



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

	Note	INDIVIDUAL		CUMULATIVE	
		3 months ended 31.12.2018 RM'000 (unaudited)	3 months ended 31.12.2017 RM'000 (unaudited)	6 months ended 31.12.2018 RM'000 (unaudited)	6 months ended 31.12.2017 RM'000 (unaudited)
Revenue	8	37,726	44,297	74,852	92,370
Cost of sales and services		(21,833)	(27,748)	(42,418)	(59,655)
Gross profit		<u>15,893</u>	<u>16,549</u>	<u>32,434</u>	<u>32,715</u>
Other income		8,049	11,403	24,795	20,285
Administrative expenses		(6,004)	(6,877)	(11,758)	(12,711)
Other expenses		(84)	(11,305)	(2,370)	(17,152)
Finance costs		(4,051)	(5,503)	(8,172)	(11,318)
Profit before tax	8, 19	<u>13,803</u>	<u>4,267</u>	<u>34,929</u>	<u>11,819</u>
Income tax expense	20	(3,972)	(4,730)	(8,002)	(8,997)
Profit / (loss) for the period		<u><u>9,831</u></u>	<u><u>(463)</u></u>	<u><u>26,927</u></u>	<u><u>2,822</u></u>
Attributable to:					
Owners of the Company		9,831	(494)	26,932	2,780
Non-controlling interests		-	31	(5)	42
		<u><u>9,831</u></u>	<u><u>(463)</u></u>	<u><u>26,927</u></u>	<u><u>2,822</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	1.86	(0.09)	5.11	0.53
- diluted (sen)	25	<u><u>1.86</u></u>	<u><u>(0.09)</u></u>	<u><u>5.11</u></u>	<u><u>0.53</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 2018 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 2018

	INDIVIDUAL		CUMULATIVE	
	3 months ended 31.12.2018 RM'000 (unaudited)	3 months ended 31.12.2017 RM'000 (unaudited)	6 months ended 31.12.2018 RM'000 (unaudited)	6 months ended 31.12.2017 RM'000 (unaudited)
Profit / (loss) for the period	9,831	(463)	26,927	2,822
Other comprehensive income / (loss) :				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value (loss) / gain on derivatives	(1,628)	7,909	(1,542)	10,773
- Transfer to profit or loss	-	(5,999)	-	(8,036)
Currency translation differences arising from consolidation	15(a) (947)	(53,297)	16,619	(75,005)
Total comprehensive income / (loss) for the period	<u>7,256</u>	<u>(51,850)</u>	<u>42,004</u>	<u>(69,446)</u>
Attributable to:				
Owners of the Company	7,256	(51,870)	42,000	(69,476)
Non-controlling interests	-	20	4	30
	<u>7,256</u>	<u>(51,850)</u>	<u>42,004</u>	<u>(69,446)</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 2018 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 2018

	Note	As at 31.12.2018 RM'000 (unaudited)	As at 30.06.2018 RM'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		629,631	588,599
Investment properties		3,527	3,568
Investment securities	14	2,157	2,299
		<u>635,315</u>	<u>594,466</u>
<b>Current assets</b>			
Inventories	15(b)	374,437	394,103
Trade receivables	15(c)	118,187	113,783
Other receivables		203,242	204,083
Amount due from a joint venture		271	379
Short term investments	14	179,098	121,462
Derivative assets	14	3,478	4,901
Tax recoverable		437	317
Cash and bank balances		185,298	282,291
		<u>1,064,448</u>	<u>1,121,319</u>
<b>TOTAL ASSETS</b>	8	<u>1,699,763</u>	<u>1,715,785</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		106,320	106,320
Share premium		195,820	195,820
Treasury shares		(7,045)	(7,045)
Share option reserve		25,001	24,095
Currency translation reserve		264,387	247,781
Cash flow hedge reserve		4,080	5,622
Retained earnings		609,766	590,030
<b>Equity attributable to owners of the Company</b>		<u>1,198,329</u>	<u>1,162,623</u>
<b>Non-controlling interests</b>		-	121
<b>Total equity</b>		<u>1,198,329</u>	<u>1,162,744</u>
<b>Non-current liabilities</b>			
Borrowings	22	262,483	286,887
Deferred tax liabilities		479	415
		<u>262,962</u>	<u>287,302</u>
<b>Current liabilities</b>			
Borrowings	22	62,768	61,346
Trade payables		132,135	127,495
Other payables		43,457	76,740
Income tax payable		112	158
		<u>238,472</u>	<u>265,739</u>
<b>Total liabilities</b>	8	<u>501,434</u>	<u>553,041</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,699,763</u>	<u>1,715,785</u>
Net assets per share (RM)		<u>2.2721</u>	<u>2.2044</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 2018 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 2018

	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>6 months ended 31 December 2017 (unaudited)</u></b>										
<b>Balance at 1 July 2017</b>	106,320	195,820	(7,045)	19,692	319,723	3,499	1,178,145	1,816,154	91	1,816,245
Share options granted under ESOS	-	-	-	3,030	-	-	69	3,099	-	3,099
Total comprehensive (loss) / income for the period	-	-	-	-	(74,993)	2,737	2,780	(69,476)	30	(69,446)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	-	8	8	(7)	1
Interim dividend for the financial year ended 30 June 2017	-	-	-	-	-	-	(5,274)	(5,274)	-	(5,274)
<b>Balance at 31 December 2017</b>	<b>106,320</b>	<b>195,820</b>	<b>(7,045)</b>	<b>22,722</b>	<b>244,730</b>	<b>6,236</b>	<b>1,175,728</b>	<b>1,744,511</b>	<b>114</b>	<b>1,744,625</b>
<b><u>6 months ended 31 December 2018 (unaudited)</u></b>										
<b>Balance at 1 July 2018 (as previously stated)</b>	106,320	195,820	(7,045)	24,095	247,781	5,622	590,030	1,162,623	121	1,162,744
Effect of adoption of MFRS 9	-	-	-	-	-	-	(7,761)	(7,761)	-	(7,761)
<b>Balance at 1 July 2018 (as restated)</b>	<b>106,320</b>	<b>195,820</b>	<b>(7,045)</b>	<b>24,095</b>	<b>247,781</b>	<b>5,622</b>	<b>582,269</b>	<b>1,154,862</b>	<b>121</b>	<b>1,154,983</b>
Share options granted under ESOS	-	-	-	906	-	-	476	1,382	-	1,382
Changes in subsidiaries' ownership interests that do not result in a loss of control	-	-	-	-	(4)	-	89	85	(125)	(40)
Total comprehensive income / (loss) for the period	-	-	-	-	16,610	(1,542)	26,932	42,000	4	42,004
<b>Balance at 31 December 2018</b>	<b>106,320</b>	<b>195,820</b>	<b>(7,045)</b>	<b>25,001</b>	<b>264,387</b>	<b>4,080</b>	<b>609,766</b>	<b>1,198,329</b>	<b>-</b>	<b>1,198,329</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 2018 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 2018

	<b>CUMULATIVE</b>	
	6 months ended 31.12.2018 RM'000 (unaudited)	6 months ended 31.12.2017 RM'000 (unaudited)
<b><u>Operating Activities</u></b>		
Profit before tax	34,929	11,819
Adjustments for non-cash items	33,862	52,109
Operating cash flows before changes in working capital	68,791	63,928
Changes in working capital:		
(Increase) / decrease in inventories	(3,509)	10,230
Decrease in receivables	1,266	5,700
(Decrease) / increase in payables	(33,657)	13,493
Cash flows from operations	32,891	93,351
Interest paid	(8,869)	(9,050)
Income tax paid	(8,110)	(7,730)
Net cash flows from operating activities	15,912	76,571
<b><u>Investing Activities</u></b>		
Additional investments in existing subsidiaries	(46)	-
Interest received	2,121	1,835
Placement in short term investments	(57,368)	(35,353)
Income received from short term investments	2,111	904
Proceeds from disposal of property, plant and equipment	-	3,886
Purchase of property, plant and equipment	(27,065)	(163)
Net cash flows used in investing activities	(80,247)	(28,891)
<b><u>Financing Activities</u></b>		
Dividend paid on ordinary shares	-	(5,274)
Repayment of borrowings	(31,816)	(32,388)
Net cash flows used in financing activities	(31,816)	(37,662)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(96,151)	10,018
Effect of foreign exchange rate changes	(842)	(17,429)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	282,291	368,409
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	185,298	360,998
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	128,774	121,845
Cash and bank balances	56,524	239,153
Cash and cash equivalents at end of financial period	185,298	360,998

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 2018 and the accompanying explanatory notes attached to these interim financial statements.



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## **Explanatory Notes**

FOR THE QUARTER ENDED 31 DECEMBER 2018

### **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 2018. 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 2018.

### **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 2018 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 2018:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 15 *Revenue from Contracts with Customers*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 15 *Effective Date of MFRS 15*

Amendments to MFRS 15 *Clarifications to MFRS 15 'Revenue from Contracts with Customers'*

Amendments to MFRS 140 *Transfers of Investment Property*

Annual Improvements to MFRSs 2014 - 2016 Cycles:

- Amendments to MFRS 1 *Deletion of Short-term Exemptions for First-time Adopters*
- Amendments to MFRS 128 *Measuring an Associate or Joint Venture at Fair Value*

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 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting. There is no financial impact arising from the adoption of the new standard except for the replacement of the forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL).

As permitted by the transitional provisions of MFRS 9, the Group not to restate the comparatives. The impact on the Group as at 1 July 2018 is a decrease of RM7,760,965 in retained earnings and trade and other receivables.

#### MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for revenue recognition and supersedes the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and other related interpretations when it became effective. Under MFRS 15, an entity should recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers.

The application of MFRS 15 does not have a material effect on the Group's financial statements.



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### 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.

As at 31 December 2018, the total number of treasury shares held was 4,196,800 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 and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
<b><u>3 months ended 31 December 2018</u></b>				
<b>Revenue</b>				
External revenue	150	37,576	-	37,726
Inter-segment revenue	28,126	-	(28,126)	-
Total revenue	28,276	37,576	(28,126)	37,726
<b>Results</b>				
(Loss) / profit before tax	(6,031)	19,834	-	13,803
<b><u>6 months ended 31 December 2018</u></b>				
<b>Revenue</b>				
External revenue	1,774	73,078	-	74,852
Inter-segment revenue	59,957	-	(59,957)	-
Total revenue	61,731	73,078	(59,957)	74,852
<b>Results</b>				
(Loss) / profit before tax	(2,376)	37,305	-	34,929
<b>Total Assets</b>				
31 December 2018	863,152	836,611	-	1,699,763
30 June 2018	835,832	879,953	-	1,715,785
<b>Total Liabilities</b>				
31 December 2018	163,048	338,386	-	501,434
30 June 2018	195,720	357,321	-	553,041



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#### 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 18 September 2018, the Company had incorporated a wholly-owned subsidiary in Singapore known as Coastal Dynamic Pte. Ltd. (“CDPL”). The issued and paid-up ordinary share capital of CDPL amounted to SGD1,000. CDPL is a company limited by shares and registered under the Companies Act (CAP.50), Singapore. The principal activity of CDPL is the provision of offshore support vessel chartering services.
- (b) On 28 November 2018, the Company acquired 15,000 ordinary shares representing 30% equity interests in Coastal Drilling Pte. Ltd. for SGD15,000 in cash, increasing its ownership from 70% to 100%.
- (c) On 14 December 2018, the Company acquired 100 ordinary shares representing 10% equity interests in Ace Capital Pte. Ltd. for USD100 in cash, increasing its ownership from 90% to 100%.

#### 11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	<u>705,505</u>

As at 31 December 2018, the Company is contingently liable for RM325,946,000 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 2018 RM'000	Cumulative 6 months ended 31 December 2018 RM'000
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	<u>15</u>	<u>29</u>

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).





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As at 31 December 2018, 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	2,157	-	-	2,157
Short term investments	179,098	-	-	179,098
Derivative assets	-	3,478	-	3,478
	<u>181,255</u>	<u>3,478</u>	<u>-</u>	<u>184,733</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 2018.

### 15 Detailed Analysis of Performance

The Group recorded a fairly consistent revenue of RM37.7 million in the current quarter ended 31 December 2018 (2Q2019), a marginal increase of 2% as compared to the RM37.1 million reported in the preceding quarter (1Q2019). Against last year's corresponding period (2Q2018), revenue was down by 15% from RM44.3 million.

#### *Shipbuilding and Shiprepair Division*

The revenue generated from this division in 2Q2019 was RM0.1 million. Quarter-on-quarter, revenue was higher at RM1.6 million. Both quarters' revenue were generated from ship repairing works. Revenue recorded in 2Q2018 was RM8.1 million contributed from the delivery of 1 unit of vessel.

The division incurred a loss before tax of RM6.0 million in 2Q2019, as compared to the profit before tax of RM3.7 million posted in 1Q2019 owing to the lower foreign exchange gain recognised. For 2Q2018, the division occurred greater loss before tax of RM18.4 million. The poorer performance recorded in 2Q2018 was mainly attributed to loss on foreign exchange on the account of depreciation of USD against RM during the quarter.

#### *Vessel Chartering Division*

The division achieved marginally higher revenue of RM37.6 million in 2Q2019 compared to RM35.5 million in 1Q2019 and RM36.2 million in 2Q2018, an increase of 6% and 4% respectively. The better showing was principally due to earnings derived from a short term charter contract.

The division's profit margin before tax of 53% (RM19.8 million) in 2Q2019 was 4% higher than the 49% (RM17.5 million) achieved in 1Q2019. Year-on-year, the profit margin before tax recorded was higher at 63% (RM22.7 million) owing to higher income generation in relation to the charter of JUGCSU as well as gain on disposal of a used vessel.

- (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 RM201.7 million (30 June 2018: RM226.2 million) and vessels work-in-progress of RM168.1 million (30 June 2018: RM163.0 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 RM118.2 million of trade receivables as at 31 December 2018, RM43.0 million was subsequently received by the Group.

### 16 Material Change in Profit Before Tax

The Group reported a profit before tax of RM13.8 million in 2Q2019, a 35% decrease quarter-on-quarter from RM21.1 million as a result of lower foreign exchange gain recognised in the current quarter. Compared 2Q2018, profit before tax has jumped more than three-fold from RM4.3 million owing to the exchange loss posted in last year corresponding quarter.



## 17 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 2019 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.

## 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 2018 RM'000	Cumulative 6 months ended 31 December 2018 RM'000
Interest income	1,918	3,942
Other income	4,348	8,803
Reversal of inventories written-down	300	319
Reversal of impairment loss on receivables	5	5
Depreciation and amortisation	17,317	33,922
Fair value gain on short term investments	147	267
Fair value gain / (loss) on quoted investment	227	(142)
Foreign exchange gain (net)	1,021	9,319

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.



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## 20 Income Tax Expense

	Individual 3 months ended 31 December 2018 RM'000	Cumulative 6 months ended 31 December 2018 RM'000
Income tax expense comprises:		
Current tax charge	3,943	7,938
Deferred tax charge / (reversal)	29	64
	<u>3,972</u>	<u>8,002</u>

The effective tax rates for the current quarter and the financial year-to-date were lower than the statutory tax rate in Malaysia due to the different income tax rates applicable to 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 26 February 2019.

## 22 Group Borrowings and Debt Securities

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

	As at 31 December 2018 RM'000
Short term	
Secured	62,768
Long term	
Secured	262,483
Total	<u>325,251</u>

Apart from RM1.9 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 reduced to 0.271 from last quarter's 0.287. 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

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.



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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.

The Subsidiary had subsequently filed its Statement of Defence and Counterclaim to the Tribunal. As far as the Group is aware, there is no further material development 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 26 February 2019.

**24 Dividend Payable**

No interim dividend has been declared for the current quarter ended 31 December 2018.

**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 2018	Cumulative 6 months ended 31 December 2018
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	9,831	26,932
Weighted average number of ordinary shares in issue ('000)	527,403	527,403
Basic earnings per share (sen)	1.86	5.11

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 Employees' Share Option Scheme ("ESOS"). The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average market price of ordinary shares of the Company during the period exceeds the exercise price of the options granted. As the average market price of ordinary shares during the period (RM0.97) was lower than the exercise price of the options (RM1.40), the options were not assumed to be exercised because they were antidilutive in the period.

As at the end of the quarter, there was only one class of shares in issue and they ranked pari passu among each other.

**26 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 30 June 2018 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 26 February 2019.