

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the contents of this Statement in relation to the Proposed Renewal Of Share Buy-Back Authority before its issuance. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.



COASTAL CONTRACTS BHD.

Registration No.200001015043 (517649-A)
(Incorporated in Malaysia)

**STATEMENT TO SHAREHOLDERS
IN RELATION TO
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY
 (“SHARE BUY-BACK STATEMENT”)**

The Twentieth Annual General Meeting (“20th AGM”) of COASTAL has been scheduled to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Wednesday, 16 December 2020 at 10.00 a.m. The notice of the 20th AGM and Proxy Form are available for download at COASTAL’s website at <http://www.coastalcontracts.com/investor-relations/aggm/>.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and to vote on his/her behalf. In such event, the Proxy Form should be lodged at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, Malaysia, or received at the electronic address at ir@coastalcontracts.com, not less than forty-eight (48) hours before the time set for the 20th AGM or any adjournment thereof, as indicated below. The lodging of the Proxy Form will not preclude you from attending and voting in person at the 20th AGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Monday, 14 December 2020 at 10.00 a.m.
Date and time of the Twentieth Annual General Meeting : Wednesday, 16 December 2020 at 10.00 a.m.

This Statement is dated 28 October 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

“Act”	: The Companies Act 2016
“AGM”	: Annual General Meeting
“BNM”	: Bank Negara Malaysia
“Board”	: Board of Directors of COASTAL
“Bursa Securities”	: Bursa Malaysia Securities Berhad (200301033577) (635998-W)
“COASTAL” or “Company”	: Coastal Contracts Bhd. (200001015043) (517649-A)
“COASTAL Group” or “Group”	: COASTAL and its subsidiaries
“COASTAL Share(s)” or “Share(s)”	: Ordinary share(s) of COASTAL
“Code”	: The Malaysian Code on Take-Overs and Mergers 2016, and any amendments made thereto from time to time.
“Director(s)”	: Has the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007
“EPS”	: Earnings per share
“ESOS”	: Employees’ Share Option Scheme
“FYE”	: Financial year ended
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities
“LPD”	: 25 September 2020, being the latest practicable date prior to the printing and despatch of this Statement
“Major Shareholder”	: A person who has an interest in: a) 10% or more of the total number of voting shares in the Company; or b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company
“Market Day(s)”	: Any day between Monday to Friday (inclusive), excluding public holidays, on which Bursa Securities is open for trading of securities
“NA”	: Net assets
“Proposed Share Buy-Back”	: Proposed renewal of authority for the Company to purchase its own shares of up to ten percent (10%) of the total number of issued shares in the ordinary share capital of the Company
“Purchased Shares”	: Shares purchased pursuant to the Proposed Share Buy-Back Authority
“Record of Depositors”	: A Record of Depositors established by Bursa Depository under the Rules of the Depository
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“this Statement”	: This statement to shareholders of COASTAL dated 28 October 2020
“Treasury Shares”	: The COASTAL shares purchased by the Company that can be retained, distributed as dividend or resold and/or subsequently cancelled
“WAMP”	: Weighted average market price

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

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COASTAL CONTRACTS BHD.

Registration No. 200001015043 (517649-A)
(Incorporated in Malaysia)

STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

At the 19th AGM held on 26 November 2019, the Company had obtained shareholders' authorisation to purchase up to 10% of the total number of issued shares in the ordinary share capital of the Company. The said authorisation shall, in accordance with the Listing Requirements, continue in force until the conclusion of the forthcoming 20th AGM of COASTAL which will be held on 16 December 2020 unless renewal is obtained from the shareholders of the Company at the forthcoming AGM.

On 06 October 2020, the Company announced that it proposes to seek shareholders' approval for a renewal of the authority to enable the Company to purchase up to 10% of the total number of issued shares in the ordinary share capital of the Company as quoted on Bursa Securities at any point in time.

The purpose of this Statement is to provide you with details and information pertaining to the Proposed Share Buy-Back, together with the Board's recommendation, and to seek your approval for the resolutions to be tabled at the forthcoming AGM of the Company, to be convened at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Wednesday, 16 December 2020 at 10.00 a.m.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS STATEMENT TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHARE BUY-BACK AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

2.1 Details

As at 25 September 2020, the issued and paid-up share capital of the Company, before adjusting for treasury shares, was RM307,049,827 comprising 535,350,031 COASTAL Shares. The Company has 47,732,000 unexercised ESOS options which entitle the ESOS options holders to subscribe for 42,504,000 and 5,228,000 new COASTAL Shares at the exercise price of RM1.40 and RM0.96 per COASTAL Share respectively.

Based on the Company's issued and paid-up capital as at 25 September 2020 and the assumption that all the ESOS options are exercised, the Proposed Share Buy-Back will enable the Company to purchase up to a maximum of 51,179,254 Shares, representing 10% of the pro forma enlarged issued and paid-up share capital. However, the total number of shares that may be purchased including the treasury shares held shall not exceed 10% of the total number of issued shares in the ordinary share capital of the Company at any point in time.

The Company has purchased 10,386,000 COASTAL Shares which are held as treasury shares as at 25 September 2020. The Shares purchased may be cancelled or retained as treasury shares or a combination of both; the proportion of which will be determined by the Board at the appropriate time. The Board may decide to cancel the COASTAL Shares so purchased if it is of the opinion that, in foreseeable future, there are no investment opportunities that would result in gains adding value to the Company and hence, the value of the COASTAL Shares. If the Board decides to retain the COASTAL Shares so purchased as treasury shares, it may distribute the treasury shares as dividends to the shareholders of the Company and/or resell them on Bursa Securities and/or subsequently cancel them.

In the event the Company decides to resell or transfer the Company's treasury shares, the Company is required to release an announcement on the day the resale or transfer is made providing the following information:

- (a) The number of shares resold or transferred.
- (b) In the case where the shares are resold, the minimum and maximum resale price and the total consideration received.
- (c) In the case where the shares are transferred -
 - the purpose of the transfer, transfer price and basis for the price;
 - direct and indirect interests of the directors and major shareholders and any person connected with the directors or major shareholders in the transfer, if any; and
 - if the treasury shares are transferred as purchase consideration, details of the vendor as set out in paragraph 7(d), Part A of Appendix 10A of the Listing Requirements.

In the event the Company decides to cancel the shares purchased and/or the treasury shares, the Company is required to release an announcement on the day the cancellation is made, providing details of the number of shares cancelled, the date of cancellation and the outstanding and paid-up share capital of the Company after cancellation.

The actual number of COASTAL Shares to be purchased, the total amount of funds involved for each purchase, and the timing of the purchase(s) will depend on, inter alia, market conditions and sentiments of the stock market as well as the available financial resources of the COASTAL Group.

2.2 Salient Terms

2.2.1 Duration

The authority from the shareholders of COASTAL to undertake the Proposed Share Buy-Back, if granted, shall be effective upon the passing of the relevant ordinary resolution for the Proposed Share Buy-Back until:

- (a) the conclusion of the next AGM of COASTAL at which time it shall lapse, unless the authority is renewed by a resolution passed at that meeting; or
- (b) the expiration of the period within which the next AGM after the date it is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of COASTAL at a general meeting;

whichever occurs first.

The shareholders' approval for the Proposed Share Buy-Back does not impose an obligation on the Company to purchase its own Shares. However, it will further allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period.

2.2.2 Funding

The Proposed Share Buy-Back may be funded through internally-generated funds and/or bank borrowings as long as the purchase is backed by an equivalent amount of retained earnings of the Company, subject to compliance with the prevailing laws. As at LPD, COASTAL has not determined the source of funding for the Proposed Share Buy-Back.

The actual amount of funds to be utilised for the Proposed Share Buy-Back will only be determined later depending on the actual number of COASTAL Shares to be purchased, the availability of funds at the time of purchase(s) and other relevant cost factors.

The Proposed Share Buy-Back, if funded through internally-generated funds, is not expected to have a material impact on the cashflow position of the Company. In the event the Proposed Share Buy-Back is to be financed by bank borrowings, the Company will ensure it is capable of repaying such borrowings and that such repayment will not have a material effect on its cashflow.

Based on COASTAL's latest consolidated audited financial statements as at 30 June 2020, the retained earnings of COASTAL is RM483,326,060.

2.2.3 Purchase price

Pursuant to Paragraph 12.17 of the Listing Requirements, the Company may purchase its own shares on Bursa Securities at a price which is not more than fifteen percent (15%) above the WAMP for the COASTAL Shares for the five (5) market days immediately preceding the date of any purchase(s).

2.2.4 Treatment of Purchased Shares

In accordance with Section 127(4) of the Act, the Directors of the Company may deal with the Purchased Shares in the following manners:

- (a) cancel the Purchased Shares; or
- (b) retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (c) retain part of the Purchased Shares as treasury shares and cancel the remainder.

Accordingly, based on Section 127(7) of the Act, where such Purchased Shares are held as Treasury Shares, our Directors may, at their discretion:

- (a) distribute the Treasury Shares as dividends to shareholders, such dividends to be known as "share dividends";
- (b) resell the Treasury Shares or part thereof on Bursa Securities in accordance with the relevant rules of Bursa Securities;
- (c) transfer the Treasury Shares or any part thereof for the purpose of or under an employees' share scheme;

- (d) transfer the Treasury Shares or any part thereof as purchase consideration;
- (e) cancel the treasury Shares or any part thereof; or
- (f) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister may by order prescribe.

The Board may decide to retain the Purchased Shares as treasury shares and subsequently resell them on Bursa Securities if the opportunity arises for the Company to realise gains from the resale on Bursa Securities. On the other hand, the Board may distribute the Purchased Shares as share dividends, which will depend on the availability of, amongst others, retained earnings of the Company, or cancel the Purchased Shares if the Board decides to change the capital structure of the Company.

In the event the Purchased Shares are held as treasury shares, the rights attaching to them in relation to voting, dividends and participation in any other distribution or otherwise, would be suspended and the treasury shares would not be taken into account in calculating the number or percentage of shares, or of a class of shares in the Company for any purposes including the determination of major shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

According to Paragraph 12.18 of the Listing Requirements, in the case of a resale of treasury shares, the Company may only resell any treasury shares on Bursa Securities or transfer of treasury shares pursuant to Section 127(7) of the Act, at:

- (a) a price which is not less than the WAMP for the COASTAL Shares for the five (5) market days immediately prior to the resale or transfer; or
- (b) a discounted price of not more than five percent (5%) to the WAMP for the COASTAL Shares for the five (5) market days immediately prior to the resale or transfer provided that:
 - (i) the resale or transfer takes place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale or transfer price is not less than the cost of purchase of the COASTAL Shares being resold or transferred.

An immediate announcement will be made to Bursa Securities in respect of the intention of the Directors to either retain the Purchased Shares as treasury shares, resell, transfer or cancel them or a combination of both following any transaction executed pursuant to the authority granted under the Proposed Share Buy-Back.

3. RATIONALE, POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, will enable COASTAL to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the market to:

- (a) stabilise the market price of COASTAL Shares and to prevent against speculation of COASTAL Shares, when undervalued, to enhance investors' confidence;

- (b) strengthen the EPS of COASTAL, allowing long-term and genuine investors to enjoy a corresponding increase in the value of their investments in the Company, if the Purchased Shares are subsequently cancelled;
- (c) realise a potential gain without affecting the total issued and paid-up share capital of the Company, if the Purchased Shares are held as treasury shares and resold on Bursa Securities at a higher price; and
- (d) reward the shareholders of the Company, if the Purchased Shares are held as treasury shares and distributed as share dividends under Section 127 of the Act.

The Proposed Share Buy-Back will reduce the financial resources of the Company for other future investment and future distribution to shareholders. However, the Proposed Share Buy-Back will be implemented only after due consideration of the financial resources of COASTAL, and the resultant impact on the shareholders of the Company. The Board will be mindful of the interests of the Company and its shareholders in undertaking the Proposed Share Buy-Back.

4. IMPLICATIONS OF THE CODE

A person and any person acting in concert with him will be obliged to make a mandatory general offer (MGO) under Paragraph 15(2) of the Code for the remaining COASTAL Shares not already owned by him/them if as a result of the Proposed Share Buy-Back:

- (a) a person obtains control in the Company; or
- (b) a person holding more than 33% but not more than 50% of the voting shares or voting rights of a company, increases his holding of the voting shares or voting rights of the Company by more than 2% in any six-month period.

In addition, according to the Code, if any person or person acting in concert holding more than 33% but less than 50% of the voting shares of a company, as a result of a reduction of the voting shares of a company through a buy back scheme under the Act, has increased his holding of voting shares by more than 2% in any 6 months period, he may apply to the Securities Commission Malaysia for an exemption from the mandatory general offer obligation if the increase in his holding is inadvertent and as a result of any action that is outside his direct participation. However, such exemption will not be granted by the Securities Commission Malaysia if the holder of voting shares has previously acquired voting shares in the knowledge that the company intended to seek permission from its shareholders to purchase its own voting shares.

In the event the Proposed Share Buy-Back is implemented in full and all the shares acquired are cancelled, the pro forma effects of the Proposed Share Buy-Back on the shareholdings of the major shareholder of COASTAL and persons connected to the major shareholder as at LPD are illustrated in Section 8.

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Code by any of its major shareholders and/or parties acting in concert with them, the Board will ensure that such number of shares are purchased, retained as treasury shares, cancelled or distributed such that the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its major shareholders and/or parties acting in concert with them. In this connection, the Board is mindful of the requirements when making any purchase of COASTAL shares pursuant to the Proposed Share Buy-Back.

5. PURCHASES AND RESALES MADE IN THE PREVIOUS 12 MONTHS

The following are details of the Company's purchases of its own shares made during the previous twelve (12) months from October 2019 to 25 September 2020 being the latest practicable date prior to the printing of this Statement:

Date of Purchase	No. of Shares Purchased	^Cost (RM)	Lowest price (RM)	Highest price (RM)	^Average price (RM)
27 February 2020	200,000	226,000.00	1.130	1.130	1.130
28 February 2020	132,400	142,921.83	1.030	1.110	1.079
2 March 2020	37,900	41,561.90	1.060	1.110	1.097
3 March 2020	119,000	130,579.89	1.070	1.120	1.097
4 March 2020	60,000	64,800.00	1.080	1.080	1.080
5 March 2020	130,000	137,800.00	1.050	1.070	1.060
6 March 2020	62,300	65,015.03	1.030	1.050	1.044
9 March 2020	1,200,000	972,000.00	0.775	0.900	0.810
10 March 2020	192,200	153,548.58	0.780	0.810	0.799
11 March 2020	150,000	121,399.50	0.800	0.815	0.809
12 March 2020	102,500	77,862.08	0.745	0.780	0.760
13 March 2020	156,900	111,993.65	0.700	0.730	0.714
16 March 2020	171,400	111,312.30	0.580	0.700	0.649
17 March 2020	100,000	59,575.00	0.580	0.605	0.596
18 March 2020	41,600	24,593.92	0.585	0.595	0.591
19 March 2020	80,000	43,975.20	0.530	0.565	0.550
20 March 2020	108,000	61,725.24	0.555	0.580	0.572
23 March 2020	50,000	27,975.00	0.555	0.565	0.560
24 March 2020	100,000	57,500.00	0.570	0.580	0.575
25 March 2020	95,000	54,125.30	0.540	0.595	0.570
26 March 2020	26,300	15,898.61	0.595	0.605	0.605
2 April 2020	16,200	11,303.06	0.690	0.700	0.698
8 April 2020	100,000	75,005.00	0.720	0.760	0.750
9 April 2020	100,000	75,115.00	0.730	0.755	0.751
10 April 2020	100,000	68,758.00	0.670	0.700	0.688
13 April 2020	100,000	66,809.00	0.660	0.680	0.668
14 April 2020	64,800	43,940.23	0.675	0.680	0.678
16 April 2020	40,000	27,350.00	0.680	0.685	0.684
21 April 2020	112,500	71,985.38	0.625	0.650	0.640
22 April 2020	100,000	60,125.00	0.595	0.610	0.601
23 April 2020	100,000	60,825.00	0.600	0.620	0.608
24 April 2020	50,000	30,725.00	0.605	0.635	0.615
27 April 2020	70,600	44,475.18	0.625	0.635	0.630
21 July 2020	48,800	32,452.00	0.665	0.665	0.665
28 July 2020	28,100	18,827.00	0.670	0.670	0.670
29 July 2020	98,100	65,927.12	0.670	0.675	0.672
30 July 2020	100,000	65,940.00	0.640	0.665	0.659
4 August 2020	100,000	61,650.00	0.610	0.620	0.617
10 August 2020	50,000	32,147.00	0.630	0.645	0.643
11 August 2020	60,000	40,849.80	0.665	0.700	0.681
12 August 2020	12,900	8,539.03	0.660	0.665	0.662
13 August 2020	100,000	67,750.00	0.670	0.680	0.678
21 August 2020	40,600	27,145.97	0.660	0.670	0.669
28 August 2020	416,700	268,292.30	0.635	0.650	0.644
1 September 2020	200,000	127,350.00	0.630	0.640	0.637
3 September 2020	86,100	53,912.38	0.625	0.630	0.626
4 September 2020	95,900	59,937.50	0.625	0.625	0.625
8 September 2020	90,000	54,999.90	0.605	0.615	0.611
10 September 2020	70,500	43,962.39	0.620	0.625	0.624
11 September 2020	26,400	16,368.00	0.620	0.620	0.620
14 September 2020	55,400	34,625.00	0.625	0.625	0.625
17 September 2020	37,000	22,940.00	0.620	0.620	0.620
18 September 2020	10,000	6,309.50	0.620	0.635	0.631
23 September 2020	68,800	42,656.00	0.620	0.620	0.620
24 September 2020	64,300	39,294.37	0.610	0.615	0.611
25 September 2020	60,000	37,200.00	0.620	0.620	0.620

[^] Total cost paid for shares purchased is not inclusive of brokerage fee and stamp duty.

The Shares bought back by the Company during the period since the shareholders' approval at the EGM held on 28 June 2011 up to LPD have been retained as treasury shares. Currently, there are a total of 10,386,000 Shares being kept as treasury shares. There has been no cancellation and/or resale of the treasury shares by the Company in the preceding twelve (12) months.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest price of COASTAL Shares as traded on Bursa Securities for the past twelve (12) months from October 2019 to September 2020 are as follows:

	High (RM)	Low (RM)
2019		
October	1.220	0.920
November	1.290	1.110
December	1.430	1.170
2020		
January	1.510	1.200
February	1.380	1.030
March	1.130	0.530
April	0.780	0.590
May	0.755	0.625
June	0.755	0.585
July	0.740	0.640
August	0.705	0.600
September	0.650	0.605

Last transacted market price on 05 October 2020
(being the date prior to the announcement of the Proposed
Share Buy-Back) 0.615

Last transacted market price on LPD
(being the LPD prior to the printing of this Statement) 0.620

(Source: www.investing.com)

7. PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% shareholding spread in the hands of public shareholders as required under Paragraph 8.02(1) of the Listing Requirements.

As at LPD, the Record of Depositors of COASTAL showed 204,252,671 Shares, representing 38.90% of its issued and paid-up share capital were held by public shareholders. The Company will endeavour to ensure that the Proposed Share Buy-Back will not breach Paragraph 12.14 of the Listing Requirements, which states that a listed company must not purchase its own shares on Bursa Securities if the purchase(s) will result in the listed company being in breach of the public shareholding spread requirements as set out under Paragraph 8.02(1) of the Listing Requirements.

8. EFFECTS OF THE PROPOSED SHARE BUY-BACK

For illustrative purposes, the pro forma effects of the Proposed Share Buy-Back are as follows:

8.1 Issued and paid-up share capital

Based on the issued and paid-up share capital of the Company as at LPD, the pro forma effects of the Proposed Share Buy-Back and assuming the Shares so purchased are cancelled are set out below:

Scenario I : Assuming none of the ESOS Options are exercised.

Scenario II : Assuming all of the ESOS Options are exercised prior to the Entitlement Date.

	Scenario I	Scenario II
	No. of Shares	No. of Shares
Existing issued and paid-up share capital as at 25 September 2020 (before netting-off the treasury shares held as at 25 September 2020)	535,350,031	535,350,031
<i>Shares to be issued upon full exercise of the ESOS⁽ⁱ⁾</i>	-	80,302,505
Enlarged issued and paid-up share capital	535,350,031	615,652,536
<i>Treasury shares as at the LPD</i>	(10,386,000)	(10,386,000)
<i>Assuming COASTAL Shares purchased under the Proposed Share Buy-Back are cancelled⁽ⁱⁱ⁾</i>	(43,149,003)	(51,179,254)
Resultant issued and paid-up share capital	481,815,028	554,087,282

⁽ⁱ⁾ Based on the exercise of all outstanding ESOS.

⁽ⁱⁱ⁾ Assuming purchase of the maximum number of COASTAL Shares authorised under the Proposed Share Buy-Back.

The pro forma effects of the Proposed Share Buy-Back on the resultant issued and paid-up share capital of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares. The above illustration assumes that the Purchased Shares are cancelled. However, if the Purchased Shares are retained as treasury shares, resold or distributed to its shareholders, the Proposed Share Buy-Back will have no effect on the existing issued and fully paid-up share capital of the Company.

The actual number of COASTAL Shares to be purchased will depend on, inter alia, market conditions and sentiments of Bursa Securities as well as the retained earnings, share premium and financial resources available to the Company at the time of the purchase(s).

8.2 NA per Share and Working Capital

The effect of the Proposed Share Buy-Back on the NA of the COASTAL Group will depend on the actual number of Shares purchased, the prices paid for such Shares, the effective funding cost to the COASTAL Group to finance the purchase of such Shares, if any, or any loss in interest income to the COASTAL Group, and whether the Purchased Shares are cancelled or retained as treasury shares.

If all Purchased Shares are cancelled, the NA of the COASTAL Group would decrease if the purchase price per Purchased Share exceeds the NA per Share at the relevant point in time, and vice versa.

The NA of the COASTAL Group would decrease if the Purchased Shares are retained as treasury shares, due to the requirement for treasury shares to be carried at cost and be offset against equity.

If the treasury shares are resold on Bursa Securities, the NA of the COASTAL Group would increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA of the COASTAL Group would decrease by the cost of the treasury shares.

The Proposed Share Buy-Back will reduce the working capital of the COASTAL Group, the quantum of which will depend on, amongst others, the number of Shares purchased and the purchase price(s) of Shares.

8.3 EPS

The Proposed Share Buy-Back may increase or reduce the EPS of the Group, depending on the number of Shares purchased, the prices paid for the Shares, the effective funding cost to COASTAL to finance the purchase of the Shares, if any, or any loss in interest income to COASTAL or opportunity cost in relation to other investment opportunities.

Assuming that the Purchased Shares are retained as treasury shares and subsequently resold, the extent of the effects on the earnings of the COASTAL Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or the interest savings arising from the exercise.

If the Purchased Shares are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group provided the income foregone and interest expense incurred on the Purchased Shares are less than the EPS before the share purchase.

8.4 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the number of shares which are entitled to participate in the dividend payout. Any future dividend would be paid on the remaining issued and paid-up share capital of COASTAL (excluding the Shares already purchased).

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8.5

Effects on shareholdings of Directors and major shareholders

Assumption is made that the Proposed Share Buy-Back of the maximum number of COASTAL Shares (up to ten percent (10%) of the total number of issued shares in the ordinary share capital of the Company) is purchased from shareholders other than the existing major shareholders and Directors of COASTAL, and all such shares purchased are cancelled. Loh Thian Siang, Intizam Bin Ayub and Jacob O Pang Su Yin being the remaining directors of COASTAL not included in the tables below, do not have any shareholdings existing as at LPD. The pro forma effects of the Proposed Share Buy-Back on the shareholdings of the Directors and major shareholders of the Company as at 25 September 2020 are set out below:

Scenario I : Assuming that none of the outstanding ESOS options are exercised and the Proposed Share Buy-Back is implemented in full.

Directors	Existing as at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%	No. of Shares	%
Ng Chin Shin	23,851,320	4.54	-	-	23,851,320	4.95	-	-
Ng Chin Keuan	23,691,587	4.51	20,000 ⁽¹⁾	0.00	23,691,587	4.92	20,000	0.00
Director who is also a major shareholder								
Ng Chin Heng	28,657,100	5.46	216,839,900 ⁽²⁾	41.31	28,657,100	5.95	216,839,900	45.00

Major Shareholders	Existing as at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%	No. of Shares	%
Ivory Asia Sdn. Bhd.	151,413,326	28.84	-	-	151,413,326	31.43	-	-
Pang Fong Chau	64,722,375	12.33	180,070,426 ⁽³⁾	34.30	64,722,375	13.43	180,070,426	37.37

Notes:

- * After netting-off 10,386,000 treasury shares held as at 25 September 2020.
- (1) Deemed interests by virtue of shareholdings of wife, Madam Chin Nyuk Oi in the Company.
- (2) Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Chau, shareholdings of sons, Mr Ng San Chen and Mr Ng San Yang, shareholdings of daughters, Madam Ng San Yin and Ms Alice Ng, and Ivory Asia Sdn. Bhd. in the Company.
- (3) Deemed interests by virtue of shareholdings of husband, Mr Ng Chin Heng and Ivory Asia Sdn. Bhd. in the Company.

Scenario II : Assuming that all the outstanding ESOS options are exercised and the Proposed Share Buy-Back is implemented in full.

	Existing as at LPD						Pro forma I						Pro forma II					
	Direct			Indirect			Direct			Indirect			Direct			Indirect		
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors Ng Chin Shin	23,851,320	4.54	-	-	26,515,320	4.31	-	-	26,515,320	4.79	-	-	26,515,320	4.79	-	-	-	-
Ng Chin Keuan	23,691,587	4.51	20,000 ⁽¹⁾	0.00	26,355,587	4.28	20,000	0.00	26,355,587	4.76	20,000	0.00	26,355,587	4.76	20,000	0.00	20,000	0.00
Director who is also a major shareholder																		
Ng Chin Heng	28,657,100	5.46	216,839,900 ⁽²⁾	41.31	32,777,100	5.32	225,371,100	36.61	32,777,100	5.92	225,371,100	36.61	32,777,100	5.92	225,371,100	36.61	225,371,100	40.67

	Existing as at LPD						Pro forma I						Pro forma II					
	Direct			Indirect			Direct			Indirect			Direct			Indirect		
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Major Shareholders																		
Ivory Asia Sdn. Bhd.	151,413,326	28.84	-	-	151,413,326	24.59	-	-	151,413,326	27.33	-	-	151,413,326	27.33	-	-	-	-
Pang Fong Thau	64,722,375	12.33	180,070,426 ⁽³⁾	34.30	67,242,375	10.92	184,190,426	29.92	67,242,375	12.14	184,190,426	29.92	67,242,375	12.14	184,190,426	29.92	184,190,426	33.24

Notes:

* After netting-off 10,386,000 treasury shares held as at 25 September 2020.

(1) Deemed interests by virtue of shareholdings of wife, Madam Chin Nyuk Oi in the Company.

(2) Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Thau, shareholdings of sons, Mr Ng San Chen and Mr Ng San Yang, shareholdings of daughters, Madam Ng San Yin and Ms Alice Ng, and Ivory Asia Sdn. Bhd. in the Company.

(3) Deemed interests by virtue of shareholdings of husband, Mr Ng Chin Heng and Ivory Asia Sdn. Bhd. in the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of COASTAL and/or persons connected to them, has any interest, either direct or indirect, in the Proposed Share Buy-Back.

10. APPROVALS REQUIRED

The Proposed Share Buy-Back is subject to the approval of the shareholders of COASTAL at the forthcoming AGM.

11. DIRECTORS' RECOMMENDATION

The Board having considered all aspects of the Proposed Share Buy-Back, including the rationale and financial effects of the Proposed Share Buy-Back set out in Sections 3 and 8 of this Statement respectively, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company, and recommends that you vote in favour of the resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

12. AGM

The proposed resolution in relation to the Proposed Share Buy-Back has been included in the Notice of the 20th AGM which is available for download at COASTAL's website at <http://www.coastalcontracts.com/investor-relations/agm/>. The 20th AGM will be convened at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Wednesday, 16 December 2020 at 10.00 a.m., for the purpose of considering and if thought fit, in passing with or without modification, the resolutions as set out in the Notice of the 20th AGM.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and return the relevant Proxy Form enclosed in the Annual Report 2020 and is also available for download at COASTAL's website at <http://www.coastalcontracts.com/investor-relations/agm/> in accordance with the instructions contained therein, to be deposited at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, Malaysia, or received at the electronic address at ir@coastalcontracts.com, not less than forty-eight (48) hours before the time set for the AGM or any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending the AGM and voting in person at the AGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,
For and on behalf of the Board of
COASTAL CONTRACTS BHD.

NG CHIN HENG
Executive Chairman

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of COASTAL who collectively and individually, accept full responsibility for the accuracy of the information contained in this Statement. The Directors confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there is no other fact, the omission of which would make any statement herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, Malaysia, during normal business hours from the date hereof up to the time fixed for the holding of the forthcoming AGM:

- (a) Constitution of COASTAL; and
- (b) audited consolidated financial statements of COASTAL for the past two (2) financial years ended 30 June 2019 and 30 June 2020.