



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Note	INDIVIDUAL		CUMULATIVE *	
		3 months ended 30.09.2016 RM'000 (unaudited)	3 months ended 30.09.2015 RM'000 (unaudited)	3 months ended 30.09.2016 RM'000 (unaudited)	3 months ended 30.09.2015 RM'000 (unaudited)
Revenue	8	76,160	921,223	76,160	921,223
Cost of sales and services		(58,582)	(929,063)	(58,582)	(929,063)
Gross profit / (loss)		<u>17,578</u>	<u>(7,840)</u>	<u>17,578</u>	<u>(7,840)</u>
Other income		8,277	39,115	8,277	39,115
Administrative expenses		(8,277)	(5,105)	(8,277)	(5,105)
Other expenses		(1,021)	(2,080)	(1,021)	(2,080)
Finance costs		(7,954)	(27)	(7,954)	(27)
Profit before tax	8, 18	<u>8,603</u>	<u>24,063</u>	<u>8,603</u>	<u>24,063</u>
Income tax expense	19	(5,495)	(315)	(5,495)	(315)
Profit for the period		<u><u>3,108</u></u>	<u><u>23,748</u></u>	<u><u>3,108</u></u>	<u><u>23,748</u></u>
Attributable to:					
Owners of the Company		<u><u>3,108</u></u>	<u><u>23,748</u></u>	<u><u>3,108</u></u>	<u><u>23,748</u></u>
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	0.59	4.47	0.59	4.47
- diluted (sen)	25	<u>0.58</u>	<u>4.47</u>	<u>0.58</u>	<u>4.47</u>

\* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2015 to 30 September 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.



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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	INDIVIDUAL		CUMULATIVE *	
	3 months ended 30.09.2016 RM'000 (unaudited) Note	3 months ended 30.09.2015 RM'000 (unaudited)	3 months ended 30.09.2016 RM'000 (unaudited)	3 months ended 30.09.2015 RM'000 (unaudited)
Profit for the period	3,108	23,748	3,108	23,748
Other comprehensive income / (loss) :				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedge:				
- Fair value loss on derivatives	(5,541)	-	(5,541)	-
- Transfer to profit or loss	5,545	-	5,545	-
Currency translation differences arising from consolidation	14(a) 37,748	172,568	37,748	172,568
Total comprehensive income for the period	<u>40,860</u>	<u>196,316</u>	<u>40,860</u>	<u>196,316</u>
Attributable to:				
Owners of the Company	<u>40,860</u>	<u>196,316</u>	<u>40,860</u>	<u>196,316</u>

\* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2015 to 30 September 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 30 SEPTEMBER 2016

		As at 30.09.2016 RM'000 (unaudited)	As at 30.06.2016 RM'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		724,085	717,176
Investment properties		3,712	3,732
Trade and other receivables		13,706	17,770
		<u>741,503</u>	<u>738,678</u>
<b>Current assets</b>			
Inventories	14(b)	988,013	986,084
Trade receivables	14(c)	118,393	92,125
Other receivables	14(d)	302,332	247,156
Derivative assets		2,149	9,359
Tax recoverable		397	374
Cash and bank balances		364,244	529,365
		<u>1,775,528</u>	<u>1,864,463</u>
<b>TOTAL ASSETS</b>	8	<u>2,517,031</u>	<u>2,603,141</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		106,320	106,320
Share premium		195,820	195,820
Treasury shares		(2,739)	(2,664)
Share option reserve		13,635	10,593
Currency translation reserve		265,934	228,186
Cash flow hedge reserve		(8,034)	(8,038)
Warrants reserve		-	25,259
Retained earnings	20	1,137,550	1,114,385
<b>Total equity</b>		<u>1,708,486</u>	<u>1,669,861</u>
<b>Non-current liabilities</b>			
Borrowings	22	366,304	370,795
Deferred tax liabilities		434	463
		<u>366,738</u>	<u>371,258</u>
<b>Current liabilities</b>			
Borrowings	22	83,452	201,997
Trade payables		103,133	87,753
Other payables	14(e)	248,119	263,570
Derivative liabilities		6,809	8,264
Income tax payable		294	438
		<u>441,807</u>	<u>562,022</u>
<b>Total liabilities</b>	8	<u>808,545</u>	<u>933,280</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,517,031</u>	<u>2,603,141</u>
Net assets per share (RM)		<u>3.2204</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.



COASTAL CONTRACTS BHD (Company No. 517649-A)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

Note	Attributable to owners of the Company								Total
	Non-distributable							Distributable	
	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Warrants reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months ended 30 September 2015 (unaudited)</b>									
<b>Balance at 1 July 2015</b>	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 for the period	-	-	-	-	172,568	-	-	23,748	196,316
Interim dividend for the financial period ended 30 June 2016	-	-	-	-	-	-	-	(10,612)	(10,612)
<b>Balance at 30 September 2015</b>	<b>106,320</b>	<b>195,820</b>	<b>(2,631)</b>	<b>-</b>	<b>363,951</b>	<b>-</b>	<b>25,259</b>	<b>1,083,255</b>	<b>1,771,974</b>
<b>3 months ended 30 September 2016 (unaudited)</b>									
<b>Balance at 1 July 2016</b>	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	-	-	(75)	-	-	-	-	(75)
Share options granted under ESOS	-	-	-	3,042	-	-	-	103	3,145
Expiration of warrants	-	-	-	-	-	-	(25,259)	25,259	-
Total comprehensive income for the period	-	-	-	-	37,748	4	-	3,108	40,860
Interim dividend for the financial period ended 30 June 2016	7	-	-	-	-	-	-	(5,305)	(5,305)
<b>Balance at 30 September 2016</b>	<b>106,320</b>	<b>195,820</b>	<b>(2,739)</b>	<b>13,635</b>	<b>265,934</b>	<b>(8,034)</b>	<b>-</b>	<b>1,137,550</b>	<b>1,708,486</b>

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.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	<b>CUMULATIVE*</b>	
	3 months ended 30.09.2016 RM'000 (unaudited)	3 months ended 30.09.2015 RM'000 (unaudited)
<b><u>Operating Activities</u></b>		
Profit before tax	8,603	24,063
Adjustments for non-cash items	22,720	29,807
Operating cash flows before changes in working capital	31,323	53,870
Changes in working capital:		
Decrease / (increase) in inventories	21,563	(30,865)
(Increase) / decrease in receivables	(64,277)	116,402
Decrease in payables	(12,297)	(53,765)
Cash flows (used in) / from operations	(23,688)	85,642
Interest paid	(4,877)	(648)
Income tax paid	(5,697)	(735)
Net cash flows (used in) / from operating activities	(34,262)	84,259
<b><u>Investing Activities</u></b>		
Interest received	2,221	1,366
Proceeds from withdrawal of wholesale money market fund	-	65,000
Proceeds from disposal of property, plant and equipment	-	3
Purchase of property, plant and equipment	(90)	(497,003)
Net cash flows from / (used in) investing activities	2,131	(430,634)
<b><u>Financing Activities</u></b>		
Purchase of treasury shares	(75)	(1,224)
Dividends paid on ordinary shares	(5,305)	(10,612)
Proceeds from borrowings	20,252	688,472
Repayment of borrowings	(157,360)	(48,263)
Net cash flows (used in) / from financing activities	(142,488)	628,373
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(174,619)	281,998
Effect of foreign exchange rate changes	9,498	45,568
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	529,365	375,197
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD**</b>	364,244	702,763
** Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	286,504	454,231
Cash and bank balances	77,740	248,532
Cash and cash equivalents at end of financial period	364,244	702,763

Subsequent to 30 September 2016, RM1.2 million of fixed deposits were utilised for payment to contractors and suppliers.

\* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2015 to 30 September 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 30 SEPTEMBER 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.



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**6 Debt and Equity Securities**

For the period ended 30 September 2016, 50,000 ordinary shares of RM0.20 each were repurchased in the open market at an average price of RM1.50 per share. The total consideration paid for the repurchase including transaction costs amounted to RM74,996 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 September 2016, the total number of treasury shares held was 1,087,100 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	5,305

**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 30 September 2016</u></b>				
<b><i>Revenue</i></b>				
External revenue	39,102	37,058	-	76,160
Inter-segment revenue	-	5	(5)	-
Total revenue	39,102	37,063	(5)	76,160
<b><i>Results</i></b>				
(Loss) / Profit before tax	(11,165)	19,768	-	8,603
<b>Total Assets</b>				
30 September 2016	1,656,227	860,804	-	2,517,031
30 June 2016	1,780,053	823,088	-	2,603,141
<b>Total Liabilities</b>				
30 September 2016	368,221	440,324	-	808,545
30 June 2016	478,466	454,814	-	933,280

**9 Subsequent Event**

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. to pursue business opportunities pertaining to offshore gas treatment projects worldwide.

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

There was no change in the composition of the Group for the financial period under review.



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**11 Contingent Liabilities and Contingent Assets**

RM'000

Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries

1,130,968

As at 30 September 2016, the Company is contingently liable for RM451,027,000 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 30 September 2016 RM'000	Cumulative 3 months ended 30 September 2016 RM'000
<i>Transactions with a company in which certain Directors of the Company have financial interests:</i>		
- Rent of premises	3	3
<i>Transactions with a Director of the Company:</i>		
- Rent of premises	<u>5</u>	<u>5</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 Detailed Analysis of Performance**

The Group booked a lower revenue of RM76.2 million in the current quarter ended 30 September 2016 as compared to last quarter's RM200.8 million and last year corresponding period's RM921.2 million, a reduction of 62% and 92%, respectively.

*Shipbuilding and Shiprepair Division*

Revenue generated from this division in the current quarter stood at RM39.1 million, 76% lower compared to RM164.3 million recorded in preceding quarter. Against the corresponding quarter a year ago, revenue has drop by 96% from RM918.5 million. The poor performance this quarter was attributed to lesser vessel deliveries. Only 1 unit of vessel was delivered in the current quarter (2Q2016: 10 units; 3Q2015: 7 units).

The division incurred a loss margin before tax of 29% (RM11.2 million in loss) in the current quarter, as compared to the profit margin of 1% (RM11.8 million) recorded in last quarter is 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 3% (RM24.1 million). The loss margin incurred in the current quarter as compared to a year earlier was mainly attributed to the lower foreign exchange gain as well as share-based payment expenses recognised during the current quarter.

*Vessel Chartering Division*

The division's revenue of RM37.1 million in the current quarter under review was fairly consistent with the RM36.6 million reported in last quarter. Year-on-year, revenue has jumped over 13 times from RM2.7 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's profit margin before tax of 53% (RM19.8 million) in the current quarter was higher than the 41% (RM15.1 million) achieved in the preceding quarter. For the corresponding period a year ago, the division incurred a loss margin before tax of 2% (RM0.1 million in loss). The improved performance this quarter was mainly attributed to higher income generation in relation to the the charter of JUGCSU.





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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 RM290.1 million (30 June 2016: RM294.7 million) and vessels work-in-progress of RM684.8 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 RM118.4 million of short term trade receivables as at 30 September 2016, RM10.3 million was subsequently received by the Group.
- (d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM212.8 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 RM189.4 million (30 June 2016: RM197.0 million).

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

The Group reported a profit before tax of RM8.6 million in the current quarter, a 49% decrease quarter-on-quarter from RM16.8 million owing to lower revenue contribution from Shipbuilding Division on the back of lesser vessel deliveries. Year-on-year, profit before tax was down by 64% from RM24.1 million as a result of the lower gain from foreign exchange.

#### 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.



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## 18 Profit Before Tax

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

	Individual 3 months ended 30 September 2016 RM'000	Cumulative 3 months ended 30 September 2016 RM'000
Interest income	4,598	4,598
Other income	2,314	2,314
Reversal of inventories written-down	25	25
Depreciation and amortisation	16,724	16,724
Foreign exchange gain (net)	624	624

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 30 September 2016 RM'000	Cumulative 3 months ended 30 September 2016 RM'000
Income tax expense comprises:		
Current tax charge	5,524	5,524
Deferred tax charge / (reversal)	(29)	(29)
	<u>5,495</u>	<u>5,495</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 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 30 September 2016 and 30 June 2016 were further analysed as follows:

	As at 30 September 2016 RM'000	As at 30 June 2016 RM'000
Total retained earnings of the Group:		
- Realised	1,281,168	1,262,939
- Unrealised	761	270
	<u>1,281,929</u>	<u>1,263,209</u>
Consolidation adjustments	(144,379)	(148,824)
Total Group retained earnings as per consolidated accounts	<u>1,137,550</u>	<u>1,114,385</u>



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## 21 Status of Corporate Proposals

(a) There were no corporate proposals that have been announced but not completed as at 28 November 2016.

### (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 28 November 2016 are summarised below:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation	
				Initial	Extended**
<b>*Working capital:</b>					
- purchase of offshore support vessels	195,133	99,549	95,584	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	9,201	1,069	Within 24 months from March 2014	Within 18 months from March 2016
*Estimated expenses in relation to the Proposed Private Placement	2,317	2,317	-	Completed	N/A
<b>Total</b>	<b>207,720</b>	<b>111,067</b>	<b>96,653</b>		

\* 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 30 September 2016 RM'000
Short term	
Secured	62,774
Unsecured	20,678
	<hr/> 83,452
Long term	
Secured	366,304
<b>Total</b>	<hr/> <b>449,756</b> <hr/>



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Apart from RM3.3 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 0.263 from last quarter's 0.343. 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

- (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.

- (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 28 November 2016.



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**24 Dividend**

On 29 August 2016, the Directors declared a third interim single-tier dividend of 5% equivalent to 1.0 sen per ordinary share in respect of the financial period ended 30 June 2016. This dividend was paid on 28 September 2016 to depositors registered in the Records of Depositors at close of business on 15 September 2016. The dividend declared in the corresponding period of last year was 2.0 sen.

Inclusive of the first and second interim single-tier dividends of 2.0 sen per ordinary share each paid on 29 September 2015 and 28 March 2016, the total single-tier dividend distribution per ordinary share in respect of the financial period ended 30 June 2016 was 5.0 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 30 September 2016	Cumulative 3 months ended 30 September 2016
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	3,108	3,108
Weighted average number of ordinary shares in issue ('000)	530,546	530,546
Basic earnings per share (sen)	0.59	0.59

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 30 September 2016	Cumulative 3 months ended 30 September 2016
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company (RM'000)	3,108	3,108
Weighted average number of ordinary shares in issue ('000)	530,546	530,546
Effect of dilution of ESOS ('000)	3,047	3,047
Adjusted weighted average number of ordinary shares ('000)	<u>533,593</u>	<u>533,593</u>
Diluted earnings per share (sen)	0.58	0.58

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 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 28 November 2016.