

“Sail Forth, Grow Beyond”



Annual Report
2019



Coastal Contracts Bhd
(517649-A)



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at the Registered Office, Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 26 November 2019 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 2019 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 27 November 2019 until the next Annual General Meeting of the Company.
3. To re-elect the following Directors:
 - 3.1 Mr Jacob O Pang Su Yin retiring pursuant to Article No. 91 of the Company's Constitution and being eligible, offers himself for re-election.
 - 3.2 Mr Loh Thian Sang @ Lo Thian Siang 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 PLT (converted from a conventional partnership, Crowe Malaysia) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

Resolution 1

Resolution 2

Resolution 3

Resolution 4

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 subject to the passing of Resolution 3, 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"

Resolution 5

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."

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

SPECIAL RESOLUTION

Proposed Adoption of a New Constitution of the Company

“ THAT approval be and is hereby given for the Company to revoke the existing Constitution of the Company comprising the Memorandum and Articles of Association of the Company.

AND THAT in replacement thereof, a proposed new Constitution as set out in Part B, Appendix II of the Circular to Shareholders dated 29 October 2019 be hereby adopted as the new Constitution of the Company.

AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company.”

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

Resolution 7

Resolution 8

Notice of Annual General Meeting (cont'd.)

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 Nineteenth 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 20 November 2019. Only a depositor whose name appears on the Record of Depositors as at 20 November 2019 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 2019

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.

Notice of Annual General Meeting (cont'd.)

EXPLANATORY NOTES

(a) Audited Financial Statements for the financial year ended 30 June 2019

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 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.

Subject to the passing of the proposed Resolution No. 3, 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.

(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 28 November 2018. 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 Part A of the Circular to Shareholders dated 29 October 2019 for more information.

(e) Proposed Adoption of A New Constitution of the Company

The proposed Resolution No. 8, if passed, will streamline the existing Constitution comprising the Memorandum and Articles of Association of the Company with the Companies Act 2016, which came into force on 31 January 2017, and to align to amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as for better clarity and to enhance administrative efficiency. Shareholders are directed to refer to Part B of the Circular to Shareholders dated 29 October 2019 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 138 to 139 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. Ir Intizam Bin Ayub
Independent Non-Executive Director

AUDIT COMMITTEE

Jacob O Pang Su Yin
Chairman

Loh Thian Sang @ Lo Thian Siang
Member

Tuan Hj. Ir Intizam Bin Ayub
Member

NOMINATION COMMITTEE

Jacob O Pang Su Yin
Chairman

Loh Thian Sang @ Lo Thian Siang
Member

Tuan Hj. Ir 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

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan
Tel : +60 3 7890 4700
Fax : +60 3 7890 4670

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) 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 PLT (LLP0018817-LCA & AF 1018)
(converted from a conventional partnership, Crowe Malaysia)
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

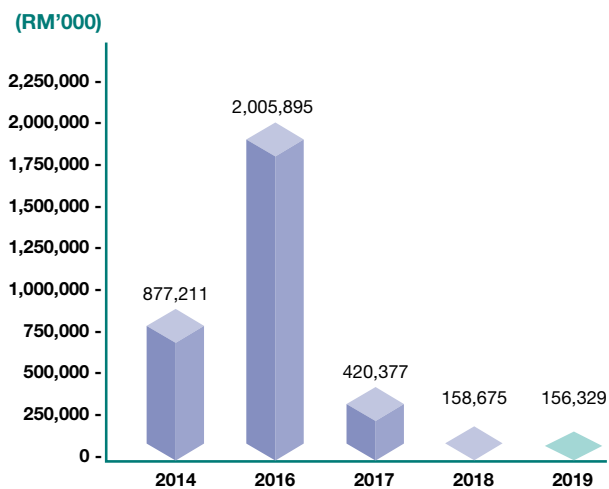
Main Market of Bursa Malaysia Securities Berhad
Stock Name : COASTAL
Stock Code : 5071

5-Years' Group Financial Summary

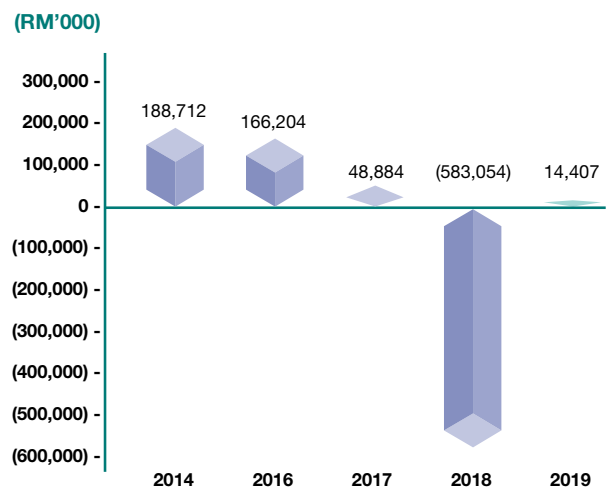
	2019	2018	2017	2016*	2014
Financial Results (RM'000)					
Revenue	156,329	158,675	420,377	2,005,895	877,211
Profit / (Loss) before tax	29,838	(568,124)	69,410	172,264	190,879
Profit / (Loss) net of tax	14,407	(583,054)	48,884	166,204	188,712
Statement of Financial Position (RM'000)					
Total assets	1,645,714	1,715,785	2,470,893	2,603,142	2,088,027
Total borrowings	293,938	348,233	435,537	572,793	99,011
Shareholders' equity	1,176,862	1,162,744	1,816,245	1,669,861	1,427,185
Financial Indicators					
Return on equity	1.23%	(39.14%)	2.80%	10.73%	15.53%
Earnings / (Loss) per share (sen)	2.73	(110.56)	9.24	31.31	36.26
Net asset per share (sen)	223	220	344	315	269
Net dividend	-	5,274	10,579	26,528	38,250
Dividend per share (sen)	-	-	2.00	5.00	7.20

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

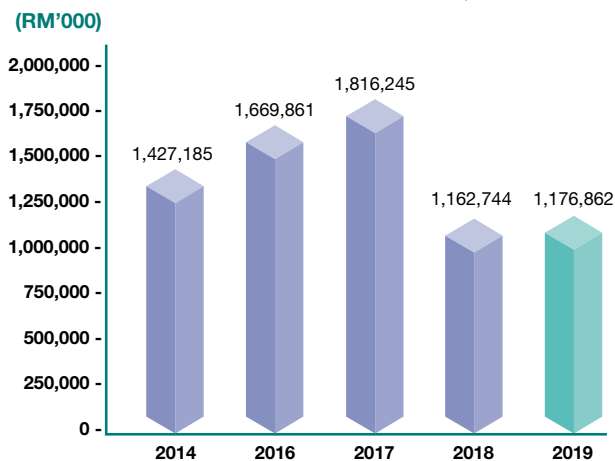
REVENUE



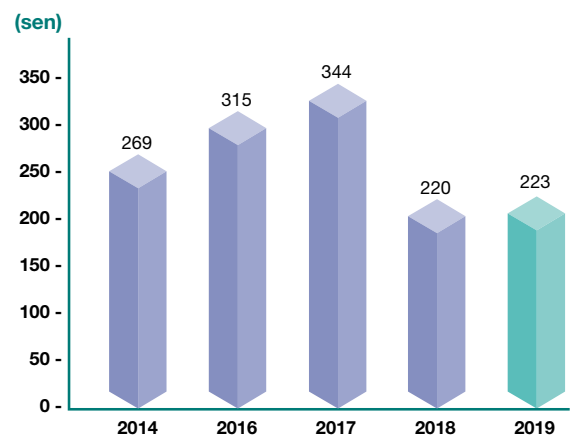
PROFIT / (LOSS) NET OF TAX



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 70, 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 four for the five board meetings held during the financial year ended 30 June 2019.

As at 26 September 2019, Mr Ng Chin Heng has direct interests of 5.21% and indirect interests of 41.09% 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 111 and 112 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

NG CHIN SHIN

Male, Aged 60, 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 33 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 2019.

As at 26 September 2019, 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 111 and 112 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 60, 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 three for the five board meetings held during the financial year ended 30 June 2019.

As at 26 September 2019, 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 111 and 112 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

JACOB O PANG SU YIN

Male, Aged 52, 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 2019.

As at 26 September 2019, 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 74, 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 2019.

As at 26 September 2019, 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. IR INTIZAM BIN AYUB

Male, Aged 66, Malaysian

Independent Non-Executive Director

Tuan Hj.Ir 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 Puteri Dulang (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 Ruby 'B' Field 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. Ir Intizam Bin Ayub attended four for the five board meetings held during the financial year ended 30 June 2019.

As at 26 September 2019, Tuan Hj. Ir 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 59, 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 37, 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 36, 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 43, 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 62, 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 37, 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 sixteen (16) 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 43, 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.



Chairman's Statement

Dear Shareholders,

Whilst the impact of the prolonged downturn in the offshore vessel market remains, the broader oil and gas market has improved over the year since the oil price crashed in 2014. Even with the improved oil and gas market, world's oil demand is growing at the lowest rate since the financial crisis over fears of global recession. The fears on the impact of the US trade war with China have caused oil prices to slide despite tensions in the Middle East which typically would cause market to spike.

Ng Chin Heng
Executive Chairman



Despite the challenging market conditions, Coastal Contracts Bhd ("Coastal") have continued to maintain its prudent financial management policy to preserve adequate excess cash and maintain low gearing for its balance sheet.

The venture by Coastal into the O & G sector of Mexico, through the long-term charter of its high-valued Jack-up Gas Compression Service Unit (JUGCSU) to the national oil company Petróleos Mexicanos ("PEMEX"), has continued to provide the Group with recurring profit and free cash flows.

In this regard, I present to you herewith the Annual Report and Audited Financial Statements of Coastal for the year ended 30 June 2019 ("FY2019").

OPERATIONS HIGHLIGHTS

Shipbuilding division

In FY2019, Coastal's shipbuilding division continued with its deferment in delivery of vessels due to the prolonged downturn in the OSV market. Under current market condition, most of the vessel buyers are not capable to purchase new vessels as the financial market is tightening for the OSV sector. In view of this, Coastal has transform itself a little bit from OSV builder to OSV operator. During FY2019, Shipbuilding Division has transferred three units of OSVs to its Vessel Chartering Division.

Vessel Chartering Division

The long term charter of JUGCSU is now in its third year anniversary since achieving its first gas in August 2016.

JUGCSU has been producing and supplying compressed gas smoothly to PEMEX since then. In addition, the three units of new OSVs transferred from Shipbuilding Division had secure good charter contracts during the year. We are expanding our fleet for the Vessel Chartering Division.

REVIEW OF FINANCIAL PERFORMANCE

Revenue and profitability

The Group revenue for FY2019 of RM156.3 million is comparable to RM158.7 million recorded in FY2018.

The shipbuilding division contributed RM4.1 million to the total Group revenue, RM14.3 million lower than revenue for FY2018 of RM18.4 million. The decrease was mainly attributable to lower vessel sales in FY2019.

Meanwhile, revenue contribution from the chartering of vessels increased to RM152.2 million, from RM140.3 million in FY2018, which was mainly attributable to earnings derived from new charter contracts secured for offshore support vessels and marine transportation vessels.

In contrast with FY2018, Coastal registered net profit attributable to shareholders of RM14.4 million in FY2019 from net loss of RM583.1 million in FY2018. The improvement in the bottom-line was due to the one-off exceptional write-off for its vessel inventories in FY2018.

Correspondingly, basic earnings per share for FY2019 stood at 2.73 sen compared to loss per share of 110.56 sen in FY2018.

Chairman's Statement (cont'd.)



Financial position

Coastal maintains a healthy balance sheet, with shareholders' equity increasing to RM1.18 billion as at 30 June 2019 from RM1.16 billion as at 30 June 2018, mainly due to current year's profit and higher currency translation reserve.

Total borrowings reduced by RM54.3 million to RM293.9 million from RM348.2 million previously was mainly due to repayments of long term borrowings which were made for the term loan for JUGCSU. Cash and cash equivalents, inclusive of short term investment in money market, are maintained at RM502.7 million.

In addition, our balance sheet remains healthy with a gearing ratio of only 0.25 time. The low gearing ratio allows us ample room to pursue growth opportunities and weather ongoing challenges in the near future.

PROSPECTS AND GROWTH STRATEGIES

Management believes that the OSV market remains oversupplied but the market equilibrium has improved this year mainly due to the gradual increase in upstream activities and also due to increasing consensus that a large number of vessels which have been laid up during the downturn may not return to service due to high reactivation costs and the reluctance of oil companies to contract vessels which have

been out of service for longer period. These circumstances may reduce some of the supply overhang and provide a good opportunity for our shipbuilding division in the next few years.

During the year, Coastal obtained its Petronas licence under the category for "Floating & Mobile Offshore Facilities – Mobile Offshore Facilities" by virtue of its successful track record gained from JUGCSU. Moving forward, one of our growth strategies would be pursuing for projects similar as MOPU, such as Floating Production Storage and Offloading ("FPSO"), Floating Production Unit (FPU), Floating Storage and Offloading (FSO), Floating Storage and Regassification Unit (FSRU) and other similar projects.

APPRECIATION TO STAKEHOLDERS

I would like to extend my appreciation to my fellow Board members, management, and all employees for your invaluable contributions, unwavering support and commitment during the tough times.

On behalf of the Board of Directors, our appreciation also goes to our business partners, bankers, customers and suppliers for your unwavering support. We look forward to your continued support as we navigate through the challenging environment. Further, I would also like to thank our shareholders for your confidence in us and continuous support.

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, ship repair, 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 maximise the exploitation of hydrocarbons. The JUGCSU named AGOSTO 12 marked its third 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 2019 ("FY2019"), revenue for Shipbuilding and Ship Repair Division decreased by 78% to RM4.1 million from RM18.4 million in the previous financial year ('FY2018'). The decrease was mainly attributable to the lower vessel sales during the year. This division recorded a loss before tax of RM54.3 million for FY2019 as compared to the RM644.2 million reported in FY2018 a decrease of 92%. The losses for FY2019 was significantly lower than FY2018 due to the one-off exceptional write-off for its vessel inventories in FY2018.

Vessel Chartering Division– Overall Financial Performance:

For FY2019, Vessel Chartering Division's revenue increased slightly by RM11.9 million, from RM140.3 million in FY2018 to RM152.2 million. The slight increase in revenue was mainly attributable to earnings derived from new charter contracts secured for offshore support vessels and other vessel during the year. Consequently, profit before tax improved to RM84.1 million as compared to RM76.1 million reported in FY2018.

Overview of Key Performance Indicators for the Group:

Key Performance Indicators	FYE 30.06.2019	FYE 30.06.2018
Gross profit margin	42.95%	29.94%
Net profit / (loss) margin	9.22%	(367.45%)
Gearing ratio	0.25	0.30
Current ratio	3.96 times	4.22 times
Quick ratio	2.90 times	2.74 times
Inventories turnover	1,322 days	2,044 days
Debtors turnover	237 days	302 days
Creditors turnover	526 days	385 days

Management Discussion and Analysis (cont'd.)

FINANCIAL HIGHLIGHTS (Cont'd)

Gross profit margin and net profit / (loss) margin

The Group recorded gross profit margin and net profit margin of 42.95% and 9.22% respectively in FY2019 as compared to gross profit margin and net loss margin of 29.94% and 367.45% respectively in FY2018. The Group's gross profit margin this year was higher than FY2018 mainly attributable to higher contribution from Chartering Division which has higher margin contribution compared to Shipbuilding Division. In terms of net profit margin, the improvement was due to the exceptional one-off inventories written-off in FY2018.

Gearing ratio

The Group's gearing ratio decreased by 0.05 from 0.30 in FY2018 to 0.25 in FY2019. This was mainly attributable to the repayment of long-term borrowings which were made for the Vessel Chartering Division. The Group's gearing ratio remains healthy and at a manageable level enabling the Group to have room for more borrowings should we manage to secure new projects in future.

Current ratio and quick ratio

The Group's current ratio for FY2019 decreased to 3.96 times from 4.22 times in the FY2018. The decrease in the liquidity position was mainly attributable to the reclassification of certain vessel inventories to property, plant and equipment because some of the completed vessels are deployed in chartering business during FY2019. The Group's quick ratio for FY2019 increased to 2.90 times from 2.74 times in FY2018. The increase in the liquidity position was mainly attributable to better collections from customers.

Inventories turnover

The inventories turnover decreased significantly from 2,044 days to 1,322 days primarily due to reclassification of vessel inventories to property, plant and equipment because some of the completed vessels are deployed in chartering business during FY2019.

Debtors turnover

The debtors turnover decreased from 302 days in FY2018 to 237 days in FY2019 primarily due to better collections from customers during FY2019.

Creditors turnover

The creditors turnover increased from 385 days in FY2018 to 526 days in FY2019, mainly due to prolonged defer payment to vessel sub-contractors as several vessel deliveries have been deferred.

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 FY2019 and FY2018, 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:

During FY2019, there are signs of increasing upstream activities in the O & G value chain. Offshore E & P spending is estimated to be up by around 5% in year 2019 and expected to grow by another 5% in 2020, making it the first year of offshore spending growth since the oil price crashed in 2014.

However, global recession risk has risen significantly given the combination of the ongoing global economic slowdown and the continued trade war between the US and China, which will have adverse impact on oil price. With the emergence of global recession risk, it may have an adverse impact on the gradual recovery of the O & G sector which had seen its first spending growth in year 2019.

Coastal Group maintains its stance in a more conservative approach when pursuing expansion opportunities by opting for long term projects and stronger counter-party.

Management Discussion and Analysis (cont'd.)

REVIEW OF OPERATING ACTIVITIES

The signs of increasing upstream activities in the O & G value chain and improved charter rates will provide a good opportunity for the Group's Vessel Chartering Division as there would be more demand for vessel chartering in the market.

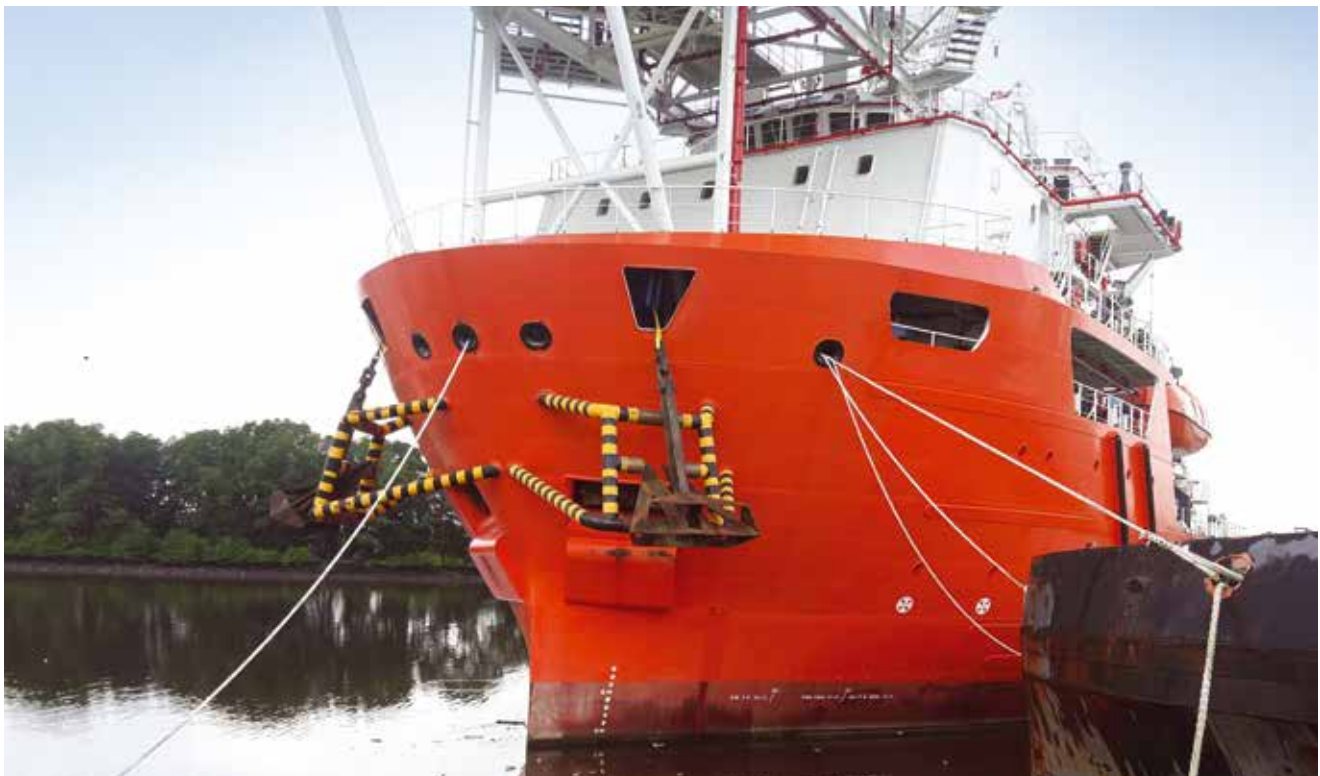
The low and volatile oil price is expected to have a lesser impact on the Chartering Division given that a long term charter contract has been secured for its JUGCSU which has marked its third year anniversary since the unit achieved its first gas in August 2016. The unit has continued to contribute positively to the Group's earnings during the current financial year. During the FY2019, the Group secured several charter contracts for its offshore support vessels and other vessel in Asia and Middle East waters, which has contributed positively to its earnings for FY2019 and subsequent financial years.

SIGNIFICANT BUSINESS RISK

The Management is of the view that our current significant business risk is the market risk. Currently, markets worldwide are facing with the risk of global recession. The ongoing of US and China trade war will have an adverse impact towards the world's economy. In order to mitigate this significant risk, Management will continue with its prudent cash management strategy. Coastal will maintain its stance in a more conservative approach when pursuing expansion opportunities by selecting long term projects with stronger counter-parties in order to provide us with more stable earnings visibility with lower credit risk. In the meantime, Management has continued to implement its appropriate cost-cutting measures on existing operations to enhance cost efficiency.

PROSPECTS

While we have seen many O & G companies have struggled during the prolonged industry downturn, the Group continues to remain cautious in the near term but optimistic towards the longer term as oil prices is expected to continue to recover gradually. With its history of having successfully navigated through many challenges and economic crisis 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.



Sustainability Statement

Coastal Contracts Bhd (“Coastal”) is pleased to present its Sustainability Statement which covers its corporate office, shipyards and business operations. This report has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The contents of this statement and the identified material economic, environmental and social risks were identified by referring to the Sustainability Reporting Guide issued by Bursa Malaysia.

GOVERNANCE STRUCTURE

The Board of Directors oversees the development of the sustainability performance of the organization. The senior management and Heads of divisions will give recommendations and convey the material matters identified to the Board. The Board is kept informed and regularly updated on the progress of sustainability matters and any issues arising therefrom.

KEY SUSTAINABILITY MATTERS

The materiality assessment was conducted by taking into consideration the view and responses from all Group’s stakeholders on significant economic, environment and social risks and opportunities which are crucial for the success and continued growth of the Group. The key sustainability matters identified are discussed below.

ECONOMIC

Procurement

As a key consideration to conducting a sustainable business, a proper management of the Group’s procurement practice is required. In order to support domestic economy, the Group’s local Purchasing team sources significant portion of products and services for its business from the local domestic suppliers. Should the local domestic suppliers be unable to provide such products or services, the team shall then source from international suppliers.

The Group’s local shipyards maintains an appropriate Procurement Policy to ensure that the procured products and services are fit for purpose and represent value for money. The Procurement Policy ensures a standard of ethical conducts with fair assessment of quotations or proposals submitted by vendors.

Whistle-blowing Policy

Coastal maintains a whistle-blowing policy and procedures which provides a platform for employees to disclose any improper or unethical conducts which affects the Group. Any Director, officer or employee of the Group can report any improper conduct by writing to the Audit Committee Chairman, Mr. Jacob O. Pang Su Yin at jacob.pang@coastalcontracts.com.

Code of Conduct

The Group maintains a Code of Conduct for all its employees which is intended to preserve the business integrity and accountability. The Code of Conduct lists out the Group’s expectations of its employees, outlining acceptable behavior throughout the organisation during their employment period. To ensure that the entire workforce is aware of this code, all new employees are properly briefed through the Employee Handbook when they first start work with us.

ENVIRONMENTAL

Environmental Compliance

One of the Group’s initiatives is to switch to more environmentally friendly alternatives to minimise or reduce greenhouse gas footprint – by sourcing from suppliers’ fuel-efficient marine engines that comply with the nitrogen oxides emission level requirements set by the governing International Maritime Organisation (IMO).

Under our CSR-conscious industrial practices, only non-toxic and non-polluting tin-free antifouling paints are used in the coating of ship hulls. Onboard, our manned ships are equipped with energy-efficient bulbs and sewerage treatment systems which cut down effluent discharge into waterways and the sea, as well as refrigeration systems with more eco-friendly refrigerants that sharply reduce emissions of ozone-depleting substances and greenhouse gas into the atmosphere. With the exception of certain vanes, joints and insulations, we insist on the installation of asbestos-free. This is to establish the safety of all personnel on board and at our shipyards, as asbestos is known to cause very serious, often life-threatening illnesses such as mesothelioma and lung cancer.

Sustainability Statement (cont'd.)

ENVIRONMENTAL (Cont'd)

Energy Efficient Practices

Coastal recognises that reducing environmental impact will not only lessen our unnecessary costs, but will also decrease additional carbon in the environment. Our employees are reminded to switch off all printers and lights when not in use. The same policy extends to the pantry, reception area and meeting rooms. Employees also encouraged to print documents only when necessary to not only reduce paper wastage but also reduces energy costs and lifespan of printers. All emails from the Company contain the footnote, "Please consider the environment before printing this email".

SOCIAL

Employee Benefits and Retention

In order to mitigate high employee turnover, the Group provide a competitive compensation and benefits packages to its respective employees, which are aligned with industry practices and reviewed periodically. The Group also provides training, personal development and a healthy workplace environment. During the year, there were three (3) resignations only compared to nine (9) in the previous financial year ended 30 June 2018.

Diversity and Equal Employment Opportunities

Recognising that our people are the lifeblood and core to the success of Coastal Group, we are resolute in creating a conducive atmosphere, by introducing educational and self-development programmes thus enriching our personnel with career development prospects. It is the policy of the Group to provide equal employment opportunities for all qualified persons without any discrimination against race, religion, sex, age, national origin, veteran status, disability and others related. Such policy applies to recruitment, placement, promotion, training, transfer, retention, salary rate and other terms and conditions of employment.

For the current financial year, there were 196 employees with male to female ratio of 75 : 25 compared to 203 employees (74 : 26) in previous financial year end. Coastal employees consist of diverse nationalities for both its domestic and international operations.

Local Community

Coastal Group fully subscribes to the concept of giving back to the community and remains active in providing financial assistance towards worthy causes such as schools, sport and leisure bodies as well as the community and other charitable organisations in support of education, children and youth development.

During the financial year, Coastal Group made monetary donations to:

- i) Sandakan Hockien Association for its 130th Years Anniversary Dinner
- ii) Sandakan Traditional Taiji Quan Association for its 1st Year Anniversary Dinner
- iii) Marine Corps Headquarters for its Family Day Celebration
- iv) Montfort Youth Training Centre

Coastal Group will continuously adhere to its principle of performing social responsibility and contribute to the local community with concrete action by taking part in campaigns such as public charity and educational support.

Coastal Group has and will continue to operate in accordance with business practices of the highest standard so as to discharge its responsibilities to its shareholders while playing a meaningful role in the economic, environment and social risks and opportunities.

Audit Committee Report

For The Financial Year Ended 30 June 2019

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 PLT as External Auditors of the Company as well as reviewed the level of non-audit services rendered by Crowe Malaysia PLT to the Company for the financial year under review. The Audit Committee is satisfied with the competency and audit independence of Crowe Malaysia PLT 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. Ir 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 2018 to 30 June 2019. These meetings were held at the registered office on 30 August 2018, 4 October 2018, 26 November 2018, 26 February 2019 and 29 May 2019. 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. Ir Intizam Bin Ayub	4/5	80%

Audit Committee Report

For The Financial Year Ended 30 June 2019 (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 2019 and the audited financial statements of the Company and the Group for the financial year ended 30 June 2019 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 2019 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 16 February 2016 and 4 March 2019 granted 47,618,000 and 9,376,800 respectively 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 2019 (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				30.6.2019
		1.7.2018	Granted	Exercised	Forfeited	
16 February 2016	RM1.40	44,972,000	-	-	(2,060,000)	42,912,000
04 March 2019	RM0.96	-	9,376,800	(289,500)	(207,600)	8,879,700

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 2019 are as follows:

Name of Directors	Number of Options Over Unissued Ordinary Shares			
	Balance as of 1.7.2018	Granted	Exercised	Balance as of 30.6.2019
Ng Chin Heng	4,000,000	120,000	-	4,120,000
Ng Chin Shin	2,400,000	264,000	-	2,664,000
Ng Chin Keuan	2,400,000	264,000	-	2,664,000
Jacob O Pang Su Yin	120,000	20,000	-	140,000
Loh Thian Sang @ Lo Thian Siang	120,000	20,000	-	140,000
Tuan Hj. Ir Intizam Bin Ayub	120,000	20,000	-	140,000

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 2019 are as follows:

Name of Key Senior Management	Number of Options Over Unissued Ordinary Shares			
	Balance as of 1.7.2018	Granted	Exercised	Balance as of 30.6.2019
Liow Ming Yew	2,800,000	120,000	-	2,920,000
Alice Ng	2,800,000	120,000	-	2,920,000
Pang Fong Thau	2,400,000	120,000	-	2,520,000
Ng Chin Kok	2,400,000	120,000	-	2,520,000
Ng San Chen	2,400,000	120,000	-	2,520,000
Lau Joo Ting	2,400,000	120,000	-	2,520,000
Kong Wei Ket	600,000	180,000	(18,000)	762,000

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 forty-seven (47) percent.

Corporate Governance Overview Statement

The Board of Directors considers corporate governance as a fundamental part of its responsibilities in managing the business and affairs of the Group and is fully committed to maintaining high standards at all times throughout 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 35 to 36 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, takes the 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 2018 to 30 June 2019 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 2018 to 30 June 2019, which were held at the registered office on 30 August 2018, 4 October 2018, 26 November 2018, 26 February 2019 and 29 May 2019.

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	4/5	80%
Ng Chin Shin	Executive Director	4/5	80%
Ng Chin Keuan	Executive Director	3/5	60%
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. Ir Intizam Bin Ayub	Independent Non-Executive Director	4/5	80%

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) directorships 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 7 October 2019.

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) are 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 judgement 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. Ir Intizam Bin Ayub	Member	Independent Non-Executive Director

The Nomination Committee held two (2) meetings during the financial year from 1 July 2018 to 30 June 2019. These meetings were held at the registered office on 4 October 2018 and 29 May 2019. 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. Ir 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 2018 to 30 June 2019, the details of seminars attended by the Directors are as follows:

Name of Director	Seminar
Ng Chin Heng	• 2019 Budget and Tax Conference
Ng Chin Shin	• 2019 Budget and Tax Conference
Ng Chin Keuan	• 2019 Budget and Tax Conference
Jacob O Pang Su Yin	• Audit Committee Conference 2019
Loh Thian Sang @ Lo Thian Siang	• Audit Committee Conference 2019
Tuan Hj. Ir Intizam Bin Ayub	• Modern Meetings

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 2018 to 30 June 2019 are as follows:

From the Company

Directors	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
Executive Directors						
Ng Chin Keuan	-	-	-	-	13	13
Independent Non-Executive Directors						
Loh Thian Sang @ Lo Thian Siang	27	-	13	1	-	41
Jacob O Pang Su Yin	54	-	13	-	-	67
Tuan Hj. Ir Intizam Bin Ayub	26	-	13	-	-	39
Total	107	-	39	1	13	160

Corporate Governance Overview Statement (cont'd.)

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

III. REMUNERATION (Cont'd)

Practice 7.1 and 7.2 Disclosure of Remuneration of Directors and Senior Management (Cont'd)

From the Group

Directors	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
Executive Directors						
Ng Chin Heng	-	886	251	26	18	1,181
Ng Chin Shin	-	347	218	43	13	621
Ng Chin Keuan	-	307	218	38	-	563
Total	-	1,540	687	107	31	2,365

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.

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 2019 are set out on pages 22 to 24.

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.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

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 35 to 36 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.

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 44 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.

Corporate Governance Overview Statement (cont'd.)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

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 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 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 writing.

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 2019 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 7 October 2019.

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 2019. 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.

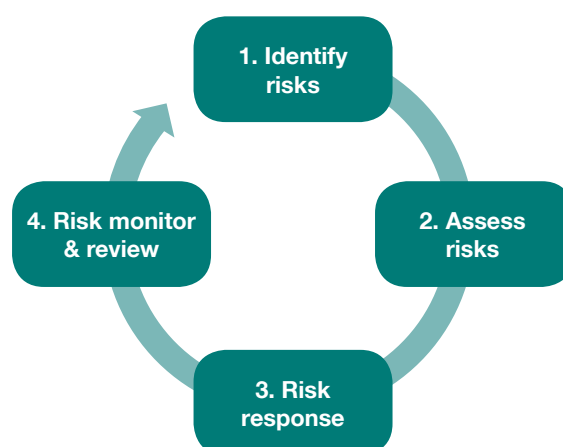
The Board confirms that there is an ongoing process for identifying, assessing and managing the principal risks faced by the Group, which is in accordance with the guidance as contained in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This process 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 formalised 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 categorised 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 2019 was RM38,000.

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 2019. 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 2019 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 statement was presented and approved at the Board of Directors' Meeting held on 7 October 2019.

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 2019 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:				
- purchase of offshore support vessels	195,133	195,133	-	Completed
- 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	207,720	-	

* The actual amount raised was RM207.7 million as compared to the initial announcement of RM184.0 million under the Minimum Scenario, and the surplus of RM23.7 million was proportionately added to the working capital and estimated expenses.

• 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 2019 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	42,500	67,098
Subsidiaries	251,423	36,607
	293,923	103,705

• 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 111 and 112.

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 7 October 2019.



FINANCIAL STATEMENTS

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Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 16 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
Profit net of tax	14,407,339	41,850,464
Attributable to:		
Owners of the Company	14,412,837	41,850,464
Non-controlling interests	(5,498)	-
	14,407,339	41,850,464

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

There was no dividend proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend to be paid in respect of the current financial year.

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

Directors' Report (cont'd.)

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 31 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.

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	1.7.2018	Number of Ordinary Shares		30.6.2019
		Acquired	Sold	
Direct Interests:				
Ng Chin Heng	24,442,900	1,112,300	-	25,555,200
Ng Chin Shin	23,851,320	-	-	23,851,320
Ng Chin Keuan	23,691,587	-	-	23,691,587
Indirect Interests:				
Ng Chin Heng (#)	214,678,100	2,161,800	-	216,839,900
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	1.7.2018	Number of Options Over Unissued Ordinary Shares		30.6.2019
		Granted	Exercised	
Ng Chin Heng	4,000,000	120,000	-	4,120,000
Ng Chin Shin	2,400,000	264,000	-	2,664,000
Ng Chin Keuan	2,400,000	264,000	-	2,664,000
Loh Thian Sang @ Lo Thian Siang	120,000	20,000	-	140,000
Jacob O Pang Su Yin	120,000	20,000	-	140,000
Intizam Bin Ayub	120,000	20,000	-	140,000

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.

Directors' Report (cont'd.)

Issue of Shares and Debentures

During the financial year, the Company increased its issued and paid-up share capital from RM302,139,916 to RM302,518,900 by way of the issuance of 289,500 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at the exercise price of RM0.96 per ordinary share.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

Treasury Shares

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

As at 30 June 2019, the Company held as treasury shares a total of 4,196,800 of its 531,888,931 issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,045,347 and further relevant details are disclosed in Note 28 to the financial statements.

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 28(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.

Directors' Report (cont'd.)

Other Statutory Information (continued)

- (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.

Subsidiaries

The details of the Group's subsidiaries are disclosed in Note 16 to the financial statements.

Significant Events During The Financial Year

The significant events of the Group and of the Company during the financial year are disclosed in Note 39 to the financial statements.

Auditors

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), 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 21 October 2019.

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 49 to 135 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 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 21 October 2019.

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 49 to 135 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 21 October 2019.

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 2019 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 49 to 135.

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 2019, 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 20 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

Net Realisable Value of Inventories Refer to Note 19 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 2019 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.

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.

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

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.
- 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.

Independent Auditors' Report

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

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 16 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 PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

21 October 2019

Kuala Lumpur

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

Statements of Profit or Loss

For the Financial Year Ended 30 June 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Revenue	4	156,329,322	158,674,674	110,358,000	303,166,400
Cost of sales		(89,192,358)	(111,169,568)	-	-
Gross profit		67,136,964	47,505,106	110,358,000	303,166,400
Other items of income					
Interest income	5	5,941,771	8,781,454	2,650,423	6,488,170
Other income	6	38,147,401	35,312,738	14,698,022	2,711,668
Other items of expenses					
Marketing and distribution		(223,489)	(260,382)	-	-
Administrative expenses		(24,410,671)	(23,282,601)	(1,670,059)	(1,807,754)
Finance costs	7	(15,687,021)	(17,922,434)	-	-
Other expenses		(34,375,927)	(616,822,208)	(28,729,783)	(24,507,780)
Net impairment loss on receivables	8	(6,690,584)	(1,436,020)	(55,259,764)	-
Profit/(Loss) before tax	9	29,838,444	(568,124,347)	42,046,839	286,050,704
Income tax expense	12	(15,431,105)	(14,929,342)	(196,375)	(526,119)
Profit/(Loss) net of tax		14,407,339	(583,053,689)	41,850,464	285,524,585
Profit/(Loss) attributable to:					
Owners of the Company		14,412,837	(583,104,369)	41,850,464	285,524,585
Non-controlling interests		(5,498)	50,680	-	-
		14,407,339	(583,053,689)	41,850,464	285,524,585
Earnings/(Loss) per share attributable to owners of the Company (sen):					
Basic	13	2.73	(110.56)		
Diluted	13	2.73	(110.56)		

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 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) net of tax	14,407,339	(583,053,689)	41,850,464	285,524,585
Other comprehensive income/(loss):				
Other comprehensive income/(loss) will be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	15,754,031	(71,955,640)	-	-
Cash flow hedges	(4,236,048)	2,123,143	-	(1,997,386)
Net other comprehensive income/ (loss) will be reclassified to profit or loss in subsequent periods	<u>11,517,983</u>	<u>(69,832,497)</u>	<u>-</u>	<u>(1,997,386)</u>
Total comprehensive income/ (loss) for the year	<u>25,925,322</u>	<u>(652,886,186)</u>	<u>41,850,464</u>	<u>283,527,199</u>
Total comprehensive income/ (loss) attributable to:				
Owners of the Company	25,921,104	(652,923,158)	41,850,464	283,527,199
Non-controlling interests	<u>4,218</u>	<u>36,972</u>	<u>-</u>	<u>-</u>
	<u>25,925,322</u>	<u>(652,886,186)</u>	<u>41,850,464</u>	<u>283,527,199</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 2019

	Note	2019 RM	2018 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	701,983,929	588,599,292
Investment properties	17	3,486,033	3,568,057
Investment securities	18	923,595	2,299,277
		<u>706,393,557</u>	<u>594,466,626</u>
CURRENT ASSETS			
Inventories	19	252,123,406	394,102,965
Trade and other receivables	20	182,854,543	318,244,218
Contract assets	21	559,363	-
Short-term investments	22	293,732,017	121,462,409
Derivative assets	23	772,871	4,900,602
Tax recoverable		263,935	316,753
Cash and bank balances		209,014,637	282,291,421
		<u>939,320,772</u>	<u>1,121,318,368</u>
TOTAL ASSETS		<u>1,645,714,329</u>	<u>1,715,784,994</u>
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Loans and borrowings	25	62,724,107	61,346,147
Trade and other payables	26	174,056,163	204,235,032
Contract liabilities	21	120,746	-
Income tax payable		215,253	157,358
		<u>237,116,269</u>	<u>265,738,537</u>
NET CURRENT ASSETS		<u>702,204,503</u>	<u>855,579,831</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	25	231,213,679	286,887,092
Deferred tax liabilities	27	522,718	415,083
		<u>231,736,397</u>	<u>287,302,175</u>
TOTAL LIABILITIES		<u>468,852,666</u>	<u>553,040,712</u>
NET ASSETS		<u>1,176,861,663</u>	<u>1,162,744,282</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 2019 (cont'd.)

	Note	2019 RM	2018 RM
EQUITY			
Share capital	28	302,518,900	106,319,886
Treasury shares	28	(7,045,347)	(7,045,347)
Share premium	28	-	195,820,030
Other reserves	29	293,243,826	277,498,632
Retained earnings		588,144,284	590,030,120
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,176,861,663	1,162,623,321
Non-controlling interests		-	120,961
		<hr/>	<hr/>
TOTAL EQUITY		1,176,861,663	1,162,744,282
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		1,645,714,329	1,715,784,994
		<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 2019

	Note	2019 RM	2018 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	62,034	80,539
Investments in subsidiaries	16	524,099,455	547,787,879
		<u>524,161,489</u>	<u>547,868,418</u>
CURRENT ASSETS			
Trade and other receivables	20	162,261,150	289,160,924
Short-term investments	22	274,584,810	112,353,724
Tax recoverable		197,485	12,831
Cash and bank balances		94,410,514	84,303,549
		<u>531,453,959</u>	<u>485,831,028</u>
TOTAL ASSETS		<u>1,055,615,448</u>	<u>1,033,699,446</u>
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	26	406,013	330,580
NET CURRENT ASSETS		<u>531,047,946</u>	<u>485,500,448</u>
NON-CURRENT LIABILITIES			
Other payables	26	28,098	42,974
Deferred tax liabilities	27	6,516	7,405
		<u>34,614</u>	<u>50,379</u>
TOTAL LIABILITIES		<u>440,627</u>	<u>380,959</u>
NET ASSETS		<u>1,055,174,821</u>	<u>1,033,318,487</u>

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

Statement of Financial Position

As at 30 June 2019 (cont'd.)

	Note	2019 RM	2018 RM
EQUITY			
Share capital	28	302,518,900	106,319,886
Treasury shares	28	(7,045,347)	(7,045,347)
Share premium	28	-	195,820,030
Other reserves	29	28,336,320	24,095,327
Retained earnings	30	731,364,948	714,128,591
TOTAL EQUITY		<u>1,055,174,821</u>	<u>1,033,318,487</u>
TOTAL EQUITY AND LIABILITIES		<u>1,055,615,448</u>	<u>1,033,699,446</u>

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 2019

2019	Note	Attributable to Owners of the Company						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 2018 as previously reported		106,319,886	(7,045,347)	195,820,030	277,498,632	590,030,120	1,162,623,321	1,162,744,282
Effects on adoption of MFRS 9		-	-	-	-	(17,296,876)	(17,296,876)	(17,296,876)
Opening balance at 1 July 2018, as restated		106,319,886	(7,045,347)	195,820,030	277,498,632	572,733,244	1,145,326,445	1,145,447,406
Foreign currency translation differences for foreign operations		-	-	-	15,744,315	-	15,744,315	15,754,031
Cash flow hedges		-	-	-	(4,236,048)	-	(4,236,048)	(4,236,048)
Total other comprehensive income		-	-	-	11,508,267	-	11,508,267	11,517,983
Profit for the year		-	-	-	-	14,412,837	14,412,837	14,407,339
Total comprehensive income		-	-	-	11,508,267	14,412,837	25,921,104	25,925,322
Transactions with owners:								
Share options:								
- share-based payment expenses	29	-	-	-	5,251,155	-	5,251,155	5,251,155
- share options exercised		378,984	-	-	(101,064)	-	277,920	277,920
- value of options forfeited	29	-	-	-	(909,098)	909,098	-	-
Changes in subsidiaries' ownership interests that do not result in a loss of control		-	-	-	(4,066)	89,105	85,039	(40,140)
Transfer to share capital upon implementation of the Companies Act 2016	28	195,820,030	-	(195,820,030)	-	-	-	-
Total transactions with owners		196,199,014	-	(195,820,030)	4,236,927	998,203	5,614,114	5,488,935
Closing balance at 30 June 2019		302,518,900	(7,045,347)	-	293,243,826	588,144,284	1,176,861,663	1,176,861,663

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 2019 (cont'd.)

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:									
Dividend	38	-	-	-	-	(5,274,026)	(5,274,026)	-	(5,274,026)
Share options:									
- share-based payment expenses	29	-	-	-	4,658,881	-	4,658,881	-	4,658,881
- value of options forfeited	29	-	-	-	(255,528)	255,528	-	-	-
Changes in subsidiary's ownership interests that do not 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 2019 (cont'd.)

2019	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Share Option Reserve RM	Retained Earnings RM	Equity, Total RM
Company							
Opening balance at 1 July 2018, as previously reported		106,319,886	(7,045,347)	195,820,030	24,095,327	714,128,591	1,033,318,487
Effects on adoption of MFRS 9		-	-	-	-	(25,523,205)	(25,523,205)
Opening balance at 1 July 2018, as restated		106,319,886	(7,045,347)	195,820,030	24,095,327	688,605,386	1,007,795,282
Profit for the year		-	-	-	-	41,850,464	41,850,464
Transactions with owners:							
Share options:							
- share-based payment expenses	29	-	-	-	5,251,155	-	5,251,155
- share options exercised		378,984	-	-	(101,064)	-	277,920
- value of options forfeited	29	-	-	-	(909,098)	909,098	-
Transfer to share capital upon implementation of the Companies Act 2016	28	195,820,030	-	(195,820,030)	-	-	-
Total transactions with owners		196,199,014	-	(195,820,030)	4,240,993	909,098	5,529,075
Closing balance at 30 June 2019		302,518,900	(7,045,347)	-	28,336,320	731,364,948	1,055,174,821

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 2019 (cont'd.)

2018	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
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:								
Dividend	38	-	-	-	-	-	(5,274,026)	(5,274,026)
Share options:								
- share-based payment expenses	29	-	-	-	4,658,881	-	-	4,658,881
- value of options forfeited	29	-	-	-	(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 Cash Flows

For the Financial Year Ended 30 June 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Operating Activities					
Profit/(Loss) before tax		29,838,444	(568,124,347)	42,046,839	286,050,704
<u>Adjustments for:</u>					
Dividend income	4	-	-	(110,358,000)	(303,166,400)
Interest income	5	(5,941,771)	(8,781,454)	(2,650,423)	(6,488,170)
Fair value gain on short-term investments	6	(923,445)	(334,435)	(751,953)	(270,580)
Gain on disposal of plant and equipment	6	-	(1,467,341)	-	-
Income from short-term investments	6	(5,824,478)	(2,536,980)	(5,446,889)	(2,392,150)
Premium income arising from guarantee contracts issued	6	-	-	(19,964)	(27,446)
Reversal of inventories written down	6	(598,613)	(1,182,797)	-	-
Interest expense	7	15,687,021	17,922,434	-	-
Net impairment loss on receivables	8	6,690,584	1,436,020	55,259,764	-
Bad debts written off	9	-	-	-	43,529
Depreciation of investment properties	9	82,024	82,024	-	-
Depreciation of property, plant and equipment	9	70,560,164	65,557,468	18,145	9,134
Deposits written off	9	15,267,310	47,620,548	-	-
Fair value loss on quoted investment	9	1,375,682	983,885	-	-
Impairment loss on investment in subsidiary	9	-	-	28,729,423	15,259,595
Inventories written off	9	13,781,842	437,642,480	-	-
Inventories written down	9	1,527,524	90,778,540	-	-
Plant and equipment written off	9	17,509	2,187	360	-
Prepayment written off	9	-	26,313,518	-	-
Share-based payment expenses		5,251,155	4,658,881	264,826	141,037
Net unrealised (gain)/loss on foreign exchange		(4,116,994)	4,789,016	(2,512,991)	3,585,547
Total adjustments		112,835,514	683,483,994	(37,467,702)	(293,305,904)
Operating cash flows before changes in working capital		142,673,958	115,359,647	4,579,137	(7,255,200)
<u>Changes in working capital</u>					
Net change in accounts with subsidiaries		-	-	48,595,106	(74,088,726)
Increase in inventories		(4,813,406)	(122,580,974)	-	-
Decrease in receivables		100,246,841	87,626,904	151,276	863,964
Increase in contract assets		(559,363)	-	-	-
(Decrease)/Increase in payables		(34,956,158)	3,049,243	28,326	(9,965)
Increase in contract liabilities		120,000	-	-	-
Total changes in working capital		60,037,914	(31,904,827)	48,774,708	(73,234,727)
Cash flows from/(used in) operations		202,711,872	83,454,820	53,353,845	(80,489,927)
Interest paid		(15,154,113)	(17,205,535)	-	-
Income tax paid		(15,220,456)	(17,492,597)	(381,918)	(796,636)
Net cash flows from/(used in) operating activities		172,337,303	48,756,688	52,971,927	(81,286,563)

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 2019 (cont'd.)

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Investing Activities					
Proceeds from settlement of derivative		-	10,311,062	-	10,311,062
Purchase of short-term investments		(171,346,163)	(74,886,980)	(161,479,133)	(65,842,150)
Income received from short-term investments		5,824,478	2,536,980	5,446,889	2,392,150
Subscription of shares in subsidiaries		-	-	(8,459)	(112,265,291)
Net dividend received		-	-	110,358,000	303,166,400
Interest received		10,799,403	4,143,908	2,634,724	7,173,507
Proceeds from disposal of plant and equipment		-	3,886,494	-	-
Purchase of property, plant and equipment	15	(27,218,784)	(1,438,094)	-	(73,906)
Net cash flows (used in)/from investing activities		(181,941,066)	(55,446,630)	(43,047,979)	144,861,772
Financing Activities					
Acquisition of non-controlling interests		(46,211)	-	(46,211)	-
Proceeds from exercise of ESOS		277,920	-	277,920	-
Dividend paid on ordinary shares	38	-	(5,274,026)	-	(5,274,026)
Repayment of bank loans	24(b)	(63,411,833)	(62,535,999)	-	-
Repayment of obligations under finance leases	24(b)	(64,294)	(61,362)	-	-
Net cash flows (used in)/from financing activities		(63,244,418)	(67,871,387)	231,709	(5,274,026)
Net (decrease)/increase in cash and cash equivalents		(72,848,181)	(74,561,329)	10,155,657	58,301,183
Effect of foreign exchange rate changes		(428,603)	(11,556,403)	(48,692)	2,872,862
Cash and cash equivalents at beginning of year		282,291,421	368,409,153	84,303,549	23,129,504
Cash and cash equivalents at end of year	24(a)	209,014,637	282,291,421	94,410,514	84,303,549

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 2019

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 and principal place of business of the Company are 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 16 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 2018, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2018.

Description

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140: Transfers of Investment Property
Annual Improvements to 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

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:

MFRS 9 Financial Instruments

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held-to-maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with the 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 9 Financial Instruments (continued)

The financial impacts upon the adoption of MFRS 9 are summarised below:

	← As Previously Reported RM	At 1 July 2018 MFRS 9 Adjustments RM	→ As Restated RM
Statements of Financial Position			
Group			
Trade and other receivables	318,244,218	(17,296,876)	300,947,342
Retained earnings	590,030,120	(17,296,876)	572,733,244
Company			
Trade and other receivables	289,160,924	(25,523,205)	263,637,719
Retained earnings	714,128,591	(25,523,205)	688,605,386

The Group has adopted MFRS 9 without restating any comparative information (transitional exemption). Therefore, the financial impacts arising from the new impairment requirements are not reflected in the consolidated statement of financial position as at 30 June 2018; but are recognised in the opening consolidated statement of financial position on 1 July 2018.

The Group has changed its impairment loss methodology from the 'incurred loss' approach to the 'expected credit loss' approach upon the adoption of MFRS 9. Under this new approach, the Group has accounted for the expected credit losses of its financial assets measured at amortised cost and contract assets to reflect their changes in credit risk since initial recognition.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios.

The adoption of MFRS 15 did not have a material impact on the financial statements of the Group and of the Company.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
MFRSs and/or IC Interpretations (Including The Consequential Amendments)	
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 : Definition of Business	1 January 2020
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 101 and MFRS 108 : Definition of Material	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020
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 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 2019 (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 9 (2018: 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 2019 (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 2019 (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 2019 (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 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.

2.10 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15: Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.10 Financial Instruments (continued)

(a) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt instruments

Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.10 Financial Instruments (continued)

(b) Financial liabilities

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained earnings.

(d) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.10 Financial Instruments (continued)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

(g) Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to interest rate risks, including interest rate swap.

Hedge accounting

The Group designates the derivatives as hedging instruments in respect of interest rate risk in cash flow hedges.

At the inception of the hedge relationship, the Group 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 cash flows of the hedged item.

Cash flow hedges

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 and accumulated in equity under the cash flow hedge reserve, limited to the lower of cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item, from inception of the hedge. 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 removed from equity and included in the initial amount of the asset or liability directly. 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 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.10 Financial Instruments (continued)

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

Cash flow hedges (continued)

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or when a hedge no longer meets the criteria for hedge accounting. Any gain or loss accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs 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 the cash flow hedge reserve is reclassified immediately to profit or loss.

Accounting policies applied until 30 June 2018

As disclosed in Note 2.2 to the financial statements, the Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.
- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.11 Contract Costs

(a) Incremental costs of obtaining a contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to fulfil a contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.12 Contract Asset and Contract Liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9: Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2.13 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.

2.14 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.

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.

2.15 Impairment

(a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade and other receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.15 Impairment (continued)

(a) Impairment of financial assets (continued)

Accounting policy applied until 30 June 2018

As disclosed in Note 2.2 to the financial statements, the Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:

- 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.

(b) 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 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.16 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.

2.17 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.

2.18 Employee Benefits

(a) 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.

(b) 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.

(c) 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.19 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.

2.20 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.20 Fair Value Measurements (continued)

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.

2.21 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction of vessels

The Group builds vessels under long-term construction contracts on both build-to-order and build-to-stock basis. For build-to-order vessels, it typically commences the construction process only upon securing a firm order from a customer. For build-to-stock vessels, however, it commences the construction of the vessels in anticipation of future or potential orders and seeks to sell the vessels to customers at a later stage when the selling prices are favourable.

Revenue from construction contract for built-to-order vessel is recognised over time in the period in which the services are rendered using the output method by reference to the construction progress based on the physical proportion of construction work. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Group has assessed and determined that the performance obligations for built-to-stock vessels are satisfied at a point in time as none of the criteria for satisfaction of performance obligations over time is met. The Group performance does not create an asset with alternative use to the Group and the Group does not have an enforceable right to payment for work completed to date.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.21 Revenue from Contracts with Customers (continued)

(b) Vessel chartering

The service element of the Group's vessel charter contracts is recognised over time in the period when the services are rendered, since the performance obligation is satisfied over time. When the customer simultaneously receives and consumes the benefits provided by the Group's performance (such as revenues from reimbursements, bunkers and other goods and services provided to customers), related revenues are recognised in the period in which such goods or services are transferred to the customers.

(c) Ship repair and maintenance services

Revenue from providing ship repair and maintenance are recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. For variable-price contracts, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Past experience is used to estimate and provide for the variable consideration.

2.22 Revenue from Other Sources and Other Operating Income

(a) Rental income

Rental income from investment property is recognised in profit or loss as it accrues over the term of the lease.

(b) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(c) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2.23 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.23 Income Taxes (continued)

(b) Deferred tax (continued)

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.

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.

2.24 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

2. Summary of Significant Accounting Policies (continued)

2.25 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.

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.

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 9 (2018: 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

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 15 to the financial statements.

(b) Impairment of receivables and contract assets

The loss allowances for receivables and contract assets are based on assumptions about risk of default and expected loss rates. The contract assets are grouped with receivables for impairment assessment because they have substantially the same risk characteristics as the receivables for the same types of contracts. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of receivables as at the reporting date are disclosed in Note 20 to the financial statements.

(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 to the financial statements.

(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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

3. Significant Accounting Judgements and Estimates (continued)

Key Sources of Estimation Uncertainty (continued)

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. (continued)

(e) Leases – As lessee (continued)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

3. Significant Accounting Judgements and Estimates (continued)

Critical Judgements Made in Applying Accounting Policies (continued)

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue recognised at a point in time:				
- Sale of offshore support and marine transportation vessels	-	16,700,532	-	-
- Dividend income	-	-	110,358,000	303,166,400
Revenue recognised over time:				
- Shipbuilding construction contract income	1,680,000	-	-	-
- Contract fee income	20,000	-	-	-
- Vessel repairs and service income	2,413,048	1,658,624	-	-
- Vessel chartering income	152,216,274	140,315,518	-	-
	<u>156,329,322</u>	<u>158,674,674</u>	<u>110,358,000</u>	<u>303,166,400</u>

The information on the disaggregation of revenue is disclosed in Note 37 to the financial statements.

5. Interest Income

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income from:				
- Short-term deposits	3,708,369	2,460,475	2,295,299	1,161,946
- Loans and receivables	2,233,402	6,320,979	355,124	5,326,224
	<u>5,941,771</u>	<u>8,781,454</u>	<u>2,650,423</u>	<u>6,488,170</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

6. Other Income

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Commission income	19,692	21,492	19,692	21,492
Fair value gain on short-term investments	923,445	334,435	751,953	270,580
Forfeiture of deposits	2,475,780	13,286,494	-	-
Gain on disposal of plant and equipment	-	1,467,341	-	-
Gain on foreign exchange:				
- realised	6,962,609	407,932	5,946,059	-
- unrealised	4,255,424	945,758	2,512,991	-
Income from short-term investments	5,824,478	2,536,980	5,446,889	2,392,150
Insurance claim receipt	17,945	8,000	-	-
Late penalty and administrative charges	16,271,757	13,937,332	-	-
Premium income arising from guarantee contract issued	-	-	19,964	27,446
Rental income from investment properties	252,276	221,349	-	-
Rental income	4,320	4,320	-	-
Reversal of inventories written down	598,613	1,182,797	-	-
Sundry income	541,062	958,508	474	-
	<u>38,147,401</u>	<u>35,312,738</u>	<u>14,698,022</u>	<u>2,711,668</u>

7. Finance Costs

	Group	
	2019 RM	2018 RM
Interest expense on:		
Bank loans	15,694,825	17,729,734
Obligations under finance leases	4,765	7,698
Overdue account	<u>1</u>	<u>217,482</u>
	15,699,591	17,954,914
Less: Interest capitalised in inventories (Note 19)	<u>(12,570)</u>	<u>(32,480)</u>
Total finance costs	<u>15,687,021</u>	<u>17,922,434</u>

The interest expense capitalised in the inventories was at the weighted average rate of the Group's general borrowings of 4.35% (2018: 4.34%) per annum ("p.a.").

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

8. Net Impairment Loss on Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Impairment loss during the financial year:				
- Individually impaired under MFRS 139	-	1,496,705	-	-
- Additions under MFRS 9	13,762,716	-	55,431,844	-
Reversal of impairment loss	(7,072,132)	(60,685)	(172,080)	-
	<u>6,690,584</u>	<u>1,436,020</u>	<u>55,259,764</u>	<u>-</u>

9. Profit/(Loss) before Tax

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Employee benefits expenses (Note 10)	16,049,217	16,562,764	761,082	576,249
Auditors' remuneration:				
- statutory audits				
- current year	293,923	305,741	42,500	45,000
- under/(over)provision in prior years	2,079	7,448	(1,300)	-
- other services	103,705	102,159	67,098	61,798
Bad debts written off	-	-	-	43,529
Depreciation of property, plant and equipment (Note 15)	70,560,164	65,557,468	18,145	9,134
Depreciation of investment properties (Note 17)	82,024	82,024	-	-
Deposits written off	15,267,310	47,620,548	-	-
Direct operating expenses on investment properties	16,931	21,094	-	-
Directors' remuneration: (Note 11)				
- Directors of the Company	2,481,803	3,686,605	147,838	147,564
- Directors of subsidiaries	4,678,237	5,315,078	-	-
Fair value loss on quoted investment	1,375,682	983,885	-	-
Impairment loss on investment in subsidiary	-	-	28,729,423	15,259,595
Inventories written off	13,781,842	437,642,480	-	-
Inventories written down	1,527,524	90,778,540	-	-
Loss on foreign exchange:				
- realised	2,014,266	7,729,639	-	5,619,109
- unrealised	138,430	5,734,774	-	3,585,547
Plant and equipment written off	17,509	2,187	360	-
Prepayment written off	-	26,313,518	-	-
Rental expenses	1,556,992	1,501,755	6,000	6,330

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

10. Employee Benefits Expenses

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages and bonuses	11,427,359	13,199,036	473,162	416,973
Contributions to defined contribution plan	952,295	958,035	58,212	51,543
Contributions to employment insurance system	6,172	3,167	444	249
Social security contributions	62,113	61,880	4,216	4,451
Share-based payment expenses	3,601,278	2,340,646	225,048	103,033
	<u>16,049,217</u>	<u>16,562,764</u>	<u>761,082</u>	<u>576,249</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	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,647,404	2,610,057	-	-
Share-based payment expenses	686,561	928,984	-	-
	<u>2,333,965</u>	<u>3,539,041</u>	<u>-</u>	<u>-</u>
Non-Executive:				
Fees and allowances	108,060	109,560	108,060	109,560
Share-based payment expenses	39,778	38,004	39,778	38,004
	<u>147,838</u>	<u>147,564</u>	<u>147,838</u>	<u>147,564</u>
	<u>2,481,803</u>	<u>3,686,605</u>	<u>147,838</u>	<u>147,564</u>
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	3,754,699	3,963,831	-	-
Share-based payment expenses	923,538	1,351,247	-	-
	<u>4,678,237</u>	<u>5,315,078</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 (2018: 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 RM59,586 (2018: RM60,856).

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (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 2019 and 30 June 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Statements of profit or loss:				
Current tax:				
- Malaysian tax	212,340	604,984	212,339	597,724
- Labuan offshore business activity	115,693	20,843	-	-
- Foreign tax	15,022,098	14,245,416	-	-
	<u>15,350,131</u>	<u>14,871,243</u>	<u>212,339</u>	<u>597,724</u>
(Over)/Underprovision in prior years:				
- Malaysian tax	(13,632)	(13,982)	(15,075)	(77,619)
- Foreign tax	(13,029)	2,969	-	-
	<u>(26,661)</u>	<u>(11,013)</u>	<u>(15,075)</u>	<u>(77,619)</u>
	<u>15,323,470</u>	<u>14,860,230</u>	<u>197,264</u>	<u>520,105</u>
Deferred income tax (Note 27):				
- Origination and reversal of temporary differences	108,272	68,924	(382)	5,826
- (Over)/Underprovision in prior years	(637)	188	(507)	188
	<u>107,635</u>	<u>69,112</u>	<u>(889)</u>	<u>6,014</u>
Income tax expense recognised in profit or loss	<u>15,431,105</u>	<u>14,929,342</u>	<u>196,375</u>	<u>526,119</u>

Reconciliation between tax expense and profit/(loss) before tax

The reconciliation between tax expense and the product of profit/(loss) before tax multiplied by the applicable corporate tax rate for the year ended 30 June 2019 and 30 June 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(loss) before tax	29,838,444	(568,124,347)	42,046,839	286,050,704
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	7,161,227	(136,349,843)	10,091,241	68,652,169
Adjustments:				
Non-deductible expenses	1,429,467	4,308,046	20,593,489	6,484,517
Income not subject to taxation	(4,241,842)	(1,035,746)	(30,472,773)	(74,533,136)
Effect of different tax rates in Labuan	8,030,227	78,566,699	-	-
Effect of different tax rates in other jurisdictions	1,589,704	68,173,860	-	-
Deferred tax assets not recognised	1,502,864	1,277,151	-	-
Utilisation of deferred tax assets previously not recognised	(13,244)	-	-	-
(Over)/Underprovision in prior years:				
- current tax	(26,661)	(11,013)	(15,075)	(77,619)
- deferred tax	(637)	188	(507)	188
Income tax expense recognised in profit or loss	<u>15,431,105</u>	<u>14,929,342</u>	<u>196,375</u>	<u>526,119</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

12. Income Tax Expense (continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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.

For year of assessment 2018, the Malaysian statutory tax rate was reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

13. Earnings/(Loss) Per Share

Basic earnings/(loss) per share are calculated by dividing profit/(loss) 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 profit/(loss) 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 profit/(loss) and share data used in the computation of basic and diluted earnings per share for the financial year ended 30 June 2019 and 30 June 2018:

	2019 RM	Group 2018 RM
Profit/(Loss) net of tax attributable to owners of the Company used in the computation of basic and diluted earnings per share	14,412,837	(583,104,369)
	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares for basic and diluted earnings per share computations*	527,479,143	527,402,631
Basic earnings/(loss) per ordinary shares (sen)	2.73	(110.56)
Diluted earnings/(loss) per ordinary shares (sen) [#]	2.73	(110.56)

* 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. Accordingly, the exercise of employee share options has been ignored in the calculation of dilutive earnings per share.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

14. Investment in Joint Venture

	2019 RM	Group 2018 RM
Unquoted shares, at cost	15,613	15,613
Share of post-acquisition	(15,613)	(15,613)
	-	-

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	
			2019 %	2018 %
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	50	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 RM189,112 (2018: RM124,505), of which RM10,761 (2018: RM41,481) relate to the share of the current financial year's losses. The Group has no obligation in respect of these losses.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

15. 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 2017	20,844,725	37,143,682	798,919,816	5,430,333	4,875,686	143,986	867,358,228
Additions	-	-	79,451	-	584,768	773,875	1,438,094
Written off	-	-	(12,002)	-	-	-	(12,002)
Disposals	-	-	(4,741,974)	-	(20,200)	-	(4,762,174)
Reclassifications	-	-	121,520	-	-	(121,520)	-
Exchange differences	-	-	(52,206,632)	(81,374)	(51,595)	-	(52,339,601)
At 30 June 2018 and 1 July 2018	20,844,725	37,143,682	742,160,179	5,348,959	5,388,659	796,341	811,682,545
Additions	-	-	27,039,992	-	16,142	162,650	27,218,784
Written off	(18,262)	-	(1,107,969)	(43,800)	(803,713)	-	(1,973,744)
Transfer from inventories	-	-	139,097,220	-	-	-	139,097,220
Reclassifications	-	814,390	144,601	-	-	(958,991)	-
Exchange differences	-	-	22,525,176	51,698	48,329	-	22,625,203
At 30 June 2019	20,826,463	37,958,072	929,859,199	5,356,857	4,649,417	-	998,650,008
Accumulated depreciation and impairment loss							
At 1 July 2017	9,517,658	18,798,282	130,917,675	4,610,257	3,483,261	-	167,327,133
Depreciation charge for the year	789,026	2,071,265	62,005,949	301,717	389,511	-	65,557,468
Written off	-	-	(9,815)	-	-	-	(9,815)
Disposals	-	-	(2,322,822)	-	(20,199)	-	(2,343,021)
Exchange differences	-	-	(7,344,483)	(57,667)	(46,362)	-	(7,448,512)
At 30 June 2018 and 1 July 2018	10,306,684	20,869,547	183,246,504	4,854,307	3,806,211	-	223,083,253
Depreciation charge for the year	740,538	1,903,918	67,330,679	269,176	315,853	-	70,560,164
Written off	(18,260)	-	(1,091,788)	(43,797)	(802,390)	-	(1,956,235)
Exchange differences	-	-	4,901,255	43,603	34,039	-	4,978,897
At 30 June 2019	11,028,962	22,773,465	254,386,650	5,123,289	3,353,713	-	296,666,079
Net carrying amount							
At 30 June 2018	10,538,041	16,274,135	558,913,675	494,652	1,582,448	796,341	588,599,292
At 30 June 2019	9,797,501	15,184,607	675,472,549	233,568	1,295,704	-	701,983,929

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

15. 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 2017, 30 June 2018 and 1 July 2018	7,260,024	920,109	12,664,592	20,844,725
Written off	-	-	(18,262)	(18,262)
At 30 June 2019	7,260,024	920,109	12,646,330	20,826,463
Accumulated depreciation				
At 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 and 1 July 2018	413,424	359,954	9,533,306	10,306,684
Depreciation charge for the year	118,121	18,402	604,015	740,538
Written off	-	-	(18,260)	(18,260)
At 30 June 2019	531,545	378,356	10,119,061	11,028,962
Net carrying amount				
At 30 June 2018	6,846,600	560,155	3,131,286	10,538,041
At 30 June 2019	6,728,479	541,753	2,527,269	9,797,501

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

15. Property, Plant and Equipment (continued)

	Motor Vehicles RM	Furniture, Fittings and Office Equipment RM	Total RM
Company			
Cost			
At 1 July 2017	412,145	60,279	472,424
Additions	-	73,906	73,906
At 30 June 2018 and 1 July 2018	412,145	134,185	546,330
Written off	-	(32,842)	(32,842)
At 30 June 2019	412,145	101,343	513,488
Accumulated depreciation			
At 1 July 2017	412,144	44,513	456,657
Depreciation charge for the year	-	9,134	9,134
At 30 June 2018 and 1 July 2018	412,144	53,647	465,791
Depreciation charge for the year	-	18,145	18,145
Written off	-	(32,482)	(32,482)
At 30 June 2019	412,144	39,310	451,454
Net carrying amount			
At 30 June 2018	1	80,538	80,539
At 30 June 2019	1	62,033	62,034

Assets held under finance lease

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

	2019 RM	Group 2018 RM
Motor vehicles	68,507	137,015

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

15. 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 25) are as follows:

	2019 RM	Group 2018 RM
Leasehold land	4,271,726	4,344,769
Slipway and shipyard infrastructure	12,929,653	14,327,539
Buildings and workshops	2,512,289	3,105,959
Vessels, offshore assets, heavy machinery and equipment	524,601,788	551,891,170
Motor vehicles	2,945	7,361
Telecommunication and office equipment, furniture, fittings and renovations	76,222	106,423
	<u>544,394,623</u>	<u>573,783,221</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.

16. Investments in Subsidiaries

	2019 RM	Company 2018 RM
Unquoted shares, at cost	547,270,986	547,216,319
Accumulated impairment losses	(56,022,250)	(27,292,830)
	<u>491,248,736</u>	<u>519,923,489</u>
Provision for financial guarantee	3,959,808	3,959,808
ESOS granted to employees of subsidiaries	28,890,911	23,904,582
	<u>524,099,455</u>	<u>547,787,879</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

16. 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	
			2019 %	2018 %
(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
Coastal Marine Pte. Ltd. #	Singapore	Provision of vessels chartering and towing, marketing, ship delivery and other ancillary services.	100	100
Pleasant Engineering Sdn. Bhd.	Malaysia	Fabrication and sale of offshore support and marine transportation vessels, provision of ship repairs and maintenance services and provision of vessel chartering services.	100	100
Coastal Offshore (Labuan) Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels, provision of bareboat chartering and leasing services.	100	100
Asiapride Sdn. Bhd.^	Malaysia	-	-	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.	100	90

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

16. 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	
			2019 %	2018 %
(a) Subsidiaries of Coastal Contracts Bhd (continued)				
Coastal International Marine Inc. #	British Virgin Islands	Sale of offshore support and marine transportation vessels and provision of vessel chartering services.	100	100
Coastal Offshore Venture Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels and provision of vessel chartering services.	100	100
Coastal Drilling Pte. Ltd. #	Singapore	Dormant.	100	70
Coastal Energy Solutions Pte. Ltd. #	Singapore	Provision of bareboat chartering services.	100	100
Coastal Dynamic Pte. Ltd. #	Singapore	Dormant.	100	-
Coastoil Dynamic, S.A. de C.V. @	Mexico	Dormant.	100	-
(b) Subsidiary of Coastal Marine Pte. Ltd.				
CoastOil, S.A. de C.V. *	Mexico	Management and operation of offshore vessel and other investment.	100	98.5

Audited by firm other than Crowe Malaysia PLT.

^ The subsidiary has been struck off during the financial year.

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

@ 50% equity interest held by the Company and 50% equity interest held by Coastal Marine Pte. Ltd.

- (a) During the financial year, the Company has acquired additional 30% equity interests in Coastal Drilling Pte. Ltd. ("CDPL") for RM45,795 in cash from its non-controlling interests, increasing its ownership from 70% to 100%. The carrying amount of CDPL's net assets on the date of acquisition was RM39,602.

The summarised information of the effect of changes in the equity interests in CDPL 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 has acquired additional 10% equity interests in Ace Capital Pte. Ltd. ("ACPL") for RM416 in cash from its non-controlling interests, increasing its ownership from 90% to 100%. The carrying amount of ACPL's net assets on the date of acquisition was RM85,339 in deficit.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

16. Investments in Subsidiaries (continued)

- (c) 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 RM28,729,423 (2018: RM15,259,595), representing the write-down of the cost of investment, was recognised in "Other Expenses" line item of the statements of profit or loss.

17. Investment Properties

	2019 RM	Group 2018 RM
Cost		
At beginning and end of year	4,101,213	4,101,213
Accumulated depreciation		
At beginning of year	533,156	451,132
Depreciation charge for the year	82,024	82,024
At end of year	615,180	533,156
Net carrying amount	3,486,033	3,568,057

Properties pledged as security

Investment properties are mortgaged to secure a subsidiary's bank loan (Note 25).

Fair value of investment properties

The fair value of investment properties as at the reporting date amounted to approximately RM5,100,000 (2018: RM4,800,000).

Fair value hierarchy disclosures for investment properties have been disclosed in Note 33.

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

18. Investment Securities

	2019 RM	Group 2018 RM
Quoted shares, at fair value	923,595	2,299,277

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

19. Inventories

	2019 RM	Group 2018 RM
Cost		
Finished goods	7,102,660	24,239,114
Raw materials	4,689,912	4,917,619
Work-in-progress	751,132	181,169
Spare parts	8,313	8,313
	<u>12,552,017</u>	<u>29,346,215</u>
Net realisable value		
Finished goods	85,361,203	201,959,405
Work-in-progress	154,210,186	162,797,345
	<u>239,571,389</u>	<u>364,756,750</u>
	<u>252,123,406</u>	<u>394,102,965</u>
Inventories written off	13,781,842	437,642,480
Inventories written down to net realisable value	1,527,524	90,778,540
Inventories recognised as an expense in cost of sales	<u>11,561,960</u>	<u>27,396,225</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 RM12,570 (2018: RM32,480).
- (c) In the previous financial year, 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 had written off work-in-progress with respect to vessels amounting to RM437,642,480 affected by the contract termination after considering the legal advice and the circumstances of weak market demand which was 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 RM1,527,524 (2018: RM90,778,540) 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

20. Trade and Other Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Trade receivables				
Third parties	100,635,313	121,900,924	-	-
Less: Allowance for impairment	(11,699,545)	(8,118,273)	-	-
Trade receivables, net	88,935,768	113,782,651	-	-
Other receivables				
Amounts due from subsidiaries	-	-	225,310,070	271,670,619
Amount due from joint venture	412,334	378,666	-	-
Deposits paid to suppliers and contractors	47,660,558	123,926,502	-	-
Deposits	2,651,590	2,836,120	23,505	32,056
Prepayments	7,157,753	7,710,558	1,364	10,648
Other loan	24,309,041	33,464,540	-	-
Sundry receivables	25,947,963	36,953,460	17,709,180	17,447,601
	108,139,239	205,269,846	243,044,119	289,160,924
Less: Allowance for impairment	(14,220,464)	(808,279)	(80,782,969)	-
Other receivables, net	93,918,775	204,461,567	162,261,150	289,160,924
Total trade and other receivables	182,854,543	318,244,218	162,261,150	289,160,924

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Group				
Individually impaired:				
Receivables - nominal amounts	19,134,568	18,709,517	827,502	808,279
Less: Allowance for impairment	(10,764,230)	(8,118,273)	(827,429)	(808,279)
	8,370,338	10,591,244	73	-

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

20. Trade and Other Receivables (continued)

Receivables that are impaired (continued)

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: (continued)

	Trade		Non-trade	
	2019 RM	2018 RM	2019 RM	2018 RM
Group				
Collectively impaired:				
Receivables - nominal amounts	81,500,745	-	49,841,836	-
Less: Allowance for impairment	(935,315)	-	(13,393,035)	-
	<u>80,565,430</u>	<u>-</u>	<u>36,448,801</u>	<u>-</u>

Movement in allowance accounts:

	Trade		Non-trade	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of year, as previously reported	8,118,273	7,916,607	808,279	685
Effects on adoption of MFRS 9	1,283,277	-	16,013,599	-
At beginning of year, as restated	9,401,550	7,916,607	16,821,878	685
Reversal of impairment loss	(452,038)	(60,000)	(6,620,094)	(685)
Written off	-	-	(7,858,695)	-
Exchange differences	205,987	(419,593)	658,705	(7,167)
Charge for the year	2,544,046	681,259	11,218,670	815,446
At end of year	<u>11,699,545</u>	<u>8,118,273</u>	<u>14,220,464</u>	<u>808,279</u>

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

	Individually Impaired		Collectively Impaired	
	2019 RM	2018 RM	2019 RM	2018 RM
Company				
Receivables - nominal amounts	144,998,467	-	98,020,783	-
Less: Allowance for impairment	(64,715,677)	-	(16,067,292)	-
	<u>80,282,790</u>	<u>-</u>	<u>81,953,491</u>	<u>-</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

20. Trade and Other Receivables (continued)

Receivables that are impaired (continued)

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

Movement in allowance accounts:	2019 RM	2018 RM
Company		
At beginning of year, as previously reported	-	-
Effects on adoption of MFRS 9	25,523,205	-
At beginning of year, as restated	25,523,205	-
Reversal of impairment loss	(172,080)	-
Charge for the year	55,431,844	-
At end of year	80,782,969	-

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 (2018: 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:

- (i) Outstanding proceeds from disposal of vessels of the Group amounting to approximately RM15.0 million (2018: RM14.7 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.
- (ii) Outstanding bareboat charter hire proceeds of the Group including interest charges of approximately RM52.5 million (2018: RM84.2 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 2019 (cont'd.)

20. 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:

	2019 RM	2018 RM
Not past due	13,636,862	13,163,614
1 to 30 days past due	18,519,575	12,472,671
31 to 120 days past due	1,024,882	22,085,005
More than 121 days past due	48,319,426	55,470,117
	<u>67,863,883</u>	<u>90,027,793</u>
Total	81,500,745	103,191,407
Individually impaired	19,134,568	18,709,517
	<u>100,635,313</u>	<u>121,900,924</u>

(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 RM15.5 million (2018: RM15.1 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.

(iii) 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.

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

Pursuant to the Memorandum of Understanding ("MOU") 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 RM17.7 million (2018: RM17.2 million).

As disclosed in Note 39(a), the Company had on 15 December 2017 filed an Arbitration Petition against the joint venture party and its guarantors for breach of the MOU and two (2) Deeds of Personal Guarantee in favour of the Company. During the financial year, the Tribunal had, vide the Final Award declared that the Respondents are proven of committing a breach of the MOU and requested to pay the Company the sum of USD4,349,759, which consist of the amount of the Outstanding Deposit of USD3,846,837 and the interest in the amount of USD502,922.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

21. Contract Assets/(Liabilities)

	2019 RM	Group 2018 RM
Contract assets		
Contract assets relating to vessel repairing services	559,363	-
Contract liabilities		
Contract liabilities relating to vessel chartering services	120,000	-
Contract liabilities relating to property letting	746	-
	<u>120,746</u>	<u>-</u>

- (a) The contract assets primarily relate to the Group's right to consideration for vessel repairing services completed but not yet billed as at the reporting date. The amount will be invoiced in the next financial year.
- (b) The contract liabilities primarily relate to advance considerations received from customers for vessel chartering and property letting activities of which revenue will be recognised in the next financial year.

22. Short-Term Investments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed income fund, at fair value	92,771,712	64,290,741	78,245,825	55,182,056
Money market fund, at fair value	200,960,305	57,171,668	196,338,985	57,171,668
	<u>293,732,017</u>	<u>121,462,409</u>	<u>274,584,810</u>	<u>112,353,724</u>

23. Derivative Financial Instruments

	2019 RM	Group 2018 RM
Derivative Assets		
Interest rate swap - Cash flow hedge	772,871	4,900,602
Notional Amount		
Interest rate swap	<u>213,980,944</u>	<u>270,173,667</u>

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 25. 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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

24. Cash and Cash Equivalents

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash on hand and at banks	47,237,394	100,699,617	1,991,012	4,839,921
Short-term deposits with licensed banks	161,777,243	181,591,804	92,419,502	79,463,628
Cash and cash equivalents	209,014,637	282,291,421	94,410,514	84,303,549

Short-term deposits of the Group are made for varying periods of between three and thirty three 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 2019 for the Group and the Company ranged from 1.10% to 2.34% p.a. (2018: 1.29% to 3.50% p.a.) and from 2.18% to 2.30% p.a. (2018: 1.88% 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 2018	137,224	348,096,015	348,233,239
Changes in financing cash flows:			
- Repayment of borrowing principal	(64,294)	(63,411,833)	(63,476,127)
- Repayment of borrowing interest	(4,765)	(15,149,347)	(15,154,112)
	(69,059)	(78,561,180)	(78,630,239)
Non-cash changes:			
- Finance charges recognised in profit or loss	4,765	15,694,825	15,699,590
- Foreign exchange adjustment	-	8,635,196	8,635,196
	4,765	24,330,021	24,334,786
At 30 June 2019	72,930	293,864,856	293,937,786

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

24. Cash and Cash Equivalents (continued)

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

Group	Obligation Under Finance Lease RM	Bank Loans RM	Total RM
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)
	(69,060)	(79,545,918)	(79,614,978)
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)
	7,698	(7,696,576)	(7,688,878)
At 30 June 2018	137,224	348,096,015	348,233,239

25. Loans and Borrowings

	Maturity on Borrowings	2019 RM	Group 2018 RM
Current			
Secured:			
Obligation under finance lease (Note 32(c))	2020	67,227	64,294
Bank loans:			
- RM loan at COF	2020	-	372,260
- RM loan at BLR – 1.85% p.a.	2020	177,303	168,805
- USD loan at LIBOR + 2.85% p.a.	2020	62,479,577	60,740,788
		62,724,107	61,346,147
Non-Current			
Secured:			
Obligation under finance lease (Note 32(c))	2020	5,703	72,930
Bank loans:			
- RM loan at BLR – 1.85% p.a.	2026	1,348,539	1,525,842
- USD loan at LIBOR + 2.85% p.a.	2020	229,859,437	285,288,320
		231,213,679	286,887,092
Total loans and borrowings		293,937,786	348,233,239

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

25. Loans and Borrowings (continued)

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

	2019 RM	Group 2018 RM
On demand or within one year	62,724,107	61,346,147
More than 1 year and less than 2 years	230,051,369	61,159,595
More than 2 years and less than 5 years	616,850	224,966,243
5 years or more	545,460	761,254
	<u>293,937,786</u>	<u>348,233,239</u>

(a) Obligations under finance leases

These obligations are secured by a charge over the lease assets (Note 15) and corporate guarantee provided by the Company. The discount rate implicit in the leases is 4.59% p.a. (2018: 4.59% p.a.). These obligations are denominated in RM.

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

This loan was fully repayable on 31 May 2019 and was 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.

(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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

26. Trade and Other Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Trade payables				
Third parties	129,738,562	127,494,826	-	-
Other payables				
Amounts due to subsidiaries	-	-	254,782	202,573
Accruals	8,522,671	44,716,037	49,740	45,000
Deposits received from vessel buyers	22,876,629	20,321,300	-	-
Deposits received from vessel charterers	2,318,665	2,639,963	-	-
Other deposits	71,096	146,540	-	-
Financial guarantees	-	-	14,876	19,964
Sundry payables	10,528,540	8,916,366	86,615	63,043
	44,317,601	76,740,206	406,013	330,580
	174,056,163	204,235,032	406,013	330,580
Non-Current				
Other payables				
Financial guarantees	-	-	28,098	42,974
Total trade and other payables	174,056,163	204,235,032	434,111	373,554
Less: Deposits received from vessel buyers	(22,876,629)	(20,321,300)	-	-
Add: Loans and borrowings (Note 25)	293,937,786	348,233,239	-	-
Total financial liabilities carried at amortised cost	445,117,320	532,146,971	434,111	373,554

(a) Trade payables

These amounts are non-interest bearing. The terms granted by trade payables normally range from 30 days to 90 days (2018: 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.

(d) Financial guarantees

This amount relates to corporate guarantees provided by the Company to banks for banking facilities (Note 25) granted to wholly-owned subsidiaries.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

27. Deferred Tax Liabilities

Deferred income tax as at 30 June 2019 relates to the following:

Group	As at 1 July 2017 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2018 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2019 RM
Deferred tax liabilities:					
Property, plant and equipment	2,581,135	(678,505)	1,902,630	1,065,049	2,967,679
Others	79,252	(78,417)	835	2,371	3,206
	<u>2,660,387</u>	<u>(756,922)</u>	<u>1,903,465</u>	<u>1,067,420</u>	<u>2,970,885</u>
Deferred tax assets:					
Inventories	(154,390)	112,684	(41,706)	(544,144)	(585,850)
Receivables	(234,187)	13,886	(220,301)	(109,526)	(329,827)
Tax losses and unabsorbed capital allowances	(1,923,924)	839,803	(1,084,121)	(444,074)	(1,528,195)
Others	(1,915)	(140,339)	(142,254)	137,959	(4,295)
	<u>(2,314,416)</u>	<u>826,034</u>	<u>(1,488,382)</u>	<u>(959,785)</u>	<u>(2,448,167)</u>
	<u>345,971</u>	<u>69,112</u>	<u>415,083</u>	<u>107,635</u>	<u>522,718</u>
Company					
Deferred tax liabilities:					
Property, plant and equipment	1,391	6,014	7,405	(1,234)	6,171
Others	-	-	-	345	345
	<u>1,391</u>	<u>6,014</u>	<u>7,405</u>	<u>(889)</u>	<u>6,516</u>

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

	2019 RM	Group 2018 RM
Unutilised tax losses	11,777,544	8,563,861
Unabsorbed capital allowances	10,894,985	3,968,156
Deductible temporary differences	888,957	5,751,147
	<u>23,561,486</u>	<u>18,283,164</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 2019 (cont'd.)

28. 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
At 1 July 2017, 30 June 2018 and 1 July 2018	531,599,431	(4,196,800)	106,319,886	195,820,030	302,139,916
Ordinary shares issued under ESOS	289,500	-	378,984	-	378,984
Transfer from share premium account	-	-	195,820,030	(195,820,030)	-
At 30 June 2019	531,888,931	(4,196,800)	302,518,900	-	302,518,900

(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.

Upon the expiry of the transitional period during the financial year, balance within the share premium account of RM195,820,030 was transferred to the share capital account. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

(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.

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 2019 (cont'd.)

28. 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 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				30.6.2019
		1.7.2018	Granted	Exercised	Forfeited	
16.2.2016	RM1.40	44,972,000	-	-	(2,060,000)	42,912,000
4.3.2019	RM0.96	-	9,376,800	(289,500)	(207,600)	8,879,700

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.

During the financial year, the Company has granted 9,376,800 share options under the ESOS. These options expire on 1 February 2021 and are exercisable immediately.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

28. Share Capital and Treasury Shares (continued)

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

The number of options exercisable as at 30 June 2019 was 43,209,300 (2018: 26,983,200) and have an exercise price in the range of RM0.96 to RM1.40 (2018: RM1.40) and a remaining contractual life of 1.58 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:

	2019	2018
Fair value at grant date (RM)	0.3491	0.6038
Weighted average share price (RM)	1.10	1.55
Exercise price (RM)	0.96	1.40
Expected volatility (%)	42.90	46.05
Option life (years)	1.92	5
Expected dividend yield (%)	-	3.24
Risk free rate (%)	3.72	3.80

29. Other Reserves

	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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

29. Other Reserves (continued)

	Foreign Currency Translation Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
Group				
At 1 July 2018	247,781,146	5,622,159	24,095,327	277,498,632
Other comprehensive income/(loss):				
Foreign currency translation	15,744,315	-	-	15,744,315
Cash flow hedges:				
- fair value loss	-	(4,236,048)	-	(4,236,048)
Total other comprehensive income/(loss)	15,744,315	(4,236,048)	-	11,508,267
Share options:				
- share-based payment expenses	-	-	5,251,155	5,251,155
- share options exercised	-	-	(101,064)	(101,064)
- value of options forfeited	-	-	(909,098)	(909,098)
Changes in subsidiaries' ownership interests that do not result in a loss of control	(4,066)	-	-	(4,066)
At 30 June 2019	263,521,395	1,386,111	28,336,320	293,243,826
		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 and 1 July 2018		-	24,095,327	24,095,327
Share options:				
- share-based payment expenses		-	5,251,155	5,251,155
- share options exercised		-	(101,064)	(101,064)
- value of options forfeited		-	(909,098)	(909,098)
At 30 June 2019		-	28,336,320	28,336,320

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

29. Other Reserves (continued)

(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.

30. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 30 June 2019 and 30 June 2018 under the single tier system.

31. 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:

	2019 RM	2018 RM
Group		
Transactions with a Director of the Company:		
- Rental of premises	57,628	55,989
Remuneration for employment services provided by close members of the family of Directors:*		
Salaries, wages and bonuses	649,604	678,413
Contributions to defined contribution plan	52,510	52,427
Contributions to employment insurance system	130	47
Social security contributions	1,139	829
Share-based payment expenses	248,131	295,585
	<u>951,514</u>	<u>1,027,301</u>

The estimated monetary value of benefits-in-kind provided by the Group to the close members of the family of Directors was RM13,467 (2018: RM13,042).

* 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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

31. Related Party Transactions (continued)

- (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: (continued)

	2019 RM	2018 RM
Company		
Transactions with subsidiaries:		
Thaumas Marine Ltd.		
- Dividend income	-	303,166,400
Bonafide Shipbuilders & Repairs Sdn. Bhd.		
- Dividend income	6,300,000	-
Coastal Transport (Sandakan) Sdn. Bhd.		
- Rental of premises	6,000	6,000
Coastal Marine Pte. Ltd.		
- Legal and professional fees	163,707	201,650
Coastal Offshore (Labuan) Pte. Ltd.		
- Dividend income	61,136,910	-
Coastal Energy Solutions Pte. Ltd.		
- Dividend income	38,421,090	-
Coastway Transport Sdn. Bhd.		
- Dividend income	4,500,000	-
Pleasant Engineering Sdn. Bhd.		
- Supply of goods	3,336	-

(b) Compensation of key management personnel

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term employee benefits	6,015,225	7,119,321	295,300	257,500
Defined contribution plan	331,924	364,801	23,880	19,500
Share-based payment expenses	1,911,542	2,634,934	134,003	101,344
	8,258,691	10,119,056	453,183	378,344

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 RM103,636 and RM13,325 (2018: RM104,906 and RM13,325) respectively.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

32. 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:

	2019 RM	Group 2018 RM
Not later than 1 year	1,425,064	1,406,877
Later than 1 year but not later than 5 years	118,808	1,492,714
	<u>1,543,872</u>	<u>2,899,591</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 4.7 years. The lease rental is fixed over the lease period. During the financial year, the Group recognised a total of approximately RM142 million in revenue from this lease.

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

	2019 RM	Group 2018 RM
Not later than 1 year	142,461,083	138,772,245
Later than 1 year but not later than 5 years	519,632,637	555,469,176
Later than 5 years	-	91,247,503
	<u>662,093,720</u>	<u>785,488,924</u>

(c) Finance lease commitments

The Group has finance leases for certain items of motor vehicles (Note 15). 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:

	2019 RM	Group 2018 RM
Minimum lease payments:		
Not later than 1 year	69,060	69,060
Later than 1 year but not later than 2 years	5,723	69,060
Later than 2 years but not later than 5 years	-	5,723
	<u>74,783</u>	<u>143,843</u>
Total minimum lease payments	74,783	143,843
Less: Amounts representing finance charges	(1,853)	(6,619)
	<u>72,930</u>	<u>137,224</u>
Present value of minimum lease payments	72,930	137,224

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

32. Commitments (continued)

(c) Finance lease commitments (continued)

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

	2019 RM	Group 2018 RM
Present value of payments:		
Not later than 1 year	67,227	64,294
Later than 1 year but not later than 2 years	5,703	67,227
Later than 2 years but not later than 5 years	-	5,703
Present value of minimum lease payments	72,930	137,224
Less: Amount due within 12 months (Note 25)	(67,227)	(64,294)
Amount due after 12 months (Note 25)	5,703	72,930

33. 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 2019:

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 2019	923,595	923,595	-	-
Short-term investments	30 June 2019	293,732,017	293,732,017	-	-
Derivative assets:					
Interest rate swap	30 June 2019	772,871	-	772,871	-
Assets for which fair values are disclosed:					
Investment properties:					
Office properties	30 June 2019	5,100,000	-	5,100,000	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings:					
Obligations under finance leases (non-current)	30 June 2019	5,449	-	5,449	-

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

33. Fair Value Measurement (continued)

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

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 30 June 2019: (continued)

Company	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:

Short-term investments	30 June 2019	274,584,810	274,584,810	-	-
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Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 30 June 2018:

Group

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	-
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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	-
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Company

Assets measured at fair value:

Short-term investments	30 June 2018	112,353,724	112,353,724	-	-
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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 2019 (cont'd.)

34. 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:

	Carrying amount		Fair value	
	2019	2018	2019	2018
	RM	RM	RM	RM
Group				
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under finance leases (non-current)	5,703	72,930	5,449	69,562
Company				
Financial liabilities				
Financial guarantees	42,974	62,938	-*	-*

* The fair value is Nil as the Company considered the financial guarantees to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to.

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, 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:

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 2019 (cont'd.)

35. 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 RM701,705,268 (2018: RM689,745,268) 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	
	2019 RM	% of total	2018 RM	% of total
By country:				
Indonesia	15,037,086	15%	14,680,656	12%
Malaysia	8,070,420	8%	5,061,984	4%
Mexico	76,843,232	76%	101,489,635	83%
Others	684,575	1%	668,649	1%
	<u>100,635,313</u>	<u>100%</u>	<u>121,900,924</u>	<u>100%</u>

Assessment of impairment losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(a) Credit Risk (continued)

Assessment of impairment losses (continued)

(i) Trade receivables and contract assets

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty, are deemed credit impaired.

The expected loss rates are based on the customers' payment profiles and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:

	Gross amount RM	Lifetime loss allowance RM	Carrying amount RM
Group			
2019			
Not past due	13,636,862	(109,812)	13,527,050
1 to 30 days past due	18,519,575	(152,367)	18,367,208
31 to 120 days past due	1,024,882	(130)	1,024,752
More than 121 days past due	48,319,426	(673,006)	47,646,420
	81,500,745	(935,315)	80,565,430
Credit impaired:			
- Individually impaired	19,134,568	(10,764,230)	8,370,338
	100,635,313	(11,699,545)	88,935,768

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(a) Credit Risk (continued)

Assessment of impairment losses (continued)

(i) Trade receivables and contract assets (continued)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:

Group	Gross amount RM	Individual impairment RM	Carrying amount RM
2018			
Not past due	13,163,614	-	13,163,614
1 to 30 days past due	12,472,671	-	12,472,671
31 to 120 days past due	22,085,005	-	22,085,005
More than 121 days past due	74,179,634	(8,118,273)	66,061,361
	<u>121,900,924</u>	<u>(8,118,273)</u>	<u>113,782,651</u>

The movements in the loss allowances in respect of trade receivables are disclosed in Note 20 to the financial statements.

(ii) Other receivables

Other receivables are also subject to the impairment requirements of MFRS 9. The Group applies the 3-stage general approach to measure expected credit losses for other receivables. Loss allowance is measured on either 12 month ECL or lifetime ECL.

To measure the expected credit losses, the Group considers historical data and assessed forward-looking macroeconomic data which may affect the ability of the debtors to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for other receivables are summarised below:

	Gross amount RM	Lifetime loss allowance RM	Carrying amount RM
2019			
Group			
Significant increase in credit risk	<u>50,669,338</u>	<u>(14,220,464)</u>	<u>36,448,874</u>
Company			
Significant increase in credit risk	<u>17,709,180</u>	<u>(4,431,689)</u>	<u>13,277,491</u>

In the last financial year, the loss allowance on other receivables was calculated under MFRS 139.

The movements in the loss allowances are disclosed in Note 20 to the financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(a) Credit Risk (continued)

Assessment of impairment losses (continued)

(iii) Fixed deposits with licensed banks, cash and bank balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

(iv) Amounts due from subsidiaries

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amounts due from subsidiaries are summarised below:

	Gross amount RM	Lifetime loss allowance RM	Carrying amount RM
Company			
2019			
Significant increase in credit risk	80,311,603	(11,635,603)	68,676,000
Credit impaired	144,998,467	(64,715,677)	80,282,790
	<u>225,310,070</u>	<u>(76,351,280)</u>	<u>148,958,790</u>

In the last financial year, no loss allowance on amounts due from subsidiaries was calculated under MFRS 139.

The movements in the loss allowances are disclosed in Note 20 to the financial statements.

(v) Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(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.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity Risk (continued)

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 21% (2018: 18%) of the Group's loans and borrowings (Note 25) 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				
2019				
Financial liabilities:				
Trade and other payables	151,179,534	-	-	151,179,534
Loans and borrowings	79,798,206	235,015,932	568,037	315,382,175
Total undiscounted financial liabilities	230,977,740	235,015,932	568,037	466,561,709
2018				
Financial liabilities:				
Trade and other payables	183,913,732	-	-	183,913,732
Loans and borrowings	78,749,555	307,375,410	826,863	386,951,828
Total undiscounted financial liabilities	262,663,287	307,375,410	826,863	570,865,560

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. 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			
2019			
Financial liabilities:			
Trade and other payables	391,137	-	391,137
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	14,876	28,098	42,974
Total undiscounted financial liabilities	406,013	28,098	434,111
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

* The fair value is Nil as the Company considered the financial guarantees to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to.

(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 (2018: 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 profit/(loss) net of tax of the Group and of the Company and hence, no sensitivity analysis is presented.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(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 major foreign currencies in which these transactions are denominated are RM, USD, SGD, Euro and MXN.

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

	2019 RM	2018 RM
Trade receivables	67,926	6,810
Other receivables	42,853,086	51,695,388
Trade payables	113,410	218,510
Other payables	246,532	179,484

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 RM110,455,225 (2018: RM118,388,941) 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.

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:

	2019		2018	
	USD/RM RM	SGD/RM RM	USD/RM RM	SGD/RM RM
Group				
Financial assets:				
Cash and cash equivalents	98,517,194	1,529,368	114,579,040	1,479,129
Short-term investments	144,528,343	-	-	-
Due from related companies	176,535,791	27,507	218,728,923	341,906
Trade receivables	56,574	-	6,810	-
Other receivables	17,674,274	-	17,220,371	44,438
	437,312,176	1,556,875	350,535,144	1,865,473
Financial liabilities:				
Due to related companies	198,408	246,326	-	202,573
Trade payables	21,842	31,083	52,865	9,391
Other payables	16,019	59	21,883	-
	236,269	277,468	74,748	211,964
Currency exposure	437,075,907	1,279,407	350,460,396	1,653,509

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. 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 USD, which is one of the Group's entities functional currency as at the end of the reporting period was as follows:

	2019		2018	
	SGD/USD RM	RM/USD RM	SGD/USD RM	RM/USD RM
Group				
Financial assets:				
Cash and cash equivalents	376,380	541,936	1,400,778	283,186
Due from related companies	573,511	80,660	650,921	-
Trade receivables	-	11,352	-	-
Other receivables	802	-	456	-
	<u>950,693</u>	<u>633,948</u>	<u>2,052,155</u>	<u>283,186</u>
Financial liabilities:				
Due to related companies	7,876,925	198,082	10,535,637	612,877
Trade payables	3,234	17,032	127,266	-
Other payables	21,121	113,127	10,317	47,795
	<u>7,901,280</u>	<u>328,241</u>	<u>10,673,220</u>	<u>660,672</u>
Currency exposure	<u>(6,950,587)</u>	<u>305,707</u>	<u>(8,621,065)</u>	<u>(377,486)</u>

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:

	2019 USD/MXN RM	2018 USD/MXN RM
Group		
Financial assets:		
Cash and cash equivalents	9,085,532	170,798
Other receivables	24,434,253	33,565,478
	<u>33,519,785</u>	<u>33,736,276</u>
Financial liabilities:		
Due to related companies	22,153,712	25,275,768
Currency exposure	<u>11,366,073</u>	<u>8,460,508</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. 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 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	2019 RM/SGD RM	MXN/SGD RM	USD/SGD RM	2018 RM/SGD RM	MXN/SGD RM
Group						
Financial assets:						
Cash and cash equivalents	377,432	764	5,563	456,386	764	5,758
Due from related companies	488,388	687	2,927,073	1,947,964	18,171	1,635,669
Other receivables	742,447	-	-	735,259	-	-
	<u>1,608,267</u>	<u>1,451</u>	<u>2,932,636</u>	<u>3,139,609</u>	<u>18,935</u>	<u>1,641,427</u>
Financial liabilities:						
Due to related companies	12,611,361	2,224,493	5,393	10,235,841	2,227,154	509
Other payables	62,191	33,993	22	60,642	33,993	20
	<u>12,673,552</u>	<u>2,258,486</u>	<u>5,415</u>	<u>10,296,483</u>	<u>2,261,147</u>	<u>529</u>
Currency exposure	<u>(11,065,285)</u>	<u>(2,257,035)</u>	<u>2,927,221</u>	<u>(7,156,874)</u>	<u>(2,242,212)</u>	<u>1,640,898</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. 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 profit/(loss) 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 Profit/(Loss) Net of Tax</u>	
	Group	
	2019 RM	2018 RM
USD/RM		
- strengthened 3% (2018: 6%)	(9,965,331)	(15,980,994)
- weakened 3% (2018: 6%)	9,965,331	15,980,994
SGD/RM		
- strengthened 1% (2018: 4%)	(9,723)	(50,267)
- weakened 1% (2018: 4%)	9,723	50,267
SGD/USD		
- strengthened 3% (2018: 2%)	158,473	131,040
- weakened 3% (2018: 2%)	(158,473)	(131,040)
RM/USD		
- strengthened 3% (2018: 6%)	(6,970)	17,213
- weakened 3% (2018: 6%)	6,970	(17,213)
USD/SGD		
- strengthened 3% (2018: 2%)	252,288	108,784
- weakened 3% (2018: 2%)	(252,288)	(108,784)
RM/SGD		
- strengthened 1% (2018: 4%)	17,153	68,163
- weakened 1% (2018: 4%)	(17,153)	(68,163)
MXN/SGD		
- strengthened 1% (2018: 6%)	(22,247)	(74,825)
- weakened 1% (2018: 6%)	22,247	74,825
USD/MXN		
- strengthened 3% (2018: 8%)	(259,146)	(514,399)
- weakened 3% (2018: 8%)	259,146	514,399

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. 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 23 and 25 to the financial statements. The IRS has the same nominal value of RM213,980,944 (2018: RM270,173,667) and is settled monthly, consistent with the interest repayment schedule of the term loan.

The following table indicates the periods in which the cash flows associated with the IRS 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	772,871	775,296	751,266	24,030
2018				
Interest rate swap	4,900,602	5,087,440	2,201,963	2,885,477

During the previous financial year, total gain of RM11,067,136 was recognised in other comprehensive income and RM13,064,522 was reclassified from equity to profit or loss.

(f) Classification of Financial Instruments

	Group RM	2019 Company RM
Financial assets		
<u>Mandatorily at fair value through profit or loss</u>		
Investment securities (Note 18)	923,595	-
Short-term investments (Note 22)	293,732,017	274,584,810
Derivative assets (Note 23)	772,871	-
	<u>295,428,483</u>	<u>274,584,810</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(f) Classification of Financial Instruments (continued)

	Group RM	2019 Company RM
Financial assets		
<u>Amortised cost</u>		
Trade and other receivables (Note 20)	128,036,232	162,259,786
Cash and bank balances (Note 24)	209,014,637	94,410,514
	<u>337,050,869</u>	<u>256,670,300</u>
Financial liabilities		
<u>Amortised cost</u>		
Loans and borrowings (Note 25)	293,937,786	-
Trade and other payables (Note 26)	151,179,534	434,111
	<u>445,117,320</u>	<u>434,111</u>
	Group RM	2018 Company RM
Financial assets		
<u>Fair value through profit or loss</u>		
Investment securities (Note 18)	2,299,277	-
Short-term investments (Note 22)	121,462,409	112,353,724
Derivative assets (Note 23)	4,900,602	-
	<u>128,662,288</u>	<u>112,353,724</u>
<u>Loans and receivables financial assets</u>		
Trade and other receivables (Note 20)	186,607,158	289,150,276
Cash and bank balances (Note 24)	282,291,421	84,303,549
	<u>468,898,579</u>	<u>373,453,825</u>
Financial liabilities		
<u>Other financial liabilities</u>		
Loans and borrowings (Note 25)	348,233,239	-
Trade and other payables (Note 26)	183,913,732	373,554
	<u>532,146,971</u>	<u>373,554</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

35. Financial Risk Management Objectives and Policies (continued)

(g) Gains or Losses Arising from Financial Instruments

	Group RM	2019 Company RM
Financial assets		
<u>Fair value through profit or loss</u>		
Net gains/(losses) recognised in profit or loss by mandatorily required by accounting standard	5,372,241	6,198,842
<u>Amortised cost</u>		
Net gains/(losses) recognised in profit or loss	(748,813)	(52,609,341)
Financial liabilities		
<u>Amortised cost</u>		
Net gains/(losses) recognised in profit or loss	(15,699,591)	-
	Group RM	2018 Company RM
Financial assets		
<u>Fair value through profit or loss</u>		
Net gains/(losses) recognised in profit or loss	1,887,530	2,662,730
Net gains/(losses) recognised in other comprehensive income	15,187,665	11,067,136
Net gains/(losses) reclassified from equity to profit or loss	(13,064,522)	(13,064,522)
<u>Loans and receivables financial assets</u>		
Net gains/(losses) recognised in profit or loss	7,345,434	6,444,641
Financial liabilities		
<u>Financial liabilities measured at amortised cost</u>		
Net gains/(losses) recognised in profit or loss	(17,954,914)	-

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

36. 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 2019 and 30 June 2018.

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	2019 RM	Group 2018 RM
Loans and borrowings	25	293,937,786	348,233,239
Equity attributable to owners of the Company		1,176,861,663	1,162,623,321
Gearing ratio		24.98%	29.95%

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 25 to the financial statements, failing which, the bank may call an event of default. The Group has complied with this requirement.

37. 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 - Fabrication and sale of offshore support and marine transportation services, 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 2019 (cont'd.)

37. 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
2019					
Revenue:					
External customers	4,113,048	152,216,274	-		156,329,322
Inter-segment	152,845,607	31,000	(152,876,607)	A	-
Total revenue	156,958,655	152,247,274	(152,876,607)		156,329,322
Represented by:					
Revenue recognised at a point in time					
- Sale of vessels	215,413,492	-	(215,413,492)		-
Revenue recognised over time					
- Shipbuilding construction contract income	1,680,000	-	-		1,680,000
- Vessels repairing services	4,486,033	-	(2,052,985)		2,433,048
- Vessels chartering services	-	153,402,638	(1,186,364)		152,216,274
- Agency services	6,465,144	-	(6,465,144)		-
	228,044,669	153,402,638	(225,117,985)		156,329,322
Results:					
Interest income	257,720	3,033,529	2,650,522		5,941,771
Depreciation	3,309,073	67,314,970	18,145		70,642,188
Other non-cash expenses	48,607,734	2,249,248	265,186	B	51,122,168
Segment (loss)/profit	(70,297,858)	99,857,840	278,462	C	29,838,444
Assets:					
Additions to non-current assets	182,860	27,035,924	-	D	27,218,784
Segment assets	370,912,152	891,273,892	383,528,285	E	1,645,714,329
Segment liabilities	163,118,465	10,837,300	294,896,901	F	468,852,666

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

37. 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

The information on the disaggregation of revenue is not presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

Notes Nature of adjustments and eliminations to arrive at amount 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	2019 RM	2018 RM
Impairment loss on receivables	8	13,762,716	1,496,705
Deposits written off	9	15,267,310	47,620,548
Fair value loss on quoted investment	9	1,375,682	983,885
Inventories written off	9	13,781,842	437,642,480
Inventories written down	9	1,527,524	90,778,540
Plant and equipment written off	9	17,509	2,187
Prepayment written off	9	-	26,313,518
Unrealised loss on foreign exchange	9	138,430	5,734,774
Share-based payment expenses		5,251,155	4,658,881
		51,122,168	615,231,518

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

37. Segment Information (continued)

- C The following items are (deducted)/added from segment (loss)/profit to arrive at "Profit/(Loss) before tax" presented in the consolidated statement of profit or loss:

	2019 RM	2018 RM
Finance costs	(15,687,021)	(17,922,434)
Unallocated corporate income	15,965,483	(5,024,394)
	<u>278,462</u>	<u>(22,946,828)</u>

- D Additions to non-current assets consist of:

Property, plant and equipment	<u>27,218,784</u>	<u>1,438,094</u>
-------------------------------	-------------------	------------------

- E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM	2018 RM
Tax recoverable	263,935	316,753
Unallocated corporate assets	383,264,350	219,307,338
	<u>383,528,285</u>	<u>219,624,091</u>

- F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM	2018 RM
Deferred tax liabilities	522,718	415,083
Income tax payable	215,253	157,358
Loans and borrowings	293,937,786	348,233,239
Unallocated corporate liabilities	221,144	192,147
	<u>294,896,901</u>	<u>348,997,827</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	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	12,452,389	2,141,624	172,758,011	40,129,257
British Virgin Islands	-	10,183,251	-	-
Mexico	141,793,867	146,349,799	506,315,149	551,045,554
United Arab Emirates	2,083,066	-	25,745,604	-
Others	-	-	651,198	992,538
	<u>156,329,322</u>	<u>158,674,674</u>	<u>705,469,962</u>	<u>592,167,349</u>

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

37. Segment Information (continued)

Geographical information (continued)

The information on the disaggregation of revenue based on geographical location is summarised below:

	Over time RM
2019	
Malaysia	12,452,389
Mexico	141,793,867
United Arab Emirates	2,083,066
	<hr/> 156,329,322 <hr/>

No information is presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2019 RM	2018 RM
Property, plant and equipment	701,983,929	588,599,292
Investment properties	3,486,033	3,568,057
	<hr/> 705,469,962 <hr/>	<hr/> 592,167,349 <hr/>

Information about major customers

There is one (2018: one) major customer from the vessels chartering segment that contributed more than 10% to the Group's revenue.

38. Dividend

	Group and Company 2019 RM	2018 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Second interim single-tier dividend for 2017: 1.0 sen per share	<hr/> - <hr/>	<hr/> 5,274,026 <hr/>

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

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019 (cont'd.)

39. Significant Events During The Financial Year

- (a) 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.

During the financial year, the Tribunal had, vide the Final Award declared that the Respondents are proven of committing a breach of the MOU and requested to pay the Company the sum of USD4,349,759, which consist of the amount of the Outstanding Deposit of USD3,846,837 and the interest in the amount of USD502,922.

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

40. Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 21 October 2019.

41. 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		
Other income	35,312,738	35,373,423
Other expenses	616,822,208	618,318,913
Net impairment loss on receivables	1,436,020	-

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 (30.06.2019) (RM)
CL 075512168 Off Mile 9, Sungai Seguntor, Labuk Road, Sandakan, Sabah.	15 to 32 years	Leasehold / 31.12.2073	Shipbuilding & Repairs Facility	17.66 acres/ 76,348.43 sq ft	24.04.1990	11.05.2001	4,727,291
1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin, Mile 1 1/2, Leila Road, Sandakan, Sabah.	33 years since 1987	Leasehold / 15.12.2910	1 unit residential flat	1.027 acres / 900 sq ft	14.12.1995	11.05.2001	21,439
1/2 undivided share of TL077534313 Lot 3A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah.	36 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	122,276
1/2 undivided share of TL077534313 Lot 3B, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah.	36 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	118,921
1/2 undivided share of TL077534304 Lot 4A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah.	36 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	119,836
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.	10 to 13 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 ↓	16,051,672
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 ↓	93,341

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 (30.06.2019) (RM)
CL 075350855 CL 075350864 CL 075350882 CL 075359652 Mile 9, Church Road, Off Jalan Labuk, Jalan Seguntur, Sandakan, Sabah.	11 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 ↓	2,266,931
CL 075366031 Sungai Seguntor, Sandakan, Sabah.	9 years	Leasehold / 31.12.2077	Shipbuilding & Repairs Facility	6.31 acres	18.05.2010	N/A	1,301,723
1/2 undivided share of TL077534322 Lot 2B, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah.	36 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	159,283
7/206 undivided share of CL075495340 Lot SO197 - SO203, Block A, One Avenue, Phase 8, Bandar Utama, Mile 6, Jalan Utara, Sandakan, Sabah.	8 years	Leasehold / 31.12.2081	7 units double storey shop office	1,475.60 sq m	17.12.2007	N/A	3,486,031

Analysis of Shareholdings

as at 26 September 2019

Statistics on Ordinary Shareholdings as at 26 September 2019

Total Number of Issued Shares Including Treasury Shares	531,888,931 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	248	10,276	0.00
100 to 1,000	845	451,050	0.08
1,001 to 10,000	2,597	12,613,935	2.39
10,001 to 100,000	1,103	33,677,753	6.39
100,001 to less than 5% of issued shares	170	254,491,025	48.23
5% and above of issued shares	4	226,448,092	42.91
Total	4,967	527,692,131	100.00

List of Thirty Largest Securities Accounts Holders

No.	Name	No. of Shares	%
1.	IVORY ASIA SDN. BHD.	84,746,660	16.06
2.	IVORY ASIA SDN. BHD.	66,666,666	12.63
3.	HSBC NOMINEES (ASING) SDN BHD KBL EURO PB FOR SAMARANG UCITS-SAMARANG ASIAN PROSPERITY	42,168,100	7.99
4.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG FONG THAU (KKINABALU-CL)	32,866,666	6.23
5.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KOK (B TINGGI-CL)	24,138,254	4.57
6.	CGS-CIMB 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.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KEUAN (KKINABALU-CL)	23,691,587	4.49
9.	PANG FONG THAU	23,006,200	4.36
10.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN HENG (KKINABALU-CL)	16,602,400	3.15
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.	PANG FONG THAU	8,849,509	1.68
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)(PRINCIPAL EQITS)	8,154,300	1.55
15.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT 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 2019

List of Thirty Largest Securities Accounts Holders (Cont'd)

No.	Name	No. of Shares	%
19.	NG CHIN HENG	3,666,666	0.69
20.	NG CHIN HENG	3,335,201	0.63
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	2,338,600	0.44
22.	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	2,080,000	0.39
23.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,852,777	0.35
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	1,845,000	0.35
25.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	1,725,600	0.33
26.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,706,966	0.32
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,500,000	0.28
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	1,100,000	0.21
29.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHUI LAI (KKINABALU-CL)	1,092,633	0.21
30.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	1,050,000	0.20

Substantial Shareholders

No.	Name	No. of Shares held		% of Issued Share	
		Direct	Indirect	Direct	Indirect
1.	IVORY ASIA SDN BHD	151,413,326	-	28.69	-
2.	PANG FONG THAU	64,722,375	^a 178,896,426	12.27	33.90
3.	SAMARANG UCITS – SAMARANG ASIAN PROSPERITY	42,168,100	-	7.99	-
4.	NG CHIN HENG	27,483,100	^b 216,135,701	5.21	40.96

Directors' Shareholdings

No.	Name	No. of Shares held		% of Issued Share	
		Direct	Indirect	Direct	Indirect
1.	NG CHIN HENG	27,483,100	^c 216,839,900	5.21	41.09
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 Nineteenth Annual General Meeting of the Company to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 26 November 2019 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 Mr Jacob O Pang Su Yin as Director.		
3.	To re-elect Mr Loh Thian Sang @ Lo Thian Siang as Director.		
4.	To re-appoint Messrs Crowe Malaysia PLT 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.		
8.	Proposed Adoption of a New Constitution of the Company.		

(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 2019

.....
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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STAMP



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)

Block G, Lot 3B, Bandar Leila, W.D.T. 259, 90009 Sandakan, Sabah, Malaysia.

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