COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2017 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2017 RM'000 (unaudited)
Revenue	8	37,126	48,073	37,126	48,073
Cost of sales and services		(20,585)	(31,907)	(20,585)	(31,907)
Gross profit		16,541	16,166	16,541	16,166
Other income		16,753	8,882	16,753	8,882
Administrative expenses		(5,754)	(5,834)	(5,754)	(5,834)
Other expenses		(2,293)	(5,847)	(2,293)	(5,847)
Finance costs		(4,121)	(5,815)	(4,121)	(5,815)
Profit before tax	8, 19	21,126	7,552	21,126	7,552
Income tax expense	20	(4,030)	(4,267)	(4,030)	(4,267)
Profit for the period		17,096	3,285	17,096	3,285
Attributable to:					
Owners of the Company		17,101	3,274	17,101	3,274
Non-controlling interests		(5)	11	(5)	11
		17,096	3,285	17,096	3,285
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	3.24	0.62	3.24	0.62
- diluted (sen)	25	3.24	0.62	3.24	0.62

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2017 RM'000 (unaudited)	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2017 RM'000 (unaudited)
Profit for the period		17,096	3,285	17,096	3,285
Other comprehensive income / (loss) :					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge:					
- Fair value gain on derivatives		86	2,864	86	2,864
- Transfer to profit or loss		-	(2,037)	-	(2,037)
Currency translation differences arising from consolidation	15(a)	17,566	(21,708)	17,566	(21,708)
Total comprehensive income / (loss) for the period		34,748	(17,596)	34,748	(17,596)
Attributable to:					
Owners of the Company		34,744	(17,606)	34,744	(17,606)
Non-controlling interests		4	10	4	10
		34,748	(17,596)	34,748	(17,596)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	As at 30.09.2018 RM'000 (unaudited)	As at 30.06.2018 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		620,116	588,599
Investment properties		3,548	3,568
Investment securities	14	1,930	2,299
		625,594	594,466
Current assets			
Inventories	15(b)	371,283	394,103
Trade receivables	15(c)	127,038	113,783
Other receivables		205,658	204,083
Amount due from a joint venture		271	379
Short term investments	14	121,325	121,462
Derivative assets	14	5,111	4,901
Tax recoverable		419	317
Cash and bank balances		251,416	282,291
		1,082,521	1,121,319
TOTAL ASSETS	8	1,708,115	1,715,785
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		24,620	24,095
Currency translation reserve		265,338	247,781
Cash flow hedge reserve		5,708	5,622
Retained earnings		599,579	590,030
Equity attributable to owners of the Company		1,190,340	1,162,623
Non-controlling interests		125	121
Total equity		1,190,465	1,162,744
Non-current liabilities			
Borrowings	22	278,311	286,887
Deferred tax liabilities		449	415
		278,760	287,302
Current liabilities			
Borrowings	22	62,893	61,346
Trade payables		135,226	127,495
Other payables		40,635	76,740
Income tax payable		136	158
		238,890	265,739
Total liabilities	8	517,650	553,041
TOTAL EQUITY AND LIABILITIES		1,708,115	1,715,785
Net assets per share (RM)		2.2570	2.2044

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company								Non-controlling interests	Equity, Total
	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30 September 2017 (unaudited)										
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	-	-	-	1,481	-	-	54	1,535	-	1,535
Total comprehensive (loss) / income for the period	-	-	-	-	(21,707)	827	3,274	(17,606)	10	(17,596)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	-	8	8	(7)	1
Balance at 30 September 2017	106,320	195,820	(7,045)	21,173	298,016	4,326	1,181,481	1,800,091	94	1,800,185
3 months ended 30 September 2018 (unaudited)										
Balance at 1 July 2018 (as previously stated)	106,320	195,820	(7,045)	24,095	247,781	5,622	590,030	1,162,623	121	1,162,744
Effect of adoption of MFRS 9	-	-	-	-	-	-	(7,761)	(7,761)	-	(7,761)
Balance at 1 July 2018 (as restated)	106,320	195,820	(7,045)	24,095	247,781	5,622	582,269	1,154,862	121	1,154,983
Share options granted under ESOS	-	-	-	525	-	-	209	734	-	734
Total comprehensive income for the period	-	-	-	-	17,557	86	17,101	34,744	4	34,748
Balance at 30 September 2018	106,320	195,820	(7,045)	24,620	265,338	5,708	599,579	1,190,340	125	1,190,465

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to these interim financial statements.

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	CUMULATIVE	
	3 months ended 30.09.2018 RM'000 (unaudited)	3 months ended 30.09.2017 RM'000 (unaudited)
Operating Activities		
Profit before tax	21,126	7,552
Adjustments for non-cash items	15,948	24,881
Operating cash flows before changes in working capital	37,074	32,433
Changes in working capital:		
(Increase) / decrease in inventories	(672)	9,394
Increase in receivables	(10,457)	(55,423)
(Decrease) / increase in payables	(33,159)	2,604
Cash flows used in operations	(7,214)	(10,992)
Interest paid	(3,997)	(4,702)
Income tax paid	(4,130)	(3,830)
Net cash flows used in operating activities	(15,341)	(19,524)
Investing Activities		
Interest received	1,063	1,223
Net proceeds from withdrawal of short term investments	257	-
Income received from short term investments	1,094	-
Purchase of property, plant and equipment	(164)	(79)
Net cash flows from investing activities	2,250	1,144
Financing Activities		
Repayment of borrowings	(15,718)	(16,384)
Net cash flows used in financing activities	(15,718)	(16,384)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,809)	(34,764)
Effect of foreign exchange rate changes	(2,066)	(3,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	282,291	368,409
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	251,416	329,676
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	167,278	94,870
Cash and bank balances	84,138	234,806
Cash and cash equivalents at end of financial period	251,416	329,676

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to these interim financial statements.

Explanatory Notes
FOR THE QUARTER ENDED 30 SEPTEMBER 2018

1 **Basis of Preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared under the historical cost convention except for certain financial assets that are stated at fair value.

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

2 **Changes in Accounting Policies and Effects Arising from Adoption of New and Revised MFRSs**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2018 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), Interpretation, amendments and annual improvements to certain MFRSs where applicable to the Group's financial period beginning 1 July 2018:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)
MFRS 15 *Revenue from Contracts with Customers*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 15 *Effective Date of MFRS 15*
Amendments to MFRS 15 *Clarifications to MFRS 15 'Revenue from Contracts with Customers'*
Amendments to MFRS 140 *Transfers of Investment Property*
Annual Improvements to MFRSs 2014 - 2016 Cycles:
- Amendments to MFRS 1 *Deletion of Short-term Exemptions for First-time Adopters*
- Amendments to MFRS 128 *Measuring an Associate or Joint Venture at Fair Value*

The adoption of the abovementioned new MFRSs, Interpretation, Amendments and Annual Improvements to MFRSs, where applicable, will have no material impact on the financial statements of the Group except as follows:

<u>MFRS 9 *Financial Instruments*</u>

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

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

<u>MFRS 15 *Revenue from Contracts with Customers*</u>

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

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

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 30 September 2018, the total number of treasury shares held was 4,196,800 ordinary shares.

7 **Dividend Paid**

No dividend was paid in the current quarter under review.

8 **Segment Information**

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

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
3 months ended 30 September 2018				
Revenue				
External revenue	1,624	35,502	-	37,126
Inter-segment revenue	31,831	-	(31,831)	-
Total revenue	33,455	35,502	(31,831)	37,126
Results				
Profit before tax	3,655	17,471	-	21,126
Total Assets				
30 September 2018	870,598	837,517	-	1,708,115
30 June 2018	835,832	879,953	-	1,715,785
Total Liabilities				
30 September 2018	163,290	354,360	-	517,650
30 June 2018	195,720	357,321	-	553,041

9 **Subsequent Event**

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

10 Changes in the Composition of the Group

On 18 September 2018, the Company had incorporated a wholly-owned subsidiary in Singapore known as Coastal Dynamic Pte. Ltd. (“CDPL”). The issued and paid-up ordinary share capital of CDPL amounted to SGD1,000. CDPL is a company limited by shares and registered under the Companies Act (CAP.50), Singapore. The principal activity of CDPL is the provision of offshore support vessel chartering services.

11 Contingent Liabilities and Contingent Assets

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	705,586

As at 30 September 2018, the Company is contingently liable for RM341,936,000 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 2018 RM'000	Cumulative 3 months ended 30 September 2018 RM'000
Transactions with a Director of the Company:		
- Rent of premises	14	14

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 September 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
<u>*Financial assets*</u>				
Investment securities	1,930	-	-	1,930
Short term investments	121,325	-	-	121,325
Derivative assets	-	5,111	-	5,111
	123,255	5,111	-	128,366

The methods and valuation techniques used for the purpose of measuring fair value are unchanged campared with the last financial year ended 30 June 2018.

15 **Detailed Analysis of Performance**

The Group's revenue for the 3 months ended 30 September 2018 (1Q2019) scaled up by 9% to RM37.1 million, against RM33.9 million reported in the preceding quarter (4Q2018). Year-on-year (1Q2018), the revenue has drop 23% from RM48.1 million.

Shipbuilding and Shiprepair Division

The division recorded a quarter-on-quarter increase in revenue from RM0.1 million to RM1.6 million. Both quarters' revenue were generated from ship repairing works. For 1Q2018, the revenue reported was RM10.8 million contributed from the delivery of 1 unit of vessel.

The division achieved a profit before tax of RM3.7 million in 1Q2019, as compared to the loss before tax of RM580.3 million and RM13.3 million posted in 4Q2018 and 1Q2018, respectively. The profit generated this quarter was mainly attributed to the foreign exchange gain derived from the strengthen USD against RM during 1Q2019, while the significant loss occurred in 4Q2018 was owing to the inventories written-down of RM518.2 million.

Vessel Chartering Division

In the current quarter under review, the division reported a slightly 5% increase in revenue to RM35.5 million from RM33.8 million posted in 4Q2018. Against 1Q2018, revenue was down by 5% from RM37.3 million. The fluctuation in revenue generated over the quarters was mainly attributed to the impact of foreign exchange fluctuation on USD-based charter income.

The division's profit margin before tax of 49% (RM17.5 million) in 1Q2019 was slightly lower than the 51% (RM17.1 million) posted in 4Q2018. Year-on-year, the profit margin before tax recorded was higher at 56% (RM20.9 million) owing to greater gain on foreign exchange on the account of depreciation of RM against USD in 1Q2018.

(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 RM199.8 million (30 June 2018: RM226.2 million) and vessels work-in-progress of RM166.9 million (30 June 2018: RM163.0 million). For the current quarter under review and financial year-to-date, there were no provisions made for obsolete or slow-moving inventories or work-in-progress write-off.

(c) Out of the RM127.0 million of trade receivables as at 30 September 2018, RM27.7 million was subsequently received by the Group.

16 **Material Change in Profit Before Tax**

The Group made a RM21.1 million of profit before tax in 1Q2019. Comparatively, 4Q2018 recorded a loss before tax of RM563.1 million mainly attributed to the inventories written-down of RM518.2 million. Compared 1Q2018, profit before tax was jumped almost 3 times from RM7.6 million owing to the foreign exchange gain recognised in the current quarter as compared to the exchange loss posted in last year corresponding quarter.

17 **Prospects**

Roiled by global economic turmoil, rampant oil supply and weak global oil demand have translated into the sensational drop in oil prices and increased flow of Iranian oil has further worsened the glut. However, the Management believes that low oil prices environment is not sustainable and key industry players foresee a more positive outlook in the longer term where oil prices are expected to pick up from 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 September 2018 RM'000	Cumulative 3 months ended 30 September 2018 RM'000
Interest income	2,024	2,024
Other income	4,455	4,455
Reversal of inventories written-down	19	19
Depreciation and amortisation	16,605	16,605
Fair value gain on short term investments	120	120
Fair value loss on quoted investment	369	369
Foreign exchange gain (net)	8,298	8,298

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 30 September 2018 RM'000	Cumulative 3 months ended 30 September 2018 RM'000
Income tax expense comprises:		
Current tax charge	3,995	3,995
Deferred tax charge / (reversal)	35	35
	4,030	4,030

The effective tax rates for the current quarter and the financial year-to-date were lower than the statutory tax rate in Malaysia due to the different income tax rates applicable to subsidiaries of the Group in other jurisdictions.

21 Status of Corporate Proposals

(a) There were no corporate proposals that have been announced but not completed as at 26 November 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 26 November 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	195,133	-	Within 24 months from March 2014	Completed
- 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	207,720	-		

* 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 3 months for those categories of expenditures that have yet to achieve full utilisation as at 12 September 2018, 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.

The unutilised balance for the purpose of purchase of offshore support vessels has been fully utilised in November 2018.

22 Group Borrowings and Debt Securities

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

	As at 30 September 2018 RM'000
Short term	
Secured	62,893
Long term	
Secured	278,311
Total	341,204

Apart from RM2.1 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 0.287 from last quarter's 0.297. 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) 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.

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

(b) 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.

As announced on 30 October 2018, the Tribunal had, vide the Final Award declared that the Respondents are proven of committing a breach of the MOU and requested to pay the Company the sum of USD4,349,759.10, which consist of the amount of the Outstanding Deposit of USD3,846,837.00 and the interest in the amount of USD502,922.10.

The Group is not engaged in other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 26 November 2018.

24 Dividend Payable

No interim dividend has been declared for the current quarter ended 30 September 2018.

25 Earnings Per Share

Basic earnings per share attributable to owners of the Company

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

	Individual 3 months ended 30 September 2018	Cumulative 3 months ended 30 September 2018
Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	17,101	17,101
Weighted average number of ordinary shares in issue ('000)	527,403	527,403
Basic earnings per share (sen)	3.24	3.24

Diluted earnings per share attributable to owners of the Company

For diluted earnings per share calculation, the weighted average number of ordinary shares in issue was adjusted to assume that the maximum number of new ordinary shares have been issued pursuant to the share options granted under the Employees' Share Option Scheme ("ESOS"). The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average market price of ordinary shares of the Company during the period exceeds the exercise price of the options granted. As the average market price of ordinary shares during the period (RM1.07) was lower than the exercise price of the options (RM1.40), the options were not assumed to be exercised because they were antidilutive in the period.

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

26 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 30 June 2018 was not subject to any qualification.

27 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 26 November 2018.