COASTAL CONTRACTS BHD (Company No. 517649-A)

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

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.03.2018 RM'000 (unaudited)	3 months ended 31.03.2017 RM'000 (unaudited)	9 months ended 31.03.2018 RM'000 (unaudited)	9 months ended 31.03.2017 RM'000 (unaudited)
Revenue	8	33,094	64,741	125,464	199,300
Cost of sales and services		(16,804)	(32,343)	(76,459)	(128,942)
Gross profit		16,290	32,398	49,005	70,358
Other income		6,472	13,676	26,757	30,272
Administrative expenses		(5,509)	(7,090)	(18,220)	(25,582)
Other expenses		(18,629)	(1,054)	(35,781)	(5,118)
Finance costs		(5,017)	(6,467)	(16,335)	(20,718)
Share of loss of a joint venture		-	(11)	-	(15)
(Loss) / profit before tax	8, 19	(6,393)	31,452	5,426	49,197
Income tax expense	20	(3,357)	(4,618)	(12,354)	(14,336)
(Loss) / profit for the period		(9,750)	26,834	(6,928)	34,861
Attributable to:					
Owners of the Company		(9,757)	26,834	(6,977)	34,861
Non-controlling interests		7	-	49	-
		(9,750)	26,834	(6,928)	34,861
(Loss) / earnings per share attributable to owners of the Company:					
- basic (sen)	25	(1.85)	5.08	(1.32)	6.58
- diluted (sen)	25	(1.85)	5.08	(1.32)	6.57

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 2017 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 MARCH 2018

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.03.2018 RM'000 (unaudited)	3 months ended 31.03.2017 RM'000 (unaudited)	9 months ended 31.03.2018 RM'000 (unaudited)	9 months ended 31.03.2017 RM'000 (unaudited)
(Loss) / profit for the period		(9,750)	26,834	(6,928)	34,861
Other comprehensive income / (loss) :					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge:					
- Fair value gain / (loss) on derivatives		6,912	4,996	17,685	(5,058)
- Transfer to profit or loss		(3,767)	(2,904)	(11,803)	17,134
Net gain on available-for-sale financial assets		-	7	-	7
Currency translation differences arising from consolidation	15(a)	(53,070)	(20,856)	(128,075)	136,760
Total comprehensive (loss) / income for the period		(59,675)	8,077	(129,121)	183,704
Attributable to:					
Owners of the Company		(59,684)	8,077	(129,160)	183,704
Non-controlling interests		9	-	39	-
		(59,675)	8,077	(129,121)	183,704

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 2017 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 MARCH 2018

	Note	As at 31.03.2018 RM'000 (unaudited)	As at 30.06.2017 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		575,750	700,031
Investment properties		3,589	3,650
Investment securities	14	2,742	3,283
Trade and other receivables		6,406	21,514
		588,487	728,478
Current assets			
Inventories	15(b)	756,418	850,797
Trade receivables	15(c)	130,684	147,964
Other receivables	15(d)	351,399	327,948
Amount due from a joint venture		247	189
Short term investments	14	111,098	46,241
Derivative assets	14	17,484	861
Tax recoverable		240	6
Cash and bank balances		270,091	368,409
		1,637,661	1,742,415
TOTAL ASSETS	8	2,226,148	2,470,893
EQUITY AND LIABILITIES			
Equity			
Share capital		106,320	106,320
Share premium		195,820	195,820
Treasury shares		(7,045)	(7,045)
Share option reserve		23,362	19,692
Currency translation reserve		191,658	319,723
Cash flow hedge reserve		9,381	3,499
Retained earnings		1,166,097	1,178,145
Equity attributable to owners of the Company		1,685,593	1,816,154
Non-controlling interests		123	91
Total equity		1,685,716	1,816,245
Non-current liabilities			
Borrowings	22	289,603	370,455
Deferred tax liabilities		384	346
		289,987	370,801
Current liabilities			
Borrowings	22	58,789	65,082
Trade payables		99,155	107,275
Other payables	15(e)	90,429	108,094
Derivative liabilities		-	756
Income tax payable		2,072	2,640
		250,445	283,847
Total liabilities	8	540,432	654,648
TOTAL EQUITY AND LIABILITIES		2,226,148	2,470,893
Net assets per share (RM)		3.1960	3.4436

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 2017 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 31 MARCH 2018

	Note	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Fair value adjustment reserve	Warrants reserve	Retained earnings	Total	Non-controlling interests	Equity, Total
		Attributable to owners of the Company											
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>9 months ended 31 March 2017 (unaudited)</u>													
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	-	1,669,861
Purchase of treasury shares		-	-	(4,381)	-	-	-	-	-	-	(4,381)	-	(4,381)
Share options granted under ESOS		-	-	-	7,577	-	-	-	-	219	7,796	-	7,796
Expiration of warrants		-	-	-	-	-	-	-	(25,259)	25,259	-	-	-
Total comprehensive income for the period		-	-	-	-	136,760	12,076	7	-	34,861	183,704	-	183,704
Interim dividend for the financial period ended 30 June 2016		-	-	-	-	-	-	-	-	(5,305)	(5,305)	-	(5,305)
Interim dividend for the financial year ended 30 June 2017		-	-	-	-	-	-	-	-	(5,274)	(5,274)	-	(5,274)
Balance at 31 March 2017		106,320	195,820	(7,045)	18,170	364,946	4,038	7	-	1,164,145	1,846,401	-	1,846,401
<u>9 months ended 31 March 2018 (unaudited)</u>													
Balance at 1 July 2017		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		-	-	-	3,670	-	-	-	-	195	3,865	-	3,865
Total comprehensive (loss) / income for the period		-	-	-	-	(128,065)	5,882	-	-	(6,977)	(129,160)	39	(129,121)
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	7	-	-	-	-	-	-	-	-	(5,274)	(5,274)	-	(5,274)
Balance at 31 March 2018		106,320	195,820	(7,045)	23,362	191,658	9,381	-	-	1,166,097	1,685,593	123	1,685,716

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	CUMULATIVE	
	9 months ended 31.03.2018 RM'000 (unaudited)	9 months ended 31.03.2017 RM'000 (unaudited)
Operating Activities		
Profit before tax	5,426	49,197
Adjustments for non-cash items	86,321	71,446
Operating cash flows before changes in working capital	91,747	120,643
Changes in working capital:		
Decrease in inventories	7,206	33,176
Increase in receivables	(30,840)	(92,359)
Decrease in payables	(6,100)	(8,624)
Cash flows from operations	62,013	52,836
Interest paid	(13,035)	(14,711)
Income tax paid	(12,903)	(13,844)
Net cash flows from operating activities	36,075	24,281
Investing Activities		
Interest received	3,533	5,913
Investment in a joint venture	-	(15)
Placement in short term investments	(64,702)	(45,833)
Income received from short term investments	1,552	253
Proceeds from disposal of property, plant and equipment	3,886	-
Purchase of property, plant and equipment	(420)	(154)
Net cash flows used in investing activities	(56,151)	(39,836)
Financing Activities		
Purchase of treasury shares	-	(4,381)
Dividend paid on ordinary shares	(5,274)	(10,579)
Proceeds from borrowings	-	239,959
Repayment of borrowings	(47,437)	(311,013)
Net cash flows used in financing activities	(52,711)	(86,014)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,787)	(101,569)
Effect of foreign exchange rate changes	(25,531)	38,170
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	368,409	529,365
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	270,091	465,966

* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	107,293	295,606
Cash and bank balances	162,798	170,360
Cash and cash equivalents at end of financial period	270,091	465,966

The above Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to these interim financial statements.

Explanatory Notes
FOR THE QUARTER ENDED 31 MARCH 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 2017. 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 2017.

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 2017 except for the adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRSs") and annual improvements to certain MFRSs where applicable to the Group's financial period beginning 1 July 2017:

Amendments to MFRS 107 *Disclosure Initiative*
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements to MFRSs 2014 - 2016 Cycles:
- Amendments to MFRS 12 *Clarification of the Scope of Standard*

The adoption of the abovementioned Amendments to MFRSs 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**

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

As at 31 March 2018, the total number of treasury shares held was 4,196,800 ordinary shares.

7 **Dividend Paid**

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

	RM'000
Second interim single-tier dividend of 1.0 sen per ordinary share paid on 3 October 2017 for the financial year ended 30 June 2017	5,274

8 **Segment Information**

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

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
<u>3 months ended 31 March 2018</u>				
Revenue				
External revenue	-	33,094	-	33,094
Inter-segment revenue	116	79	(195)	-
Total revenue	116	33,173	(195)	33,094
Results				
(Loss) / profit before tax	(22,578)	16,185	-	(6,393)
<u>9 months ended 31 March 2018</u>				
Revenue				
External revenue	18,933	106,531	-	125,464
Inter-segment revenue	815	79	(894)	-
Total revenue	19,748	106,610	(894)	125,464
Results				
(Loss) / profit before tax	(54,277)	59,703	-	5,426
Total Assets				
31 March 2018	1,381,949	844,199	-	2,226,148
30 June 2017	1,509,317	961,576	-	2,470,893
Total Liabilities				
31 March 2018	180,556	359,876	-	540,432
30 June 2017	203,206	451,442	-	654,648

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 wholly-owned subsidiary of the Company, Ace Capital Pte. Ltd. ("AC"), had on 27 July 2017 disposed of 100 ordinary shares representing 10% of the issued share capital of AC to a minority shareholder for a cash consideration of USD100.

11 **Contingent Liabilities and Contingent Assets**

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	781,192

As at 31 March 2018, the Company is contingently liable for RM348,995,000 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 March 2018 RM'000	Cumulative 9 months ended 31 March 2018 RM'000
Transactions with a Director of the Company:		
- Rent of premises	14	41

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 31 March 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
Financial assets				
Investment securities	2,742	-	-	2,742
Short term investments	111,098	-	-	111,098
Derivative assets	-	17,484	-	17,484
	113,840	17,484	-	131,324

The methods and valuation techniques used for the purpose of measuring fair value are unchanged campared with the last financial year ended 30 June 2017.

15 **Detailed Analysis of Performance**

The Group booked a lower revenue of RM33.1 million in the current quarter ended 31 March 2018 (3Q2018) as compared to last quarter's (2Q2018) RM44.3 million and last year corresponding period's (3Q2017) RM64.7 million, a reduction of 25% and 49%, respectively.

Shipbuilding and Shiprepair Division

No revenue was generated from this division in 3Q2018 as a result of none vessel delivery during the current quarter. Comparatively, the revenue recorded in 2Q2018 and 3Q2017 were RM8.1 million and RM25.5 million.

The division incurred a greater loss before tax of RM22.6 million in 3Q2018, as compared to the RM18.4 million (loss margin of 226%) posted in 2Q2018 owing to higher loss on foreign exchange on the account of depreciation of USD against RM in 3Q2018. For 3Q2017, the division achieved a profit before tax of RM9.4 million (profit margin of 37%). The year-on-year poorer performance was mainly attributed to the adverse foreign exchange impact as well as weak performance for vessel sales.

Vessel Chartering Division

The division recorded a lower revenue of RM33.1 million in 3Q2018, a 9% drop from RM36.2 million reported in 2Q2018. Against 3Q2017, revenue was down by 16% from RM39.3 million. The decrease in revenue this quarter was mainly attributed to the impact of foreign exchange fluctuation on USD-based charter income.

The division achieved a lower profit margin before tax of 49% (RM16.2 million) in 3Q2018 as compared to the 63% (RM22.7 million) posted in 2Q2018. The lower profit margin derived was mainly attributed to lesser income generated in relation to the charter of JUGCSU and gain on disposal of a used vessel in last quarter. The profit margin before tax recorded in 3Q2017 was 56% (RM22.0 million).

(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 RM102.9 million (30 June 2017: RM129.7 million) and vessels work-in-progress of RM647.9 million (30 June 2017: RM715.4 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 RM130.7 million of short term trade receivables as at 31 March 2018, RM39.4 million was subsequently received by the Group.

(d) Included in other receivables of the Group were payments made to suppliers and contractors totalling RM204.9 million (30 June 2017: RM227.8 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 RM33.0 million (30 June 2017: RM40.6 million).

16 **Material Change in Profit Before Tax**

The Group made a RM6.4 million of loss before tax in 3Q2018 compared to the profit before tax of RM4.3 million and RM31.5 million achieved in 2Q2018 and 3Q2017, respectively. The loss position in the current quarter was principally due to greater loss from foreign exchange on account of the weaken USD as well as the underperformance of Shipbuilidng and Shiprepair Division.

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 31 March 2018 RM'000	Cumulative 9 months ended 31 March 2018 RM'000
Interest income	2,045	8,358
Other income	3,565	15,659
Reversal of inventories written-down	-	4
Reversal of impairment loss on receivables	31	61
Depreciation and amortisation	15,462	50,049
Fair value gain on short term investment	31	154
Fair value loss on quoted investment	480	541
Foreign exchange loss (net)	16,837	32,207

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.

20 **Income Tax Expense**

	Individual 3 months ended 31 March 2018 RM'000	Cumulative 9 months ended 31 March 2018 RM'000
Income tax expense comprises:		
Current tax charge	3,441	12,316
Deferred tax charge / (reversal)	(84)	38
	3,357	12,354

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

21 **Status of Corporate Proposals**

(a) There were no corporate proposals that have been announced but not completed as at 24 May 2018.

(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 24 May 2018 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	169,099	26,034	Within 24 months from March 2014	Within 12 months from September 2017
- 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	181,686	26,034		

* 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 further extend the expected timeframe for the utilisation of its private placement proceeds by up to 12 months for those categories of expenditures that have yet to achieve full utilisation as at 12 September 2017, 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.

22 Group Borrowings and Debt Securities

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

	As at 31 March 2018 RM'000
Short term	
Secured	58,789
Long term	
Secured	289,603
Total	348,392

Apart from RM2.3 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 0.207 from last quarter's 0.219. 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, 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 material development on the arbitration proceedings.

(c) On 15 December 2017, the Company filed an Arbitration Petition against an individual and a company (collectively, the "Sellers"), a company (the "Indonesian Company") and two (2) individuals (collectively, the "Guarantors" and, collectively with the Sellers and the Indonesian Company, the "Respondents"), for breach of a Memorandum of Understanding (the "MOU") signed between the Company, the Sellers and the Indonesian Company, and breach of two (2) Deeds of Personal Guarantee (the "Guarantees") executed by the Guarantors in favour of the Company.

Pursuant to the MOU, the Company lodged a refundable deposit in an amount of USD6 million (the "Deposit") with the Sellers and/or the Indonesian Company on 9 August 2016. The MOU was terminated on 28 October 2016 and following such termination, the Sellers and/or the Indonesian Company were obliged to refund to the Company the Deposit in full.

Pursuant to the Guarantees, the Guarantors were to guarantee the refund by the Sellers and/or the Indonesian Company of the Deposit, and/or undertook to refund to the Company the Deposit.

However up to the date of filing the Arbitration Petition, the Respondents have failed to fully refund the Deposit to the Company and there is still an outstanding of USD3,846,837 due and owing to the Company, excluding interest and costs. Given the Respondents' failure to refund the Deposit to the Company in full and non-compliance of the MOU and Guarantees terms, the Company has commenced arbitration proceedings to claim the Deposit in full, plus interest and costs. The Respondents have since filed for their Defence.

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 24 May 2018.

24 **Dividend Payable**

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

25 **(Loss) / Earnings Per Share**

Basic (loss) / earnings per share attributable to owners of the Company

Basic (loss) / earnings per share of the Group was calculated by dividing the (loss) / profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Individual 3 months ended 31 March 2018	Cumulative 9 months ended 31 March 2018
Basic (loss) / earnings per share		
Loss attributable to owners of the Company (RM'000)	(9,757)	(6,977)
Weighted average number of ordinary shares in issue ('000)	527,403	527,403
Basic loss per share (sen)	(1.85)	(1.32)

Diluted (loss) / earnings per share attributable to owners of the Company

For diluted (loss) / earnings per share calculation, the weighted average number of ordinary shares in issue was adjusted to assume that the maximum number of new ordinary shares have been issued pursuant to the share options granted under the 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 (RM1.25) 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 2017 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 24 May 2018.