impairment loss on receivables of RM142.4 million and inventories written-down of RM41.2 million.

##### Vessel Chartering Division

The division generated a slightly lower revenue of RM46.2 million in 4Q2020, a quarter-on-quarter decrease of 4% from RM48.2 million. Against 4Q2019, revenue was up by 9% from RM42.3 million. The year-on-year improved performance was principally due to higher utilisation of its OSV fleet.

The division's profit margin before tax of 41% (RM18.7 million) in 4Q2020 was lower than the 59% (RM28.5 million) achieved in 3Q2020 and 70% (RM29.4 million) in 4Q2019. The lower profit margin derived this quarter was mainly attributed to lesser gain on foreign exchange and impairment of assets recognised.



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- (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 RM91.7 million (30 June 2019: RM92.5 million) and vessels work-in-progress of RM42.5 million (30 June 2019: RM155.0 million).
- (c) Out of the RM127.1 million of trade receivables as at 30 June 2020, RM12.8 million was subsequently received by the Group.

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

The Group made a RM166.1 million of loss before tax in 4Q2020. Comparatively, 3Q2020 recorded a profit before tax of RM48.4 million and 4Q2019 reported a loss before tax of RM8.7 million. The loss position in the current quarter was principally due to the inventories written down and impairment loss on financial assets.

#### 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.

#### 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<br>3 months ended<br>30 June 2020<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2020<br>RM'000 |
|--|--|---|
| Interest income                                    | 323  | 2,718   |
| Other income                                       | 6,195  | 28,716  |
| Reversal of inventories written-down               | -  | 8   |
| Inventories written-down                           | 41,248   | 41,248  |
| Reversal of impairment loss on receivables         | 9,736  | 10,570  |
| Impairment loss on receivables                     | 144,767  | 144,767   |
| Impairment loss on plant and equipment             | 5,555  | 5,555   |
| Depreciation and amortisation                      | 20,665   | 80,109  |
| Fair value gain / (loss) on short term investments | 633  | (245)   |
| Fair value gain / (loss) on quoted investment      | 110  | (498)   |
| Foreign exchange (loss) / gain (net)               | (3,313)  | 19,416  |

There were no gain or loss on disposal of quoted or unquoted investments or properties, 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 2020<br>RM'000 | Cumulative<br>12 months ended<br>30 June 2020<br>RM'000 |
|----------------------------------|--|---|
| Income tax expense comprises:    |  |   |
| Current tax charge               | 4,289  | 17,240  |
| Deferred tax charge / (reversal) | 1  | 89  |
|                                  | <u>4,290</u>   | <u>17,329</u>   |

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 27 August 2020.

**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 2020<br>RM'000 |
|------------|---------------------------------|
| Short term |                                 |
| Secured    | 242,201                         |
| Long term  |                                 |
| Secured    | 34,598                          |
| Total      | <u>276,799</u>                  |



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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 increased to 0.255 from last quarter's 0.203. A moderate amount of external borrowings was 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 27 August 2020.

**24 Dividend Payable**

No interim dividend has been declared for the current quarter ended 30 June 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<br>3 months ended<br>30 June 2020 | Cumulative<br>12 months ended<br>30 June 2020 |
|--|--|---|
| <i>Basic (loss) / earnings per share</i>                   |  |   |
| Loss attributable to owners of the Company (RM'000)        | (170,365)                                    | (104,490)                                     |
| Weighted average number of ordinary shares in issue ('000) | 527,044                                      | 528,392                                       |
| Basic loss per share (sen)                                 | (32.32)                                      | (19.78)                                       |

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 2020 | Cumulative<br>12 months ended<br>30 June 2020 |
|--|--|---|
| <i>Diluted (loss) / earnings per share</i>                 |  |   |
| Loss attributable to owners of the Company (RM'000)        | (170,365)                                    | (104,490)                                     |
| Weighted average number of ordinary shares in issue ('000) | 527,044                                      | 528,392                                       |
| Effect of dilution of ESOS ('000)                          | -  | 3   |
| Adjusted weighted average number of ordinary shares ('000) | 527,044                                      | 528,395                                       |
| Diluted loss per share (sen)                               | (32.32)                                      | (19.77)                                       |

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 2019 was not subject to any qualification.

**27 Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 27 August 2020.