



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Note	INDIVIDUAL		CUMULATIVE *	
		3 months ended 31.12.2016 RM'000 (unaudited)	3 months ended 31.12.2015 RM'000 (unaudited)	6 months ended 31.12.2016 RM'000 (unaudited)	6 months ended 31.12.2015 RM'000 (unaudited)
Revenue	8	58,399	173,649	134,559	1,094,872
Cost of sales and services		(38,017)	(143,506)	(96,599)	(1,072,569)
Gross profit		<u>20,382</u>	<u>30,143</u>	<u>37,960</u>	<u>22,303</u>
Other income		8,319	5,939	16,596	45,054
Administrative expenses		(10,215)	(8,861)	(18,492)	(13,966)
Other expenses		(3,043)	(9,836)	(4,064)	(11,916)
Finance costs		(6,297)	(4,664)	(14,251)	(4,691)
Share of loss of a joint venture		(4)	-	(4)	-
Profit before tax	8, 18	<u>9,142</u>	<u>12,721</u>	<u>17,745</u>	<u>36,784</u>
Income tax expense	19	(4,223)	609	(9,718)	294
Profit for the period		<u><u>4,919</u></u>	<u><u>13,330</u></u>	<u><u>8,027</u></u>	<u><u>37,078</u></u>
Attributable to: Owners of the Company		<u><u>4,919</u></u>	<u><u>13,330</u></u>	<u><u>8,027</u></u>	<u><u>37,078</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	0.93	2.51	1.51	6.98
- diluted (sen)	25	<u>0.93</u>	<u>2.51</u>	<u>1.51</u>	<u>6.98</u>

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2015 to 31 December 2015.

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the 18-month financial period ended 30 June 2016 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 31 DECEMBER 2016

	INDIVIDUAL		CUMULATIVE *	
	3 months ended 31.12.2016 RM'000 (unaudited) Note	3 months ended 31.12.2015 RM'000 (unaudited)	6 months ended 31.12.2016 RM'000 (unaudited)	6 months ended 31.12.2015 RM'000 (unaudited)
Profit for the period	4,919	13,330	8,027	37,078
Other comprehensive income / (loss) :				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value loss on derivatives	(4,513)	(1,240)	(10,054)	(1,240)
- Transfer to profit or loss	14,493	(305)	20,038	(305)
Currency translation differences arising from consolidation	14(a) 119,868	(39,182)	157,616	133,386
Total comprehensive income / (loss) for the period	<u>134,767</u>	<u>(27,397)</u>	<u>175,627</u>	<u>168,919</u>
Attributable to:				
Owners of the Company	<u>134,767</u>	<u>(27,397)</u>	<u>175,627</u>	<u>168,919</u>

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2015 to 31 December 2015.

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the 18-month financial period ended 30 June 2016 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 31 DECEMBER 2016

		As at 31.12.2016 RM'000 (unaudited)	As at 30.06.2016 RM'000 (audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		770,009	717,176
Investment properties		3,691	3,732
Investment in a joint venture		11	-
Trade and other receivables		9,624	17,770
		<u>783,335</u>	<u>738,678</u>
Current assets			
Inventories	14(b)	1,062,955	986,084
Trade receivables	14(c)	136,692	92,125
Other receivables	14(d)	343,398	247,156
Amount due from a joint venture		9	-
Derivative assets		299	9,359
Tax recoverable		32	374
Cash and bank balances		467,673	529,365
		<u>2,011,058</u>	<u>1,864,463</u>
TOTAL ASSETS	8	<u><u>2,794,393</u></u>	<u><u>2,603,141</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		106,320	106,320
Share premium		195,820	195,820
Treasury shares		(4,195)	(2,664)
Share option reserve		16,711	10,593
Currency translation reserve		385,802	228,186
Cash flow hedge reserve		1,946	(8,038)
Warrants reserve		-	25,259
Retained earnings	20	1,142,521	1,114,385
Total equity		<u>1,844,925</u>	<u>1,669,861</u>
Non-current liabilities			
Borrowings	22	379,128	370,795
Deferred tax liabilities		364	463
		<u>379,492</u>	<u>371,258</u>
Current liabilities			
Borrowings	22	163,125	201,997
Trade payables		110,508	87,753
Other payables	14(e)	286,436	263,570
Amount due to a joint venture		16	-
Derivative liabilities		9,573	8,264
Income tax payable		318	438
		<u>569,976</u>	<u>562,022</u>
Total liabilities	8	<u>949,468</u>	<u>933,280</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,794,393</u></u>	<u><u>2,603,141</u></u>
Net assets per share (RM)		<u>3.4849</u>	<u>3.1473</u>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the 18-month financial period ended 30 June 2016 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 2016

Note	Attributable to owners of the Company								Total RM'000
	Non-distributable							Distributable	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Cash flow hedge reserve RM'000	Warrants reserve RM'000	Retained earnings RM'000	
6 months ended 31 December 2015 (unaudited)									
Balance at 1 July 2015	106,320	195,820	(1,407)	-	191,383	-	25,259	1,070,119	1,587,494
Purchase of treasury shares	-	-	(1,224)	-	-	-	-	-	(1,224)
Total comprehensive income / (loss) for the period	-	-	-	-	133,386	(1,545)	-	37,078	168,919
Interim dividend for the financial period ended 30 June 2016	-	-	-	-	-	-	-	(10,612)	(10,612)
Balance at 31 December 2015	<u>106,320</u>	<u>195,820</u>	<u>(2,631)</u>	<u>-</u>	<u>324,769</u>	<u>(1,545)</u>	<u>25,259</u>	<u>1,096,585</u>	<u>1,744,577</u>
6 months ended 31 December 2016 (unaudited)									
Balance at 1 July 2016	106,320	195,820	(2,664)	10,593	228,186	(8,038)	25,259	1,114,385	1,669,861
Purchase of treasury shares	6	-	(1,531)	-	-	-	-	-	(1,531)
Share options granted under ESOS	-	-	-	6,118	-	-	-	155	6,273
Expiration of warrants	-	-	-	-	-	-	(25,259)	25,259	-
Total comprehensive income for the period	-	-	-	-	157,616	9,984	-	8,027	175,627
Interim dividend for the financial period ended 30 June 2016	7	-	-	-	-	-	-	(5,305)	(5,305)
Balance at 31 December 2016	<u>106,320</u>	<u>195,820</u>	<u>(4,195)</u>	<u>16,711</u>	<u>385,802</u>	<u>1,946</u>	<u>-</u>	<u>1,142,521</u>	<u>1,844,925</u>

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the 18-month financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.



COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	CUMULATIVE*	
	6 months ended 31.12.2016 RM'000 (unaudited)	6 months ended 31.12.2015 RM'000 (unaudited)
<u>Operating Activities</u>		
Profit before tax	17,745	36,784
Adjustments for non-cash items	51,447	45,020
Operating cash flows before changes in working capital	69,192	81,804
Changes in working capital:		
Decrease / (increase) in inventories	26,410	(61,670)
(Increase) / decrease in receivables	(85,081)	262,066
Increase / (decrease) in payables	309	(65,585)
Cash flows from operations	10,830	216,615
Interest paid	(9,816)	(4,875)
Income tax paid	(9,606)	(1,107)
Net cash flows (used in) / from operating activities	(8,592)	210,633
<u>Investing Activities</u>		
Interest received	3,321	2,903
Proceeds from withdrawal of wholesale money market fund	-	109,352
Income from wholesale money market fund	-	3,121
Proceeds from disposal of property, plant and equipment	-	67
Purchase of property, plant and equipment	(125)	(522,178)
Net cash flows from / (used in) investing activities	3,196	(406,735)
<u>Financing Activities</u>		
Purchase of treasury shares	(1,531)	(1,224)
Dividends paid on ordinary shares	(5,305)	(10,612)
Proceeds from borrowings	109,883	822,939
Repayment of borrowings	(199,728)	(410,475)
Net cash flows (used in) / from financing activities	(96,681)	400,628
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(102,077)	204,526
Effect of foreign exchange rate changes	40,385	14,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	529,365	375,197
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD**	467,673	594,434

** Cash and cash equivalents at end of financial period comprise the following:

Fixed deposits	334,725	326,400
Cash and bank balances	132,948	268,034
Cash and cash equivalents at end of financial period	467,673	594,434

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2015 to 31 December 2015.

The above Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the 18-month financial period ended 30 June 2016 and the accompanying explanatory notes attached to these interim financial statements.



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Explanatory Notes

FOR THE QUARTER ENDED 31 DECEMBER 2016

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 18-month financial period ended 30 June 2016. 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 period ended 30 June 2016.

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 18-month financial period ended 30 June 2016 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments and annual improvements to certain MFRSs where applicable to the Group's financial period beginning 1 July 2016:

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities - Applying the Consolidation Exception*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 and MFRS 141 *Agriculture - Bearer Plants*

Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the abovementioned MFRS, Amendments and Annual Improvements 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

For the period ended 31 December 2016, 1,159,700 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM1.32 per share. The total consideration paid for the repurchase including transaction costs amounted to RM1,531,115 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 December 2016, the total number of treasury shares held was 2,196,800 ordinary shares of RM0.20 each.

Save as disclosed above, there were no other issue, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

**7 Dividend Paid**

The following dividend was paid during the financial year-to-date:

	RM'000
Third interim single-tier dividend of 5% equivalent to 1.0 sen per ordinary share paid on 28 September 2016 for the financial period ended 30 June 2016	<u>5,305</u>

8 Segment Information

Segment information is presented in respect of the Group's primary business segments, which is based on the Company's management and internal reporting structure.

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
<u>3 months ended 31 December 2016</u>				
Revenue				
External revenue	19,312	39,087	-	58,399
Inter-segment revenue	760	-	(760)	-
Total revenue	<u>20,072</u>	<u>39,087</u>	<u>(760)</u>	<u>58,399</u>
Results				
(Loss) / Profit before tax	<u>(8,491)</u>	<u>17,633</u>	<u>-</u>	<u>9,142</u>
<u>6 months ended 31 December 2016</u>				
Revenue				
External revenue	58,414	76,145	-	134,559
Inter-segment revenue	760	5	(765)	-
Total revenue	<u>59,174</u>	<u>76,150</u>	<u>(765)</u>	<u>134,559</u>
Results				
(Loss) / Profit before tax	<u>(19,656)</u>	<u>37,401</u>	<u>-</u>	<u>17,745</u>
Total Assets				
31 December 2016	1,845,126	949,267	-	2,794,393
30 June 2016	<u>1,780,053</u>	<u>823,088</u>	<u>-</u>	<u>2,603,141</u>
Total Liabilities				
31 December 2016	493,282	456,186	-	949,468
30 June 2016	<u>478,466</u>	<u>454,814</u>	<u>-</u>	<u>933,280</u>

9 Subsequent Event

Subsequent to 31 December 2016, the Company repurchased 2,000,000 ordinary shares of RM0.20 each in the open market at an average price of RM1.43 per share.

10 Changes in the Composition of the Group

As announced on 9 November 2016, a wholly-owned subsidiary of the Company, Coastal Drilling Pte. Ltd., had on 8 November 2016 entered into a Joint Venture Agreement with Polaris Holdings S.A. R.L. with the intention to establish a joint venture company in Singapore, namely CN Energy Holdings Pte. Ltd. ("CN Energy") to pursue business opportunities pertaining to offshore gas treatment projects worldwide. The incorporation of CN Energy has completed in January 2017.

11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	<u>1,223,115</u>

As at 31 December 2016, the Company is contingently liable for RM544,598,000 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 3 months ended 31 December 2016 RM'000	Cumulative 6 months ended 31 December 2016 RM'000
<i>Transactions with a company in which certain Directors of the Company have financial interests:</i>		
- Rent of premises	3	6
<i>Transactions with a Director of the Company:</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 Detailed Analysis of Performance

The Group recorded a lower revenue of RM58.4 million in the current quarter ended 31 December 2016 as compared to the RM76.2 million posted in last quarter, a reduction of 23%. Year-on-year, revenue was down by RM115.2 million (or 66%) from RM173.6 million.

Shipbuilding and Shiprepair Division

In the current quarter under review, the division's revenue has drop 51% to RM19.3 million from previous quarter's RM39.1 million. Against last year's corresponding quarter, revenue has fallen 89% from RM168.1 million. Only 1 unit of vessel was delivered in the current quarter (3Q2016: 1 units; 4Q2015: 2 units).

The division incurred a greater loss margin before tax of 44% (RM8.5 million in loss) in the current quarter, as compared to the 29% (RM11.2 million in loss) recorded in last quarter, mainly owing to contribution from vessel sales is not sufficient to cover the fixed overhead. For last year corresponding quarter, the division registered a profit margin before tax of 8% (RM13.9 million). The better profit performance achieved in last year as compared to current quarter was mainly attributed to the greater margins derived from the sale of vessels.

Vessel Chartering Division

The division recorded a slight 5% increase in revenue to RM39.1 million from RM37.1 million reported in last quarter. Compared to corresponding quarter a year ago, revenue has jumped almost 7 times from RM5.6 million. The better showing was owing to the bareboat charter income derived from the charter of Jack-Up Gas Compression Service Unit ("JUGCSU").

The division registered a lower profit margin before tax of 45% (RM17.6 million) in the current quarter, as compared to the 53% (RM19.8 million) achieved in the preceding quarter. For the corresponding period a year ago, the division incurred a loss margin before tax of 21% (RM1.2 million in loss). The improved performance this quarter was mainly attributed to higher income generation in relation to the charter of JUGCSU.

- (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 RM307.9 million (30 June 2016: RM294.7 million) and vessels work-in-progress of RM741.7 million (30 June 2016: RM677.3 million). For the current quarter under review and financial year-to-date, there were no provisions made for obsolete or slow-moving inventories or work-in-progress write-off.
- (c) Out of the RM136.7 million of short term trade receivables as at 31 December 2016, RM15.8 million was subsequently received by the Group.



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- (d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM238.7 million (30 June 2016: RM205.4 million) to secure the supply of input materials, equipment and services intended for the Group's rolling vessel building programme.
- (e) Included in other payables were advance payments received from vessel buyers totalling RM214.1 million (30 June 2016: RM197.0 million).

15 Material Change in Profit Before Tax

The Group reported a profit before tax of RM9.1 million in the current quarter, a 6% increase quarter-on-quarter from RM8.6 million owing to higher operating margin earned. Year-on-year, profit before tax was down by 28% from RM12.7 million as a result of the lower revenue contribution from Shipbuilding Division.

16 Prospects

Roiled by global economic turmoil, rampant oil supply and weak global oil demand have translated into the sensational drop in oil prices and increased flow of Iranian oil has further worsened the glut. However, the Management believes that low oil prices environment is not sustainable and key industry players foresee a more positive outlook in the longer term where oil prices are expected to pick up from 2018 to 2020, making it essential for the OSV market to gear up for this recovery and hence, the OSV market is expected to stay firm in the long term.

Additionally, given the scarcely substitutable nature of oil and natural gas, Coastal Group envisages the medium to long term fundamentals of Oil and Gas industry to remain positive. In accommodating sustaining demand for fossil fuels in the medium to long term, Enhanced Oil Recovery (EOR) technology has been practised immensely since the past few years to ensure optimum exploitation of oil resources. With the Jack-up Gas Compression Service Unit charter contract secured by the Group, which is currently in operation, the Group is able to effectively leverage its competitive advantage and strong foothold in this sector with promising prospects. Coastal Group is determined to build up its expertise and global network in this market to procure opportunities ahead.

Coastal Group remains optimistic toward surviving the transition by venturing into the Oil and Gas downstream sector and moving further up the value chain in terms of technology, technical knowledge and expertise in the downstream sector. Moving forward, the Group will maintain its diversified portfolio and sharpen its focus on the Oil and Gas downstream sector in pursuit of growth while enhancing its long term sustainability.

17 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.

18 Profit Before Tax

The following items have been included in arriving at profit before tax:

	Individual 3 months ended 31 December 2016 RM'000	Cumulative 6 months ended 31 December 2016 RM'000
Interest income	223	4,821
Other income	2,797	5,111
Reversal of inventories written-down	7	32
Depreciation and amortisation	17,823	34,547
Foreign exchange gain (net)	2,260	2,884

There were no impairment loss on receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and other exceptional items for the current quarter under review and financial year-to-date.



19 Income Tax Expense

	Individual 3 months ended 31 December 2016 RM'000	Cumulative 6 months ended 31 December 2016 RM'000
Income tax expense comprises:		
Current tax charge	4,293	9,817
Deferred tax charge / (reversal)	(70)	(99)
	4,223	9,718

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 underprovision of tax in previous years, deferred tax assets not recognised and the non-deductible loss for certain subsidiaries of the Group in other jurisdictions.

20 Retained Earnings

The retained earnings as at 31 December 2016 and 30 June 2016 were further analysed as follows:

	As at 31 December 2016 RM'000	As at 30 June 2016 RM'000
Total retained earnings of the Group:		
- Realised	1,286,876	1,262,939
- Unrealised	(979)	270
	1,285,897	1,263,209
Consolidation adjustments	(143,376)	(148,824)
Total Group retained earnings as per consolidated accounts	1,142,521	1,114,385

21 Status of Corporate Proposals

(a) There were no corporate proposals that have been announced but not completed as at 27 February 2017.

(b) Status of Utilisation of Proceeds

The proceeds raised from the private placement were approved for the following activities and status on the fund utilised as at 27 February 2017 are summarised below:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation	
				Initial	Extended**
*Working capital:					
- purchase of offshore support vessels	195,133	120,468	74,665	Within 24 months from March 2014	Within 18 months from March 2016
- other operational expenses, including utilities, staff salaries, marketing, administrative and other operating expenses	10,270	10,270	-	Within 24 months from March 2014	Completed
*Estimated expenses in relation to the Proposed Private Placement	2,317	2,317	-	Completed	N/A
Total	207,720	133,055	74,665		

* The actual amount raised was RM207.7 million as compared to the initial announcement of RM184.0 million under the Minimum Scenario, and the surplus of RM23.7 million was proportionately added to the working capital and estimated expenses.



** The Board wishes to announce that the Company has decided to extend the initial expected timeframe for the utilisation of its private placement proceeds by up to 18 months for those categories of expenditures that have yet to achieve full utilisation as at 25 February 2016, as shown in the table above.

In view of the unfavourable changes in market condition, the Company has reposition its business strategy by slowing down its expansion plan for shipbuilding. The Board is of the opinion that the extension of timeframe is in the best interest of the Group and will not have material adverse effect on the financial performance of the Group.

The extension of timeframe is not subject to the approval of any regulatory authorities in Malaysia or the shareholders of the Company. In addition, none of the Directors of the Company, substantial shareholders and persons connected to them, have any interest, direct or indirect, in the extension of timeframe.

22 Group Borrowings and Debt Securities

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

	As at 31 December 2016 RM'000
Short term	
Secured	67,919
Unsecured	95,206
	163,125
Long term	
Secured	379,128
Total	542,253

Apart from RM3.1 million of secured borrowings and RM1.0 million of unsecured 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 0.294 from last quarter's 0.263. Additional funds were drawn down from existing credit lines to finance the Group's working capital requirements during the quarter under review.

The current gearing is within management comfort level.

23 Material Litigation

(a) On 9 October 2015, the Company's wholly-owned subsidiary, Thaumass Marine Ltd ("TM"), a party to a shipbuilding contract ("SBC") with Yantai CIMC Raffles Offshore Limited ("Builder") and Dynamic Driller Limited ("Co-Builder"), has filed a Notice of Arbitration with the Singapore International Arbitration Centre against the Builder and Co-Builder to refer certain disputes to arbitration, thereby commencing arbitration proceedings against the same. The arbitration proceedings were commenced following disputes resulting from 1) the late delivery of 1 unit brand new JU 2000E F&G Design Jack-Up Drilling Rig ("Vessel") by the Builder and Co-Builder to TM, and 2) the non-conformities of the Vessel's parts and equipment against the Technical Specifications as agreed between the Parties. TM claims from the Builder and Co-Builder the liquidated damages of USD3,650,000 for the 73-days delay after the Cancellation Date in accordance to the terms and conditions of the SBC and USD2,000,000 being the damages incurred by TM as a result of the non-conformities of the Vessel's parts and equipment, specifically with regard to the Vessel's generators and cranes. TM is, as a result, claiming for the sum USD5,650,000 and applicable interest, any other damages as the arbitration tribunal deems fit and the costs of the arbitration. TM has on 4 March 2016 filed its Statement of Claim.

Subsequently on 11 April 2016, TM received the Statement of Defence and Counterclaim from the Builder and Co-Builder (collectively referred to as "the Respondents"). The Respondents are counter-claiming from TM 1) the sum of approximately USD2,516,843.43 arising from alleged Change Proposals and/or additional work carried out by the Respondents; 2) a declaration that TM is in breach of its obligation and/or duty of confidentiality arising from disclosures made to its parent company relating to the arbitration proceedings, and for damages payable to the Respondents for such alleged breach; 3) a declaration that TM has improperly, illegally and/or bad faith procured, induced, encouraged, abetted and/or conspired with one of the Respondents' former employees to leave the Respondents' employ and enter into a subsequent contract of employment with TM, and damages to be assessed for such alleged improper, illegal and/or bad faith conduct; 4) interest as applicable; and 5) such further and/or other relief or remedies as the Tribunal may deem fit and proper. TM has then on 25 April 2016 filed its Statement of Reply and Defence to Counterclaim to the Statement of Defence and Counterclaim from the Respondents.



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

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

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

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

The suppliers have not quantified their claim under Notice of Arbitration until after the Subsidiary has filed its Response to the Notice of Arbitration (and Counter-claim). The suppliers' current and provisional quantification of their claim is at USD37,400,000. This value directly reflects the Subsidiary's Counter-claim against the suppliers in its Response to the Notice of Arbitration.

As far as the Group is aware, there is no further update on the arbitration proceedings.

The Group is not engaged in other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 27 February 2017.

24 Dividend Payable

On 27 February 2017, the Directors declared a first interim single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ending 30 June 2017. This dividend will be payable on 28 March 2017 to depositors registered in the Records of Depositors at close of business on 14 March 2017. The dividend declared in the corresponding period of last year was 2.0 sen.

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 2016	Cumulative 6 months ended 31 December 2016
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	4,919	8,027
Weighted average number of ordinary shares in issue ('000)	530,194	530,370
Basic earnings per share (sen)	0.93	1.51

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 2016	Cumulative 6 months ended 31 December 2016
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	4,919	8,027
Weighted average number of ordinary shares in issue ('000)	530,194	530,370
Effect of dilution of ESOS ('000)	111	1,616
Adjusted weighted average number of ordinary shares ('000)	530,305	531,986
Diluted earnings per share (sen)	0.93	1.51

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 18-month financial period ended 30 June 2016 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 February 2017.