



Coastal Contracts Bhd
(517649-A)

“Sail Forth, Grow Beyond”

Annual Report 2018



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at the Registered Office, Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 28 November 2018 at 10:00 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of fees and benefits to Non-Executive Directors, of up to but not exceeding the amount of RM120,000 for the period from 29 November 2018 until the next Annual General Meeting of the Company.
3. To re-elect the following Directors:
 - 3.1 Tuan Hj. Intizam Bin Ayub retiring pursuant to Article No. 91 of the Company's Constitution and being eligible, offers himself for re-election.
 - 3.2 Mr Ng Chin Shin retiring pursuant to Article No. 91 of the Company's Constitution and being eligible, offers himself for re-election.
4. To re-appoint Messrs Crowe Malaysia (Formerly known as Crowe Horwath) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution with or without modification:

ORDINARY RESOLUTION

Proposed retention of Independent Non-Executive Director

"That approval be and is hereby given for Mr Loh Thian Sang @ Lo Thian Siang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to be retained and to continue to act as an Independent Non-Executive Director of the Company until the next Annual General Meeting."

6. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Authority to issue shares pursuant to the Companies Act 2016

"THAT subject always to the Companies Act 2016, ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being.

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Please refer to
Explanatory Notes (a)**

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Notice of Annual General Meeting (cont'd.)

7. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal of Share Buy-Back Authority

“ THAT subject to the provisions of the Companies Act 2016 (“the Act”), the Constitution of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), all other applicable laws, rules, regulations, and orders and the approvals of all relevant regulatory authorities, the Company is hereby authorised to purchase and/or hold such number of ordinary shares (“shares”) in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time and that an amount of the funds not exceeding the retained earnings of the Company, be utilised for Share Buy-Back;

AND THAT such Shares purchased may be retained as treasury shares and/or distributed as dividends and/or resold on the market of Bursa Securities and/or be cancelled, as the Directors may deem fit and expedient in the interest of the Company;

AND THAT such authority hereby given shall take effect immediately and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the Shareholders in a general meeting,

whichever is the earlier;

AND FURTHER THAT the Directors be hereby authorised to do all such acts and things as may be required by the relevant authorities (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation.”

8. To transact any other business of the Company of which due notice has been given to the Company.

Resolution 7

GENERAL MEETING RECORD OF DEPOSITORS

NOTICE IS ALSO HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Eighteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article No. 49 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 22 November 2018. Only a depositor whose name appears on the Record of Depositors as at 22 November 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

By Order of the Board

Dorothy Luk Wei Kam
Ho Ling Ling
Company Secretaries

Kota Kinabalu, Sabah
Dated: 29 October 2018

Notice of Annual General Meeting (cont'd.)

NOTES:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint:
- (i) at least one (1) proxy but not more than two (2) proxies to attend and vote instead of him; or
 - (ii) multiple proxies where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account").
- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy.
- (b) Where a member appoints two (2) proxies to attend and vote at the same meeting, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (c) The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointer or by his attorney and in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, he may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) The instrument appointing a proxy must be left at the Registered Office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which it is to be used, and in default shall not be treated as valid.

EXPLANATORY NOTES

(a) Audited Financial Statements for the financial year ended 30 June 2018

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, it will not be put forward for voting.

(b) Ordinary Resolution – Proposed Retention of Independent Non-Executive Director

In relation to the proposed Resolution No. 5, the Board of Directors has via the Nomination Committee assessed the independence of Mr Loh Thian Sang @ Lo Thian Siang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

- (i) He fulfils the criteria of an Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (ii) He has extensive experience and knowledge in the marine industry which are relevant to the Group's activities;
- (iii) He has demonstrated his capability as an independent director and provided numerous constructive suggestions to the Board; and
- (iv) His level of independence and competency has not been impaired with time.

The proposed Resolution No. 5, if passed, will enable Mr Loh Thian Sang @ Lo Thian Siang to continue in office as Independent Non-Executive Director until the next Annual General Meeting.

In accordance with Practice 4.2 of the Malaysian Code on Corporate Governance, the retention of an independent director who has served the Company for a cumulative term of more than 12 years as independent director is subject to shareholders' approval via a two-tier voting process.

Notice of Annual General Meeting (cont'd.)

(c) Ordinary Resolution - Authority to issue shares pursuant to the Companies Act 2016

The proposed Resolution No. 6, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued shares in the ordinary share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. This general mandate is a renewal of the mandate that was approved by the shareholders on 23 November 2017. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to facilitate the Company to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

(d) Ordinary Resolution - Proposed Renewal of Share Buy-Back Authority

The proposed Resolution No. 7, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding 10% of the total number of issued shares in the ordinary share capital of the Company from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to the Share Buy-Back Statement dated 29 October 2018 for more information.

Statement Accompanying Notice Of Annual General Meeting

Further details of the individuals who are standing for re-election or re-appointment as Directors in accordance with Agenda 3 of the Notice of Annual General Meeting are set out on pages 10 to 12 of this Annual Report, whereas the details of their interest in the securities of the Company are disclosed on pages 128 to 129 of this Annual Report.



Corporate Information

BOARD OF DIRECTORS

Ng Chin Heng
Executive Chairman

Ng Chin Shin
Executive Director

Ng Chin Keuan
Executive Director

Jacob O Pang Su Yin
Independent Non-Executive Director

Loh Thian Sang @ Lo Thian Siang
Independent Non-Executive Director

Tuan Hj. Intizam Bin Ayub
Independent Non-Executive Director

AUDIT COMMITTEE

Jacob O Pang Su Yin
Chairman

Loh Thian Sang @ Lo Thian Siang
Member

Tuan Hj. Intizam Bin Ayub
Member

NOMINATION COMMITTEE

Jacob O Pang Su Yin
Chairman

Loh Thian Sang @ Lo Thian Siang
Member

Tuan Hj. Intizam Bin Ayub
Member

REMUNERATION COMMITTEE

Jacob O Pang Su Yin
Chairman

Loh Thian Sang @ Lo Thian Siang
Member

Ng Chin Heng
Member

COMPANY SECRETARIES

Dorothy Luk Wei Kam, MAICSA 7000414
Ho Ling Ling, MAICSA 7012567

REGISTERED OFFICE

Block G, Lot 3B, Bandar Leila
W.D.T. 259, 90009 Sandakan, Sabah
Tel : +60 89 616263
Fax : +60 89 616654, 611130
Website : <http://www.coastalcontracts.com>

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Helpdesk: +60 3 7849 0777
Fax : +60 3 7841 8151/52

PRINCIPAL BANKERS

Affin Bank Berhad
AmBank (M) Berhad
Amlslamic Bank Berhad
CIMB Bank Berhad
DBS Bank Ltd
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
The Hongkong and Shanghai Banking Corporation Ltd
United Overseas Bank Limited
United Overseas Bank (Malaysia) Bhd

AUDITORS

Crowe Malaysia (AF 1018)
(Formerly known as Crowe Horwath)
Chartered Accountants
Level 16, Tower C, Megan Avenue 2
12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur, Malaysia
Tel : +60 3 2788 9999
Fax : +60 3 2788 9998

STOCK EXCHANGE LISTING

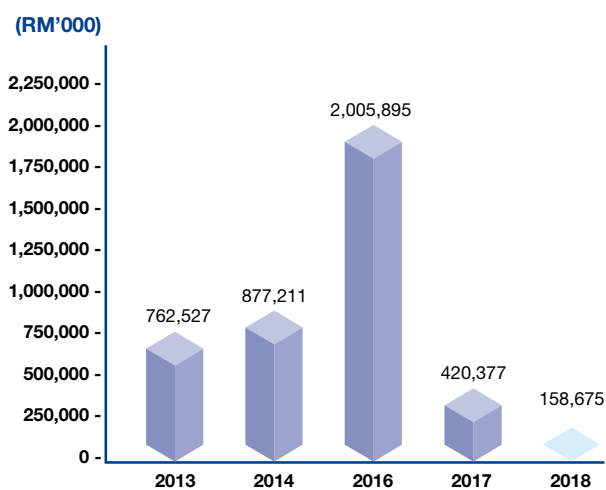
Main Market of Bursa Malaysia Securities Berhad
Stock Name : COASTAL
Stock Code : 5071

5-Years' Group Financial Summary

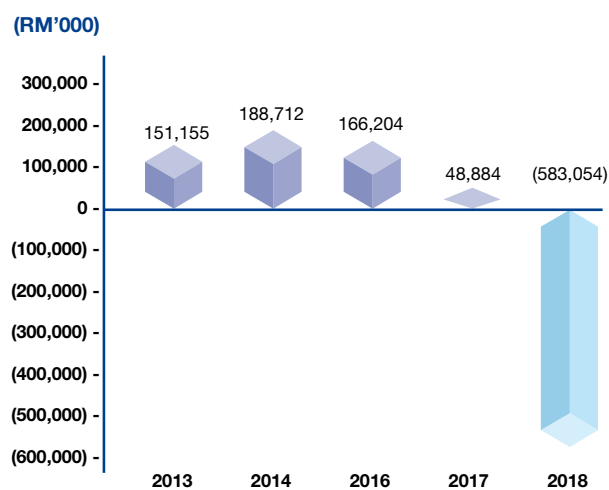
	2018	2017	2016*	2014	2013
Financial Results (RM'000)					
Revenue	158,675	420,377	2,005,895	877,211	762,527
(Loss) / Profit before tax	(568,124)	69,410	172,264	190,879	150,340
(Loss) / Profit net of tax	(583,054)	48,884	166,204	188,712	151,155
Statement of Financial Position (RM'000)					
Total assets	1,715,785	2,470,893	2,603,142	2,088,027	1,543,853
Total borrowings	348,233	435,537	572,793	99,011	16,001
Shareholders' equity	1,162,744	1,816,245	1,669,861	1,427,185	1,002,726
Financial indicators					
Return on equity	-39.14%	2.80%	10.73%	15.53%	16.50%
(Loss) / Earnings per share (sen)	(110.56)	9.24	31.31	36.26	31.29
Net asset per share (sen)	220	344	315	269	207
Net dividend	5,274	10,579	26,528	38,250	30,917
Dividend per share (sen)	-	2.00	5.00	7.20	6.40

* The figures for 2016 are for 18-month financial period while the figures for other years are for full 12-month financial year.

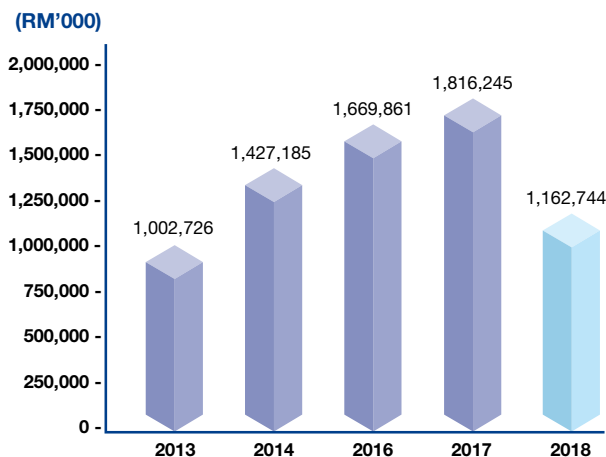
REVENUE



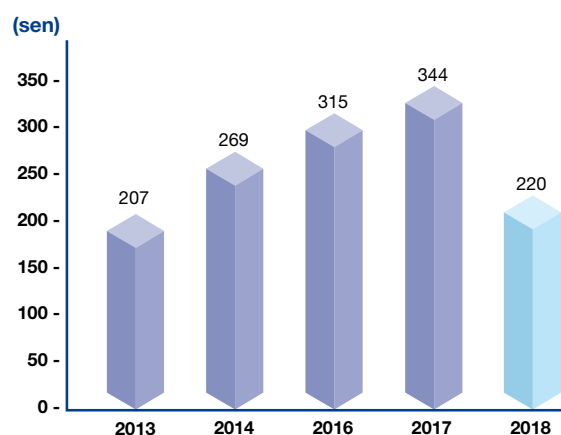
(LOSS) / PROFIT NET OF TAX



SHAREHOLDERS' EQUITY



NET ASSET PER SHARE



Corporate Structure



Directors' Profiles

The Board currently has six members, comprising three Executive Directors (including the Chairman) and three Independent Non-Executive Directors. A brief description of the background of each Director is presented below:

NG CHIN HENG

Male, Aged 69, Malaysian
Executive Chairman

Mr Ng Chin Heng was appointed as Executive Chairman to the Board on 8 August 2000 and serves as a member of the Remuneration Committee.

He is the principal founder of Coastal Group. Soon after completing the Lower Certificate of Education and gaining work experience in various capacities, Mr Ng Chin Heng started his business endeavour in 1977 trading in animal feed, fertilisers and raw rubber. Subsequently, he ventured into vessel chartering business in 1982 when he acquired Coastal Transport (Sandakan) Sdn Bhd, a tug and barge hire company, which then owned and operated 4 small old tankers. He then acquired the technical and management skills in tugboat and barge repairs and fabrications. He further learned and improved the technical and management aspects of shipyard operations by visiting some of the shipyards in Malaysia, Indonesia, Singapore and China.

Mr Ng Chin Heng is responsible for leadership of the Board of the Company, ensuring its effectiveness and setting its agenda. He meets with shareholders to ensure that there is sufficient and effective communication to understand shareholders' issues and concerns. He is responsible for executing the strategy agreed by the Board and developing objectives through leadership of the senior executive team. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place.

Mr Ng Chin Heng attended all five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Mr Ng Chin Heng has direct interests of 4.63% and indirect interests of 40.92% by virtue of Ivory Asia Sdn Bhd's, his wife's and children's shareholdings in Coastal Contracts Bhd. He is the brother of Mr Ng Chin Shin and Mr Ng Chin Keuan, both the Directors of the Company, and the husband of Madam Pang Fong Thau, a substantial shareholder of the Company. Save as disclosed on pages 106 and 107 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

NG CHIN SHIN

Male, Aged 59, Malaysian
Executive Director

Mr Ng Chin Shin was appointed as Executive Director to the Board on 8 August 2000.

He is one of the co-founders of Coastal Group. Shortly after completing the Lower Certificate of Education, he went on to become a mechanic and welder in 1975 and subsequently a mechanic and construction supervisor. He gained his experience in the shipbuilding industry when he worked for a shipbuilding contractor between 1980 and 1985. With his valuable knowledge, he was invited to join the Group in 1986 and has been involved in the Group for close to 30 years. He has been instrumental in shaping and laying the foundations for the Group's products and workmanship quality in vessel manufacturing and repair works. His vast experience and in-depth knowledge in the vessel manufacturing and repair activities will continue to benefit the Group.

Mr Ng Chin Shin attended four for the five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Mr Ng Chin Shin has direct interests of 4.52% in Coastal Contracts Bhd. He is the brother-in-law of Madam Pang Fong Thau, a substantial shareholder of the Company. He is the brother of Mr Ng Chin Heng and Mr Ng Chin Keuan, Directors of the Company. Mr Ng Chin Heng is also a substantial shareholder of the Company. Save as disclosed on pages 106 and 107 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

Directors' Profiles (cont'd.)

NG CHIN KEUAN

Male, Aged 59, Malaysian
Executive Director

Mr Ng Chin Keuan was appointed as Executive Director to the Board on 8 August 2000.

He is one of the co-founders of Coastal Group. He has a Lower Certificate of Education. He is involved in the affairs of the Group since its early years in 1980s and thus well acquainted with the Group's operations. He gained the knowledge and skills of marine engineering through hands-on management and practical experience. He is principally responsible in supervising the day-to-day operations of the shipyards and also for fleet maintenance and parts procurement. Prior to joining the Group, he was in the trading business with Mr Ng Chin Heng.

Mr Ng Chin Keuan attended all five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Mr Ng Chin Keuan has direct interests of 4.49% and a slight indirect interests by virtue of his wife's shareholdings in Coastal Contracts Bhd. He is the brother-in-law of Madam Pang Fong Thau, a substantial shareholder of the Company. He is the brother of Mr Ng Chin Heng and Mr Ng Chin Shin, Directors of the Company. Mr Ng Chin Heng is also a substantial shareholder of the Company. Save as disclosed on pages 106 and 107 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

JACOB O PANG SU YIN

Male, Aged 51, Malaysian
Independent Non-Executive Director

Mr Jacob O Pang Su Yin was appointed as Independent Non-Executive Director to the Board on 1 August 2013. He serves as the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

He completed his tertiary education with a Degree in Commerce in 1989 from the James Cook University of North Queensland. He started his career as an Audit Trainee and subsequently gained his practical experience in a firm of chartered accountants. He is a Principal at a firm providing audit, tax and consulting services for public and private companies. He is a Fellow of CPA Australia, and member of the Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia.

Mr Jacob O Pang Su Yin attended all five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Mr Jacob O Pang Su Yin does not have any direct or indirect interest in shares in Coastal Contracts Bhd.

LOH THIAN SANG @ LO THIAN SIANG

Male, Aged 73, Malaysian
Independent Non-Executive Director

Mr Loh Thian Sang @ Lo Thian Siang was appointed as an Independent Non-Executive Director to the Board on 2 December 2002 and serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He has over 36 years of experience in marine administration and operation. He joined the Marine Department in 1964 as signalman a year after leaving secondary school and during his tenure in the organisation advanced himself as a Senior Boarding Officer in 1998. His last post with the Marine Department before retirement was as the acting Assistant Marine Officer from 1997 to 2000.

Mr Loh Thian Sang @ Lo Thian Siang attended all five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Mr Loh Thian Sang @ Lo Thian Siang does not have any direct or indirect interest in shares in Coastal Contracts Bhd.

Directors' Profiles (cont'd.)

TUAN HJ. INTIZAM BIN AYUB

Male, Aged 65, Malaysian

Independent Non-Executive Director

Tuan Hj. Intizam Bin Ayub was appointed as an Independent Non-Executive Director to the Board on 7 October 2014 and serves as a member of the Audit Committee and Nomination Committee.

He obtained his Indonesian Merchant Marine Academy BSc Marine Engineering and holding 1st Class and 2nd Class Marine Engineer Foreign Going License issued by Department of Sea Communication. He started his career with Malaysian International Shipping Corp Bhd (MISC) as a 4th Engineer to Foreign Going Chief Engineer from year 1975 to 1984. He then joined Petronas Marine Dept E & P as a Marine Engineer from 1984 to 1988. In the same year, he was promoted to Senior Marine Engineer for Field Development Project of Petronas Carigali Sdn. Bhd ("PCSB") and this position was held until 1991. Subsequently he was appointed as the Manager Ship Vetting of Petronas Maritime Services Sdn. Bhd. who was in charge of Marine Support Vessel Selection and advisor for various FSO/FPSO project development (1991-1999). He later joined Carigali Triton Operation Company ("CTOC") as a Senior Resident Engineer, whom duties were developing Technical Specification and supervising a new built FSO (1999-2002). He then worked within the Head of Consultancy Section of Petronas Maritime Services Sdn. Bhd. as a Manager Marine Consultancy who was monitoring the development of Marine Floater for Petronas for a period of 2 years (2002-2004) prior to joining Newfield (PCSB) as Senior Resident Engineer for the conversion of FSO (2004-2007). He then joined Petronas Carigali Vietnam in 2007 and held the position of Head of FPSO Project for 2 years. In 2008, he retired from Petronas and subsequent to his retirement, he reentered the workforce in July 2008 and worked with Petronas Carigali, Pertamina, PetroVietnam Operating Co Sdn. Bhd. as a Senior Marine Engineer, overseeing a MOPU Development Project. In August 2012, he was working with BC Petroleum Sdn. Bhd. as a Senior Manager who was in charge of Delivery of Early Production Vessel for Marginal Field.

Tuan Hj. Intizam Bin Ayub attended all five board meetings held during the financial year ended 30 June 2018.

As at 26 September 2018, Tuan Hj. Intizam Bin Ayub does not have any direct or indirect interest in shares of Coastal Contracts Bhd.

Save as disclosed, none of the Directors have:

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company, unless disclosed;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences (if any); and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



Key Senior Management

PANG FONG THAU

Aged 58, Malaysian, Female

She was first appointed as Director of a subsidiary of the Company on 1 December 1982 and is one of the co-founders of Coastal Group. Currently, she also sits on the board of several subsidiaries of Coastal Group. She holds a Lower Certificate of Education. Currently, she is the Head of Treasury, Administration and Human Resource division of the Group. Since the early formative years, she has been involved in the managerial level of Coastal Group, handling the accounting, administrative and organisation aspects of the business operations.

She is the wife of Mr Ng Chin Heng and the sister-in-law of Mr Ng Chin Shin and Mr Ng Chin Keuan who are members of the Board of the Company. Mr Ng Chin Heng is a substantial shareholder of the Company.

LIOW MING YEW

Aged 36, Malaysian, Male

He was first appointed as Director of a subsidiary of the Company on 29 September 2012. Currently, he also sits on the board of several subsidiaries of Coastal Group. He graduated with a Bachelor of Commerce – major in Accounting from University of Western Australia, Perth in 2004. He joined Coastal in 2005 as Operations cum Safety Supervisor. Currently, he is the Head of Marketing and Commercial division of the Group. He has gained extensive experience in marketing of the Group's vessels throughout his years in Coastal.

ALICE NG

Aged 35, Malaysian, Female

She was first appointed as Director of a subsidiary of the Company on 29 September 2012. Currently, she also sits on the board of several subsidiaries of Coastal Group. She graduated with a Bachelor of Commerce - double major from Curtin University, Perth in 2005 and is a member of the Certified Practising Accountants, Australia and the Malaysian Institute of Accountants. She joined Coastal as Accounts & Finance Executive in 2006. Currently, she is the Head of Commercial and Legal division of the Group. Her working experience includes the field of finance, auditing and tax.

She is the daughter of Mr Ng Chin Heng and the niece of Mr Ng Chin Shin and Mr Ng Chin Keuan who are members of the Board of the Company. Mr Ng Chin Heng is a substantial shareholder of the Company. She is also the daughter of Madam Pang Fong Thau, a substantial shareholder of the Company.

KONG WEI KET

Aged 42, Malaysian, Male

He had joined the Company as Chief Financial Officer cum Group Accountant on 1 April 2012. He started his career as an Audit Assistant with KPMG Sandakan on 16 July 1996. Prior to joining the Company, he was heading KPMG Tawau Audit & Assurance Department. He has over 15 years of experience in audit and assurance services with KPMG. He is a Fellow member of the Association of Chartered Certified Accountants and also a member of the Malaysian Institute of Accountants. Currently, he is overseeing the financial management function and financial reporting function of the Group.

NG CHIN KOK

Aged 61, Malaysian, Male

He was first appointed as Director of a subsidiary of the Company on 1 December 1982 and is one of the co-founders of Coastal Group. Currently, he also sits on the board of several subsidiaries of Coastal Group. He has a Higher School Certificate. Currently, he is involved in the business development of the Group. Since the formation of Coastal Group, he has been influential in expanding the Group's fleet chartering and transportation operations. His vast hands-on operational experience includes maritime regulations, procedures and requirements.

He is the brother of Mr Ng Chin Heng, Mr Ng Chin Shin and Mr Ng Chin Keuan who are members of the Board of the Company. Mr Ng Chin Heng is a substantial shareholder of the Company.

Key Senior Management (cont'd.)

NG SAN CHEN

Aged 36, Malaysian, Male

He was appointed as Director of a subsidiary of the Company on 20 April 2007. Upon graduating from Australia with a Diploma in Business Management, he joined Coastal as Shipbuilding Trainee on 21 May 2003 and has since been actively involved in the shipbuilding's technical aspects and quality inspection. With over fifteen (15) years of hands-on experience, he is one of the key person in the Shipbuilding division of the Group.

He is the son of Mr Ng Chin Heng and the nephew of Mr Ng Chin Shin and Mr Ng Chin Keuan who are members of the Board of the Company. Mr Ng Chin Heng is a substantial shareholder of the Company. He is also the son of Madam Pang Fong Thau, a substantial shareholder of the Company.

LAU JOO TING

Aged 42, Malaysian, Male

He was first appointed as Director of a subsidiary of the Company on 20 January 2015. Currently, he also sits on the board of several subsidiaries of Coastal Group. He graduated with a Bachelor of Civil Engineering from University of Canterbury, New Zealand in 2000. He joined Coastal in 2006 as a Civil Engineer. He is also a key person in Marketing division of the Group. His working experience includes the field of civil engineering and also marketing of vessels.

He is the son-in-law of Mr Ng Chin Heng who is a member of the Board of the Company and a substantial shareholder of the Company and also the son-in-law of Madam Pang Fong Thau, a substantial shareholder of the Company.

Save as disclosed, none of the Key Senior Management have:

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company, unless disclosed;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences (if any); and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



Management Discussion and Analysis

BUSINESS OVERVIEW

Coastal Group is regarded as one of the more prestigious oil and gas companies. Its revenues are primarily derived from shipbuilding, repair & maintenance, vessel chartering and trading of marine support vessels. Coastal Group serves a diverse clientele worldwide - the offshore oil & gas industry, mining sector and commodities sectors, marine traders, The Royal Malaysian Navy and many more.

The Group operates in two main business divisions:

- Shipbuilding and Ship Repair; and
- Vessel Chartering

Shipbuilding and Ship Repair Division is made up of two key operations, one being the fabrication and sale of Offshore Support Vessels ("OSVs") and marine transportation vessels, ranging from subsea support vessels, subsea maintenance vessels, platform support vessels, utility support vessels, anchor handling tug supply vessels and accommodation work barges, to oil barges, dumb barges, harbour tugs, landing crafts and tug boats. The other area of operation is in Maintenance, Repair and Overhaul services such as steel hull maintenance, electrical works, engines and generators overhaul, and modification works of various scales.

Through its Vessel Chartering Division, the Group offers a wide range of solutions to its customers. Jack-Up Gas Compression Service Unit ("JUGCSU") is the key contributor under the Vessel Chartering Division. In the first quarter of 2014, the Group successfully secured a USD372 million contract for the fabrication and 12-year charter of the JUGCSU to the national oil company of Mexico. The JUGCSU has the ability to compress sour gas, for injection into the reservoir the high content of associated gas to oil, in order to help maintain reservoir pressure and maximize the exploitation of hydrocarbons. The JUGCSU named AGOSTO 12 marked its second year anniversary since Commercial Operation Date achieved in August 2016.

FINANCIAL HIGHLIGHTS

Shipbuilding and Ship Repair Division – Overall Financial Performance:

For the financial year ended 30 June 2018, revenue for Shipbuilding and Ship Repair Division decreased by 93% to RM18.4 million from RM267.4 million in the previous financial year. The decrease was mainly attributable to the lower vessel sales during the year. This division recorded a loss before tax of RM644.2 million for the year ended 30 June 2018 as compared to loss before tax of RM9.1 million in the previous financial year. The loss before tax for the year under review increased significantly by 6,979% as compared to the previous financial year, mainly due to the write off of inventories during the year under review.

Vessel Chartering Division – Overall Financial Performance:

For the financial year ended 30 June 2018, Vessel Chartering Division's revenue decreased slightly by RM12.7 million, from RM153.0 million in the previous financial year to RM140.3 million. The slight decrease in revenue was mainly attributable to the impact of foreign exchange fluctuation on USD-based charter income. Accordingly, profit before tax decreased to RM76.1 million as compared to the profit before tax of RM78.5 million reported in the previous financial year.

Overview of Key Performance Indicators for the Group:

Key Performance Indicators	FYE 30.06.2018	FYE 30.06.2017
Gross profit margin	29.94%	29.50%
Net (loss) / profit margin	(367.45%)	11.63%
Gearing ratio	0.30	0.24
Current ratio	4.22 times	6.14 times
Quick ratio	2.74 times	3.14 times
Inventories turnover	2,044 days	1,131 days
Debtors turnover	302 days	107 days
Creditors turnover	385 days	120 days

Management Discussion and Analysis (cont'd.)

FINANCIAL HIGHLIGHTS (Cont'd)

Gross profit margin and net loss margin

The Group recorded gross profit margin and net loss margin of 29.94% and 367.45% respectively in the financial year ended 30 June 2018 as compared to gross profit margin and net profit margin of 29.50% and 11.63% in previous financial year. The huge net loss margin was primarily due to the inventories written off in Shipbuilding and Ship Repair Division during the year under review.

Gearing ratio

The Group's gearing ratio increased by 0.06 from 0.24 in the previous financial year to 0.30 for the financial year ended 30 June 2018. This was mainly attributable to the reduction in total equity of the Group after the huge loss incurred for the current financial year. The Group's gearing ratio remains healthy and at a manageable level.

Current ratio and quick ratio

The Group's current ratio and quick ratio for the financial year ended 30 June 2018 decreased to 4.22 times and 2.74 times from 6.14 times and 3.14 times respectively in the previous financial year. The decrease in the liquidity position is mainly attributable to the write off of inventories, deposits and prepayments pertaining to the Group's Shipbuilding and Ship Repair Division.

Inventories turnover

The inventories turnover increased significantly from 1,131 days in the previous financial year to 2,044 days in the financial year ended 30 June 2018, primarily due to the write off of inventories in the Group's Shipbuilding and Ship Repair Division.

Debtors turnover

The debtors turnover increased from 107 days in the previous financial year to 302 days in the financial year ended 30 June 2018, primarily due to slower collection from debtors during the current financial year. In addressing this issue, the Management will strengthen its credit control and be more cautious in assessing clients.

Creditors turnover

The creditors turnover of 385 days for the financial year ended 30 June 2018 increased significantly compared to the 120 days creditors turnover for the previous financial year, mainly due to the delay in payment to suppliers due to the slowdown in the Shipbuilding and Ship Repair Division.

Capex Requirement:

Given the current adverse market conditions and in line with the Group's prudent business strategy, Coastal Group has maintained a minimal capital expenditure budget in both financial years ended 30 June 2018 and 30 June 2017, and will instead preserve more cash to place itself in a better position to weather the downturn.

Known Trends and Events in the Oil and Gas Sector:

Despite the rise in global oil prices which has resulted in gradual recovery of the oil and gas industry, the operating environment is expected to remain challenging in the near future. Banks are still selective towards providing financing to Oil and Gas players at the prevailing market conditions. Corresponding to this phenomenon, Coastal Group is still progressing towards a more conservative approach when procuring expansion opportunities by being more selective, preferring to opt for projects that are considered safe in terms of credit and operational risks.

REVIEW OF OPERATING ACTIVITIES

The decrease in E & P spending by oil majors and the supply glut of OSVs signify tough times for the Group's Shipbuilding and Ship Repair Division as demand for OSVs weakens. At the same time, banks remain cautious in providing financing to potential ship buyers, which is also not a positive sign to our Shipbuilding business. However, with its healthy balance sheet, the Group is well poised financially to stay the course as it steers its way during these challenging times.

Management Discussion and Analysis (cont'd.)

The slump in oil price is expected to have a lesser impact on the Chartering Division given that a long term charter contract has been secured for its JUGCSU which has marked its second year anniversary since the unit achieved its first gas in August 2016. The unit has continued to contribute positively to the Group's earnings during the current financial year.

SIGNIFICANT BUSINESS RISK

With the depressed selling prices and charter rates, the Coastal Group is exposed to the risk of further loss arising from impairment of its vessels. In order to mitigate this significant risk, the Management will continue with its prudent cash management strategy. While pursuing new opportunities, the Management will be more selective towards Oil and Gas projects with lower credit and operational risks accompanied with greater sustainability. In the meantime, the Management has implemented appropriate cost-cutting measures on existing operations to enhance cost efficiency.

PROSPECTS

The Group will continue to remain cautious in the near term but optimistic towards the longer term as oil prices continue to recover gradually. With its history of having successfully navigated through many challenges in the past decades, Coastal Group is well poised to weather the current storm and volatility. Moving forward, the Group will continue to explore business opportunities for growth within the Oil and Gas sector as well as diversification to other business areas in order to enhance its sustainability and profitability.



Audit Committee Report

For The Financial Year Ended 30 June 2018

The Audit Committee was established on 2 December 2002.

The Board aims to ensure that the quarterly reports, annual financial statements, the annual review of operations in the annual report are presented in a manner which provides a balanced and comprehensive assessment of the Group's performance. The Audit Committee has been delegated with the responsibility to review the quarterly reports of the Group, focusing particularly on compliance with accounting standards and other legal requirements.

In the course of audit of the Group's financial statements, the external auditors would highlight to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and for presenting their comments on the audited financial statements. At least once a year, these meetings are held without the presence of the management of the Company to ensure that the external auditors can freely discuss and express their opinion on any matter to the Audit Committee. In addition, the external auditors are invited to attend the AGM of the Company and are required to be available to answer shareholders' questions on the conduct of the statutory audit and contents of their audit report.

To assess the independence of External Auditors, the Audit Committee will seek assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. In this regard, the Audit Committee had assessed the independence of Messrs. Crowe Malaysia as External Auditors of the Company as well as reviewed the level of non-audit services rendered by Crowe Malaysia to the Company for the financial year under review. The Audit Committee is satisfied with the competency and audit independence of Crowe Malaysia and would recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the next Annual General Meeting.

The Audit Committee comprises the following members:

Name	Designation	Directorship
Jacob O Pang Su Yin	Chairman	Independent Non-Executive Director
Loh Thian Sang @ Lo Thian Siang	Member	Independent Non-Executive Director
Tuan Hj. Intizam Bin Ayub	Member	Independent Non-Executive Director

TERMS OF REFERENCE

The term of reference of the Audit Committee are available for reference at www.coastalcontracts.com.

AUDIT COMMITTEE MEETING

The Audit Committee held five (5) meetings during the financial year from 1 July 2017 to 30 June 2018. These meetings were held at the registered office on 30 August 2017, 5 October 2017, 22 November 2017, 27 February 2018 and 24 May 2018. Details of the attendance of the meetings by the Committee Members are as follows:

Name	No of Meetings Attended	% of Meetings Attended
Jacob O Pang Su Yin	5/5	100%
Loh Thian Sang @ Lo Thian Siang	5/5	100%
Tuan Hj. Intizam Bin Ayub	5/5	100%

Audit Committee Report

For The Financial Year Ended 30 June 2018 (cont'd.)

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year are summarised as follows:

- i) Reviewed the external auditors' scope of work and their audit plan.
- ii) Reviewed with the external auditors the results of their audit, the audit report and recommendations in respect of improvements in internal control procedures noted in the course of their audit.
- iii) Reviewed and approved the internal audit plan presented by the internal auditors.
- iv) Reviewed with the internal auditors the internal audit report.
- v) Reviewed the Annual Report for the year 2018 and the audited financial statements of the Company and the Group for the financial year ended 30 June 2018 prior to submission to the Board for consideration and approval. The review was to ensure that the audited financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- vi) Reviewed the Company's compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- vii) Reviewed the quarterly unaudited financial statements and the explanatory notes thereon and recommend to the Board for approval.
- viii) Reviewed the related party transactions entered into by the Group.
- ix) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 2017 for the purpose of preparing the Corporate Governance Statement pursuant to the Listing Requirements;
- x) Reviewed the Risk Management Framework and risk register of the Group.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Board has engaged the services of an independent professional firm to carry out the internal audit function of the Group, to provide independent assurance and assist the Audit Committee in discharging its duties and responsibilities. The functions of the internal audit include the review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

During the year, the internal audit function was performed by an independent professional firm to identify and assess the system of internal control of the Group. Areas for improvement and recommendations for Management on the weaknesses in internal control were highlighted. The system of internal controls was satisfactory and has not resulted in any material losses, contingencies and uncertainties that would require disclosures in the Group's Annual Report.

A summary of the activities of the internal audit function for the financial year ended 30 June 2018 is as follows:

- i) Performed audit work in accordance with the pre-approved internal audit plan.
- ii) Carried out assessment and test of the internal controls within the Group.
- iii) Reviewed and reported on the effectiveness and adequacy of the existing internal control policies and procedures.
- iv) Provided recommendations for the improvement of the internal control policies and procedures.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME

The Company has established an Employees' Share Option Scheme ("ESOS") for a period of five (5) years effective from 2 February 2016. The ESOS was approved by shareholders on 2 December 2015 and will be governed by the ESOS By-Laws. The Company had on 2 February 2016 granted 47,618,000 shares options pursuant to the Employees' Share Option Scheme ("ESOS") to the eligible employees and Directors. The options shall expire on 1 February 2021.

The ESOS Committee which has been formed to administer the ESOS, comprises of three (3) members that consists of two (2) Executive Directors and the Head of Human Resource Department. The ESOS Committee is primarily responsible of recommending to the Board, the criteria and allocation of any ESOS options to be granted to eligible employees and directors of the Company and its subsidiaries and ensuring that all exercises of ESOS options are in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the ESOS By-Laws and Company's Constitution. The ESOS Committee shall meet whenever necessary to fulfil its functions.

Audit Committee Report

For The Financial Year Ended 30 June 2018 (cont'd.)

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	Number of Options Over Unissued Ordinary Shares				30.6.2018
		1.7.2017	Granted	Exercised	Forfeited	
16 February 2016	RM1.40	45,772,000	-	-	(800,000)	44,972,000

The options which forfeited during the financial year were due to resignations of employees.

The details of the options, held by the Directors pursuant to the Company's ESOS in respect of the financial year ended 30 June 2018 are as follows:

Name of Directors	Number of options over unissued ordinary shares			Balance as of 30.6.2018
	Balance as of 1.7.2017	Granted	Exercised	
Ng Chin Heng	4,000,000	-	-	4,000,000
Ng Chin Shin	2,400,000	-	-	2,400,000
Ng Chin Keuan	2,400,000	-	-	2,400,000
Jacob O Pang Su Yin	120,000	-	-	120,000
Loh Thian Sang @ Lo Thian Siang	120,000	-	-	120,000
Tuan Hj. Intizam Bin Ayub	120,000	-	-	120,000

The details of the options, held by the key senior management of the Group pursuant to the Company's ESOS in respect of the financial year ended 30 June 2018 are as follows:

Name of Key Senior Management	Number of options over unissued ordinary shares			Balance as of 30.6.2018
	Balance as of 1.7.2017	Granted	Exercised	
Liow Ming Yew	2,800,000	-	-	2,800,000
Alice Ng	2,800,000	-	-	2,800,000
Pang Fong Thau	2,400,000	-	-	2,400,000
Ng Chin Kok	2,400,000	-	-	2,400,000
Ng San Chen	2,400,000	-	-	2,400,000
Lau Joo Ting	2,400,000	-	-	2,400,000
Kong Wei Ket	600,000	-	-	600,000

In accordance with the By-Laws of the Company's ESOS, not more than seventy (70) percent of the new Company's shares available under the scheme shall be allocated in aggregate to the Directors and senior management. During the financial year and since commencement of the scheme, the actual percentage granted to them is approximately fifty-five (55) percent.

No option was exercised as of 30 June 2018.

Corporate Governance Overview Statement

The Board of Directors is fully committed to maintaining high standards of corporate governance throughout the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group. Set out below is a statement on how the Group has applied the principles and the extent of its compliance with the best practice as stipulated in the Malaysian Code on Corporate Governance ("MCCG") 2017.

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A Strategic Plan has been adopted as one of the key policy in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and the Management of the Group. A structured risk management process has been established to better identify, formalise, monitor within the various operating units and manage the business risk functions affecting the Group. This is elaborated in greater details in the Statement on Risk Management and Internal Control on pages 31 to 32 of this Annual Report.

The Executive Directors take the primary responsibility of managing the Group's business and resources. The intimate knowledge of the Executive Directors and their hands-on management practices have enabled the Group to become a leader in the industry.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Practice 1.1 Roles and Responsibilities of the Board

In order to ensure effectiveness and discharge its fiduciary and leadership duties, the Board:

- Retains full and effective control of the affairs of the Group;
- Formulates policies and strategies;
- Actively oversees and monitors management's performance;
- Reviews and adopts strategic corporate plans;
- Approves the Group's annual budget, including major capital commitments;
- Conducts periodic review of the achievements against business targets;
- Identifies principal risks and ensures the implementation of appropriate internal control systems and mitigation strategies;
- Oversees and evaluates the conduct of the Group's business;
- Ensures effective shareholder communications;
- Considers emerging issues which may be material to the business affairs of the Group;
- Ensures that the Group has a proper succession plan for its senior management and Board members; and
- Any other matters which require the Board's approval pursuant to the applicable rules, laws and regulations.

Apart from its statutory duties and responsibilities stated above, the Board oversees the management and affairs of the Group. Certain matters are specifically reserved for the Board's decision, including overall strategic direction, operational plan, capital expenditure, mergers and acquisitions, capital projects, Group's operating and financial performance and review of risks affecting the Group. The Board also delegates the formulation of business strategies and policies, and day-to-day management to the Executive Director and the Management. The Board is responsible for overseeing that the delegated tasks to Executive Directors and Management are carried out in accordance with the Group's core values and ethical guidelines with reference to the Directors' Code of Conduct of the Group.

Overall, the Board's key responsibilities reflect the recommendations prescribed by MCCG 2017.

Practice 1.2 Roles of Chairman

Mr. Ng Chin Heng serves as Executive Chairman. He provides top-level leadership and manages the overall direction of the Group. He also ensures that the views of shareholders are communicated to the board as a whole in order to identify issues and concerns. He is responsible for executing the strategy as agreed by the Board and developing objectives by leading the senior executive team. In addition, he ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. Scheduling regular and effective evaluations of the Board's performance is also one of the Executive Chairman's responsibilities.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Practice 1.3 Separation of roles of Chairman and Chief Executive Officer (“CEO”)

Although the position of Chairman of the Board is to be held by the Non-Independent Executive Director, Mr. Ng Chin Heng, it however does not imply that the independence of the Board is compromised. This is perceived as appropriate and of benefit to the Group given that Mr Ng has continued to demonstrate strong leadership to the Board and proven his competency as an Executive Director, especially in driving the Group to grow year-on-year. The Nomination Committee, which comprises of all the Independent Non-Executive Directors, views that the current composition and mix of Executive Directors and Independent Non-Executive Directors for the Board is appropriate.

Practice 1.4 Company Secretaries

The Company Secretaries who are experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities, provide clear and sound advice on requirements and procedures to be formulated and adopted by the Group arising from new statutes and guidelines implemented by regulatory authorities. The Board is also briefed on proposed contents and timing of material announcements to be made to Bursa Malaysia. In ensuring that Board meetings are properly convened, the Company Secretaries fulfil their attendance in Board meetings. Not only that, the Company Secretaries also work collaboratively with the Management in assuring timely and appropriate information flows within the Group.

Practice 1.5 Information and Support of Directors

Prior to Board meetings, an agenda together with the relevant documents and information are distributed to all Directors within sufficient time to enable the Directors to review, seek additional information or clarification on the matters to be deliberated at Board meetings unless in unavoidable circumstances. The Senior Management and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making.

Apart from the above, the Board members are supplied with information and reports on financial, operational, corporate, regulatory, business development and audit matters by way of board reports or upon specific request to enable them to discharge their duties and responsibilities.

Meetings and Time Commitments

Board meetings are held at least four (4) times a year at quarterly intervals with additional meetings convened when necessary. In intervals between Board meetings, when matters require Board decision, Board approvals are sought via Directors' Circular Resolutions (DCR) with sufficient information required to make an informed decision.

The proceedings of the Board meetings are conducted in line with a planned agenda in order to facilitate constructive and profound deliberations. The agenda is furnished to the Directors at least 7 days prior to the Board meeting, together with proposal papers and reports to allow sufficient time for the Directors to review the Board papers and to provide insightful comments during the Board meeting. The Board had held five (5) meetings during the financial year from 1 July 2017 to 30 June 2018 where the Board deliberated and considered a variety of matters including the Group's financial results, major investments, strategic decisions and direction of the Group.

Where a potential conflict arises in the Group's transactions involving any Director's interest, such Director is required to declare his/her interests and abstain from the decision making process.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Shown below are the number of meetings attended by each Director for the financial year from 1 July 2017 to 30 June 2018, which were held at the registered office on 30 August 2017, 5 October 2017, 22 November 2017, 27 February 2018 and 24 May 2018.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Meetings and Time Commitments (Cont'd)

Name of Director	Designation	No. of Meetings Attended	%
Ng Chin Heng	Executive Chairman	5/5	100%
Ng Chin Shin	Executive Director	4/5	80%
Ng Chin Keuan	Executive Director	5/5	100%
Loh Thian Sang @ Lo Thian Siang	Independent Non-Executive Director	5/5	100%
Jacob O Pang Su Yin	Independent Non-Executive Director	5/5	100%
Tuan Hj. Intizam Bin Ayub	Independent Non-Executive Director	5/5	100%

The Directors are aware of the time commitment expected from each of them to attend to the Group's matters, including attendance at Board and other committees' meetings.

All Directors are required to immediately notify the Board when accepting any new external board appointments. Pursuant to paragraph 15.06(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any Board member shall not hold more than five (5) directorship in public listed companies at any one time.

Practice 2.1 Board Charter

A Board Charter has been established and approved by the Board. The Board Charter acts as a source of reference and primary induction literature in providing insights to Board members and senior management. The Board will review Board Charter annually to ensure that it remains consistent with the Board's objectives and responsibilities as well as relevant standards of corporate governance. The last review was done on 4 October 2018.

The details of the Board Charter are available for reference at www.coastalcontracts.com.

Practice 3.1 Code of Conduct and Ethics

A Directors' Code of Conduct has been established and approved. This code sets out the standards of conducts and basic principles to guide the Board in carrying out their duties and responsibilities to the highest standards of honesty and integrity.

The Group is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner.

Practice 3.2 Whistleblowing Policies and Procedures

Whistleblowing Policy and Procedures to provide an avenue for all employees to disclose any improper conduct occurring in the course of dealing with Coastal and its businesses and operations. Under the policy, confidentiality of the matter raised and the identity of the whistle blower is protected. Any Director, officer or employee of the Group can report any improper conduct by writing to jacob.pang@coastalcontracts.com.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION

Practice 4.1 Board Composition and Independence Board Composition

The Board currently comprises of six (6) members of whom three (3) are Executive Directors and three (3) Independent Non-Executive Directors. The presence of the Independent Non-Executive Directors provides effective check and balance to the functioning of the Board. The three (3) Independent Non-Executive Directors are not employees and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Non-Executive Directors' judgement. They bring an external perspective and help develop strategic plans, as well as scrutinising the Management's performance in attaining its goals.

The Board views the number and composition of the Directors to be optimal and well-balanced given that its members are drawn from varied backgrounds with proper mix of skills, character, integrity, competence and time commitment, bringing in-depth and diverse experiences and perspectives to the Group's business operations. The profile of each Director is presented on pages 10 to 12 of this Annual Report.

Annual Assessment of Independence

The Nomination Committee shall assess the independence of each Independent Director in accordance with the definition of Independent Director as listed on paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Nomination Committee believes that the independence of the Board will not be impaired by its current board composition.

Practice 4.2 and 4.3 Tenure of Independent Director

The Board is fully aware of one of the recommendations of MCCG 2017 which states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should such a case occur, he may continue subject to his re-designation as Non-Independent Non-Executive Director. Alternatively, he may also be retained as Independent Non-Executive Director subject to shareholders' approval with justification of his retention.

In the event that the Board continues to retain the Independent Director after the twelfth (12th) year, annual shareholders approval must be sought through a two-tier voting process to retain the said Director as an Independent Director.

Practice 4.4 and 4.5 Board Diversity

The Group practices non-discrimination in the age, gender, ethnicity or religion towards the organisation, which includes the selection of Board members. It is important to have a Board that is composed of best-qualified individuals who possess the requisite knowledge, experience, independence and good judgment so as to ensure that the Board functions effectively and able to discharge its duties in the best interests of the Group and the Company's shareholders.

Although no female member has been appointed to the Board of Directors, it does not imply that the Board is not in favour of having a female Board member. The Board has always believed in providing equal opportunities to all genders based on merit and selecting the best candidate to attain the Company's strategic objectives and goals.

Practice 4.6 Sourcing of Directors

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and also appointments are made on merits. The process for the appointment of a new director is summarised in the sequence as follows:

- i) The candidate is identified upon the recommendation by the existing Directors and/or Senior Management;
- ii) In evaluating the suitability of candidates to the Board, the Nomination Committee considers the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;
- iii) Recommendation to be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Practice 4.6 Sourcing of Directors (Cont'd)

- iv) Decision to be made by the Board on the proposed new appointment, including appointment to the various Board committees.

Any new nomination received is put to the full Board for assessment and endorsement.

Practice 4.7 Nomination Committee

The Nomination Committee comprises the following members:

Name	Designation	Directorship
Jacob O Pang Su Yin	Chairman	Independent Non-Executive Director
Loh Thian Sang @ Lo Thian Siang	Member	Independent Non-Executive Director
Tuan Hj. Intizam Bin Ayub	Member	Independent Non-Executive Director

The Nomination Committee held two (2) meetings during the financial year from 1 July 2017 to 30 June 2018. These meetings were held at the registered office on 5 October 2017 and 24 May 2018. Details of the attendance of the meetings by the Committee Members are as follows:

Name of Director	No. of Meetings Attended	%
Jacob O Pang Su Yin	2/2	100%
Loh Thian Sang @ Lo Thian Siang	2/2	100%
Tuan Hj. Intizam Bin Ayub	2/2	100%

Summary of the activities of the Nomination Committee during the year are as follows:

- Reviewed the mix of skills, experience and other qualities, including core competencies, of the Board members;
- Assessed the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director;
- Provide recommendations on candidates for directorship, re-appointment and re-election of Board members and the Board members to sit on Board Committees;
- Discussed and reviewed the Board's succession plans; and
- Support Directors' induction programs and continuing development.

Practice 5.1 Evaluation of Board, Board Committees and Individual Directors

Annual Assessment of Existing Directors and Board Committees

The Nomination Committee assesses the performances of all the Directors due for re-election and will make recommendation to the Board for their re-election to be tabled for shareholders' approval at the forthcoming AGMs. The process of assessing the Directors is an on-going responsibility of the entire Board, which have in place a formal evaluation process to annually assess the effectiveness of the Board Committees, as well as the contribution and performance of each individual Director. The criteria used includes an assessment of their roles, duties, responsibilities, competency, expertise and contribution whereas for the Board and Board Committees, the criteria used include composition, structure, accountability, responsibilities, adequacy of information and processes.

The Nomination Committee also assesses the independence of each Independent Director in accordance with the definition of Independent Director as listed on paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Nomination Committee believes that the independence of the Board will not be impaired by its current board composition.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Practice 5.1 Evaluation of Board, Board Committees and Individual Directors (Cont'd)

Directors' Training

The Board sees Directors' training as an on-going practice and regularly assesses their training needs so as to develop and apprise their knowledge and skills required to fulfil their responsibilities.

All the Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad within four (4) months of their appointments. During the financial year from 1 July 2017 to 30 June 2018, the details of seminars attended by the Directors are as follows:

Name of Director	Seminar
Ng Chin Heng	• 2018 Budget and Tax Conference
Ng Chin Shin	• 2018 Budget and Tax Conference
Ng Chin Keuan	• 2018 Budget and Tax Conference
Jacob O Pang Su Yin	• Accounting for GST – A Complete Guide to Accounting for GST in Malaysia • Audit Committee Conference 2018
Loh Thian Sang @ Lo Thian Siang	• Audit Committee Conference 2018
Tuan Hj. Intizam Bin Ayub	• Audit Committee Conference 2018

The Directors will continue to undergo relevant training programmes to keep abreast with latest changes in laws, regulations and the business environment to equip them with the knowledge to discharge their duties effectively. Furthermore, the Company Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Directors' reference and will brief the Board members on these updates as and when required.

III. REMUNERATION

Practice 6.1 Remuneration Policy and Procedures for Directors and Senior Management

Basic salaries for Executive Directors are fixed for the duration of their contract and any adjustment of the basic salary will be reviewed and endorsed by the Remuneration Committee, considering factors such as individual performance, inflation price index, affordability, industry's practices and benchmarks. As for Non-Executive Directors, the quantum of Directors' fees is recommended by the Remuneration Committee to the Board after taking into account of the fiduciary duties and responsibilities of the Non-Executive Directors under the relevant regulatory requirements.

Bonus scheme which is based on the individual and Company's performance is offered to the Executive Directors and the bonuses payable are to be reviewed by the Remuneration Committee and approved by the Board.

All benefits in kind are made available as appropriate. In respect of the Executive Directors, contribution is made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan. The Company is subject to reimbursement of associated expenses incurred by the Directors in the course of fulfilling their duties as Executive Directors.

The Board as a whole determines and endorses the remuneration of the Directors after considering the proposals from the Remuneration Committee. Individual Directors concerned shall abstain from discussions and decisions in respect of their own remuneration. The Directors' remuneration shall be determined by an ordinary resolution of the Company pursuant to Article 78 of the Company's Constitution.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

Practice 6.2 Remuneration Committee

The Remuneration Committee comprises the following members:

Name	Designation	Directorship
Jacob O Pang Su Yin	Chairman	Independent Non-Executive Director
Ng Chin Heng	Member	Executive Chairman
Loh Thian Sang @ Lo Thian Siang	Member	Independent Non-Executive Director

The Committee shall meet when there are matters referred to them for consideration or as necessary. The Committee has access to professional advice on remuneration matter from within the Group and external specialists of the field in making recommendations to the Board.

The Remuneration Committee held one (1) meeting during the financial year, which was attended by all of the Committee members. The Remuneration Committee ensures that formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of adequate competency in order to run the Group successfully. Remuneration packages for executive directors shall be fair in accordance with their achievements and contributions to the Group. The Committee has the right to obtain independent consultants' advice and information about remuneration practices elsewhere.

The Terms of Reference of Remuneration Committee is available for reference at the Company's website www.coastalcontracts.com.

Practice 7.1 and 7.2 Disclosure of Remuneration of Directors and Senior Management

The details of Directors' remuneration of the Company comprising remuneration paid/payable from the Company and its subsidiaries for the financial year from 1 July 2017 to 30 June 2018 are as follows:

	Company		Group			
	Fees & Allowances RM'000	Salaries & Bonuses RM'000	Share Based Payment RM'000	Statutory Contribution RM'000	Benefits-in-kind RM'000	Total RM'000
Directors						
Executive Directors						
Ng Chin Heng	-	1,793	422	54	17	2,286
Ng Chin Shin	-	377	253	46	13	689
Ng Chin Keuan	13	300	253	39	-	605
Independent Non-Executive Directors						
Loh Thian Sang @ Lo Thian Siang	27	-	13	2	-	42
Jacob O Pang Su Yin	54	-	13	-	-	67
Tuan Hj. Intizam Bin Ayub	27	-	13	-	-	40
Total	121	2,470	967	141	30	3,729

The remuneration of the top five senior management is not disclosed as it is deemed be detrimental to its business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common place.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Practice 8.1 Audit and Risk Management Committee Composition and Chairman Practice 8.4 (Step Up) Independence of Audit and Risk Management Committee

The Audit Committee is made up exclusively of Independent Directors based on the Step-Up recommendation of the Code and also meets the Listing Requirements of which states the Audit Committee is to comprise no fewer than three (3) members and that all members must be Non-Executive Directors with a majority being Independent Directors. The Chairman of the Audit Committee is an Independent Director. The role and responsibilities of the Audit Committee as well as their rights are set out in the Terms of Reference contained on the corporate website. Details of the activities carried out by the Audit Committee in FYE 2018 are set out on pages 18 to 20.

There is no separate committee to govern risk management, that task being undertaken by the Audit Committee.

Practice 8.2 and 8.3 Oversight and Assessment of the Suitability and Independence of External Auditors

To ensure independence, the Company obtains written assurance from the external auditors confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The Audit Committee also reviews and assesses the appointment and re-appointment of the external auditors via an assessment checklist in accordance with the assessment criteria covering regulatory requirements. Terms of engagement for services provided by the external auditors are also reviewed by the Audit Committee prior to submission to the Board for approval. The Board, upon concurrence with the outcome of the assessment approved the re-appointment of external auditor based on the Audit Committee's recommendation subject to shareholder's approval at the annual general meeting.

It is the policy of the Audit Committee to meet with the external auditors at least two (2) times a year to discuss the audit plan, audit findings and views in respect of the integrity of the Group's financial statements. The external auditors are also invited to attend the annual general meeting.

Practice 8.5 Financial Literacy of the Audit Committee

The Audit Committee possesses the right mix of skills to discharge its duties effectively.

All members of the Audit Committee play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct. Majority of the members of the Audit Committee have the necessary financial, technical and commercial expertise required to meet their responsibilities and provide an effective level of challenge to management.

Practice 9.1 and 9.2 Risk Management and Internal Control Framework

The Board acknowledges that it is responsible for maintaining a sound system of internal control covering not only financial controls but also operational, compliance as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risk to which it is exposed. The system, by its inherent limitations, can only provide reasonable but not absolute assurance against misstatement or loss. The Board reviews risk exposures, evaluates risk and approves risk management policies to ensure effective risk management profile is in place.

The Board's statement on risk management and internal control is set out on pages 31 to 32 of this Annual Report.

Practice 10.1 and 10.2 Internal Audit Function

The Group's internal audit function was outsourced to an independent professional firm to provide independent assurance and assist the Audit Committee in discharging its duties and responsibilities. The functions of the internal audit include the review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group. The internal audit function is prescribed in more detail in the Audit Committee Report of this Annual Report.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Financial Reporting

The Board aims to provide and present a balanced and comprehensive assessment of the Group's financial performance and prospects in all their reports and announcements to the shareholders, investors, regulatory bodies and the general public. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting while providing transparent and up-to-date disclosures of the Group's performance. The Audit Committee also reviews the annual and interim financial results released by the Group including the appropriateness of accounting policies and compliance with approved accounting standards and regulatory requirements. When significant accounting and auditing issues arise, the Audit Committee will hold discussion on their observations with the external auditors. The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 41 of this Annual Report.

Corporate Disclosures Policies and Procedures

Practice 11.1 Communication with Stakeholders

The Board recognises the importance of an effective communication channel between the Board, shareholders and the general public. The Board reviews and implements corporate communication policies with the shareholders, other key stakeholders and the public. The annual reports, quarterly results, press releases and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and performance.

Practice 11.2 Integrated Reporting

The Group has yet to adopt integrated reporting.

Practice 12.1 Notice of Annual General Meeting

The Company's AGM provides an opportunity for direct interaction with shareholders where questions and concerns raised would serve as feedback to the Group's business and corporate decisions. The notice of AGM will be published in at least one newspaper of national circulation for a wider dissemination of such notice and to encourage greater shareholders' participation at general meeting.

Practice 12.2 Directors to attend the General Meeting

All the Directors shall endeavour to attend the General Meetings to allow the shareholders to raise questions and clarify any issues they may have relating to each resolution tabled for approval.

Practice 12.3 Electronic Voting

The Board has taken note of paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which states that any resolution set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting is voted by poll. The Board shall ensure compliance with this new requirement. The votes cast at general meetings shall be validated by an independent scrutineer.

The appointed scrutineer must not be an officer of the Company or any of its subsidiary companies and shall be an independent person undertaking the polling process. In the event the scrutineer is interested in any resolutions to be passed, the Board will ensure that the scrutineer concerned must refrain from acting as the scrutineer for that resolution.

As leveraging on technology is a new concept introduced, the Company would require more time to study the availability of such software and hardware as well as writing the programmes to facilitate such mode of voting.

Corporate Governance Overview Statement (cont'd.)

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

This statement is prepared in compliance with Paragraph 15.25 of the Bursa Main Listing Requirements and it is to be read together with the Corporate Governance Report 2018 of the Company which is available in the Company's website at www.coastalcontracts.com.

The Board is satisfied that the Company has complied with the Code during the financial year with regard to the recommendations supporting the Principles except as otherwise stated.

This statement was presented and approved at the Board of Directors' Meeting held on 4 October 2018.

Statement On Risk Management And Internal Control

The Board of Directors is pleased to present the Group's Statement on Risk Management and Internal Control for the financial year ended 30 June 2018. This statement has been prepared in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements, Paragraph 15.26(b), and in compliance with Malaysian Code on Corporate Governance 2017.

RESPONSIBILITY

The Board of Directors recognises the importance of sound systems of internal control and effective risk management practices to safeguard shareholders' investments and the Group's assets.

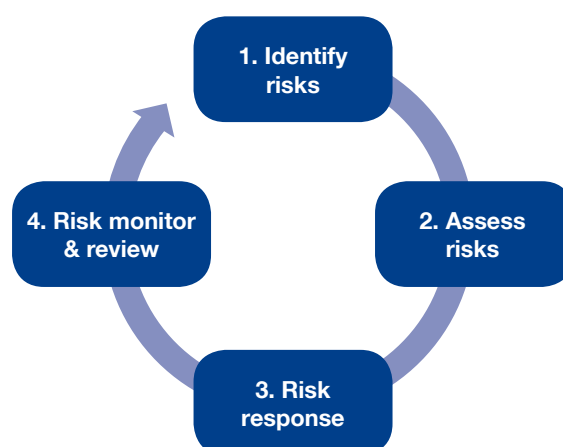
The Board confirms that there is an ongoing process for identifying, assessing and managing the principal risks faced by the Group, which is in accordance with the guidance as contained in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory and business environment.

In view of the limitations inherent in any system of internal control, the Group's internal control system can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risks that may impede the achievement of the Group's business objectives.

The review of the risk management and internal control reports is delegated by the Board to the Audit Committee.

RISK MANAGEMENT FRAMEWORK

Risk management has been firmly embedded in the Group's management system. It is a process of understanding and managing the risks that the Group is inevitably subject to in attempting to achieve its business objectives. The Board of Directors' (Board) primary objective and direction in managing the Group's risks are focused on sustaining the achievement of the Group's business objectives with the lowest possible chance of failure. The Board and the Management are responsible to ensure there is an appropriate risk management process for identifying, assessing, responding, monitoring and reviewing significant risks faced by the Group in all aspects. The Management and Head of Departments are responsible for managing the risks of their respective departments on an ongoing basis.



The diagram above sets out the Group Risk Management framework. At least once a year, a Group-wide risk assessment shall be performed to identify the nature and extent of such risks and determine respective mitigating steps. The Group has formalized the Risk Register, which identified the risks and associated mitigating control activities and future actions.

Risks are identified by assessing the probability and impact of their occurrence and are evaluated as Low, Medium or High. The level of residual risk is determined after identifying and evaluating the effectiveness of existing controls or mitigating measures.

The Group's identified risks were categorized into external risks, business risks, financial risks and operational risks. Based on the Risk Register, further analysis and discussions, the Board and the Management shall annually review the previously identified risks, update their likelihood of occurrence and potential impact. Should there be new risks emerging as a result of the changing environment, the Board and the Management will update the Risk Register immediately and to ensure appropriate action plans will be taken in response to the new risks.

Statement On Risk Management And Internal Control (cont'd.)

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Ad hoc and scheduled meetings at operation sites were held to identify, discuss and resolve operational issues. The Board is aware of and involved when necessary in resolving any significant issue identified at those meetings. The Group is structured as such that the heads of each operating unit has clear reporting line. There is also proper segregation of duties to ensure safe custody of the Group's assets.

The Executive Directors are actively involved in the day-to-day operations of the Group. The Executive Directors ensure that all employees have clear understanding of their roles and responsibilities and that the Group's operations are carried out in accordance with standards set and expected by the Board.

The Executive Directors had established a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

INTERNAL AUDIT FUNCTION

The Group outsources its Internal Audit function to an independent professional firm, whose remit is to the Audit Committee. The Internal Auditors have carried out the internal audit covering the period under review and presented their report to the Audit Committee. The Audit Committee had deliberated on the contents of the report and is satisfied that appropriate actions are being taken to address all the weaknesses highlighted. The costs incurred for the Internal Audit function in respect of the financial year ended 30 June 2018 was RM38,000.00.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In addition to the assurance received from the Executive Chairman and Chief Financial Officer on the adequacy and effectiveness of the Group's risk management and internal control system, the Board is of the view that the system of risk management and internal control, which has been implemented within the Group is sound and effective. It has not resulted in any material losses and contingencies during the financial year ended 30 June 2018. The risk management and internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the 2018 Annual Report. Their reviews were performed in accordance with Audit and Assurance Practice Guide 3 ("APPG3") issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually incorrect.

This statements was presented and approved at the Board of Directors' meeting held on 4 October 2018.

Additional Compliance Information

• Utilisation of Proceeds

Status of Utilisation of Proceeds

The proceeds raised from the private placement were approved for the following activities and status on the fund utilised as at 30 September 2018 was summarised as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation
* Working capital:				Within 54 months from March 2014
- purchase of offshore support vessels	195,133	186,829	8,304	
- other operational expenses, including utilities, staff salaries, marketing, administrative and other operating expenses	10,270	10,270	-	Completed
* Estimated expenses in relation to the Proposed Private Placement	2,317	2,317	-	Completed
Total	207,720	199,416	8,304	

* 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.

• Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 30 June 2018 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm is as follows:-

Category	Audit Fees (RM)	Non-Audit Fees (RM)
Company	45,000	61,798
Subsidiaries	260,741	40,361
	305,741	102,159

• Material Contract

There were no material contract entered into by the Company and its subsidiaries involving the interest of directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

• Recurrent Related Party Transactions

The details of the related party transactions can be found on page 106 and 107.

Statement Of Directors' Responsibility For Preparing The Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgement and estimates that are reasonable and prudent;
- Ensured that all applicable approved accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made due enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have overall responsibilities for taking such steps as are reasonably available to them to safeguard the assets of the Group as well as to prevent and detect fraud and other irregularities.

The above statement of the Directors' responsibilities for preparing the financial statements was made in accordance with a Board resolution dated 4 October 2018.



FINANCIAL STATEMENTS

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Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
(Loss)/Profit net of tax	(583,053,689)	285,524,585
Attributable to:		
Owners of the Company	(583,104,369)	285,524,585
Non-controlling interests	50,680	-
	(583,053,689)	285,524,585

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amount of dividend paid by the Company since 30 June 2017 is as follows:

	RM
In respect of the financial year ended 30 June 2017 as reported in the Directors' Report of that year:	
Second interim single-tier dividend of 1.0 sen per ordinary share on 527,402,631 ordinary shares, declared on 18 September 2017 and paid on 3 October 2017	5,274,026

The Directors do not recommend any dividend to be paid in respect of the current financial year.

Directors' Report (cont'd.)

Directors

The names of the Directors of the Company who served during the financial year and up to the date of this report are as follows:

Ng Chin Shin
Ng Chin Keuan
Ng Chin Heng
Jacob O Pang Su Yin
Loh Thian Sang @ Lo Thian Siang
Intizam Bin Ayub

The names of Directors of the Company's subsidiaries who served during the financial year up to the date of this report, not including those Directors mentioned above, are as follows:

Pang Fong Thau
Ng Chin Kok
Ng San Chen
Alice Ng
Liow Ming Yew
Lau Joo Ting
Bali Bin Wutung
Tan Ee Dim
Chee Soon Yew (Resigned on 9 March 2018)

Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which Director has a substantial financial interest, except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which certain Directors have substantial financial interests as disclosed in Note 29 to the financial statements.

Directors' Remuneration

The details of the Directors' remuneration paid or payable to the Directors of the Group and of the Company during the financial year are disclosed in Note 11 to the financial statements.

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company during the financial year amounted to RM18,719.

Directors' Report (cont'd.)

Directors' Interests

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares and options over unissued shares of the Company during the financial year were as follows:

The Company	1.7.2017	Number of Ordinary Shares		30.6.2018
		Acquired	Sold	
Direct Interests:				
Ng Chin Heng	24,442,900	-	-	24,442,900
Ng Chin Keuan	23,691,587	-	-	23,691,587
Ng Chin Shin	23,851,320	-	-	23,851,320

Indirect Interests:

Ng Chin Heng (#)	213,633,700	1,044,400	-	214,678,100
Ng Chin Keuan (^)	20,000	-	-	20,000

Interest by virtue of shares held by spouse, children and by Ivory Asia Sdn. Bhd.

^ Interest by virtue of shares held by spouse.

The Company	1.7.2017	Number of Options Over Unissued Ordinary Shares		30.6.2018
		Granted	Exercised	
Ng Chin Heng	4,000,000	-	-	4,000,000
Ng Chin Shin	2,400,000	-	-	2,400,000
Ng Chin Keuan	2,400,000	-	-	2,400,000
Loh Thian Sang @ Lo Thian Siang	120,000	-	-	120,000
Jacob O Pang Su Yin	120,000	-	-	120,000
Intizam Bin Ayub	120,000	-	-	120,000

Ng Chin Heng, by virtue of his interests in shares in the Company, is deemed interested in the shares of all the subsidiaries to the extent the Company has an interest, in accordance with Section 8 of the Companies Act 2016.

The other Directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

Issue of Shares and Debentures

During the financial year:

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

Treasury Shares

During the financial year, no shares were repurchased by the Company.

As at 30 June 2018, the Company held as treasury shares a total of 4,196,800 of its 531,599,431 issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,045,347 and further relevant details are disclosed in Note 26 to the financial statements.

Directors' Report (cont'd.)

Options Granted Over Unissued Shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme below.

Employees' Share Option Scheme

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 2 December 2015. The ESOS is to be in force for a period of 5 years effective from 2 February 2016.

The details of the ESOS are disclosed in Note 26(d) to the financial statements.

Other Statutory Information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for impairment losses on receivables inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report (cont'd.)

Subsidiaries

The details of the Group's subsidiaries are disclosed in Note 15 to the financial statements.

Significant Event During The Financial Year

The significant event of the Group and of the Company during the financial year are disclosed in Note 37 to the financial statements.

Event Occurring After The Reporting Period

The event occurring after the reporting period of the Group and of the Company are disclosed in Note 38 to the financial statements.

Auditors

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its audit engagement against any claims by third parties arising from the audit. No payment has been made to indemnify the auditors neither during the financial year nor since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 October 2018.

Ng Chin Shin

Ng Chin Keuan

Statement by Directors/ Statutory Declaration

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Ng Chin Shin and Ng Chin Keuan, being two of the Directors of Coastal Contracts Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 46 to 125 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 October 2018.

Ng Chin Shin

Ng Chin Keuan

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Kong Wei Ket, MIA Membership Number: CA34621, being the officer primarily responsible for the financial management of Coastal Contracts Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovementioned Kong Wei Ket
at Sandakan in the State of Sabah
on this 19 October 2018.

Kong Wei Ket

Before me

Independent auditors' report

to the members of COASTAL CONTRACTS BHD.

(Incorporated in Malaysia)

Company No: 517649-A

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Coastal Contracts Bhd., which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 125.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of Trade Receivables Refer to Note 18 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro-economic factors from prolonged weakness in the crude oil prices, the recoverability of trade receivables may be uncertain and the risk of trade receivables becoming insolvent may be high.</p> <p>There is significant degree of Management judgement involved in the assessment of recoverability of trade receivables, particularly regarding estimation of future cash collection and in calculating allowance for impairment losses.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Performing the subsequent collections on the significant trade receivables balances and trade receivables aged more than one (1) year. Reviewing the ageing of trade receivables. Reviewing the recoverability of trade receivables and enquiring the Management of the adequacy of allowance for impairment losses on trade receivables.

Independent auditors' report

to the members of COASTAL CONTRACTS BHD. (cont'd.)
(Incorporated in Malaysia)
Company No: 517649-A

Termination of Shipbuilding Contract Refer to Note 19(iii) to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>As a consequence of termination of shipbuilding contracts by a shipbuilder as well as the Group's termination of the shipbuilding contracts of certain work-in-progress vessels, Management has sought legal advice from their in-house legal counsel on the right to terminate, the nature of breaches and the Group's rights and obligations under the shipbuilding contract. Based on the legal advice and considering the circumstances of weak market demand for offshore support vessel which is not conducive for the Group to take delivery of the vessels, the Group has written off work-in-progress with respect to inventories amounting to RM437,642,480 to profit or loss during the financial year.</p> <p>We focus on this area because it requires careful consideration and appropriate professional legal advice to provide clarity and certainty to legal interpretation of shipbuilding contract clauses. The outcome of the legal interpretation on the right to terminate and the nature of the breaches would impact the accounting estimation of writedown of inventories, financial losses and damages.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Reviewing the terms of the shipbuilding contracts. ▪ Reviewing the legal advice provided by Management's in-house senior legal counsel. ▪ Evaluating the qualification, objectivity and competency of Management's in-house senior legal counsel. ▪ Evaluating the appropriateness of the basis used by the in-house senior legal counsel in arriving at the legal interpretation. ▪ Evaluating the impact of the writedown and possible contingent claims or damages based on the outcome of the legal interpretation.
Net Realisable Value of Inventories Refer to Note 19(iv) to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>Inventories are a major component of the financial position of the Group. The unfavourable macro-economic factors from prolonged weakness in the crude oil prices has resulted in the drop in demand for offshore support vessels which might lead to slow moving inventories. The significant decline in sales of offshore support vessels has led Management to assess the net realisable values of the Group's unsold vessels, both completed and under construction, which were included in inventories as at 30 June 2018 with reference to the valuation report prepared by an independent valuer.</p> <p>The net realisable values of the unsold offshore support vessels were assessed on the basis of their respective completed state and after taking into consideration of the prevailing market conditions for the supply and demand for such vessels.</p> <p>There is a significant degree of Management judgement involved and assumptions of future events that are inherently uncertain. Possible changes in judgements and related estimates of the offshore support vessels' net realisable value could result in material adjustments to the inventory carrying amounts.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Evaluating the qualifications, objectivity and competency of the independent external valuer engaged in the valuation of the unsold vessels. ▪ Assessing the methodologies and reasonableness of the assumptions used in arriving at the vessel valuation. ▪ Checking the accuracy and relevance of the input data provided by Management to the independent external valuer. ▪ Assessing the adequacy for inventory writedown.

Independent auditors' report

to the members of COASTAL CONTRACTS BHD. (cont'd.)

(Incorporated in Malaysia)

Company No: 517649-A

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent auditors' report

to the members of COASTAL CONTRACTS BHD. (cont'd.)

(Incorporated in Malaysia)

Company No: 517649-A

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia
Firm No : AF 1018
Chartered Accountants

19 October 2018

Kuala Lumpur

Chan Kuan Chee
Approval No : 02271/10/2019J
Chartered Accountant

Statements of Profit or Loss

For the Financial Year Ended 30 June 2018

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Revenue	4	158,674,674	420,377,358	303,166,400	24,125,400
Cost of sales		(111,169,568)	(296,355,730)	-	-
Gross profit		47,505,106	124,021,628	303,166,400	24,125,400
Other items of income					
Interest income	5	8,781,454	10,528,743	6,488,170	10,201,628
Other income	6	35,373,423	25,229,605	2,711,668	2,311,027
Other items of expenses					
Marketing and distribution		(260,382)	(450,205)	-	-
Administrative expenses		(23,282,601)	(33,736,502)	(1,807,754)	(2,288,564)
Finance costs	7	(17,922,434)	(26,747,118)	-	-
Other expenses		(618,318,913)	(29,420,317)	(24,507,780)	(1,733,235)
Share of results in joint venture	8	-	(15,613)	-	-
(Loss)/Profit before tax	9	(568,124,347)	69,410,221	286,050,704	32,616,256
Income tax expense	12	(14,929,342)	(20,526,023)	(526,119)	(886,049)
(Loss)/Profit net of tax		(583,053,689)	48,884,198	285,524,585	31,730,207
(Loss)/Profit attributable to:					
Owners of the Company		(583,104,369)	48,880,065	285,524,585	31,730,207
Non-controlling interests		50,680	4,133	-	-
		(583,053,689)	48,884,198	285,524,585	31,730,207
(Loss)/Earnings per share attributable to owners of the Company (sen):					
Basic	13	(110.56)	9.24		
Diluted	13	(110.56)	9.24		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 30 June 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit net of tax	(583,053,689)	48,884,198	285,524,585	31,730,207
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(71,955,640)	91,536,747	-	-
Cash flow hedges	2,123,143	11,537,422	(1,997,386)	1,879,944
Net other comprehensive (loss)/ income may be reclassified to profit or loss in subsequent periods	(69,832,497)	103,074,169	(1,997,386)	1,879,944
Total comprehensive (loss)/ income for the year	(652,886,186)	151,958,367	283,527,199	33,610,151
Total comprehensive (loss)/ income attributable to:				
Owners of the Company	(652,923,158)	151,954,308	283,527,199	33,610,151
Non-controlling interests	36,972	4,059	-	-
	(652,886,186)	151,958,367	283,527,199	33,610,151

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	588,599,292	700,031,095
Investment properties	16	3,568,057	3,650,081
Investment securities	17	2,299,277	3,283,162
Trade and other receivables	18	-	21,513,402
		<u>594,466,626</u>	<u>728,477,740</u>
CURRENT ASSETS			
Inventories	19	394,102,965	850,796,549
Trade and other receivables	18	318,244,218	476,101,198
Short-term investments	20	121,462,409	46,240,994
Derivative assets	21	4,900,602	861,525
Tax recoverable		316,753	5,802
Cash and bank balances	22	282,291,421	368,409,153
		<u>1,121,318,368</u>	<u>1,742,415,221</u>
TOTAL ASSETS		<u>1,715,784,994</u>	<u>2,470,892,961</u>
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Loans and borrowings	23	61,346,147	65,082,131
Trade and other payables	24	204,235,032	215,368,952
Income tax payable		157,358	2,639,616
Derivative liabilities	21	-	756,074
		<u>265,738,537</u>	<u>283,846,773</u>
NET CURRENT ASSETS		<u>855,579,831</u>	<u>1,458,568,448</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	23	286,887,092	370,454,964
Deferred tax liabilities	25	415,083	345,971
		<u>287,302,175</u>	<u>370,800,935</u>
TOTAL LIABILITIES		<u>553,040,712</u>	<u>654,647,708</u>
NET ASSETS		<u>1,162,744,282</u>	<u>1,816,245,253</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018 (cont'd.)

	Note	2018 RM	2017 RM
EQUITY			
Share capital	26	106,319,886	106,319,886
Treasury shares	26	(7,045,347)	(7,045,347)
Share premium	26	195,820,030	195,820,030
Other reserves	27	277,498,632	342,914,068
Retained earnings		590,030,120	1,178,145,211
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,162,623,321	1,816,153,848
Non-controlling interests		120,961	91,405
		<hr/>	<hr/>
TOTAL EQUITY		1,162,744,282	1,816,245,253
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		1,715,784,994	2,470,892,961
		<hr/>	<hr/>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

As at 30 June 2018

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	80,539	15,767
Investments in subsidiaries	15	547,787,879	446,264,699
Other receivables	18	-	121,030,884
		<u>547,868,418</u>	<u>567,311,350</u>
CURRENT ASSETS			
Trade and other receivables	18	289,160,924	114,955,434
Short-term investments	20	112,353,724	46,240,994
Tax recoverable		12,831	-
Cash and bank balances	22	84,303,549	23,129,504
		<u>485,831,028</u>	<u>184,325,932</u>
TOTAL ASSETS		<u>1,033,699,446</u>	<u>751,637,282</u>
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	24	330,580	146,746
Income tax payable		-	263,700
Derivative liabilities	21	-	756,074
		<u>330,580</u>	<u>1,166,520</u>
NET CURRENT ASSETS		<u>485,500,448</u>	<u>183,159,412</u>
NON-CURRENT LIABILITIES			
Other payables	24	42,974	62,938
Deferred tax liabilities	25	7,405	1,391
		<u>50,379</u>	<u>64,329</u>
TOTAL LIABILITIES		<u>380,959</u>	<u>1,230,849</u>
NET ASSETS		<u>1,033,318,487</u>	<u>750,406,433</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

As at 30 June 2018 (cont'd.)

	Note	2018 RM	2017 RM
EQUITY			
Share capital	26	106,319,886	106,319,886
Treasury shares	26	(7,045,347)	(7,045,347)
Share premium	26	195,820,030	195,820,030
Other reserves	27	24,095,327	21,689,360
Retained earnings	28	714,128,591	433,622,504
TOTAL EQUITY		1,033,318,487	750,406,433
TOTAL EQUITY AND LIABILITIES		1,033,699,446	751,637,282

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2018

2018	Note	Attributable to Owners of the Company						Non-Controlling Interests RM	Equity, Total RM
		Share Capital RM	Treasury Shares RM	Share Premium RM	Other Reserves RM	Retained Earnings RM	Total RM		
Group									
Opening balance at 1 July 2017		106,319,886	(7,045,347)	195,820,030	342,914,068	1,178,145,211	1,816,153,848	91,405	1,816,245,253
Foreign currency translation differences for foreign operations		-	-	-	(71,941,932)	-	(71,941,932)	(13,708)	(71,955,640)
Cash flow hedges		-	-	-	2,123,143	-	2,123,143	-	2,123,143
Total other comprehensive loss		-	-	-	(69,818,789)	-	(69,818,789)	(13,708)	(69,832,497)
Loss for the year		-	-	-	-	(583,104,369)	(583,104,369)	50,680	(583,053,689)
Total comprehensive loss		-	-	-	(69,818,789)	(583,104,369)	(652,923,158)	36,972	(652,886,186)
Transactions with owners:									
Dividends	36	-	-	-	-	(5,274,026)	(5,274,026)	-	(5,274,026)
Share options:									
- share-based payment expenses	27	-	-	-	4,658,881	-	4,658,881	-	4,658,881
- value of options forfeited	27	-	-	-	(255,528)	255,528	-	-	-
Changes in subsidiary's ownership interests that do no result in a loss of control		-	-	-	-	7,776	7,776	(7,416)	360
Total transactions with owners		-	-	-	4,403,353	(5,010,722)	(607,369)	(7,416)	(614,785)
Closing balance at 30 June 2018		106,319,886	(7,045,347)	195,820,030	277,498,632	590,030,120	1,162,623,321	120,961	1,162,744,282

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2018 (cont'd.)

Note	Attributable to Owners of the Company						Non-Controlling Interests RM	Equity, Total RM
	Share Capital RM	Treasury Shares RM	Share Premium RM	Other Reserves RM	Retained Earnings RM	Total RM		
2017								
Group								
Opening balance at 1 July 2016	106,319,886	(2,664,098)	195,820,030	256,000,326	1,114,384,807	1,669,860,951	-	1,669,860,951
Foreign currency translation differences for foreign operations	-	-	-	91,536,821	-	91,536,821	(74)	91,536,747
Cash flow hedges	-	-	-	11,537,422	-	11,537,422	-	11,537,422
Total other comprehensive income	-	-	-	103,074,243	-	103,074,243	(74)	103,074,169
Profit for the year	-	-	-	-	48,880,065	48,880,065	4,133	48,884,198
Total comprehensive income for the year	-	-	-	103,074,243	48,880,065	151,954,308	4,059	151,958,367
Transactions with owners:								
Dividends	-	-	-	-	(10,579,150)	(10,579,150)	-	(10,579,150)
Purchase of treasury shares	-	(4,381,249)	-	-	-	(4,381,249)	-	(4,381,249)
Expiration of warrants	-	-	-	(25,259,255)	25,259,255	-	-	-
Share options:								
- share-based payment expenses	-	-	-	9,346,554	-	9,346,554	-	9,346,554
- value of options forfeited	-	-	-	(247,800)	247,800	-	-	-
Changes in subsidiary's ownership interests that do no result in a loss of control	-	-	-	-	(47,566)	(47,566)	87,346	39,780
Total transactions with owners	-	(4,381,249)	-	(16,160,501)	14,880,339	(5,661,411)	87,346	(5,574,065)
Closing balance at 30 June 2017	106,319,886	(7,045,347)	195,820,030	342,914,068	1,178,145,211	1,816,153,848	91,405	1,816,245,253

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2018 (cont'd.)

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Share Option Reserve RM	Cash Flow Hedge Reserve RM	Retained Earnings RM	Equity, Total RM
2018								
Company								
Opening balance at 1 July 2017		106,319,886	(7,045,347)	195,820,030	19,691,974	1,997,386	433,622,504	750,406,433
Cash flow hedges		-	-	-	-	(1,997,386)	-	(1,997,386)
Total other comprehensive loss		-	-	-	-	(1,997,386)	-	(1,997,386)
Profit for the year		-	-	-	-	-	285,524,585	285,524,585
Total comprehensive income for the year		-	-	-	-	(1,997,386)	285,524,585	283,527,199
Transactions with owners:								
Dividends	36	-	-	-	-	-	(5,274,026)	(5,274,026)
Share options:								
- share-based payment expenses	27	-	-	-	4,658,881	-	-	4,658,881
- value of options forfeited	27	-	-	-	(255,528)	-	255,528	-
Total transactions with owners		-	-	-	4,403,353	-	(5,018,498)	(615,145)
Closing balance at 30 June 2018		106,319,886	(7,045,347)	195,820,030	24,095,327	-	714,128,591	1,033,318,487

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2018 (cont'd.)

Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Share Option Reserve RM	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Retained Earnings RM	Equity, Total RM
2017								
Company								
Opening balance at 1 July 2016	106,319,886	(2,664,098)	195,820,030	10,593,220	25,259,255	117,442	386,964,392	722,410,127
Cash flow hedges	-	-	-	-	-	1,879,944	-	1,879,944
Total other comprehensive income	-	-	-	-	-	1,879,944	-	1,879,944
Profit for the year	-	-	-	-	-	-	31,730,207	31,730,207
Total comprehensive income for the year	-	-	-	-	-	1,879,944	31,730,207	33,610,151
Transactions with owners:								
Dividends	-	-	-	-	-	-	(10,579,150)	(10,579,150)
Purchase of treasury shares	-	(4,381,249)	-	-	-	-	-	(4,381,249)
Expiration of warrants	-	-	-	-	(25,259,255)	-	25,259,255	-
Share options:								
- share-based payment expenses	-	-	-	9,346,554	-	-	-	9,346,554
- value of options forfeited	-	-	-	(247,800)	-	-	247,800	-
Total transactions with owners	-	(4,381,249)	-	9,098,754	(25,259,255)	-	14,927,905	(5,613,845)
Closing balance at 30 June 2017	106,319,886	(7,045,347)	195,820,030	19,691,974	-	1,997,386	433,622,504	750,406,433

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 30 June 2018

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Operating Activities					
(Loss)/Profit before tax		(568,124,347)	69,410,221	286,050,704	32,616,256
<u>Adjustments for:</u>					
Share of results in joint venture		-	15,613	-	-
Dividend income	4	-	-	(303,166,400)	(24,125,400)
Interest income	5	(8,781,454)	(10,528,743)	(6,488,170)	(10,201,628)
Fair value gain on short-term investments	6	(334,435)	-	(270,580)	-
Gain on disposal of plant and equipment	6	(1,467,341)	-	-	-
Income from short-term investments	6	(2,536,980)	(660,994)	(2,392,150)	(660,994)
Premium income arising from guarantee contracts issued	6	-	-	(27,446)	(34,604)
Reversal of impairment loss on receivables	6	(60,685)	(705,915)	-	-
Reversal of inventories written down	6	(1,182,797)	(61,147)	-	-
Interest expense	7	17,922,434	26,747,118	-	-
Bad debts written off	9	-	-	43,529	-
Depreciation of investment properties	9	82,024	82,024	-	-
Depreciation of property, plant and equipment	9	65,557,468	70,123,018	9,134	7,602
Deposits written off	9	47,620,548	-	-	-
Fair value loss on quoted investment	9	983,885	1,192,202	-	-
Impairment loss on receivables	9	1,496,705	14,433	-	-
Impairment loss on investment in subsidiary	9	-	-	15,259,595	1,733,235
Inventories written off	9	437,642,480	-	-	-
Inventories written down	9	90,778,540	25,960,112	-	-
Plant and equipment written off	9	2,187	1,023	-	-
Prepayment written off	9	26,313,518	-	-	-
Share-based payment expenses		4,658,881	9,346,554	141,037	276,435
Net unrealised loss/(gain) on foreign exchange		4,789,016	(2,419,580)	3,585,547	(848,101)
Total adjustments		683,483,994	119,105,718	(293,305,904)	(33,853,455)
Operating cash flows before changes in working capital		115,359,647	188,515,939	(7,255,200)	(1,237,199)
<u>Changes in working capital</u>					
Net change in accounts with subsidiaries		-	-	(74,088,726)	66,363,535
(Increase)/Decrease in inventories		(122,580,974)	169,888,501	-	-
Decrease/(Increase) in receivables		87,626,904	(114,328,563)	863,964	(15,992,706)
Increase/(Decrease) in payables		3,049,243	(166,499,622)	(9,965)	(92,387)
Total changes in working capital		(31,904,827)	(110,939,684)	(73,234,727)	50,278,442
Cash flows from/(used in) operations		83,454,820	77,576,255	(80,489,927)	49,041,243
Interest paid		(17,205,535)	(26,149,559)	-	-
Income tax paid		(17,492,597)	(18,205,815)	(796,636)	(486,291)
Net cash flows from/(used in) operating activities		48,756,688	33,220,881	(81,286,563)	48,554,952

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 30 June 2018 (cont'd.)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Investing Activities					
Investment in joint venture		-	(15,385)	-	-
Proceeds from settlement of derivative		10,311,062	-	10,311,062	-
Purchase of short-term investments		(74,886,980)	(46,240,994)	(65,842,150)	(46,240,994)
Income received from short-term investments		2,536,980	660,994	2,392,150	660,994
Subscription of shares in subsidiaries		-	-	(112,265,291)	-
Net dividend received		-	-	303,166,400	24,125,400
Interest received		4,143,908	12,829,553	7,173,507	10,923,971
Proceeds from disposal of plant and equipment		3,886,494	-	-	-
Purchase of property, plant and equipment	14	(1,438,094)	(243,473)	(73,906)	(9,457)
Net cash flows (used in)/from investing activities		(55,446,630)	(33,009,305)	144,861,772	(10,540,086)
Financing Activities					
Purchase of treasury shares	26	-	(4,381,249)	-	(4,381,249)
Dividends paid on ordinary shares	36	(5,274,026)	(10,579,150)	(5,274,026)	(10,579,150)
Net repayment of revolving credits		-	(150,101,000)	-	-
Proceeds from bank loan		-	39,828,694	-	-
Repayment of bank loans	22(b)	(62,535,999)	(65,842,176)	-	-
Repayment of obligations under finance leases	22(b)	(61,362)	(58,430)	-	-
Net cash flows used in financing activities		(67,871,387)	(191,133,311)	(5,274,026)	(14,960,399)
Net (decrease)/increase in cash and cash equivalents		(74,561,329)	(190,921,735)	58,301,183	23,054,467
Effect of foreign exchange rate changes		(11,556,403)	29,965,618	2,872,862	(165,115)
Cash and cash equivalents at beginning of year		368,409,153	529,365,270	23,129,504	240,152
Cash and cash equivalents at end of year	22(a)	282,291,421	368,409,153	84,303,549	23,129,504

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Block G, Lot 3B, Bandar Leila, W. D. T. 259, 90009 Sandakan, Sabah. The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are stated in Note 15 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2017, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2017.

Description

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 above amended MFRSs did not have any material impact on the Group's and the Company's financial statements except as follows:

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 22 to the financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRSs and/or IC Interpretations (Including The Consequential Amendments)	
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 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	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application except as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) 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.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 9 Financial Instruments (continued)

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall 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 amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.4 Basis of Consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests (NCI) even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company. No gain or loss is recognised on the change.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any NCI, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment in an associate or a joint venture.

Business Combinations

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in accordance with MFRS 139 either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the statement of profit or loss.

The Group elects for each individual business combination, whether NCI in the acquiree is recognised on the acquisition date at fair value, or at the NCI's proportionate share of the acquiree's identifiable net assets.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.4 Basis of Consolidation (continued)

Business Combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of NCI in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the statement of profit or loss on the acquisition date.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. The cost of the investments includes transaction costs. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Foreign Currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from disposal of a foreign operation using this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.6 Foreign Currencies (continued)

(b) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interest, as appropriate. On the disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income. The cumulated foreign currency differences are not reclassified to profit or loss on the disposal of the net investment.

2.7 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to recognition, all property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life. The estimated useful lives are as follows:

Long leasehold land	64 - 83 years
Buildings and workshops	10 - 15 years
Heavy machinery and equipment	5 - 18 years
Motor vehicles	5 years
Renovation	5 - 10 years
Slipway and shipyard infrastructure	10 - 20 years
Telecommunications and office equipment, furniture and fittings	5 - 10 years
Vessels and offshore assets	8 - 15 years

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate. Any changes are accounted for as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in the profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.8 Investment Properties

Investment properties are properties held to earn rental income or for capital appreciation or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets of 50 years.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGU are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the units or groups of units on a pro-rata basis.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.10 Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.11 Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.11 Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statements of profit or loss in other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 18.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.11 Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

(b) Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statements of profit or loss. When a trade receivable becomes uncollectible, it is written off against the allowance account. If, in a subsequent year, the amount of the estimated impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 23.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.11 Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

(c) Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross currency interest rate swap and interest rate swap.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

Hedge accounting

The Group designates the hedging instruments, which include derivatives in respect of interest rate and foreign currency risk, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.11 Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

(e) Derivative financial instruments and hedge accounting (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is transferred from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.12 Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less and short term deposits pledged to banks.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.13 Inventories

Inventories are valued at lower of cost and net realisable value.

The cost of raw materials and spare parts are determined using the weighted average method. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress are determined using specific identification of their individual costs. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.13 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

At each reporting date, the Group assesses whether any inventories are impaired by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If an item of inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised in profit or loss immediately.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred by using the effective interest method. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.16 Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.16 Employee Benefits (continued)

(iii) Share-based Payment Transactions (continued)

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the share option reserve is transferred to retained earnings.

When the share options are exercised, the share option reserve is transferred to share capital if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

2.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statements of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.18 Fair value measurements (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

The specific recognition criteria described below must also be met before revenue is recognised.

(a) Sale of Vessels

Revenue is recognised at fair value of the consideration received and receivable and is recognised upon delivery of vessels and customers' acceptance and where applicable, net of returns, cash and trade discounts.

(b) Rendering of Services

Revenue from provision of vessel repairs and maintenance services, sub-contract services, provision of vessels hiring services and commission agency services are recognised upon rendering of services.

(c) Contract Revenue

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on completion of a physical proportion of the contract work.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.19 Revenue (continued)

(d) Interest Income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(e) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

(f) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms.

2.20 Income Taxes

(a) Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.20 Income Taxes (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in sundry receivables or sundry payables.

2.21 Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.22 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares of share options granted to employees.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.23 Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity. Where treasury shares are cancelled, their costs are transferred to retained earnings.

2.25 Warrants Reserve

Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

2.26 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.27 Joint Arrangement

Joint arrangement is arrangement of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investment in joint arrangement is classified as either joint operations or joint venture depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint venture.

Joint Venture

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the reporting date. The Group's share of the post acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained earnings and reserves. The cost of investment includes transaction costs.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.27 Joint Arrangement (continued)

Joint Venture (continued)

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the vessels construction and transportation industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 18.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

3. Significant Accounting Judgements and Estimates (continued)

Key Sources of Estimation Uncertainty (continued)

(c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at reporting date is disclosed in Note 19.

(e) Leases – As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group would obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leases – As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

When the assets are leased out under an operating lease, the asset is included in the statement of financial position based on nature of the asset.

(f) Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss related to the ineffective portion is recognised immediately in profit or loss.

Subsequent, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is transferred from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

3. Significant Accounting Judgements and Estimates (continued)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) Contingent liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

(c) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of offshore support and marine transportation vessels	16,700,532	265,116,798	-	-
Vessel hiring income	140,315,518	152,974,622	-	-
Contract fee income	-	1,724,373	-	-
Vessel repairs and service income	1,658,624	561,565	-	-
Dividend income	-	-	303,166,400	24,125,400
	<u>158,674,674</u>	<u>420,377,358</u>	<u>303,166,400</u>	<u>24,125,400</u>

5. Interest Income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from:				
- Short-term deposits	2,460,475	2,763,215	1,161,946	826,914
- Loans and receivables	6,320,979	7,765,528	5,326,224	9,374,714
	<u>8,781,454</u>	<u>10,528,743</u>	<u>6,488,170</u>	<u>10,201,628</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

6. Other Income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Commission income	21,492	23,364	21,492	23,364
Fair value gain on short-term investments	334,435	-	270,580	-
Gain on disposal of plant and equipment	1,467,341	-	-	-
Gain on foreign exchange:				
- realised	407,932	2,554,425	-	743,964
- unrealised	945,758	2,625,509	-	848,101
Income from short-term investments	2,536,980	660,994	2,392,150	660,994
Insurance claim receipt	8,000	5,789	-	-
Premium income arising from guarantee contract issued	-	-	27,446	34,604
Rental income from investment properties	221,349	242,760	-	-
Rental income	4,320	4,320	-	-
Reversal of impairment loss on receivables	60,685	705,915	-	-
Reversal of inventories written down	1,182,797	61,147	-	-
Sundry income	28,182,334	18,345,382	-	-
	<u>35,373,423</u>	<u>25,229,605</u>	<u>2,711,668</u>	<u>2,311,027</u>

7. Finance Costs

	Group	
	2018 RM	2017 RM
Interest expense on:		
Bank loans	17,729,734	20,245,977
Obligations under finance leases	7,698	10,630
Overdue account	217,482	6,542,084
Revolving credits	-	424,384
	<u>17,954,914</u>	<u>27,223,075</u>
Less: Interest capitalised in inventories (Note 19)	<u>(32,480)</u>	<u>(475,957)</u>
Total finance costs	<u>17,922,434</u>	<u>26,747,118</u>

The interest expense capitalised in the inventories was at the weighted average rate of the Group's general borrowings of 4.34% (2017: 2.84%) per annum ("p.a.").

8. Investment in Joint Venture

	Group	
	2018 RM	2017 RM
Unquoted shares, at cost	15,613	15,613
Share of post acquisition	(15,613)	(15,613)
	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

8. Investment in Joint Venture (Continued)

The details of the joint venture are as follows:

Name of Joint Venture	Principal Place of Business/Country of Incorporation	Principal Activities	Percentage of Effective Interest Held	
			2018 %	2017 %
CN Energy Holdings Pte. Ltd.	Singapore	Investment holding company	50	50
Subsidiary of CN Energy Holdings Pte. Ltd.				
CN Energy Servicios, S.A. de C.V.	Mexico	Dormant	49.4	49.4

- (a) The Group's involvement in joint arrangement is structured through separate vehicles which provide the Group rights to the net assets of the entity. Accordingly, the Group has classified this investment as joint venture.
- (b) Summarised financial information has not been presented as the joint venture is not material to the Group.
- (c) The Group has not fully recognised losses relating to CN Energy Holdings Pte. Ltd., where its share of losses exceeded the Group's interest in the joint venture. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM124,505 (2017: RM82,225), of which RM41,481 (2017: RM82,225) relate to the share of the current financial year's losses. The Group has no obligation in respect of these losses.

9. (Loss)/Profit before Tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Employee benefits expenses (Note 10)	16,562,764	21,239,834	576,249	613,220
Auditors' remuneration:				
- statutory audits				
- current year	305,741	292,626	45,000	40,000
- underprovision in prior years	7,448	39,441	-	10,000
- other services	102,159	78,218	61,798	36,706
Bad debts written off	-	-	43,529	-
Depreciation of property, plant and equipment (Note 14)	65,557,468	70,123,018	9,134	7,602
Depreciation of investment properties (Note 16)	82,024	82,024	-	-
Deposits written off	47,620,548	-	-	-
Directors' remuneration: (Note 11)				
- Directors of the Company	3,686,605	5,783,807	147,564	184,048
- Directors of subsidiaries	5,315,078	7,413,223	-	-
Fair value loss on quoted investment	983,885	1,192,202	-	-
Impairment loss on investment in subsidiary	-	-	15,259,595	1,733,235
Impairment loss on receivables	1,496,705	14,433	-	-
Inventories written off	437,642,480	-	-	-
Inventories written down	90,778,540	25,960,112	-	-
Loss on foreign exchange:				
- realised	7,729,639	1,725,108	5,619,109	-
- unrealised	5,734,774	205,929	3,585,547	-
Plant and equipment written off	2,187	1,023	-	-
Prepayment written off	26,313,518	-	-	-

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

10. Employee Benefits Expenses

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonuses	13,199,036	15,324,844	416,973	363,388
Contributions to defined contribution plan	958,035	1,046,503	51,543	44,495
Contributions to employment insurance system	3,167	-	249	-
Social security contributions	61,880	65,724	4,451	3,390
Share-based payment expenses	2,340,646	4,802,763	103,033	201,947
	<u>16,562,764</u>	<u>21,239,834</u>	<u>576,249</u>	<u>613,220</u>

11. Directors' Remuneration

The details of remuneration receivable by Directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	2,610,057	3,778,932	-	-
Share-based payment expenses	928,984	1,820,827	-	-
	<u>3,539,041</u>	<u>5,599,759</u>	<u>-</u>	<u>-</u>
Non-Executive:				
Fees and allowances	109,560	109,560	109,560	109,560
Share-based payment expenses	38,004	74,488	38,004	74,488
	<u>147,564</u>	<u>184,048</u>	<u>147,564</u>	<u>184,048</u>
	<u>3,686,605</u>	<u>5,783,807</u>	<u>147,564</u>	<u>184,048</u>
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	3,963,831	4,764,747	-	-
Share-based payment expenses	1,351,247	2,648,476	-	-
	<u>5,315,078</u>	<u>7,413,223</u>	<u>-</u>	<u>-</u>

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the Directors of the Company were RM44,050 and RM13,325 (2017: RM44,050 and RM13,325) respectively.

The estimated monetary value of benefits-in-kind provided by the Group to the Directors of the subsidiaries were RM60,856 (2017: RM78,865).

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

12. Income Tax Expense

Major components of income tax expense

The major components of income tax expense for the year ended 30 June 2018 and 30 June 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Statements of profit or loss:				
Current tax:				
- Malaysian tax	604,984	1,900,229	597,724	747,901
- Labuan offshore business activity	20,843	19,260	-	-
- Foreign tax	14,245,416	15,844,539	-	-
	<u>14,871,243</u>	<u>17,764,028</u>	<u>597,724</u>	<u>747,901</u>
(Over)/Underprovision in prior years:				
- Malaysian tax	(13,982)	2,185,508	(77,619)	138,874
- Foreign tax	2,969	693,315	-	-
	<u>(11,013)</u>	<u>2,878,823</u>	<u>(77,619)</u>	<u>138,874</u>
	<u>14,860,230</u>	<u>20,642,851</u>	<u>520,105</u>	<u>886,775</u>
Deferred income tax (Note 25):				
- Origination and reversal of temporary differences	68,924	(110,039)	5,826	(580)
- Under/(Over)provision in prior years	188	(6,789)	188	(146)
	<u>69,112</u>	<u>(116,828)</u>	<u>6,014</u>	<u>(726)</u>
Income tax expense recognised in profit or loss	<u>14,929,342</u>	<u>20,526,023</u>	<u>526,119</u>	<u>886,049</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

12. Income Tax Expense (Continued)

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the year ended 30 June 2018 and 30 June 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Accounting (loss)/profit before tax	(568,124,347)	69,410,221	286,050,704	32,616,256
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(136,349,843)	16,658,453	68,652,169	7,827,901
Adjustments:				
Non-deductible expenses	4,308,046	2,319,358	6,484,517	950,553
Income not subject to taxation	(1,035,746)	(2,613,293)	(74,533,136)	(8,031,133)
Effect of different tax rates in Labuan	78,566,699	1,610,343	-	-
Effect of different tax rates in other jurisdictions	68,173,860	(172,095)	-	-
Deferred tax assets not recognised	1,277,151	464,978	-	-
Utilisation of deferred tax assets previously not recognised	-	(613,755)	-	-
(Over)/Underprovision in prior years:				
- current tax	(11,013)	2,878,823	(77,619)	138,874
- deferred tax	188	(6,789)	188	(146)
Income tax expense recognised in profit or loss	14,929,342	20,526,023	526,119	886,049

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

13. (Loss)/Earnings Per Share

Basic (loss)/earnings per share are calculated by dividing (loss)/profit for the financial year net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary share outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the (loss)/profit and share data used in the computation of basic and diluted earnings per share for the financial year ended 30 June 2018 and 30 June 2017:

	Group	
	2018 RM	2017 RM
(Loss)/Profit net of tax attributable to owners of the Company used in the computation of basic and diluted earnings per share	(583,104,369)	48,880,065

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

13. (Loss)/Earnings Per Share (Continued)

	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares for basic earnings per share computations*	527,402,631	529,024,616
Effects of dilution:		
- Employee share options	-	55,142
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share computations*	527,402,631	529,079,758
	<hr/>	<hr/>

* The weighted average number of ordinary shares in issue was derived at after taking into account the weighted average effect of changes in treasury shares transactions.

The potential conversion of employee share options is anti-dilutive as the exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of employee share options have been ignored in the calculation of dilutive earnings per share.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

14. Property, Plant and Equipment

Group	Leasehold land and buildings* RM	Slipway and shipyard infrastructure RM	Vessels, offshore assets, heavy machinery and equipment RM	Motor vehicles RM	Telecom-munication and office equipment, furniture, fittings and renovations RM	Construction work-in-progress RM	Total RM
Cost							
At 1 July 2016							
Additions	20,844,725	36,984,802	743,409,126	5,360,652	4,714,465	256,877	811,570,647
Written off	-	-	77,883	-	119,601	45,989	243,473
Reclassifications	-	-	(4,092)	-	(2,286)	-	(6,378)
Exchange differences	-	158,880	-	-	-	(158,880)	-
	-	-	55,436,899	69,681	43,906	-	55,550,486
At 30 June 2017 and 1 July 2017							
Additions	20,844,725	37,143,682	798,919,816	5,430,333	4,875,686	143,986	867,358,228
Written off	-	-	79,451	-	584,768	773,875	1,438,094
Disposals	-	-	(12,002)	-	-	-	(12,002)
Reclassifications	-	-	(4,741,974)	-	(20,200)	-	(4,762,174)
Exchange differences	-	-	121,520	-	-	(121,520)	-
	-	-	(52,206,632)	(81,374)	(51,595)	-	(52,339,601)
At 30 June 2018	20,844,725	37,143,682	742,160,179	5,348,959	5,388,659	796,341	811,682,545
Accumulated depreciation and impairment loss							
At 1 July 2016							
Depreciation charge for the year	8,678,658	16,679,133	61,733,031	4,266,519	3,037,710	-	94,395,051
Written off	839,000	2,119,149	66,441,509	305,650	417,710	-	70,123,018
Exchange differences	-	-	(3,071)	-	(2,284)	-	(5,355)
	-	-	2,746,206	38,088	30,125	-	2,814,419
At 30 June 2017 and 1 July 2017							
Depreciation charge for the year	9,517,658	18,798,282	130,917,675	4,610,257	3,483,261	-	167,327,133
Written off	789,026	2,071,265	62,005,949	301,717	389,511	-	65,557,468
Disposals	-	-	(9,815)	-	-	-	(9,815)
Exchange differences	-	-	(2,322,822)	-	(20,199)	-	(2,343,021)
	-	-	(7,344,483)	(57,667)	(46,362)	-	(7,448,512)
At 30 June 2018	10,306,684	20,869,547	183,246,504	4,854,307	3,806,211	-	223,083,253
Net carrying amount							
At 30 June 2017	11,327,067	18,345,400	668,002,141	820,076	1,392,425	143,986	700,031,095
At 30 June 2018	10,538,041	16,274,135	558,913,675	494,652	1,582,448	796,341	588,599,292

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

14. Property, Plant and Equipment (continued)

Note:

* Leasehold land and buildings comprise:

	Long-Term Leasehold Land RM	Leasehold Buildings RM	Buildings and Workshops RM	Total RM
Group				
Cost				
At 1 July 2016, 30 June 2017, and 30 June 2018	7,260,024	920,109	12,664,592	20,844,725
Accumulated depreciation				
At 1 July 2016	177,182	323,150	8,178,326	8,678,658
Depreciation charge for the year	118,121	18,402	702,477	839,000
At 30 June 2017 and 1 July 2017	295,303	341,552	8,880,803	9,517,658
Depreciation charge for the year	118,121	18,402	652,503	789,026
At 30 June 2018	413,424	359,954	9,533,306	10,306,684
Net carrying amount				
At 30 June 2017	6,964,721	578,557	3,783,789	11,327,067
At 30 June 2018	6,846,600	560,155	3,131,286	10,538,041

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

14. Property, Plant and Equipment (continued)

	Motor Vehicles RM	Furniture, Fittings and Office Equipment RM	Total RM
Company			
Cost			
At 1 July 2016	412,145	50,822	462,967
Additions	-	9,457	9,457
At 30 June 2017 and 1 July 2017	412,145	60,279	472,424
Additions	-	73,906	73,906
At 30 June 2018	412,145	134,185	546,330
Accumulated depreciation			
At 1 July 2016	412,144	36,911	449,055
Depreciation charge for the year	-	7,602	7,602
At 30 June 2017 and 1 July 2017	412,144	44,513	456,657
Depreciation charge for the year	-	9,134	9,134
At 30 June 2018	412,144	53,647	465,791
Net carrying amount			
At 30 June 2017	1	15,766	15,767
At 30 June 2018	1	80,538	80,539

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance leases at the reporting date are as follows:

	Group	
	2018 RM	2017 RM
Motor vehicles	137,015	205,522

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

14. Property, Plant and Equipment (continued)

Assets pledged as security

In addition to assets held under finance lease, the carrying amounts of property, plant and equipment pledged as security for borrowings (Note 23) are as follows:

	Group	
	2018 RM	2017 RM
Leasehold land	4,344,769	4,417,812
Slipway and shipyard infrastructure	14,327,539	15,851,173
Buildings and workshops	3,105,959	3,699,629
Vessels, offshore assets, heavy machinery and equipment	551,891,170	657,419,715
Motor vehicles	7,361	11,778
Telecommunication and office equipment, furniture, fittings and renovations	106,423	119,460
	<u>573,783,221</u>	<u>681,519,567</u>

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment, and found no indication of impairment.

15. Investments in Subsidiaries

	Company	
	2018 RM	2017 RM
Unquoted shares, at cost	547,216,319	434,951,388
Accumulated impairment losses	(27,292,830)	(12,033,235)
	<u>519,923,489</u>	<u>422,918,153</u>
Provision for financial guarantee	3,959,808	3,959,808
ESOS granted to employees of subsidiaries	23,904,582	19,386,738
	<u>547,787,879</u>	<u>446,264,699</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

15. Investments in Subsidiaries (continued)

The details of the subsidiaries are as follows:

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Principal Activities	Percentage of Effective Interest Held	
			2018 %	2017 %
(a) Subsidiaries of Coastal Contracts Bhd				
Bonafide Shipbuilders & Repairs Sdn. Bhd.	Malaysia	Provision of ship repairs and maintenance services and sub-contract services.	100	100
Coastal Transport (Sandakan) Sdn. Bhd.	Malaysia	Provision of tugboat and barge transportation, and property letting.	100	100
Coastway Transport Sdn. Bhd.	Malaysia	Provision of vessel chartering and related services.	100	100
Seri Modalwan Sdn. Bhd.	Malaysia	Provision of ship repairs and maintenance services and sub-contract services.	100	100
Pleasant Engineering Sdn. Bhd.	Malaysia	Fabrication and sale of offshore support and marine transportation vessels and provision of ship repairs and maintenance services.	100	100
Coastal Marine Pte. Ltd. #	Singapore	Provision of vessels chartering & towing, marketing, ship delivery and other ancillary services.	100	100
Coastal Offshore (Labuan) Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels, provision of bareboat chartering and leasing services to non-Malaysian residents.	100	100
Asiapride Sdn. Bhd.^	Malaysia	Dormant.	100	100
Thaumas Marine Ltd #	British Virgin Islands	Sale of marine vessels and provision of shipping agency, vessel chartering and towing services.	100	100
Ace Capital Pte. Ltd. #	Malaysia	Dormant.	90	100

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

15. Investments in Subsidiaries (continued)

The details of the subsidiaries are as follows: (continued)

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Principal Activities	Percentage of Effective Interest Held	
			2018 %	2017 %
(a) Subsidiaries of Coastal Contracts Bhd (continued)				
Coastal International Marine Inc. #	British Virgin Islands	Sale of offshore support and marine transportation vessels.	100	100
Coastal Offshore Venture Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels.	100	100
Coastal Drilling Pte. Ltd. #	Singapore	Dormant.	70	70
Coastal Energy Solutions Pte. Ltd. #	Singapore	Provision of bareboat chartering services.	100	100
(b) Subsidiary of Coastal Marine Pte. Ltd.				
CoastOil, S.A. de C.V. *	Mexico	Management and operation of offshore vessel and other investment.	98.5	98.5

Audited by firm other than Crowe Malaysia (formerly known as Crowe Horwath).

^ The subsidiary is in the process of being struck off from the Register of the Companies Commission of Malaysia.

* 95% equity interest held by Coastal Marine Pte. Ltd. and 5% equity interest held by Coastal Drilling Pte. Ltd.

- (a) During the financial year, the Company disposed of 10% equity interest in Ace Capital Pte. Ltd. ("ACPL") for RM360 in cash, decreasing its ownership from 100% to 90%. The carrying amount of ACPL at the date of disposal was RM74,158 in deficit. The Group recognised a decrease in non-controlling interests of RM7,416 and an increase in retained earnings of RM7,776.

The summarised information of the effect of changes in the equity interests in ACPL attributable to the owners of the Company is not presented as the effect is not material to the Group.

- (b) During the financial year, the Company carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. An impairment loss of RM15,259,595 (2017: RM1,733,235), representing the write-down of the cost of investment, was recognised in "Other Expenses" line item of the statements of profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

16. Investment Properties

	Group 2018 RM	2017 RM
Cost		
At beginning and end of year	4,101,213	4,101,213
Accumulated depreciation		
At beginning of year	451,132	369,108
Depreciation charge for the year	82,024	82,024
At end of year	533,156	451,132
Net carrying amount	3,568,057	3,650,081

Properties pledged as security

Investment properties are mortgaged to secure a subsidiary's bank loan (Note 23).

Fair value of investment properties

The fair value of investment properties as at the reporting date amounted to approximately RM4,800,000 (2017: RM4,600,000).

Fair value hierarchy disclosures for investment properties have been disclosed in Note 31.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties.

17. Investment Securities

	Group 2018 RM	2017 RM
Quoted shares, at fair value	2,299,277	3,283,162

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

18. Trade and Other Receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Trade receivables				
Third parties	121,900,924	155,880,924	-	-
Less: Allowance for impairment	(8,118,273)	(7,916,607)	-	-
Trade receivables, net	113,782,651	147,964,317	-	-
Other receivables				
Loan to subsidiary	-	-	-	40,343,628
Amounts due from subsidiaries	-	-	271,670,619	55,953,192
Amount due from joint venture	378,666	188,987	-	-
Deposits paid to suppliers and contractors	123,926,502	227,822,575	-	-
Deposits	2,836,120	2,961,126	32,056	28,460
Prepayments	7,710,558	50,894,351	10,648	1,510
Other loan	33,464,540	6,149,533	-	-
Sundry receivables	36,953,460	40,120,994	17,447,601	18,628,644
	205,269,846	328,137,566	289,160,924	114,955,434
Less: Allowance for impairment	(808,279)	(685)	-	-
	204,461,567	328,136,881	289,160,924	114,955,434
	318,244,218	476,101,198	289,160,924	114,955,434
Non-Current				
Trade receivables				
Third parties	-	958,498	-	-
Other receivables				
Loan to subsidiary	-	-	-	121,030,884
Other loan	-	20,554,904	-	-
	-	21,513,402	-	121,030,884
Total trade and other receivables	318,244,218	497,614,600	289,160,924	235,986,318

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

18. Trade and Other Receivables (continued)

Receivables that are impaired

The Group's trade and other receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	Trade		Non-trade	
	2018 RM	2017 RM	2018 RM	2017 RM
Individually impaired:				
Receivables - nominal amounts	18,709,517	16,461,316	808,279	685
Less: Allowance for impairment	(8,118,273)	(7,916,607)	(808,279)	(685)
	<u>10,591,244</u>	<u>8,544,709</u>	<u>-</u>	<u>-</u>

Movement in allowance accounts:

	Trade		Non-trade	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of year	7,916,607	8,996,059	685	106,112
Reversal of impairment loss	(60,000)	(705,915)	(685)	-
Written off	-	(741,290)	-	(106,749)
Exchange differences	(419,593)	359,986	(7,167)	(5,344)
Charge for the year	<u>681,259</u>	<u>7,767</u>	<u>815,446</u>	<u>6,666</u>
At end of year	<u>8,118,273</u>	<u>7,916,607</u>	<u>808,279</u>	<u>685</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

(a) Trade receivables

Trade receivables are on 30 to 45 days (2017: 30 to 45 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables comprised mainly:

- Outstanding proceeds from disposal of vessels of the Group amounting to approximately RM14.7 million (2017: RM15.5 million), and they are to be repayable by 60 monthly installments bearing an interest rate of 4.89% p.a. The Group holds the title of the vessels in custody for these amounts.
- Outstanding bareboat charter hire proceeds of the Group including interest charges of approximately RM84.2 million (2017: RM114.7 million) where recovery is secured under a charter earnings account managed by an independent trustee.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

18. Trade and Other Receivables (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2018 RM	2017 RM
Neither past due nor impaired	13,163,614	16,727,125
1 to 30 days past due not impaired	12,472,671	14,475,476
31 to 120 days past due not impaired	22,085,005	25,753,450
More than 121 days past due not impaired	66,061,361	91,966,764
	<u>100,619,037</u>	<u>132,195,690</u>
Total	113,782,651	148,922,815
Impaired	8,118,273	7,916,607
	<u>121,900,924</u>	<u>156,839,422</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These receivables are mostly regular customers with no history of default in payment.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM100,619,037 (2017: RM132,195,690) that are past due at the reporting date but not impaired. These balances mainly relate to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. The receivables that are past due but not impaired are unsecured in nature.

(b) Other receivables

Other receivables comprised mainly:

(i) Advances to a trade receivable

Advances to a trade receivable to part finance the construction of an offshore asset of approximately RM15 million (2017: RM16 million) where recovery is also secured under a charter earnings account managed by an independent trustee.

(ii) Other loan

The Group had vide one of its foreign subsidiary ("Lender") entered into a 24-month secured loan agreement with a trade receivable ("Borrower"). The loan is secured through a first priority mortgage of the Borrower and its mortgaging parties' properties in favour of the Lender. The loan's ordinary interest rate is 12% p.a. and is denominated in USD.

During the financial year, the borrower has breached the term of the loan agreement. Based on management assessment, no indication of impairment were noted as the loan is secured by collaterals.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

18. Trade and Other Receivables (continued)

(b) Other receivables (continued)

Other receivables comprised mainly: (continued)

(iii) Loan to subsidiary

In the previous financial year, loan to subsidiary was unsecured and bore interest at 2.78% p.a.. This loan was denominated in USD and was settled in the current financial year.

(iv) Amounts due from subsidiaries

The amounts due are non-trade in nature, unsecured, non-interest bearing and are repayable on demand. The amounts due are to be settled in cash.

(v) Sundry receivables – Amount claimable from a joint venture party

Pursuant to the Memorandum of Understanding entered into between the Company and three venturers on 30 July 2016, the Company has paid an initial refundable and secured deposit of USD6 million (approximately RM24 million) to form a joint venture to undertake a liquefied natural gas related project in Indonesia. As at the reporting date, the outstanding amount receivable from the joint venture party including interest charges amounted to approximately RM17 million (2017: RM17 million).

19. Inventories

	Group	
	2018 RM	2017 RM
Cost		
Finished goods	24,239,114	103,112,693
Raw materials	4,917,619	5,708,782
Work-in-progress	181,169	298,147,809
Spare parts	8,313	8,313
	<u>29,346,215</u>	<u>406,977,597</u>
Net realisable value		
Finished goods	201,959,405	26,565,008
Work-in-progress	162,797,345	417,253,944
	<u>364,756,750</u>	<u>443,818,952</u>
	<u>394,102,965</u>	<u>850,796,549</u>
Inventories written off	437,642,480	-
Inventories written down to net realisable value	90,778,540	25,960,112
Inventories recognised as an expense in cost of sales	<u>27,396,225</u>	<u>221,804,923</u>

(a) The work-in-progress represents costs incurred for unsold vessels under construction.

(b) During the financial year, the borrowing costs capitalised as cost of work-in-progress amounted to RM32,480 (2017: RM475,957).

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

19. Inventories (continued)

- (c) As a result of termination of contracts by a shipbuilder as well as the Group's termination of the construction of certain vessels, the Group has written off work-in-progress with respect to vessels amounting to RM437,642,480 (2017: nil) affected by the contract termination after considering the legal advice and the circumstances of weak market demand which is not conducive for the Group to take delivery and settle the cost payable to the shipbuilder.
- (d) As a result of the market downturn and significant decline in sales of vessel, Management made a writedown of work-in-progress with respect to inventories of RM90,778,540 (2017: RM25,960,112) below the cost of inventories to net realisable value as a result of decline in the estimated selling prices with reference to the valuation report prepared by an independent valuer.

20. Short-Term Investments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed income fund, at fair value	64,290,741	-	55,182,056	-
Money market fund, at fair value	57,171,668	46,240,994	57,171,668	46,240,994
	<u>121,462,409</u>	<u>46,240,994</u>	<u>112,353,724</u>	<u>46,240,994</u>

21. Derivative Financial Instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Derivative Assets				
Interest rate swap				
- Cash flow hedge	<u>4,900,602</u>	<u>861,525</u>	<u>-</u>	<u>-</u>
Derivative Liabilities				
Cross currency interest rate swap				
- Cash flow hedge	<u>-</u>	<u>756,074</u>	<u>-</u>	<u>756,074</u>

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Notional Amount				
Cross currency interest rate swap	-	161,600,000	-	161,600,000
Interest rate swap	<u>270,173,667</u>	<u>352,813,574</u>	<u>-</u>	<u>-</u>

Cross currency interest rate swap ("CCIRS")

The Company had entered into CCIRS to hedge the Company's exposure to foreign exchange risk on its loan to a subsidiary. This contract entitled the Company to receive principal and floating interest equal to KLIBOR in RM and obliged the Company to pay principal and fixed interest of 2.78% p.a. in USD. This CCIRS contract was unwind during the financial year as the abovementioned loan was mutually terminated.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

21. Derivative Financial Instruments (continued)

Interest rate swap

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate USD term loan as disclosed in Note 23. This interest rate swap receives floating interest equal to LIBOR + 2.85% p.a., pays a fixed rate of interest of 4.325% p.a. and has the same maturity terms as the USD term loan.

22. Cash and Bank Balances

- (a) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand and at banks	100,699,617	169,029,738	4,839,921	10,652,086
Short-term deposits with licensed banks	181,591,804	199,379,415	79,463,628	12,477,418
Cash and bank balances	<u>282,291,421</u>	<u>368,409,153</u>	<u>84,303,549</u>	<u>23,129,504</u>

Short-term deposits of the Group are made for varying periods of between seven and sixty two days depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The interest rates as at 30 June 2018 for the Group and the Company ranged from 1.29% to 3.50% p.a. (2017: 0.50% to 3.50% p.a.) and 1.88% p.a. (2017: 3.20% to 3.50% p.a.) respectively.

- (b) The reconciliation of liabilities arising from financing activities are as follows:

	Obligation Under Finance Lease RM	Bank Loans RM	Total RM
Group			
At 1 July 2017	198,586	435,338,509	435,537,095
Changes in financing cash flows:			
- Repayment of borrowing principal	(61,362)	(62,535,999)	(62,597,361)
- Repayment of borrowing interest	(7,698)	(17,009,919)	(17,017,617)
	<u>(69,060)</u>	<u>(79,545,918)</u>	<u>(79,614,978)</u>
Non-cash changes:			
- Finance charges recognised in profit or loss	7,698	17,729,734	17,737,432
- Foreign exchange adjustment	-	(25,426,310)	(25,426,310)
	<u>7,698</u>	<u>(7,696,576)</u>	<u>(7,688,878)</u>
At 30 June 2018	<u>137,224</u>	<u>348,096,015</u>	<u>348,233,239</u>

Comparative information is not presented by virtue of the exemption given in MFRS 107.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

23. Loans and Borrowings

	Maturity on Borrowings	Group 2018 RM	2017 RM
Current			
Secured:			
Obligation under finance lease (Note 30(c))	2019	64,294	61,362
Bank loans:			
- RM loan at COF	2019	372,260	390,262
- RM loan at BLR – 1.85% p.a.	2019	168,805	160,022
- USD loan at LIBOR + 2.85% p.a.	2019	60,740,788	64,470,485
		<u>61,346,147</u>	<u>65,082,131</u>
Non-Current			
Secured:			
Obligation under finance lease (Note 30(c))	2020	72,930	137,224
Bank loans:			
- RM loan at COF	2019	-	372,260
- RM loan at BLR – 1.85% p.a.	2026	1,525,842	1,677,245
- USD loan at LIBOR + 2.85% p.a.	2020	285,288,320	368,268,235
		<u>286,887,092</u>	<u>370,454,964</u>
Total loans and borrowings		<u>348,233,239</u>	<u>435,537,095</u>

The remaining maturities of the loans and borrowings are as follows:

	Group 2018 RM	2017 RM
On demand or within one year	61,346,147	65,082,131
More than 1 year and less than 2 years	61,159,595	65,206,947
More than 2 years and less than 5 years	224,966,243	304,295,577
5 years or more	761,254	952,440
	<u>348,233,239</u>	<u>435,537,095</u>

(a) Obligations under finance leases

These obligations are secured by a charge over the lease assets (Note 14) and corporate guarantee provided by the Company. The discount rate implicit in the leases is 4.59% p.a. (2017: 4.59% p.a.). These obligations are denominated in RM.

(b) RM loan at Cost of Funds ("COF")

This loan is fully repayable on 31 May 2019 and is secured by certain leasehold land of the Group and corporate guarantee provided by the Company.

(c) RM loan at Base Lending Rate ("BLR") – 1.85% p.a.

This loan is fully repayable on 31 October 2026 and is secured by investment properties and corporate guarantee provided by the Company.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

23. Loans and Borrowings (continued)

- (d) USD loan at London Interbank Offered Rate ("LIBOR") + 2.85% p.a.
This loan is fully repayable on 28 September 2020 and is secured by a fixed charge over an offshore asset of the Group and corporate guarantee provided by the Company.

This loan imposes certain financial covenants on a subsidiary that received the loan. The significant covenants of the USD loan are as follows:-

- (i) Debt service coverage ratio of the subsidiary shall not be less than 1.2:1.
- (ii) The subsidiary's tangible net worth shall remain positive at all times.
- (iii) The total borrowings to tangible net worth ratio of the Group shall not exceed 2:1.

24. Trade and Other Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Trade payables				
Third parties	127,494,826	107,274,926	-	-
Other payables				
Amounts due to subsidiaries	-	-	202,573	1,292
Accruals	44,716,037	50,044,977	45,000	40,180
Deposits received from vessel buyers	22,961,263	40,583,453	-	-
Other deposits	146,540	1,768,376	-	-
Financial guarantees	-	-	19,964	27,446
Sundry payables	8,916,366	15,697,220	63,043	77,828
	76,740,206	108,094,026	330,580	146,746
	204,235,032	215,368,952	330,580	146,746
Non-Current				
Other payables				
Financial guarantees	-	-	42,974	62,938
Total trade and other payables	204,235,032	215,368,952	373,554	209,684
Less: Deposits received from vessel buyers	(22,961,263)	(40,583,453)	-	-
Add: Loans and borrowings (Note 23)	348,233,239	435,537,095	-	-
Total financial liabilities carried at amortised cost	529,507,008	610,322,594	373,554	209,684

(a) Trade payables

These amounts are non-interest bearing. The terms granted by trade payables normally range from 30 days to 90 days (2017: 30 days to 90 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of four months.

(c) Amount due to subsidiaries

The amounts due are non-trade in nature, unsecured, non-interest bearing and are repayable on demand. The amounts due are to be settled in cash.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

24. Trade and Other Payables (continued)

(d) Financial guarantees

This amount relates to corporate guarantees provided by the Company to banks for banking facilities (Note 23) granted to wholly-owned subsidiaries.

25. Deferred Tax Liabilities

Deferred income tax as at 30 June 2018 relates to the following:

Group	As at 1 July 2016 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2017 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2018 RM
Deferred tax liabilities:					
Property, plant and equipment	3,393,550	(812,415)	2,581,135	(678,505)	1,902,630
Others	140,449	(61,197)	79,252	(78,417)	835
	<u>3,533,999</u>	<u>(873,612)</u>	<u>2,660,387</u>	<u>(756,922)</u>	<u>1,903,465</u>
Deferred tax assets:					
Inventories	(536,132)	381,742	(154,390)	112,684	(41,706)
Receivables	(466,143)	231,956	(234,187)	13,886	(220,301)
Tax losses and unabsorbed capital allowances	(1,982,764)	58,840	(1,923,924)	839,803	(1,084,121)
Others	(86,161)	84,246	(1,915)	(140,339)	(142,254)
	<u>(3,071,200)</u>	<u>756,784</u>	<u>(2,314,416)</u>	<u>826,034</u>	<u>(1,488,382)</u>
	<u>462,799</u>	<u>(116,828)</u>	<u>345,971</u>	<u>69,112</u>	<u>415,083</u>
Company					
Deferred tax liabilities:					
Property, plant and equipment	<u>2,117</u>	<u>(726)</u>	<u>1,391</u>	<u>6,014</u>	<u>7,405</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 RM	2017 RM
Unutilised tax losses	8,563,861	7,753,664
Unabsorbed capital allowances	3,968,156	1,415,108
Deductible temporary differences	5,751,147	4,048,042
	<u>18,283,164</u>	<u>13,216,814</u>

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the said subsidiary, subject to no substantial change in shareholdings of this entity under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

26. Share Capital and Treasury Shares

	Group and Company					
	Number of Shares		Amount			
	Ordinary Shares with No Par Value (Issued and Fully Paid)	Treasury Shares	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 July 2016	531,599,431	(1,037,100)	106,319,886	195,820,030	302,139,916	(2,664,098)
Purchase of treasury shares	-	(3,159,700)	-	-	-	(4,381,249)
At 30 June 2017, 1 July 2017 and 30 June 2018	531,599,431	(4,196,800)	106,319,886	195,820,030	302,139,916	(7,045,347)

(a) Share Capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Share Premium

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Company has not consolidated the share premium into share capital until the expiry of the transitional period.

(c) Treasury Shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

During the previous financial year, the Company acquired 3,159,700 shares in the Company through purchases on the Bursa Malaysia Securities Berhad. The total amount paid to acquire the shares was RM4,381,249 and this was presented as a component within shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

26. Share Capital and Treasury Shares (continued)

(d) Employees' Share Option Scheme ("ESOS")

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 2 December 2015. The ESOS is to be in force for a period of 5 years effective from 2 February 2016.

The salient features of the ESOS are as follows:

- (i) the maximum number of options to be offered under the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time during the duration of the ESOS, or such percentage that may be permitted by the relevant regulatory authorities during the duration of the ESOS.
- (ii) the aggregate maximum number of shares that may be offered and allocated to the various grades of eligible employees shall be subject to the following:
 - (a) not more than seventy percent (70%) of the new shares available under the ESOS should be allocated, in aggregate, to the directors and senior management of the Group; and
 - (b) not more than ten percent (10%) of the new shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through persons connected with the eligible employees, holds twenty percent (20%) or more in the issued and paid-up capital of the Company.
- (iii) Subject to the discretion of the ESOS Committee, employees who have been confirmed in the employment of the Group and have served for at least 6 months before the date of the offer, and non-executive Directors who have been appointed for at least 1 year, shall be eligible to participate.
- (iv) The exercise price shall be determined by the ESOS Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of ordinary shares of the Company, whichever is higher.
- (v) The new shares to be allotted and issued upon any exercise of the options shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of the Company save and except that the new shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and shall be subject to the provisions of the Articles of Association of the Company.

The Company had granted 47,618,000 share options under the ESOS. These options expire on 1 February 2021.

The option prices and the details in the movement of the options granted are as follows:

Date of Offer	Exercise Price	Number of Options Over Unissued Ordinary Shares				30.6.2018
		1.7.2017	Granted	Exercised	Forfeited	
16.2.2016	RM1.40	45,772,000	-	-	(800,000)	44,972,000

The options forfeited during the financial year were due to resignations of employees.

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

26. Share Capital and Treasury Shares (continued)

(d) Employees' Share Option Scheme ("ESOS") (continued)

The number of options exercisable as at 30 June 2018 was 26,983,200 and have an exercise price of RM1.40 and a remaining contractual life of 2.58 years. The options' exercisable period are as follows:

Date of Offer	Exercise Price	Maximum percentage of option exercisable				
		16.2.2016 to 31.12.2016	1.1.2017 to 31.12.2017	1.1.2018 to 31.12.2018	1.1.2019 to 31.12.2019	1.1.2020 to 1.2.2021
16.2.2016	RM1.40	20%	20%	20%	20%	20%

The fair value of the share options granted were estimated using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:

Fair value at grant date (RM)	0.6038
Weighted average share price (RM)	1.55
Exercise price (RM)	1.40
Expected volatility (%)	46.05
Option life (years)	5
Expected dividend yield (%)	3.24
Risk free rate (%)	3.80

27. Other Reserves

	Warrants Reserve RM	Foreign Currency Translation Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
Group					
At 1 July 2016	25,259,255	228,186,257	(8,038,406)	10,593,220	256,000,326
Other comprehensive income/(loss):					
Foreign currency translation	-	91,536,821	-	-	91,536,821
Cash flow hedges:					
- fair value loss	-	-	(457,499)	-	(457,499)
- transfer to profit or loss	-	-	11,994,921	-	11,994,921
Total other comprehensive income	-	91,536,821	11,537,422	-	103,074,243
Expiration of warrants	(25,259,255)	-	-	-	(25,259,255)
Share options:					
- share-based payment expenses	-	-	-	9,346,554	9,346,554
- value of options forfeited	-	-	-	(247,800)	(247,800)
At 30 June 2017	-	319,723,078	3,499,016	19,691,974	342,914,068

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

27. Other Reserves (continued)

	Warrants Reserve RM	Foreign Currency Translation Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
Group					
At 1 July 2017	-	319,723,078	3,499,016	19,691,974	342,914,068
Other comprehensive (loss)/income:					
Foreign currency translation	-	(71,941,932)	-	-	(71,941,932)
Cash flow hedges:					
- fair value gain	-	-	15,187,665	-	15,187,665
- transfer to profit or loss	-	-	(13,064,522)	-	(13,064,522)
Total other comprehensive (loss)/income	-	(71,941,932)	2,123,143	-	(69,818,789)
Share options:					
- share-based payment expenses	-	-	-	4,658,881	4,658,881
- value of options forfeited	-	-	-	(255,528)	(255,528)
At 30 June 2018	-	247,781,146	5,622,159	24,095,327	277,498,632

	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
Company				
At 1 July 2016	25,259,255	117,442	10,593,220	35,969,917
Other comprehensive income/(loss):				
Cash flow hedge:				
- fair value loss	-	(10,114,977)	-	(10,114,977)
- transfer to profit or loss	-	11,994,921	-	11,994,921
Total other comprehensive income	-	1,879,944	-	1,879,944
Expiration of warrants	(25,259,255)	-	-	(25,259,255)
Share options:				
- share-based payment expenses	-	-	9,346,554	9,346,554
- value of options forfeited	-	-	(247,800)	(247,800)
At 30 June 2017	-	1,997,386	19,691,974	21,689,360

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

27. Other Reserves (continued)

	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
Company				
At 1 July 2017	-	1,997,386	19,691,974	21,689,360
Other comprehensive income/(loss):				
Cash flow hedge:				
- fair value gain	-	11,067,136	-	11,067,136
- transfer to profit or loss	-	(13,064,522)	-	(13,064,522)
Total other comprehensive loss	-	(1,997,386)	-	(1,997,386)
Share options:				
- share-based payment expenses	-	-	4,658,881	4,658,881
- value of options forfeited	-	-	(255,528)	(255,528)
At 30 June 2018	-	-	24,095,327	24,095,327

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

(c) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

28. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 30 June 2018 and 30 June 2017 under the single tier system.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

29. Related Party Transactions

- (a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	2018 RM	2017 RM
Group		
Transactions with a company in which certain Directors of the Company are also directors:		
- Rental of premises	-	10,620
Transactions with a Director of the Company:		
- Rental of premises	55,989	19,294
Remuneration for employment services provided by close members of the family of Directors:*		
Salaries, wages and bonuses	678,413	629,246
Contributions to defined contribution plan	52,427	59,698
Contributions to employment insurance system	47	-
Social security contributions	829	829
Share-based payment expenses	295,585	579,354
	<u>1,027,301</u>	<u>1,269,127</u>

The estimated monetary value of benefits-in-kind provided by the Group to the close members of the family of Directors was RM13,042 (2017: RM35,871).

Company

Transactions with subsidiaries:

Thaumas Marine Ltd.		
- Dividend income	303,166,400	24,125,400
Coastal Transport (Sandakan) Sdn. Bhd.		
- Rental of premises	6,000	6,000
Coastal Marine Pte. Ltd.		
- Legal and professional fees	201,650	-

* Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

29. Related Party Transactions (continued)

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term employee benefits	7,119,321	8,446,136	257,500	265,000
Defined contribution plan	364,801	382,943	19,500	20,400
Share-based payment expenses	2,634,934	4,667,937	101,344	198,635
	<u>10,119,056</u>	<u>13,497,016</u>	<u>378,344</u>	<u>484,035</u>

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the Directors and other members of key management were RM104,906 and RM13,325 (2017: RM122,915 and RM13,325) respectively.

30. Commitments

(a) Operating lease commitments - Group as lessee

The Group has entered into commercial leases on properties. These non-cancellable leases have average tenure of between one and three years.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2018 RM	2017 RM
Not later than 1 year	1,406,877	1,418,711
Later than 1 year but not later than 5 years	1,492,714	3,056,008
	<u>2,899,591</u>	<u>4,474,719</u>

(b) Operating lease commitments - Group as lessor

The Group leases out a vessel under non-cancellable operating leases. The lease has a remaining lease period of 5.7 years. The lease rental is fixed over the lease period. During the financial year, the Group recognised a total of approximately RM140 million in revenue from this lease.

The future minimum lease payment under non-cancellable operating leases are as follows:

	Group	
	2018 RM	2017 RM
Not later than 1 year	138,772,245	147,588,363
Later than 1 year but not later than 5 years	555,469,176	590,757,806
Later than 5 years	91,247,503	244,632,767
	<u>785,488,924</u>	<u>982,978,936</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

30. Commitments (continued)

(c) Finance lease commitments

The Group has finance leases for certain items of motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payment are as follows:

	Group	
	2018 RM	2017 RM
Minimum lease payments:		
Not later than 1 year	69,060	69,060
Later than 1 year but not later than 2 years	69,060	69,060
Later than 2 years but not later than 5 years	5,723	74,783
	<hr/>	<hr/>
Total minimum lease payments	143,843	212,903
Less: Amounts representing finance charges	(6,619)	(14,317)
	<hr/>	<hr/>
Present value of minimum lease payments	137,224	198,586
	<hr/>	<hr/>
Present value of payments:		
Not later than 1 year	64,294	61,362
Later than 1 year but not later than 2 years	67,227	64,294
Later than 2 years but not later than 5 years	5,703	72,930
	<hr/>	<hr/>
Present value of minimum lease payments	137,224	198,586
Less: Amount due within 12 months (Note 23)	(64,294)	(61,362)
	<hr/>	<hr/>
Amount due after 12 months (Note 23)	72,930	137,224
	<hr/>	<hr/>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

31. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 30 June 2018:

Group	Date of valuation	Total RM	Fair value measurement using		
			Quoted prices in active markets (level 1) RM	Significant observable inputs (level 2) RM	Significant unobservable inputs (level 3) RM
Assets measured at fair value:					
Investment securities	30 June 2018	2,299,277	2,299,277	-	-
Short-term investments	30 June 2018	121,462,409	121,462,409	-	-
Derivative assets: Interest rate swap	30 June 2018	4,900,602	-	4,900,602	-
Assets for which fair values are disclosed:					
Investment properties: Office properties	30 June 2018	4,800,000	-	4,800,000	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings: Obligations under finance leases (non-current)	30 June 2018	69,562	-	69,562	-
Company					
Assets measured at fair value:					
Short-term investments	30 June 2018	112,353,724	112,353,724	-	-

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

31. Fair Value Measurement (continued)

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 30 June 2017:

Group	Date of valuation	Total RM	Fair value measurement using		
			Quoted prices in active markets (level 1) RM	Significant observable inputs (level 2) RM	Significant unobservable inputs (level 3) RM
Assets measured at fair value:					
Investment securities	30 June 2017	3,283,162	3,283,162	-	-
Short-term investments	30 June 2017	46,240,994	46,240,994	-	-
Derivative assets: Interest rate swap	30 June 2017	861,525	-	861,525	-
Assets for which fair values are disclosed:					
Investment properties: Office properties	30 June 2017	4,600,000	-	4,600,000	-
Trade receivables (non-current)	30 June 2017	913,812	-	-	913,812
Other receivables (non-current)	30 June 2017	13,657,570	-	-	13,657,570
Liabilities measured at fair value:					
Derivative liabilities: Cross currency interest rate swap	30 June 2017	756,074	-	756,074	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings: Obligations under finance leases (non-current)	30 June 2017	130,805	-	130,805	-
Company					
Assets for which fair values are disclosed:					
Other receivables (non-current)	30 June 2017	117,334,775	-	-	117,334,775
Liabilities measured at fair value:					
Derivative liabilities: Cross currency interest rate swap	30 June 2017	756,074	-	756,074	-

There have been no transfers between level 1 and level 2 during the year.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

32. Fair Value of Financial Instruments

The following are classes of financial instruments that are not carried at fair value and whose carrying amount are not reasonable approximation of fair value:

Group	Carrying amount		Fair value	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets				
Trade receivables (non-current)	-	958,498	-	913,812
Other receivables (non-current)	-	20,554,904	-	13,657,570
Total	-	21,513,402	-	14,571,382
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under finance leases (non-current)	72,930	137,224	69,562	130,805
Company				
Financial assets				
Other receivables (non-current)	-	121,030,884	-	117,334,775
Financial liabilities				
Financial guarantees	62,938	90,384	-*	-*

* The fair value is Nil as the Company does not required to settle the present obligation at the reporting date.

The management assessed that cash and bank balances, loans and borrowings (current), loans and borrowings (non-current) at BLR – 1.85% p.a. and LIBOR + 2.85% p.a., trade and other payables (current) except for deposits received from vessel buyers, current trade and other receivables except for prepayment and deposits paid to suppliers and contractors approximate their carrying amounts largely due to their short-term nature or that they are floating rate investments that are re-priced to market interest rates on or near the reporting date.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

Receivables and finance lease obligations

The fair values of these financial instruments are estimated by discounting expected future cash flows at market interest rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM689,745,268 (2017: RM1,013,758,868) relating to corporate guarantees provided by the Company to banks on certain subsidiaries' bank borrowings.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group		Group	
	2018 RM	% of total	2017 RM	% of total
By country:				
Indonesia	8,170,188	7%	10,274,466	7%
Malaysia	3,454,179	3%	5,257,013	3%
Mexico	101,489,635	89%	132,557,863	89%
Others	668,649	1%	833,473	1%
	<u>113,782,651</u>	<u>100%</u>	<u>148,922,815</u>	<u>100%</u>

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 18% (2017: 15%) of the Group's loans and borrowings (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted amount.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2018				
Financial liabilities:				
Trade and other payables	181,273,769	-	-	181,273,769
Loans and borrowings	78,749,555	307,375,410	826,863	386,951,828
Total undiscounted financial liabilities	260,023,324	307,375,410	826,863	568,225,597
2017				
Financial liabilities:				
Trade and other payables	174,785,499	-	-	174,785,499
Loans and borrowings	82,820,190	408,301,886	1,058,412	492,180,488
Derivative liabilities:				
Cross currency interest rate swap				
- gross payments	44,624,227	127,044,401	-	171,668,628
- gross receipts	(45,753,189)	(129,022,892)	-	(174,776,081)
Total undiscounted financial liabilities	256,476,727	406,323,395	1,058,412	663,858,534

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted amount. (continued)

	On demand or within one year RM	One to five years RM	Total RM
Company			
2018			
Financial liabilities:			
Trade and other payables	310,616	-	310,616
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	19,964	42,974	62,938
Total undiscounted financial liabilities	330,580	42,974	373,554
2017			
Financial liabilities:			
Trade and other payables	119,300	-	119,300
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	27,446	62,938	90,384
Total undiscounted financial liabilities	146,746	62,938	209,684

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2017: less than 6 months) from the reporting date.

Sensitivity analysis for interest rate risk

Any reasonably possible change in the interest rates of floating rate bank loans at the end of the reporting period does not have material impact on the (loss)/profit net of tax of the Group and of the Company and hence, no sensitivity analysis is presented.

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or expenses that are denominated in a currency other than the respective functional currencies of the Group entities, primarily RM, United States Dollars ("USD"), Singapore Dollar ("SGD") and Mexican Peso ("MXN"). The foreign currencies in which these transactions are denominated are RM, USD, SGD, Euro, MXN, Renminbi ("RMB") and Indonesian Rupiah ("IDR").

The Group's foreign currency exposures arising from receivable and payable balances at the reporting date are as follows:

	2018 RM	2017 RM
Trade receivables	6,810	459,989
Other receivables	51,695,388	44,216,709
Trade payables	218,510	142,657
Other payables	179,484	179,913

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM118,388,941 (2017: RM49,378,586) for the Group.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including The British Virgin Islands, Singapore and Mexico. These investments are not hedged as currency positions in USD, SGD and MXN are considered to be long-term in nature.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(d) Foreign Currency Risk (continued)

The Group's exposure to foreign currency risk, based on the carrying amounts of the financial assets and financial liabilities not denominated in RM, which is one of the Group's entities functional currency as at the end of the reporting period was as follows:

	2018		2017	
	USD/RM RM	SGD/RM RM	USD/RM RM	SGD/RM RM
Group				
Financial assets:				
Cash and cash equivalents	114,579,040	1,479,129	43,398,550	1,556,374
Due from related companies	218,728,923	341,906	4,235,365	36,194
Trade receivables	6,810	-	459,989	-
Other receivables	17,220,371	44,438	16,974,557	46,782
	<u>350,535,144</u>	<u>1,865,473</u>	<u>65,068,461</u>	<u>1,639,350</u>
Financial liabilities:				
Due to related companies	-	202,573	1,292	-
Trade payables	52,865	9,391	96,539	35,852
Other payables	21,883	-	23,273	468
	<u>74,748</u>	<u>211,964</u>	<u>121,104</u>	<u>36,320</u>
Currency exposure	<u>350,460,396</u>	<u>1,653,509</u>	<u>64,947,357</u>	<u>1,603,030</u>

The Group's exposure to foreign currency risk, based on the carrying amounts of the financial assets and financial liabilities not denominated in USD, which is one of the Group's entities functional currency as at the end of the reporting period was as follows:

	2018		2017	
	SGD/USD RM	RM/USD RM	SGD/USD RM	RM/USD RM
Group				
Financial assets:				
Cash and cash equivalents	1,400,778	283,186	2,911,963	556,052
Due from related companies	650,921	-	2,799,194	-
Other receivables	456	-	820	-
	<u>2,052,155</u>	<u>283,186</u>	<u>5,711,977</u>	<u>556,052</u>
Financial liabilities:				
Due to related companies	10,535,637	612,877	6,432,236	656,132
Trade payables	127,266	-	155	3,633
Other payables	10,317	47,795	5,196	48,174
	<u>10,673,220</u>	<u>660,672</u>	<u>6,437,587</u>	<u>707,939</u>
Currency exposure	<u>(8,621,065)</u>	<u>(377,486)</u>	<u>(725,610)</u>	<u>(151,887)</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(d) Foreign Currency Risk (continued)

The Group's exposure to foreign currency risk, based on the carrying amounts of the financial assets and financial liabilities not denominated in MXN, which is one of the Group's entities functional currency as at the end of the reporting period was as follows:

	2018 USD/MXN RM	2017 USD/MXN RM
Group		
Financial assets:		
Cash and cash equivalents	170,798	42,695
Other receivables	33,565,478	26,747,377
	<u>33,736,276</u>	<u>26,790,072</u>
Financial liabilities:		
Due to related companies	25,275,768	26,795,711
Currency exposure	<u>8,460,508</u>	<u>(5,639)</u>

The Group's exposure to foreign currency risk, based on the carrying amounts of the financial assets and financial liabilities not denominated in SGD, which is one of the Group's entities functional currency as at the end of the reporting period was as follows:

	USD/SGD RM	2018 RM/SGD RM	MXN/SGD RM	USD/SGD RM	2017 RM/SGD RM
Group					
Financial assets:					
Cash and cash equivalents	456,386	764	5,758	819,623	-
Due from related companies	1,947,964	18,171	1,635,669	2,545,145	20,605
Other receivables	735,259	-	-	445,812	-
	<u>3,139,609</u>	<u>18,935</u>	<u>1,641,427</u>	<u>3,810,580</u>	<u>20,605</u>
Financial liabilities:					
Due to related companies	10,235,841	2,227,154	509	193,586	2,213,025
Other payables	60,642	33,993	20	64,490	33,991
	<u>10,296,483</u>	<u>2,261,147</u>	<u>529</u>	<u>258,076</u>	<u>2,247,016</u>
Currency exposure	<u>(7,156,874)</u>	<u>(2,242,212)</u>	<u>1,640,898</u>	<u>3,552,504</u>	<u>(2,226,411)</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(d) Foreign Currency Risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the USD, RM, SGD and MXN exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	<u>Increase/(Decrease) in (Loss)/Profit Net of Tax</u>	
	Group	
	2018	2017
	RM	RM
USD/RM		
- strengthened 6% (2017: 14%)	(15,980,994)	(6,910,399)
- weakened 6% (2017: 14%)	15,980,994	6,910,399
SGD/RM		
- strengthened 4% (2017: 9%)	(50,267)	(109,647)
- weakened 4% (2017: 9%)	50,267	109,647
SGD/USD		
- strengthened 2% (2017: 5%)	131,040	27,573
- weakened 2% (2017: 5%)	(131,040)	(27,573)
RM/USD		
- strengthened 6% (2017: 14%)	17,213	16,161
- weakened 6% (2017: 14%)	(17,213)	(16,161)
USD/SGD		
- strengthened 2% (2017: 5%)	108,784	(134,995)
- weakened 2% (2017: 5%)	(108,784)	134,995
RM/SGD		
- strengthened 4% (2017: 9%)	68,163	152,287
- weakened 4% (2017: 9%)	(68,163)	(152,287)
MXN/SGD		
- strengthened 6% (2017: Nil)	(74,825)	-
- weakened 6% (2017: Nil)	74,825	-
USD/MXN		
- strengthened 8% (2017: 7%)	(514,399)	300
- weakened 8% (2017: 7%)	514,399	(300)

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

33. Financial Risk Management Objectives and Policies (continued)

(e) Hedging Activities

Cash flow hedge

The Group entered into an interest rate swap ("IRS") to hedge the cash flow risk in relation to the floating interest rate of a term loan as disclosed in Notes 21 and 23 to the financial statements. The IRS has the same nominal value of RM270,173,667 (2017: RM352,813,574) and is settled monthly, consistent with the interest repayment schedule of the term loan.

The Company had entered into a cross currency interest rate swap ("CCIRS") to hedge the cash flow risk in relation to the foreign exchange rate fluctuation of a loan given to a subsidiary. The CCIRS had the same nominal value and was settled every 6 monthly, consistent with the interest repayment schedule of the loan. During the financial year, the Company had unwind the CCIRS as the abovementioned loan was mutually terminated.

The following table indicates the periods in which the cash flows associated with the IRS and CCIRS are expected to occur and affect profit or loss:

	Carrying amount RM	Expected cash flows RM	Within one year RM	One to five years RM
Group				
2018				
Interest rate swap	4,900,602	5,087,440	2,201,963	2,885,477
2017				
Cross currency interest rate swap	(756,074)	3,107,453	1,128,962	1,978,491
Interest rate swap	861,525	932,020	(424,450)	1,356,470
Company				
2017				
Cross currency interest rate swap	(756,074)	3,107,453	1,128,962	1,978,491

During the financial year, total gain of RM11,067,136 (2017: total loss of RM10,114,977) was recognised in other comprehensive income and RM13,064,522 (2017: RM11,994,921) was reclassified from equity to profit or loss.

(f) Gains or Losses Arising from Financial Instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets:				
<u>Loans and receivables financial assets</u>				
Net (losses)/gains recognised in profit or loss	(1,436,020)	691,482	(43,529)	-
<u>Fair value through profit or loss</u>				
Net (losses)/gains recognised in profit or loss	(649,450)	(1,192,202)	270,850	-
Net gains/(losses) recognised in other comprehensive income	15,187,665	(457,499)	11,067,136	(10,114,977)
Net (losses)/gains reclassified from equity to profit or loss	(13,064,522)	11,994,921	(13,064,522)	11,994,921

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

34. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 30 June 2017.

The Group monitors capital using a gearing ratio, which is total loans and borrowings divided by equity attributable to equity owners of the Company. The Group's policy is to maintain the gearing ratio at manageable level.

The calculations of the Group's gearing ratios are as follows:

	Note	Group 2018 RM	2017 RM
Loans and borrowings	23	348,233,239	435,537,095
Equity attributable to owners of the Company		1,162,623,321	1,816,153,848
Gearing ratio		29.95%	23.98%

There was no change in the Group's approach to capital management during the financial year.

The Group is also required to comply with certain loan covenants as disclosed in Note 23 to the financial statements, failing which, the bank may call an event of default. The Group has complied with this requirement.

35. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) Vessels manufacturing and repairing services - Fabrication and sale of offshore support and marine transportation vessels, and provision of ship repairs and maintenance services.
- (b) Vessels chartering and equipment hire - Provision of vessels transportation and equipment hiring services.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respect as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

35. Segment Information (continued)

	Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Adjustments and elimination RM	Notes	Per consolidated financial statements RM
2018					
Revenue:					
External customers	18,359,156	140,315,518	-		158,674,674
Inter-segment	957,175	78,292	(1,035,467)	A	-
Total revenue	19,316,331	140,393,810	(1,035,467)		158,674,674
Results:					
Interest income	891,046	4,757,830	3,132,578		8,781,454
Depreciation	4,473,951	61,156,407	9,134		65,639,492
Other non-cash expenses	610,784,697	720,237	3,726,584	B	615,231,518
Segment (loss)/profit	(638,971,892)	93,794,373	(22,946,828)	C	(568,124,347)
Assets:					
Additions to non-current assets	1,345,633	18,555	73,906	D	1,438,094
Segment assets	620,993,050	875,167,853	219,624,091	E	1,715,784,994
Segment liabilities	194,502,305	9,540,580	348,997,827	F	553,040,712
2017					
Revenue:					
External customers	267,402,736	152,974,622	-		420,377,358
Inter-segment	1,466,546	5,000	(1,471,546)	A	-
Total revenue	268,869,282	152,979,622	(1,471,546)		420,377,358
Results:					
Interest income	1,890,383	3,462,681	5,175,679		10,528,743
Depreciation	5,020,018	65,177,422	7,602		70,205,042
Other non-cash expenses	35,620,896	822,717	276,640	B	36,720,253
Segment (loss)/profit	(7,652,760)	98,705,777	(21,642,796)	C	69,410,221
Assets:					
Additions to non-current assets	204,353	29,663	9,457	D	243,473
Segment assets	1,421,127,149	960,706,310	89,059,502	E	2,470,892,961
Segment liabilities	199,873,069	15,363,152	439,411,487	F	654,647,708

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

35. Segment Information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2018 RM	2017 RM
Deposits written off	9	47,620,548	-
Fair value loss on quoted investment	9	983,885	1,192,202
Impairment loss on receivables	9	1,496,705	14,433
Inventories written off	9	437,642,480	-
Inventories written down	9	90,778,540	25,960,112
Plant and equipment written off	9	2,187	1,023
Prepayment written off	9	26,313,518	-
Unrealised loss on foreign exchange	9	5,734,774	205,929
Share-based payment expenses		4,658,881	9,346,554
		<u>615,231,518</u>	<u>36,720,253</u>

C The following items are (deducted)/added from segment (loss)/profit to arrive at "(Loss)/Profit before tax" presented in the consolidated statement of profit or loss:

	2018 RM	2017 RM
Finance costs	(17,922,434)	(26,747,118)
Unallocated corporate income	(5,024,394)	5,104,322
	<u>(22,946,828)</u>	<u>(21,642,796)</u>

D Additions to non-current assets consist of:

	2018 RM	2017 RM
Property, plant and equipment	<u>1,438,094</u>	<u>243,473</u>

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Tax recoverable	316,753	5,802
Unallocated corporate assets	219,307,338	89,053,700
	<u>219,624,091</u>	<u>89,059,502</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

35. Segment Information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (continued)

F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Deferred tax liabilities	415,083	345,971
Income tax payable	157,358	2,639,616
Loans and borrowings	348,233,239	435,537,095
Unallocated corporate liabilities	192,147	888,805
	<u>348,997,827</u>	<u>439,411,487</u>

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	2,141,624	7,038,609	40,129,257	46,958,412
Thailand	-	41,653,028	-	-
British Virgin Islands	10,183,251	57,916,704	-	-
Mexico	146,349,799	147,198,428	551,045,554	655,709,128
Samoa	-	153,531,880	-	-
Others	-	13,038,709	992,538	1,013,636
	<u>158,674,674</u>	<u>420,377,358</u>	<u>592,167,349</u>	<u>703,681,176</u>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2018 RM	2017 RM
Property, plant and equipment	588,599,292	700,031,095
Investment properties	3,568,057	3,650,081
	<u>592,167,349</u>	<u>703,681,176</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

35. Segment Information (continued)

Information about major customers

The following are major customers from the vessels manufacturing and repairing services segment and vessels chartering segment with revenue equal to or more than 10% of the Group's total revenue:

Group	Revenue	
	2018 RM	2017 RM
Customer 1	-	187,855,487
Customer 2	139,832,518	147,198,428
Customer 3	-	41,653,028
	<u>139,832,518</u>	<u>376,706,943</u>

36. Dividends

	Group and Company	
	2018 RM	2017 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Third interim single-tier dividend for 2016: 1.0 sen per share	-	5,305,124
- First interim single-tier dividend for 2017: 1.0 sen per share	-	5,274,026
- Second interim single-tier dividend for 2017: 1.0 sen per share	5,274,026	-
	<u>5,274,026</u>	<u>10,579,150</u>

The Directors do not recommend any dividend to be paid in respect of the current financial year.

37. Significant Event During The Financial Year

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.

On 9 August 2016 and 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. 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2018 (cont'd.)

38. Event Occurring After The Reporting Period

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.

39. Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 19 October 2018.

40. Comparative Figures

The following figures have been reclassified to conform with the presentation of the current financial year.

	As Restated RM	As Previously Reported RM
Consolidated Statement of Profit or Loss		
Cost of sales	296,355,730	322,315,842
Other expenses	29,420,317	3,460,205

List of Properties in the Group

Property/ Location address	Age of buildings	Tenure/ Expiry date	Description/ existing use	Land Area/ Built-up area	Date of purchase	Valuation date	Net book value (30.06.2018) (RM)
CL 075512168 Off Mile 9, Sungai Seguntor, Labuk Road, Sandakan, Sabah	14 to 31 years	Leasehold / 31.12.2073	Shipbuilding & Repairs Facility	17.66 acres/ 76,348.43 sq ft	24.04.1990	11.05.2001	5,126,712
1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin, Mile 1 1/2, Leila Road, Sandakan, Sabah	32 years since 1987	Leasehold / 15.12.2910	1 unit residential flat	1.027 acres / 900 sq ft	14.12.1995	11.05.2001	22,224
1/2 undivided share of TL077534313 Lot 3A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah	35 years since 1984	Leasehold / 05.02.2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	06.08.1997	11.05.2001	126,691
1/2 undivided share of TL077534313 Lot 3B, Block G, Bandar Leila, Jalan Leila Sandakan, Sabah	35 years since 1984	Leasehold / 05.02.2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	06.08.1988	11.05.2001	123,650
1/2 undivided share of TL077534304 Lot 4A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah	35 years since 1984	Leasehold / 05.02.2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	20.04.1991	11.05.2001	124,509
CL 075360673 CL 075360664 CL 075360655 CL 075366022 CL 075366013 CL 075366004 CL 075448930 CL 075448921 Mile 8, Jalan Datuk Tay, Off Jalan Lintas Sibuga, Sandakan, Sabah.	9 to 12 years ↓	Leasehold / 31.12.2073 31.12.2073 31.12.2073 31.12.2073 31.12.2078 31.12.2078 31.12.2088 31.12.2088	Shipbuilding & Repairs Facility ↓	2.07 acres 1.80 acres 1.99 acres 6.30 acres 12.83 acres 11.38 acres 8.00 acres 8.00 acres	24.07.2004 ↓	22.03.2006 ↓	17,844,178
CL 075360397 CL 075360404 Mile 8, Jalan Datuk Tay, Off Jalan Lintas Sibuga, Sandakan, Sabah.	N/A ↓	Leasehold / 31.12.2071 31.12.2071	Vacant Land	2.23 acres 2.17 acres	01.04.2007 ↓	N/A ↓	95,119

List of Properties in the Group (cont'd.)

Property/ Location address	Age of buildings	Tenure/ Expiry date	Description/ existing use	Land Area/ Built-up area	Date of purchase	Valuation date	Net book value (30.06.2018) (RM)
CL 075350855 CL 075350864 CL 075350882 CL 075359652 Mile 9, Church Road, Off Jalan Labuk, Jalan Seguntur, Sandakan, Sabah	10 years ↓	Leasehold / 31.12.2073 31.12.2073 31.12.2073 31.12.2078	Shipbuilding & Repairs Facility ↓	2.36 acres 2.83 acres 10.65 acres 6.20 acres	22.12.2008 ↓	N/A ↓	2,491,929
CL 075366031 Sungai Seguntor Sandakan, Sabah	8 years	Leasehold / 31.12.2077	Shipbuilding & Repairs Facility	6.31 acres	18.05.2010	N/A	1,347,040
1/2 undivided share of TL077534322 Lot 2B, Block G Bandar Leila, Jalan Leila, Sandakan, Sabah	35 years since 1984	Leasehold / 05.02.2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	06.06.2011	N/A	163,083
7/206 undivided share of CL075495340 Lot SO197 - SO203, Block A, One Avenue, Phase 8, Bandar Utama, Mile 6, Jalan Utara, Sandakan, Sabah.	7 years	Leasehold / 31.12.2081	7 units double storey shop office	1,475.60 sq m	17.12.2007	N/A	3,568,055

Analysis of Shareholdings

as at 26 September 2018

Statistics on Ordinary Shareholdings as at 26 September 2018

Total Number of Issued Shares Including Treasury Shares	531,599,431 Ordinary Shares
Type of Shares	Ordinary Shares
Voting Rights	One vote per Ordinary Share
No. of Treasury Shares Held	4,196,800 Ordinary Shares

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share
Less than 100	245	10,272	0.00
100 to 1,000	886	489,631	0.09
1,001 to 10,000	2,737	13,244,927	2.51
10,001 to 100,000	1,131	34,976,923	6.63
100,001 to less than 5% of issued shares	184	260,953,586	49.48
5% and above of issued shares	4	217,727,292	41.29
Total	5,187	527,402,631	100.00

List of Thirty Largest Securities Accounts Holders

No.	Name	No. of Shares	%
1.	IVORY ASIA SDN. BHD.	84,746,660	16.07
2.	IVORY ASIA SDN. BHD.	66,666,666	12.64
3.	HSBC NOMINEES (ASING) SDN BHD KBL EURO PB FOR SAMARANG UCITS-SAMARANG ASIAN PROSPERITY	33,647,300	6.38
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG FONG THAU (KKINABALU-CL)	32,666,666	6.19
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KOK (B TINGGI-CL)	24,138,254	4.58
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN SHIN (KKINABALU-CL)	23,851,320	4.52
7.	ONG SENG HENG	23,788,500	4.51
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KEUAN (KKINABALU-CL)	23,691,587	4.49
9.	PANG FONG THAU	22,161,700	4.20
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN HENG (KKINABALU-CL)	13,707,700	2.60
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN. BHD.	12,500,000	2.37
12.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP	9,552,700	1.81
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	9,502,700	1.80
14.	PANG FONG THAU	8,849,509	1.68
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	5,333,333	1.01
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (471873)	4,100,000	0.78
17.	KOO HONG @ KU HONG HAI	4,000,000	0.76
18.	NG CHIN HENG	3,733,333	0.71

Analysis of Shareholdings (cont'd.)

as at 26 September 2018

List of Thirty Largest Securities Accounts Holders (Cont'd)

No.	Name	No. of Shares	%
19.	NG CHIN HENG	3,666,666	0.70
20.	NG CHIN HENG	3,335,201	0.63
21.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	3,093,700	0.59
22.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,927,077	0.37
23.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,880,866	0.36
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	1,849,700	0.35
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	1,845,000	0.35
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	1,840,834	0.35
27.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	1,649,200	0.31
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,500,000	0.28
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR APEX DANA AL-SOFI-I (ADAS-I) (410325)	1,174,000	0.22
30.	CARTABAN NOMINEES (ASING) SDN BHD BCSL CLIENT AC PB CAYMAN CLIENTS	1,160,400	0.22

Substantial Shareholders

No.	Name	No. of Shares held		% of Issued Share	
		Direct	Indirect	Direct	Indirect
1.	IVORY ASIA SDN BHD	151,413,326	-	28.71	-
2.	PANG FONG THAU	63,677,875	^a 175,856,226	12.07	33.34
3.	SAMARANG UCITS – SAMARANG ASIAN PROSPERITY	33,647,300	-	6.38	-
4.	NG CHIN HENG	24,442,900	^b 215,091,201	4.63	40.78

Directors' Shareholdings

No.	Name	No. of Shares held		% of Issued Share	
		Direct	Indirect	Direct	Indirect
1.	NG CHIN HENG	24,442,900	^c 215,795,400	4.63	40.92
2.	NG CHIN SHIN	23,851,320	-	4.52	-
3.	NG CHIN KEUAN	23,691,587	^d 20,000	4.49	0.00
4.	LOH THIAN SANG @ LO THIAN SIANG	-	-	-	-
5.	INTIZAM BIN AYUB	-	-	-	-
6.	JACOB O PANG SU YIN	-	-	-	-

^a Deemed interests by virtue of shareholdings of husband, Mr. Ng Chin Heng and Ivory Asia Sdn Bhd in the Company.

^b Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Thau and Ivory Asia Sdn Bhd in the Company.

^c Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Thau, shareholdings of son, Mr. Ng San Chen, shareholdings of daughters, Madam Ng San Yin and Madam Alice Ng and Ivory Asia Sdn Bhd in the Company.

^d Deemed interests by virtue of shareholdings of wife, Madam Chin Nyuk Oi in the Company.

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COASTAL CONTRACTS BHD

(Company No. 517649-A)
(Incorporated in Malaysia)

No. of ordinary shares held

FORM OF PROXY

I/We,
being a Member/Members of COASTAL CONTRACTS BHD, hereby appoint.....
of.....
or failing him
of.....

as my/our proxy to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 28 November 2018 at 10:00 am or at any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolutions	For	Against
1.	To approve the payment of fees and benefits to the Non-Executive Directors.		
2.	To re-elect Tuan Hj Intizam Bin Ayub as Director.		
3.	To re-elect Mr Ng Chin Shin as Director.		
4.	To re-appoint Messrs Crowe Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	Proposed retention of Mr Loh Thian Sang @ Lo Thian Siang as Independent Non-Executive Director.		
6.	Authority to issue shares pursuant to the Companies Act 2016.		
7.	Proposed renewal of Share Buy-back Authority.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this day of 2018

.....
Signature/common seal of Member(s)

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint:
 - at least one (1) proxy but not more than two (2) proxies to attend and vote instead of him; or
 - multiple proxies where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account").A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy.
- Where a member appoints two (2) proxies to attend and vote at the same meeting, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointer or by his attorney and in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, he may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
- The instrument appointing a proxy must be left at the Registered Office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, not less than 48 hours before the time for holding the meeting or any adjourned meeting at which it is to be used, and in default shall not be treated as valid.

FOLD THIS FLAP FOR SEALING

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Coastal Contracts Bhd
(Company No. 517649-A)

Block G, Lot 3B, Bandar Leila
W.D.T. 259, 90009 Sandakan, Sabah

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Coastal Contracts Bhd (517649-A)

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