COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

		INDIVIDUAL		CUMULATIVE *	
	Note	3 months ended 30.06.2017 RM'000 (unaudited)	3 months ended 30.06.2016 RM'000 (unaudited)	12 months ended 30.06.2017 RM'000 (unaudited)	12 months ended 30.06.2016 RM'000 (unaudited)
Revenue	8	221,077	200,839	420,377	1,490,929
Cost of sales and services		(193,661)	(168,519)	(322,603)	(1,401,466)
Gross profit		27,416	32,320	97,774	89,463
Other income		13,554	5,209	43,826	46,928
Administrative expenses		(8,152)	(8,510)	(33,734)	(34,059)
Other expenses		(6,353)	(7,159)	(11,471)	(16,356)
Finance costs		(6,029)	(5,041)	(26,747)	(14,546)
Share of loss of a joint venture		-	-	(15)	-
Profit before tax	8, 19	20,436	16,819	69,633	71,430
Income tax expense	20	(6,260)	(3,952)	(20,596)	(5,963)
Profit for the period		14,176	12,867	49,037	65,467
Attributable to:					
Owners of the Company		14,176	12,867	49,037	65,467
Earnings per share attributable to owners of the Company:					
- basic (sen)	26	2.69	2.43	9.27	12.34
- diluted (sen)	26	2.69	2.40	9.27	12.09

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 12 months results beginning 1 July 2015 to 30 June 2016.

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 30 JUNE 2017

		INDIVIDUAL		CUMULATIVE *	
	Note	3 months ended 30.06.2017 RM'000 (unaudited)	3 months ended 30.06.2016 RM'000 (unaudited)	12 months ended 30.06.2017 RM'000 (unaudited)	12 months ended 30.06.2016 RM'000 (unaudited)
Profit for the period		14,176	12,867	49,037	65,467
Other comprehensive income / (loss) :					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge:					
- Fair value gain / (loss) on derivatives		4,600	(7,507)	(458)	4,575
- Transfer to profit or loss		(5,139)	6,083	11,995	(12,613)
Net loss on available-for-sale financial assets		(7)	-	-	-
Currency translation differences arising from consolidation	15(a)	(45,396)	41,791	91,364	36,803
Total comprehensive (loss) / income for the period		(31,766)	53,234	151,938	94,232
Attributable to:					
Owners of the Company		(31,766)	53,234	151,938	94,232

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 12 months results beginning 1 July 2015 to 30 June 2016.

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 JUNE 2017

	Note	As at 30.06.2017 RM'000 (unaudited)	As at 30.06.2016 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		700,031	717,176
Investment properties		3,650	3,732
Trade and other receivables		21,514	17,770
		725,195	738,678
Current assets			
Inventories	15(b)	850,768	986,084
Trade receivables		147,964	92,125
Other receivables	15(c)	327,930	247,156
Amount due from a joint venture		189	-
Financial assets at fair value through profit or loss	14	3,283	-
Derivative assets	14	861	9,359
Tax recoverable		6	374
Short term investment		46,241	-
Cash and bank balances		368,409	529,365
		1,745,651	1,864,463
TOTAL ASSETS	8	2,470,846	2,603,141
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		106,320	106,320
Share premium		195,820	195,820
Treasury shares		(7,045)	(2,664)
Share option reserve		19,692	10,593
Currency translation reserve		319,550	228,186
Cash flow hedge reserve		3,499	(8,038)
Warrants reserve		-	25,259
Retained earnings	21	1,178,349	1,114,385
Total equity		1,816,185	1,669,861
Non-current liabilities			
Borrowings	23	370,455	370,795
Deferred tax liabilities		359	463
		370,814	371,258
Current liabilities			
Borrowings	23	65,082	201,997
Trade payables		107,275	87,753
Other payables	15(d)	108,094	263,570
Derivative liabilities	14	756	8,264
Income tax payable		2,640	438
		283,847	562,022
Total liabilities	8	654,661	933,280
TOTAL EQUITY AND LIABILITIES		2,470,846	2,603,141
Net assets per share (RM)		3.4436	3.1473

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 JUNE 2017

		Attributable to owners of the Company								
		Non-distributable							Distributable	
	Note	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Warrants reserve	Retained earnings	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended 30 June 2016 (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		-	-	(1,257)	-	-	-	-	-	(1,257)
Share options granted under ESOS		-	-	-	10,593	-	-	-	22	10,615
Total comprehensive income / (loss) for the period		-	-	-	-	36,803	(8,038)	-	65,467	94,232
Interim dividends for the financial period ended 30 June 2016		-	-	-	-	-	-	-	(21,223)	(21,223)
Balance at 30 June 2016		106,320	195,820	(2,664)	10,593	228,186	(8,038)	25,259	1,114,385	1,669,861
12 months ended 30 June 2017 (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	-	-	(4,381)	-	-	-	-	-	(4,381)
Share options granted under ESOS		-	-	-	9,099	-	-	-	247	9,346
Expiration of warrants		-	-	-	-	-	-	(25,259)	25,259	-
Total comprehensive income for the period		-	-	-	-	91,364	11,537	-	49,037	151,938
Interim dividend for the financial period ended 30 June 2016	7	-	-	-	-	-	-	-	(5,305)	(5,305)
Interim dividend for the financial year ended 30 June 2017	7	-	-	-	-	-	-	-	(5,274)	(5,274)
Balance at 30 June 2017		106,320	195,820	(7,045)	19,692	319,550	3,499	-	1,178,349	1,816,185

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 30 JUNE 2017

	CUMULATIVE*	
	12 months ended 30.06.2017 RM'000 (unaudited)	12 months ended 30.06.2016 RM'000 (unaudited)
Operating Activities		
Profit before tax	69,633	71,430
Adjustments for non-cash items	119,208	128,886
Operating cash flows before changes in working capital	188,841	200,316
Changes in working capital:		
Decrease in inventories	170,274	226,746
Increase in receivables	(114,230)	(131,564)
Decrease in payables	(166,500)	(102,657)
Cash flows from operations	78,385	192,841
Interest paid	(19,796)	(14,512)
Income tax paid	(18,206)	(7,377)
Net cash flows from operating activities	40,383	170,952
Investing Activities		
Interest received	6,476	2,978
Investment in a joint venture	(15)	-
Placement in wholesale money market fund	(46,241)	-
Proceeds from withdrawal of wholesale money market fund	-	109,352
Income from wholesale money market fund	661	3,121
Proceeds from disposal of property, plant and equipment	-	67
Purchase of property, plant and equipment	(244)	(590,069)
Net cash flows used in investing activities	(39,363)	(474,551)
Financing Activities		
Purchase of treasury shares	(4,381)	(1,257)
Dividends paid on ordinary shares	(10,579)	(21,223)
Proceeds from borrowings	240,734	1,047,339
Repayment of borrowings	(416,891)	(580,405)
Net cash flows (used in) / from financing activities	(191,117)	444,454
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(190,097)	140,855
Effect of foreign exchange rate changes	29,141	13,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	529,365	375,197
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD**	368,409	529,365
** Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	199,379	419,272
Cash and bank balances	169,030	110,093
Cash and cash equivalents at end of financial period	368,409	529,365

* The Group has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 12 months results beginning 1 July 2015 to 30 June 2016.

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.

COASTAL CONTRACTS BHD (Company No. 517649-A)

Explanatory Notes
FOR THE QUARTER ENDED 30 JUNE 2017

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 12-months period ended 30 June 2017, 3,159,700 ordinary shares were repurchased in the open market at an average price of RM1.39 per share. The total consideration paid for the repurchase including transaction costs amounted to RM4,381,250 and were financed by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 June 2017, the total number of treasury shares held was 4,196,800 ordinary shares.

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 **Dividends Paid**

The following dividends were paid during the financial year-to-date:

	RM'000
Third interim single-tier dividend of 1.0 sen per ordinary share paid on 28 September 2016 for the financial period ended 30 June 2016	5,305
First interim single-tier dividend of 1.0 sen per ordinary share paid on 28 March 2017 for the financial year ended 30 June 2017	5,274
	10,579

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 30 June 2017</u>				
Revenue				
External revenue	183,509	37,568	-	221,077
Inter-segment revenue	161	-	(161)	-
Total revenue	183,670	37,568	(161)	221,077
Results				
Profit before tax	1,158	19,278	-	20,436
<u>12 months ended 30 June 2017</u>				
Revenue				
External revenue	267,402	152,975	-	420,377
Inter-segment revenue	1,466	5	(1,471)	-
Total revenue	268,868	152,980	(1,471)	420,377
Results				
(Loss) / profit before tax	(9,076)	78,709	-	69,633
Total Assets				
30 June 2017	1,509,270	961,576	-	2,470,846
30 June 2016	1,780,053	823,088	-	2,603,141
Total Liabilities				
30 June 2017	203,311	451,350	-	654,661
30 June 2016	478,466	454,814	-	933,280

9 **Subsequent Event**

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

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	1,013,760

As at 30 June 2017, the Company is contingently liable for RM437,211,000 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 June 2017 RM'000	Cumulative 12 months ended 30 June 2017 RM'000
Transactions with a company in which certain Directors of the Company have financial interests:		
- Rent of premises	3	11
Transactions with a Director of the Company:		
- Rent of premises	4	19

The above transactions were entered into in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

14 **Fair Value of Financial Instruments**

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 30 June 2017, 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
Financial assets				
Financial assets at fair value through profit or loss	3,283	-	-	3,283
Derivative assets	-	861	-	861
	3,283	861	-	4,144
Financial liabilities				
Derivative liabilities	-	756	-	756

The methods and valuation techniques used for the purpose of measuring fair value are unchanged campared with the last financial period ended 30 June 2016.

15 **Detailed Analysis of Performance**

The revenue of the Group for the 3 months ended 30 June 2017 (4Q2017) stood at RM221.1 million. This represented a quarter-on-quarter surge of more than three-fold from RM64.7 million and a year-on-year increase of 10% from RM200.8 million.

Shipbuilding and Shiprepair Division

In the current quarter under review, the division's revenue has jumped over 7 times from RM25.5 million in the preceeding quarter (3Q2017) to RM183.5 million. Against last year's corresponding quarter (6Q2016), revenue was up by 12% from RM164.3 million. A total of 4 units of vessel were delivered in the current quarter (3Q2017: 2 units; 6Q2016: 10 units).

The division recorded a lower profit margin before tax of 1% (RM1.2 million) in the current quarter, as compared to the 37% (RM9.4 million) achieved in last quarter, owing to the provision for inventories written-down to net realisable value. For 6Q2016, the profit margin before tax of 1% (RM1.8 million) recorded was consistent with current quarter's margin.

Vessel Chartering Division

The division registered a slightly 4% lower revenue of RM37.6 million in 4Q2017 as compared to the RM39.3 million posted in 3Q2017. Against 6Q2016, current quarter's revenue was marginally increased by 3% from RM36.6 million. Constant revenue was generated by the division on the back of the long-term bareboat charter of Jack-Up Gas Compression Service Unit ("JUGCSU").

The division's profit margin before tax of 51% (RM19.3 million) in 4Q2017 was lower than the 56% (RM22.0 million) achieved in 3Q2017. Year-on-year, current quarter's profit margin before tax was up by 10% from 41% (RM15.1 million). The year-on-year improved performance 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 RM129.5 million (30 June 2016: RM294.7 million) and vessels work-in-progress of RM715.6 million (30 June 2016: RM677.3 million). For the current quarter under review and financial year-to-date, inventories were written-down by RM26.1 million .

(c) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM227.8 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.

(d) Included in other payables were advance payments received from vessel buyers totalling RM37.8 million (30 June 2016: RM197.0 million).

16 **Material Change in Profit Before Tax**

The Group made a RM20.4 million of profit before tax in 4Q2017, which was 35% lower compared to the RM31.5 million achieved in 3Q2017, owing to the provision for inventories written-down to net realisable value in the current quarter. Compared to 6Q2016, profit before tax has leaped 21% from RM16.8 million. The better showing was mainly attributed to higher margin on the sale of vessels, higher income generation from the charter of JUGCSU as well as less impairment on receivables recognised.

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 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.

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 30 June 2017 RM'000	Cumulative 12 months ended 30 June 2017 RM'000
Interest income	2,132	10,529
Other income	7,992	19,283
Reversal of inventories written-down	13	61
Reversal of impairment loss on receivables	8	692
Depreciation and amortisation	17,614	70,205
Inventories written-down	26,096	26,096
Fair value loss on quoted investment	1,192	1,192
Foreign exchange (loss) / gain (net)	(1,749)	3,306

There were no impairment loss on receivables, 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.

20 **Income Tax Expense**

	Individual 3 months ended 30 June 2017 RM'000	Cumulative 12 months ended 30 June 2017 RM'000
Income tax expense comprises:		
Current tax charge	6,234	20,700
Deferred tax charge / (reversal)	26	(104)
	6,260	20,596

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.

21 **Retained Earnings**

The retained earnings as at 30 June 2017 and 30 June 2016 were further analysed as follows:

	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Total retained earnings of the Group:		
- Realised	1,309,767	1,262,939
- Unrealised	1,617	270
	1,311,384	1,263,209
Consolidation adjustments	(133,035)	(148,824)
Total Group retained earnings as per consolidated accounts	1,178,349	1,114,385

22 **Status of Corporate Proposals**

(a) There were no corporate proposals that have been announced but not completed as at 30 August 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 30 August 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	125,446	69,687	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	138,033	69,687		

* 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 addtion, 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.

23 **Group Borrowings and Debt Securities**

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

	As at 30 June 2017 RM'000
Short term	
Secured	65,082
Long term	
Secured	370,455
Total	435,537

Apart from RM2.8 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 0.240 from last quarter's 0.302. The reduction was mainly due to repayment of short term unsecured 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.

24 **Material Litigation**

(a) On 9 October 2015, the Company's wholly-owned subsidiary, Thaumas 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 30 August 2017.

25 **Dividend Payable**

On 30 August 2017, the Directors declared a second interim single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2017. This dividend will be payable on 3 October 2017 to depositors registered in the Records of Depositors at close of business on 18 September 2017. The dividend declared in the corresponding period of last year was 1.0 sen.

Inclusive of the first interim single-tier dividend of 1.0 sen per ordinary share paid on 28 March 2017, the total single-tier dividend distribution per ordinary share in respect of the financial year ended 30 June 2017 was 2.0 sen.

26 **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 June 2017	Cumulative 12 months ended 30 June 2017
Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	14,176	49,037
Weighted average number of ordinary shares in issue ('000)	527,403	529,025
Basic earnings per share (sen)	2.69	9.27

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 June 2017	Cumulative 12 months ended 30 June 2017
Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	14,176	49,037
Weighted average number of ordinary shares in issue ('000)	527,403	529,025
Effect of dilution of ESOS ('000)	0	55
Adjusted weighted average number of ordinary shares ('000)	527,403	529,080
Diluted earnings per share (sen)	2.69	9.27

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

27 **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.

28 **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 30 August 2017.