COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.03.2019 RM'000 (unaudited)	3 months ended 31.03.2018 RM'000 (unaudited)	9 months ended 31.03.2019 RM'000 (unaudited)	9 months ended 31.03.2018 RM'000 (unaudited)
Revenue	8	36,902	33,094	111,754	125,464
Cost of sales and services		(20,590)	(16,804)	(63,008)	(76,459)
Gross profit		16,312	16,290	48,746	49,005
Other income		6,139	6,472	30,934	26,757
Administrative expenses		(7,764)	(5,509)	(19,522)	(18,220)
Other expenses		(7,184)	(18,629)	(9,554)	(35,781)
Finance costs		(3,823)	(5,017)	(11,995)	(16,335)
Profit / (loss) before tax	8, 19	3,680	(6,393)	38,609	5,426
Income tax expense	20	(3,622)	(3,357)	(11,624)	(12,354)
Profit / (loss) for the period		58	(9,750)	26,985	(6,928)
Attributable to:					
Owners of the Company		58	(9,757)	26,990	(6,977)
Non-controlling interests		-	7	(5)	49
		58	(9,750)	26,985	(6,928)
Earnings per share attributable to owners of the Company:					
- basic (sen)	25	0.01	(1.85)	5.12	(1.32)
- diluted (sen)	25	0.01	(1.85)	5.12	(1.32)

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

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

		INDIVIDUAL		CUMULATIVE	
	Note	3 months ended 31.03.2019 RM'000 (unaudited)	3 months ended 31.03.2018 RM'000 (unaudited)	9 months ended 31.03.2019 RM'000 (unaudited)	9 months ended 31.03.2018 RM'000 (unaudited)
Profit / (loss) for the period		58	(9,750)	26,985	(6,928)
Other comprehensive (loss) / income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge:					
- Fair value (loss) / gain on derivatives		(1,143)	6,912	(2,685)	17,685
- Transfer to profit or loss		-	(3,767)	-	(11,803)
Currency translation differences arising from consolidation	15(a)	(9,268)	(53,070)	7,351	(128,075)
Total comprehensive (loss) / income for the period		(10,353)	(59,675)	31,651	(129,121)
Attributable to:					
Owners of the Company		(10,353)	(59,684)	31,647	(129,160)
Non-controlling interests		-	9	4	39
		(10,353)	(59,675)	31,651	(129,121)

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

COASTAL CONTRACTS BHD (Company No. 517649-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	As at 31.03.2019 RM'000 (unaudited)	As at 30.06.2018 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		710,797	588,599
Investment properties		3,507	3,568
Investment securities	14	1,289	2,299
		715,593	594,466
Current assets			
Inventories	15(b)	264,386	394,103
Trade receivables	15(c)	99,332	113,783
Other receivables		195,256	204,083
Amount due from a joint venture		283	379
Short term investments	14	204,183	121,462
Derivative assets	14	2,291	4,901
Tax recoverable		615	317
Cash and bank balances		190,549	282,291
		956,895	1,121,319
TOTAL ASSETS	8	1,672,488	1,715,785
EQUITY AND LIABILITIES			
Equity			
Share capital		302,417	106,320
Share premium		-	195,820
Treasury shares		(7,045)	(7,045)
Share option reserve		28,346	24,095
Currency translation reserve		255,119	247,781
Cash flow hedge reserve		2,937	5,622
Retained earnings		609,982	590,030
Equity attributable to owners of the Company		1,191,756	1,162,623
Non-controlling interests		-	121
Total equity		1,191,756	1,162,744
Non-current liabilities			
Borrowings	22	243,354	286,887
Deferred tax liabilities		506	415
		243,860	287,302
Current liabilities			
Borrowings	22	61,865	61,346
Trade payables		129,641	127,495
Other payables		45,310	76,740
Income tax payable		56	158
		236,872	265,739
Total liabilities	8	480,732	553,041
TOTAL EQUITY AND LIABILITIES		1,672,488	1,715,785
Net assets per share (RM)		2.2588	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 31 MARCH 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Share option reserve	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Equity, Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 31 March 2018 (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	-	-	-	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	-	-	-	-	-	-	(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
9 months ended 31 March 2019 (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
Issuance of ordinary shares pursuant to the ESOS	277	-	-	(74)	-	-	-	203	-	203
Share options granted under ESOS	-	-	-	4,325	-	-	634	4,959	-	4,959
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	(4)	-	89	85	(125)	(40)
Transfer in accordance with Section 618(2) of the Companies Act 2016	195,820	(195,820)	-		-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	7,342	(2,685)	26,990	31,647	4	31,651
Balance at 31 March 2019	302,417	-	(7,045)	28,346	255,119	2,937	609,982	1,191,756	-	1,191,756

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 31 MARCH 2019

	CUMULATIVE	
	9 months ended 31.03.2019 RM'000 (unaudited)	9 months ended 31.03.2018 RM'000 (unaudited)
Operating Activities		
Profit before tax	38,609	5,426
Adjustments for non-cash items	60,980	86,321
Operating cash flows before changes in working capital	99,589	91,747
Changes in working capital:		
(Increase) / decrease in inventories	(5,215)	7,206
Decrease / (increase) in receivables	20,930	(30,840)
Decrease in payables	(31,959)	(6,100)
Cash flows from operations	83,345	62,013
Interest paid	(11,546)	(13,035)
Income tax paid	(11,939)	(12,903)
Net cash flows from operating activities	59,860	36,075
Investing Activities		
Additional investments in existing subsidiaries	(46)	-
Interest received	5,952	3,533
Placement in short term investments	(81,988)	(64,702)
Income received from short term investments	3,455	1,552
Proceeds from disposal of property, plant and equipment	-	3,886
Purchase of property, plant and equipment	(26,975)	(420)
Net cash flows used in investing activities	(99,602)	(56,151)
Financing Activities		
Proceeds from issuance of ordinary shares	203	-
Dividend paid on ordinary shares	-	(5,274)
Repayment of borrowings	(47,553)	(47,437)
Net cash flows used in financing activities	(47,350)	(52,711)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,092)	(72,787)
Effect of foreign exchange rate changes	(4,650)	(25,531)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	282,291	368,409
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	190,549	270,091
* Cash and cash equivalents at end of financial period comprise the following:		
Fixed deposits	151,030	107,293
Cash and bank balances	39,519	162,798
Cash and cash equivalents at end of financial period	190,549	270,091

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.

COASTAL CONTRACTS BHD (Company No. 517649-A)

Explanatory Notes
FOR THE QUARTER ENDED 31 MARCH 2019

1 **Basis of Preparation**

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

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

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

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

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

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

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

MFRS 9 *Financial Instruments*

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

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

MFRS 15 *Revenue from Contracts with Customers*

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

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

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 except for the following:

(a) During the financial year-to-date, a total of 211,600 new ordinary shares were issued pursuant to the Company's Employees' Share Option Scheme.

(b) As at 31 March 2019, 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 31 March 2019				
Revenue				
External revenue	20	36,882	-	36,902
Inter-segment revenue	177	-	(177)	-
Total revenue	197	36,882	(177)	36,902
Results				
(Loss) / profit before tax	(13,589)	17,269	-	3,680
9 months ended 31 March 2019				
Revenue				
External revenue	1,794	109,960	-	111,754
Inter-segment revenue	60,134	-	(60,134)	-
Total revenue	61,928	109,960	(60,134)	111,754
Results				
(Loss) / profit before tax	(15,965)	54,574	-	38,609

	Shipbuilding and Shiprepair RM'000	Vessel Chartering RM'000	Eliminations RM'000	Consolidated RM'000
Total Assets				
31 March 2019	760,285	912,203	-	1,672,488
30 June 2018	835,832	879,953	-	1,715,785
Total Liabilities				
31 March 2019	160,339	320,393	-	480,732
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**

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

(b) On 28 November 2018, the Company acquired 15,000 ordinary shares representing 30% equity interests in Coastal Drilling Pte. Ltd. for SGD15,000 in cash, increasing its ownership from 70% to 100%.

(c) On 14 December 2018, the Company acquired 100 ordinary shares representing 10% equity interests in Ace Capital Pte. Ltd. for USD100 in cash, increasing its ownership from 90% to 100%.

(d) As announced on 1 March 2019, the Companies Commission of Malaysia ("CCM") had struck off Asiapride Sdn Bhd ("AP"), a wholly-owned subsidiary, from its register of companies pursuant to Section 550 of the Companies Act 2016 following an application made by AP to the CCM for striking-off of AP pursuant to Section 550 of the Companies Act 2016.

(e) As announced on 18 April 2019, the Company had incorporated a subsidiary in Mexico known as Coastoil Dynamic S.A. de C.V. (“CD”). It is a company limited by shares and is registered under the General Corporation Law, Mexico. The issued and paid-up capital of CD is Pesos $50,000 of which the Company and its wholly-owned subsidiary, Coastal Marine Pte Ltd ("CTM") have 50% shares each in CD. Both the Company and CTM have each contributed Pesos $25,000. The principal activities of CD are leasing and subleasing of all kind of offshore assets related to the oil and gas industry and provision of drilling and engineering and other ancillary services to the oil and gas industry.

11 **Contingent Liabilities and Contingent Assets**

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	697,346

As at 31 March 2019, the Company is contingently liable for RM306,289,000 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 2019 RM'000	Cumulative 9 months ended 31 March 2019 RM'000
Transactions with a Director of the Company:		
- Rent of premises	14	43

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 2019, 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	1,289	-	-	1,289
Short term investments	204,183	-	-	204,183
Derivative assets	-	2,291	-	2,291
	205,472	2,291	-	207,763

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 reported a slightly lower revenue of RM36.9 million in the current quarter ended 31 March 2019 (3Q2019) as compared to the RM37.7 million posted in the preceding quarter (2Q2019), a marginal decrease of 2%. Year-on-year (3Q2018), the revenue climbed 11% from RM33.1 million.

Shipbuilding and Shiprepair Division

The revenue generated from this division in 3Q2019 was RM0.02 million. For 2Q2019, the revenue recorded was RM0.1 million. Both quarters' revenue were generated from ship repairing contract works. No revenue was generated from this division in 3Q2018 as a result of none vessel delivery during that quarter.

The division incurred a greater loss before tax of RM13.6 million in 3Q2019, as compared to the RM6.0 million posted in 2Q2019 owing to the foreign exchange loss recognised in the current quarter. For 3Q2018, the division's loss before tax was higher at RM22.6 million. The poorer performance recorded in 3Q2018 was mainly attributed to greater loss on foreign exchange on the account of depreciation of USD against RM during that quarter.

Vessel Chartering Division

The revenue generated from this division in 3Q2019 stood at RM36.9 million, eased by RM0.7 million (or 2%) from RM37.6 million in 2Q2019. Against 3Q2018, current quarter's revenue has risen by 11% from RM33.1 million. The year-on-year improved performance was principally due to earnings derived from new charter contracts secured during the year.

The division's profit margin before tax of 47% (RM17.3 million) in 3Q2019 was 6% lower than the 53% (RM19.8 million) achieved in 2Q2019. The better showing in last quarter was mainly attributed to higher income generation in relation to the charter of JUGCSU and foreign exchange gain. For the corresponding period a year ago, the profit margin before tax achieved was 49% (RM16.2 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 RM92.2 million (30 June 2018: RM226.2 million) and vessels work-in-progress of RM167.8 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 RM99.3 million of trade receivables as at 31 March 2019, RM43.5 million was subsequently received by the Group.

16 **Material Change in Profit Before Tax**

The Group made a RM3.7 million of profit before tax in 3Q2019, which was 73% lower compared to the RM13.8 million achieved in 2Q2019 owing to the foreign exchange loss recognised in the current quarter as compared to the exchange gain posted in last quarter, as well as share-based payment expenses recognised on share options granted under ESOS. For 3Q2018, the Group incurred a loss before tax of RM6.4 million as a result of greater loss from foreign exchange on account of the weaken USD.

17 **Prospects**

Roiled by global economic turmoil, rampant oil supply and weak global oil demand have translated into the sensational drop in oil prices and increased flow of Iranian oil has further worsened the glut. However, the Management believes that low oil prices environment is not sustainable and key industry players foresee a more positive outlook in the longer term where oil prices are expected to pick up from 2019 to 2020, making it essential for the OSV market to gear up for this recovery and hence, the OSV market is expected to stay firm in the long term.

Additionally, given the scarcely substitutable nature of oil and natural gas, Coastal Group envisages the medium to long term fundamentals of Oil and Gas industry to remain positive. In accommodating sustaining demand for fossil fuels in the medium to long term, Enhanced Oil Recovery (EOR) technology has been practised immensely since the past few years to ensure optimum exploitation of oil resources. With the Jack-up Gas Compression Service Unit charter contract secured by the Group, which is currently in operation, the Group is able to effectively leverage its competitive advantage and strong foothold in this sector with promising prospects. Coastal Group is determined to build up its expertise and global network in this market to procure opportunities ahead.

Coastal Group remains optimistic toward surviving the transition by venturing into the Oil and Gas downstream sector and moving further up the value chain in terms of technology, technical knowledge and expertise in the downstream sector. Moving forward, the Group will maintain its diversified portfolio and sharpen its focus on the Oil and Gas downstream sector in pursuit of growth while enhancing its long term sustainability.

18 **Explanatory Notes for Variance of Forecast and Profit Guarantee**

The Company did not issue any profit forecast or profit guarantee and therefore, this note is not applicable.

19 **Profit Before Tax**

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

	Individual 3 months ended 31 March 2019 RM'000	Cumulative 9 months ended 31 March 2019 RM'000
Interest income	902	4,844
Other income	3,958	12,761
Reversal of inventories written-down	(288)	31
Reversal of impairment loss on receivables	-	5
Depreciation and amortisation	17,212	51,134
Fair value gain on short term investments	466	733
Fair value loss on quoted investment	869	1,011
Foreign exchange (loss) / gain (net)	(5,149)	4,170

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 2019 RM'000	Cumulative 9 months ended 31 March 2019 RM'000
Income tax expense comprises:		
Current tax charge	3,595	11,533
Deferred tax charge / (reversal)	27	91
	3,622	11,624

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**

There were no corporate proposals that have been announced but not completed as at 29 May 2019.

22 **Group Borrowings and Debt Securities**

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

	As at 31 March 2019 RM'000
Short term	
Secured	61,865
Long term	
Secured	243,354
Total	305,219

Apart from RM1.7 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 0.256 from last quarter's 0.271. The reduction was mainly due to repayment of short term borrowings. Internally generated funds derived from operations were utilised to sustain the Group's working capital requirements during the quarter under review.

The current gearing is within management comfort level.

23 **Material Litigation**

In August 2016, one of the Group's subsidiary ("Subsidiary") was served with a notice of arbitration from one of its supplier for an alleged wrongful termination of a shipbuilding contract for the construction and sale of a vessel ("Vessel").

In July 2016, the Subsidiary terminated the shipbuilding contract with its suppliers for the failure to deliver the Vessel on time and in accordance with the terms and conditions of the shipbuilding contract.

Further to the Subsidiary's termination of the shipbuilding contract, the Subsidiary has also written to its suppliers for:
(i) The refund of all sums paid to the suppliers under the shipbuilding contract; and
(ii) The payment of liquidated damages in accordance with the terms and conditions of the shipbuilding contract.

The suppliers have not quantified their claim under Notice of Arbitration until after the Subsidiary has filed its Response to the Notice of Arbitration (and Counter-claim). The suppliers' current and provisional quantification of their claim is at USD37,400,000. This value directly reflects the Subsidiary's Counter-claim against the suppliers in its Response to the Notice of Arbitration.

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

The Group is not engaged in other material litigation and is not aware of any proceedings which may materially affect the position or business of the Group as at 29 May 2019.

24 **Dividend Payable**

No interim dividend has been declared for the current quarter ended 31 March 2019.

25 **Earnings Per Share**

Basic earnings per share attributable to owners of the Company

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

	Individual 3 months ended 31 March 2019	Cumulative 9 months ended 31 March 2019
Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	58	26,990
Weighted average number of ordinary shares in issue ('000)	527,433	527,413
Basic earnings per share (sen)	0.01	5.12

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 31 March 2019	Cumulative 9 months ended 31 March 2019
Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	58	26,990
Weighted average number of ordinary shares in issue ('000)	527,433	527,413
Effect of dilution of ESOS ('000)	68	15
Adjusted weighted average number of ordinary shares ('000)	527,501	527,428
Diluted earnings per share (sen)	0.01	5.12

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 29 May 2019.