



**Coastal Contracts Bhd**  
(517649-A)

**ANNUAL REPORT 2017**

**“Sail Forth,  
Grow Beyond”**





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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventeenth Annual General Meeting of the Company will be held at the Registered Office, Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 23 November 2017 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 2017 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' Fees and benefits for the financial year ended 30 June 2017.
3. To approve the payment of Directors' Fees and benefits up to but not exceeding the amount of RM170,100 for the period from 1 July 2017 until the next Annual General Meeting of the Company.
4. To re-elect the following Directors:
  - 4.1 Mr Ng Chin Kuan retiring pursuant to Article No. 91 of the Company's Constitution and being eligible, offers himself for re-election.
  - 4.2 Mr Ng Chin Heng retiring pursuant to Article No. 91 of the Company's Constitution and being eligible, offers himself for re-election.
5. To re-appoint Mr Loh Thian Sang @ Lo Thian Siang, whose term of office as director of the Company will be ending at the conclusion of this Annual General Meeting;
6. To re-appoint Messrs Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

7. 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 5, 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 nine years, to be retained and to continue to act as an Independent Non-Executive Director of the Company until the next Annual General Meeting."

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

#### ORDINARY RESOLUTION

##### Authority to issue shares pursuant to the Companies Act 2016

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

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

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

Please refer to  
Explanatory Notes (a)

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

Resolution 8

## Notice of Annual General Meeting (cont'd.)

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

### ORDINARY RESOLUTION

#### Proposed Renewal of Authority for Share Buy-back

“ 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.”

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

### Resolution 9

### 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 Seventeenth 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 17 November 2017. Only a depositor whose name appears on the Record of Depositors as at 17 November 2017 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: 27 October 2017

## Notice of Annual General Meeting (cont'd.)

### NOTES:

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

### EXPLANATORY NOTES

#### (a) Audited Financial Statements for financial year ended 30 June 2017

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 Re-appointment of Director

With the coming into force of the Companies Act 2016 on 31 January 2017, there is no age limit for directors.

At the Sixteenth Annual General Meeting of the Company held on 29 November 2016, Mr Loh Thian Sang @ Lo Thian Siang who is above the age of 70, was re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the Seventeenth Annual General Meeting. Therefore, the term of office of Mr Loh will be ending at the conclusion of this Meeting unless the members at the general meeting passed a resolution to re-appoint him as a director. Mr Loh has offered himself for re-appointment. The Nomination Committee has assessed the contribution of Mr Loh to the Group and has recommended Mr Loh for re-appointment as a Director.

The proposed Resolution 5 in relation to the re-appointment of Mr Loh as Director of the Company, if passed, will enable Mr Loh to continue to act as Director of the Company and he shall be subject to retirement by rotation in accordance with the Company's Constitution.

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

Pursuant to the Malaysian Code on Corporate Governance 2012, 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 nine 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;



## Notice of Annual General Meeting (cont'd.)

- (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 Resolution 5, the proposed Resolution No. 7, 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.

### **(d) Ordinary Resolution - Authority to issue shares pursuant to the Companies Act 2016**

The proposed Resolution No. 8, 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 29 November 2016. 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.

### **(e) Ordinary Resolution - Proposed Renewal of Authority for Share Buy-Back**

The proposed Resolution No. 9, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding 10% of the total number of issued shares in the ordinary share capital of the Company from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to the Circular to Shareholders dated 27 October 2017 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 4 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 page 136 and 137 of this Annual Report.



# Corporate Information

## BOARD OF DIRECTORS

**Ng Chin Heng**  
*Executive Chairman*

**Ng Chin Shin**  
*Executive Director*

**Ng Chin Keuan**  
*Executive Director*

**Jacob O Pang Su Yin**  
*Independent Non-Executive Director*

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

**Tuan Hj. Intizam Bin Ayub**  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Jacob O Pang Su Yin  
*Chairman*

Loh Thian Sang @ Lo Thian Siang  
*Member*

Tuan Hj. Intizam Bin Ayub  
*Member*

## NOMINATION COMMITTEE

Jacob O Pang Su Yin  
*Chairman*

Loh Thian Sang @ Lo Thian Siang  
*Member*

Tuan Hj. Intizam Bin Ayub  
*Member*

## REMUNERATION COMMITTEE

Jacob O Pang Su Yin  
*Chairman*

Loh Thian Sang @ Lo Thian Siang  
*Member*

Ng Chin Heng  
*Member*

## COMPANY SECRETARIES

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

## REGISTERED OFFICE

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

## REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor Darul Ehsan  
Tel : +60 3 78418000  
Fax : +60 3 78418151/52  
Helpdesk: +60 3 78490777

## PRINCIPAL BANKERS

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

## AUDITORS

Crowe Horwath (AF 1018)  
Chartered Accountants  
Level 16, Tower C, Megan Avenue II  
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

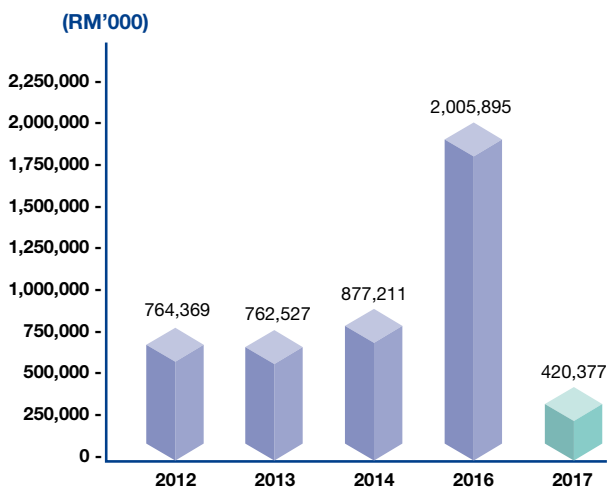


## 5-Years' Group Financial Summary

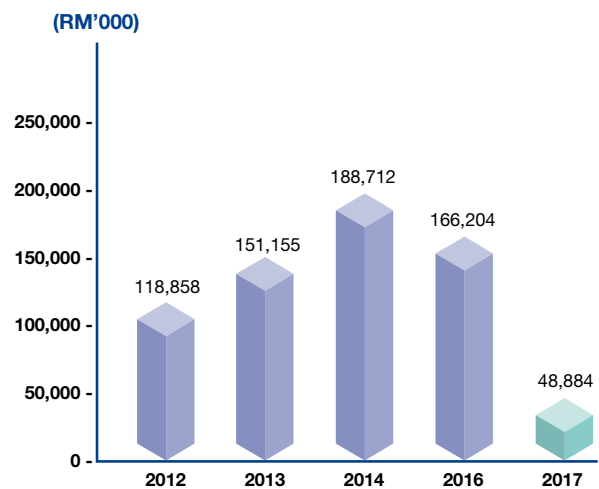
	2017	2016*	2014	2013	2012
<b>Financial Results (RM'000)</b>					
Revenue	420,377	2,005,895	877,211	762,527	764,369
Profit before tax	69,410	172,264	190,879	150,340	117,596
Profit after tax	48,884	166,204	188,712	151,155	118,858
<b>Statement of Financial Position (RM'000)</b>					
Total assets	2,470,893	2,603,142	2,088,027	1,543,853	1,155,106
Total borrowings	435,537	572,793	99,011	16,001	11,537
Shareholders' equity	1,816,245	1,669,861	1,427,185	1,002,726	829,809
<b>Financial indicators</b>					
Return on equity	2.80%	10.73%	15.53%	16.50%	14.86%
Earnings per share (sen)	9.24	31.31	36.26	31.29	24.60
Net asset per share (sen)	344	315	269	207	172
Net dividend	10,579	26,528	38,250	30,917	27,054
Dividend per share (sen)	2.00	5.00	7.20	6.40	5.60

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

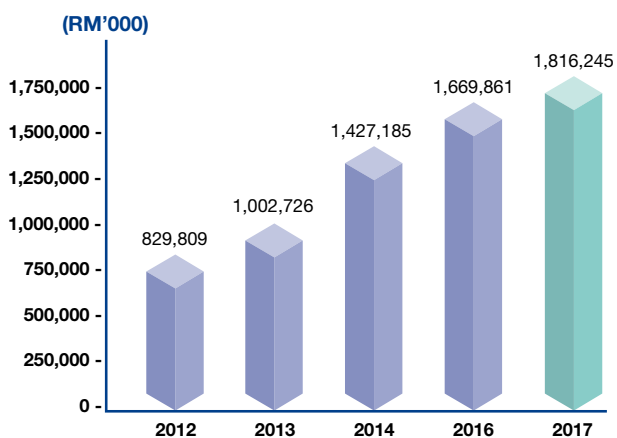
### REVENUE



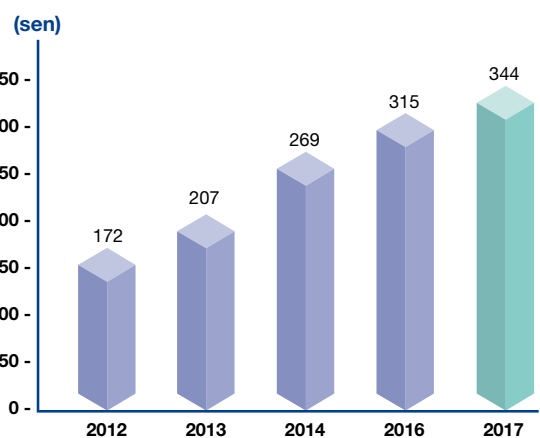
### PROFIT AFTER TAX



### 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 68, Malaysian  
*Executive Chairman*

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

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

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

Mr Ng Chin Heng attended all five board meetings held during the financial year ended 30 June 2017.

As at 27 September 2017, Mr Ng Chin Heng has direct interests of 4.63% and indirect interests of 40.52% 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 page 112 and 113 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

### **NG CHIN SHIN**

Male, Aged 58, Malaysian  
*Executive Director*

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

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

Mr Ng Chin Shin attended all five board meetings held during the financial year ended 30 June 2017.

As at 27 September 2017, 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 page 112 and 113 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 58, Malaysian  
*Executive Director*

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

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

Mr Ng Chin Keuan attended all five board meetings held during the financial year ended 30 June 2017.

As at 27 September 2017, 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 page 112 and 113 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

### **JACOB O PANG SU YIN**

Male, Aged 50, 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 and member of 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 2017.

As at 27 September 2017, 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 72, 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 2017.

As at 27 September 2017, Mr Loh Thian Sang @ Lo Thian Siang does not have any direct or indirect interest in shares in Coastal Contracts Bhd.

## Directors' Profiles (cont'd.)

### **TUAN HJ. INTIZAM BIN AYUB**

Male, Aged 64, Malaysian

*Independent Non-Executive Director*

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

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

Tuan Hj. Intizam Bin Ayub attended all five board meetings held during the financial year ended 30 June 2017.

As at 27 September 2017, Tuan Hj. Intizam Bin Ayub does not have any direct or indirect interest in shares of Coastal Contracts Bhd.

*Save as disclosed, none of the Directors have:*

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



## Key Senior Management

### **PANG FONG THAU**

Aged 57, 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 35, 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.

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.

### **ALICE NG**

Aged 34, 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 41, 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 60, 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 35, 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 fourteen (14) 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 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. He is also the son of Madam Pang Fong Thau, a substantial shareholder of the Company.

### LAU JOO TING

Aged 41, 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,

Coastal Contracts Bhd ("Coastal") continues to face a challenging year as the oil and gas ("O & G") players are clearing a glut that has weighed on crude prices. The lower-for-longer depressed oil price has adversely affected the operators in O & G industries whereby oil majors have taken steps to reduce spending on exploration and development as well as rationalised day-to-day operating costs. Lower exploration and development activities have badly hit the demand for offshore support vessels ("OSVs") worldwide.

**Ng Chin Heng**  
Executive Chairman



Despite the challenging market conditions, Coastal has managed to maintain a healthy financial position with steady cash flows and low net gearing. This is mainly because of prudent financial management policy adopted by the Management. As of to date, we have zero borrowings for our vessel construction programme.

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 started to provide the Group with a recurring source of revenue and cash inflows. We believe that this timely diversification in strategy will support the Group's earnings during this challenging time. Going forward, we will be eyeing for other similar types of business in order to mitigate the risk of heavy reliance on our shipbuilding arm.

In this regard, I present to you herewith the Annual Report and Audited Financial Statements of Coastal for the year ended 30 June 2017 ("FY2017").

## OPERATIONS HIGHLIGHTS

### Shipbuilding division

In FY2017, Coastal delivered 6 units of OSVs and 2 units of low-end vessels, amounting to a total value of RM265.1 million. In comparison, we delivered 1 unit of jack-up rig, 17 units of OSVs and 10 units of low-end vessels amounting to RM1.9 billion in financial period 2016 ("FP2016"). The decrease was mainly attributable to the one-off disposal of the jack-up rig in the previous financial period as well as drop in the quantity of OSV, tugboat and barges sold during the

year. The drop in vessel sales quantity was mainly attributable to the deferment in delivery of vessels and lack of new orders from customers. In addition, the previous financial period covers 18 months compared to the current 12 months period.

### Chartering Division

In August 2017, our JUGCSU, AGOSTO 12 which was working for PEMEX marked its first year anniversary since the unit achieved its first gas in August 2016. AGOSTO 12 has been producing and supplying compressed gas smoothly to PEMEX since then.

## REVIEW OF FINANCIAL PERFORMANCE

### Revenue and profitability

Group revenue for FY2017 stood at RM420.4 million as compared to RM2.0 billion in FP2016. The topline drop was mainly attributed to the one-off disposal of jack-up rig, Coastal Driller 4001 in the FP2016 and lower vessel sales during the financial year.

The shipbuilding division contributed RM267.4 million to total Group revenue, 86.1% lower from RM1.9 billion in FP2016. The lower contribution was mainly due to the one-off disposal of Coastal Driller 4001 in FP2016 and lower vessel sales during the financial year.

Meanwhile, revenue contribution from the chartering of vessels increased to RM153.0 million, from RM76.7 million in FP2016. This is mainly due to the full year contribution from AGOSTO 12 charter of RM147.2 million during the financial year compared to RM59.5 million in FP2016.

## Chairman's Statement (cont'd.)



In line with the lower topline, Coastal registered a lower net profit attributable to shareholders of RM48.9 million in FY2017 from RM166.2 million in FP2016.

Correspondingly, basic earnings per share for FY2017 stood lower at 9.24 sen compared to 31.31 sen in FP2016.

### **Financial position**

Coastal maintains a robust balance sheet, with shareholders' equity increasing to RM1.8 billion as at 30 June 2017 from RM1.7 billion as at 30 June 2016, mainly on current year's profit and higher currency translation reserve.

Total borrowings reduced by RM137.3 million to RM435.5 million from RM572.8 million previously was mainly due to lesser utilisation of short term borrowings for the Shipbuilding Division and repayments of long term borrowings were made for the Chartering Division. Cash and cash equivalents are maintained at a healthy level of RM414.7 million.

Nonetheless, our balance sheet remains healthy with a net gearing of only 0.01 time. The low net gearing allows us ample room to pursue growth opportunities and weather ongoing challenges in the lower-for-longer era.

### **Dividends**

Coastal has consistently paid dividends to our shareholders since listed in 2003.

In respect of FY2017, we paid total dividends of 2.0 sen per share, which comprised of two interim single-tier dividends of 1.0 sen each.

Altogether, total dividend payout amounted to RM10.5 million, representing 21.5% of FY2017 net profit.

### **PROSPECTS AND GROWTH STRATEGIES**

Management believes that the lower-for-longer era will not sustain and foresees a more positive outlook in the near term where oil prices are expected to pick up gradually from 2018 to 2020, making it essential for OSV market to gear up for recovery.

We have seen some recovery in the oil price during the year especially after OPEC announced extended cuts in oil output up to March 2018. However, Coastal remains cautious and shall closely monitor the demand and supply of OSV.

In November 2016, Coastal setup a joint venture with our Mexican partner to pursue business opportunities pertaining to offshore gas treatment projects worldwide. We believe that this synergy has placed Coastal in a strategic position to capitalise when opportunity comes, in order to provide sustainable growth to Coastal's Chartering Division and create greater value to our shareholders.

### **APPRECIATION TO STAKEHOLDERS**

I would like to extend my deepest gratitude to the Board of Directors, management, and all employees for your contribution, support and commitment towards Coastal throughout all these years.

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 an enduring relationship for many more years to come. 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, repair & maintenance, vessel chartering and trading of marine support vessels. Coastal Group serves a diverse clientele worldwide - the offshore oil & gas industry, mining sector, commodities sector, marine traders, national 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 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 being Maintenance, Repair and Overhaul services such as steel hull maintenance, electrical works, engines and generators overhaul, and modification works of various scales. Vessel Chartering Division enables the Group's wide range of customers to meet different operational needs by offering expert advice and suitable charter solutions.

Jack-Up Gas Compression Service Unit ("JUGCSU") is the key contributor under Vessel Chartering Division. In the first quarter of 2014, the Group successfully secured a USD372 million contract for the fabrication and 12-year charter of the JUGCSU to the national oil company of Mexico. The JUGCSU has the ability to compress sour gas, for injection into the reservoir the high content of associated gas to oil, in order to help maintain reservoir pressure and maximize the exploitation of hydrocarbons. The JUGCSU named AGOSTO 12 marked its first 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 2017, Shipbuilding and Ship Repair Division's revenue decreased by 86% to RM267.4 million from RM1.9 billion in the previous financial period. The decrease was mainly attributable to the one-off disposal of the Group's first jack-up drilling rig in the previous financial period and lower vessel sales during the year. This division recorded a loss before tax of RM9.1 million for the year ended 30 June 2017 as compared to profit before tax of RM150.2 million in the previous financial period. The loss before tax for the year under review decreased by 106% as compared to the previous financial period, owing to lower vessel sales quantity and selling price during the year under review.

### *Vessel Chartering Division – Overall Financial Performance:*

For the financial year ended 30 June 2017, Vessel Chartering Division's revenue increased significantly by RM76.3 million, from RM76.7 million in the previous financial period to RM153.0 million for the financial year ended 30 June 2017. This division also recorded a profit before tax of RM78.5 million for the year ended 30 June 2017 compared to a profit before tax of RM22.1 million in the previous financial period. The significant increase in revenue and profit before tax was mainly attributable to the full year recognition of the JUGCSU charter revenue.

Overview of Key Performance Indicators for the Group:

Key Performance Indicators	FYE 30.06.2017	FPE 30.06.2016
Gross profit margin	23.33%	11.20%
Net profit margin	11.63%	8.29%
Gearing ratio	0.24	0.34
Current ratio	6.14 times	3.32 times
Quick ratio	3.14 times	1.56 times
Inventories turnover	1,040 days	346 days
Debtors turnover	107 days	18 days
Creditors turnover	110 days	21 days

## Management Discussion and Analysis (cont'd.)

### FINANCIAL HIGHLIGHTS (Cont'd)

#### *Gross profit margin and net profit margin*

The Group's gross profit margin and net profit margin increased from 11.20% and 8.29% in the previous financial period to 23.33% and 11.63% respectively in the financial year ended 30 June 2017. The Group's gross profit margin and net profit margin for the current financial year are higher than the previous financial period primarily due to the full year contribution of JUGCSU chartering. The Vessel Chartering Division had achieved 55.50% of gross profit margin and 40.59% of net profit margin for the current financial year.

#### *Gearing ratio*

The Group's gearing ratio decreased by 0.10 from 0.34 in the previous financial period to 0.24 for the financial year ended 30 June 2017. This was mainly attributable to lesser utilisation of short term borrowings for the Shipbuilding Division and repayments of long term borrowings were made for the Vessel Chartering Division.

#### *Current ratio and quick ratio*

The Group's current ratio and quick ratio for the financial year ended 30 June 2017 increased to 6.14 times and 3.14 times from 3.32 times and 1.56 times respectively in the previous financial period. The improvement in the liquidity position is mainly attributable to prudent cash management strategy implemented by the Management. Overall, both the current ratio and the quick ratio remains healthy and manageable.

#### *Inventories turnover*

The inventories turnover increased significantly from 346 days in the previous financial period to 1,040 days in the financial year ended 30 June 2017 primarily due to the significant reduction in vessel deliveries.

#### *Debtors turnover*

The debtors turnover increased from 18 days in the previous financial period to 107 days in the financial year ended 30 June 2017 primarily due to slower collections from debtors during the financial year ended 30 June 2017. In addressing this issue, the Management will strengthen its credit control and be more cautious in assessing its clients' financial background.

#### *Creditors turnover*

The creditors turnover of 110 days for the financial year ended 30 June 2017 increased significantly compared to the 21 days creditors turnover for the previous financial period, mainly due to slower payment to suppliers.

#### *Capex Requirement:*

Given the current adverse market conditions and in line with the Group's prudent business strategy, Coastal Group has maintained a minimal capital expenditure budget in both financial year ended 30 June 2017 and financial period ended 30 June 2016, 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:*

The depressed global oil prices have resulted in depleting cash reserves, higher leverage ratios for oil and gas players which have resulted in an increase in the number of defaults on bank borrowings. Many banks have become increasingly wary of such energy defaults and have now taken steps to reduce their exposure in the energy sector. Corresponding to this phenomenon, Coastal Group is now progressing towards a more conservative approach when procuring expansion opportunities by being more selective, preferring to opt for projects that are considered safe in terms of credit and operational risks.

# Management Discussion and Analysis (cont'd.)

## REVIEW OF OPERATING ACTIVITIES

With the sensational drop in oil prices, the impact on the Oil and Gas industry has been rapid and dramatic with significant challenges ahead.

The above scenario signifies tough times for the Group's Shipbuilding and Ship Repair Division as demand for OSVs weakens. However, with its healthy balance sheet, the Group is well poised financially to stay the course as it steers its way during these challenging times. While it curtails its shipbuilding activities, the Group is constantly searching for new buyers in new markets such as Mexico in order to replenish its vessel sales order book.

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

## SIGNIFICANT BUSINESS RISK

At present, Coastal Group is exposed to the risk of low oil price as demand for OSVs reduces, lower charter rates for OSVs may lead to impairment loss of value for its vessel inventories. In order to mitigate this significant risk, the Management will implement its prudent cash management strategy. While pursuing new opportunities, the Management will be more selective towards Oil and Gas project with lower credit risk, lower operational risk, as well as greater sustainability. In the meantime, the Management has implemented appropriate cost-cutting measures on existing operations to enhance cost efficiency.

## PROSPECTS

The Group remains cautious in the near term of the outlook for Oil and Gas industry but is optimistic towards the longer term when oil prices are expected to recover gradually from 2018 onwards. With its history of having successfully navigated through many challenges in the past decades, Coastal Group is well poised to weather the current storm and volatility. The OSV market is expected to improve in the long term as the oil prices recover.

In November 2016, a joint venture was setup with our Mexican partner to pursue business opportunities pertaining to offshore gas treatment projects worldwide. Moving forward, the Group will continue to explore business opportunities for growth within the Oil and Gas sector, in order to enhance its sustainability and profitability.





# Corporate Social Responsibility Statement

Coastal Group is a proponent of open and transparent business practices that are based on moral and ethical values. The Group's Corporate Social Responsibility ("CSR") initiatives, having undergone the process of proper planning and consideration are assimilated into the way the Group functions as a business entity, thus delivering sustainable values. The Group will continuously adhere to its principle of performing social responsibility and contribute to the community with concrete action by taking part in campaigns such as public charity and educational support.

## 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 organizations in support of education, children, youth development and the underprivileged.

During the financial year, Coastal Group made monetary donations to SJK (C) Syn Hua to awarding top performing students in order to motivate them to excel in future studies. Contributions were also made to SJK (C) Lok Yuk towards the construction of new classrooms, canteen and other amenities. The Group had also contributed to Yu Yuan Secondary School to support the day-to-day running expenses of the school.

A donation was made by the Group to Sung Siew Alumni Association for organizing the "Run for Smart Education" to help and support the construction of 21st Century SMART Classroom for Sung Siew Secondary School to provide a conducive learning environment for its students.

As a support for promoting sports in society for a healthy living, the Group has continued to contribute to the Sandakan District Tennis Association ("SDTA") to facilitate and promote tennis especially among the younger generation in the Sandakan community. SDTA organized the 3 days tournament, "Coastal Contracts Invitational Team Tennis Tournament 2017" at the Association's Clubhouse and Sandakan Golf and Country Club tennis courts. The Group will continue to play a supportive role in the years ahead.

Apart from the above, Coastal provided financial support to the Hospice Association of Sandakan. The Association is involved in providing care and comfort towards those who are in the final stages of terminal illness.

The Group has also contributed to Sandakan Indian Association (SIA) to support the Association's Fund Raising Deepavali Dinner.

## ENVIRONMENT

The Group is aware of the alarming rate of depletion of the world's resources as well as its role in creating more awareness. As a result, waste management, water conservation, noise abatement, energy saving, minimal emissions and the construction of environmental-friendly vessels are among the areas that are focused on.

To reduce the waste generated, the Group practices recycling through converting used papers to scribble pads whenever possible, envelopes are reused for delivery of mails by hand. At the Group's ship building and repair operations division, scraped steel plates are reserved for any secondary use wherever practicable. We also ensure that garbage and solid wastes are disposed in such a way that pollution is prevented at all times.

Over the years, Coastal Group has participated in Earth Hour, joining hundreds of millions of environmentally-concerned people around the world in calling for action to save our planet for future generations. During the one-hour event which was held in March 2017, employees were encouraged to switch off their electrical appliances at home.

In the office, energy-saving light bulbs are used to conserve electricity. The use of water is regularly monitored so as to keep wastage at its minimum. As a result, the Group has recorded a notable decrease in expenses for electricity and water only made possible by strong top-down management leadership in effective resource conservation.

## WORKPLACE

Coastal Group currently employs more than 210 local employees of diverse nationalities for both its domestic and international operations.

In addition to the sourcing of skills and talents from the local pool, the Group also strives to provide employment opportunities to females. Those in the senior bracket are also not forgotten, whereby more than 5% of the Group's workforce is over the age of 60. As one of the local major employers in Sandakan, Coastal Group provides significant employment opportunities as well as economic stability to a number of citizens.

## Corporate Social Responsibility Statement (cont'd.)



*"Donation to Hospice Association of Sandakan"*

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. In developing and growing our talent pool, periodical training in marine technologies and workplace safety and health, as well as advancement programs on management and financial skills, remain our core focus. Moreover, we endeavor to embed the high standards required to enhance work quality and to achieve outstanding job performance. We also focus on on-the-job coaching. Initiatives are also taken to actively engage our workforce in curbing on-site injuries, spills/hazardous releases and to ensure stringent compliance with existing environmental health and safety regulations in all our operations.

### MARKETPLACE

In our interaction with shareholders, suppliers and customers, Coastal Group makes every attempt in meeting our stakeholders' expectations by raising our standards of corporate governance, supporting green products and/or engaging in environmentally sustainable business practices.

Coastal Group's corporate governance practices are separately covered in the Statement on Corporate Governance (see pages 27 to 35).

One of the Group's initiative is to switch to more environmentally friendly alternatives to minimize 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.

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.

### MOVING FORWARD IN A RESPONSIBLE AND SUSTAINABLE WAY

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 community and the environment.

# Audit Committee Report

## For The Financial Year Ended 30 June 2017

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 Horwath as External Auditors of the Company as well as reviewed the level of non-audit services rendered by Crowe Horwath to the Company for the financial year under review. The Audit Committee is satisfied with the competency and audit independence of Crowe Horwath and would recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the next Annual General Meeting.

The Audit Committee comprises the following members:

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

### TERMS OF REFERENCE

The Audit Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- a) the audit committee must be composed of no fewer than three (3) members;
- b) all the audit committee members must be non-executive directors, with a majority of them being independent directors; and
- c) all members of the audit committee should be financially literate and at least one member of the audit committee:
  - i) must be a member of the Malaysian Institute of Accountants (MIA); or
  - ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:
    - aa) he must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967; or
    - bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
  - iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years.

# Audit Committee Report

## For The Financial Year Ended 30 June 2017 (cont'd.)

### RIGHTS

The Audit Committee shall, in accordance with the procedures determined by the Board and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the presence of other directors and employees of the Company, whenever deemed necessary.

### FUNCTIONS

The functions of the Audit Committee shall include the following:

- 1) review the following and report the same to the Board:
  - a) with the external auditors, the audit plan;
  - b) with the external auditors, their evaluation of the system of internal controls;
  - c) with the external auditors, their audit report;
  - d) the assistance given by the employees of the Company to the external auditors;
  - e) the assessment on the competency and independence of external auditors for determination of their suitability for re-appointment;
  - f) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - g) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - h) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements;
  - i) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
  - j) any letter of resignation from the external auditors of the Company;
- 2) recommend the nomination of a person or persons as external auditors.

### MEETINGS AND REPORTING PROCEDURES

#### 1) *Frequency and Notice of the Meeting*

Meetings of the Audit Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Audit Committee. The Chairman shall convene a meeting whenever any member of the Audit Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Audit Committee and external auditors where applicable. The Chairman shall engage on a continuous basis with the Executive Chairman, the senior finance officers, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

#### 2) *Quorum*

The quorum for a meeting of the Audit Committee shall be two (2) members provided always that the majority of the members present must be independent directors.



# Audit Committee Report

## For The Financial Year Ended 30 June 2017 (cont'd.)

### MEETINGS AND REPORTING PROCEDURES (CONT'D)

#### 3) Secretaries

The Company Secretary shall be the secretary of the Audit Committee and shall maintain minutes of the proceedings of the meetings of the Audit Committee and circulate such minutes to all members of the Board.

### AUDIT COMMITTEE MEETING

The Audit Committee held five (5) meetings during the financial year from 1 July 2016 to 30 June 2017. These meetings were held at the registered office on 29 August 2016, 6 October 2016, 28 November 2016, 27 February 2017 and 24 May 2017. Details of the attendance of the meetings by the Committee Members are as follows:

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

### 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 2017 and the audited financial statements of the Company and the Group for the financial year ended 30 June 2017 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 Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of issuing a Corporate Governance Statement pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 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.

# Audit Committee Report

## For The Financial Year Ended 30 June 2017 (cont'd.)

### SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION (CONT'D)

A summary of the activities of the internal audit function for the financial year ended 30 June 2017 is as follows:

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

### STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME

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

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

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

Date of Offer	Number of Options Over Unissued Ordinary Shares					30.6.2017
	Exercise Price	1.7.2016	Granted	Exercised	Forfeited	
16 February 2016	RM1.40	47,438,000	-	-	(1,666,000)	45,772,000

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

The details of the options, held by the Directors pursuant to the Company's ESOS in respect of the financial year ended 30 June 2017 are as follows:

Name of Directors	Number of options over unissued ordinary shares			Balance as of 30.6.2017
	Balance as of 1.7.2016	Granted	Exercised	
Ng Chin Heng	4,000,000	-	-	4,000,000
Ng Chin Shin	2,400,000	-	-	2,400,000
Ng Chin Keuan	2,400,000	-	-	2,400,000
Jacob O Pang Su Yin	120,000	-	-	120,000
Loh Thian Sang @ Lo Thian Siang	120,000	-	-	120,000
Tuan Hj. Intizam Bin Ayub	120,000	-	-	120,000

# Audit Committee Report

## For The Financial Year Ended 30 June 2017 (cont'd.)

### STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

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 2017 are as follows:

Name of Key Senior Management	Number of options over unissued ordinary shares			Balance as of 30.6.2017
	Balance as of 1.7.2016	Granted	Exercised	
Liow Ming Yew	2,800,000	-	-	2,800,000
Alice Ng	2,800,000	-	-	2,800,000
Pang Fong Thau	2,400,000	-	-	2,400,000
Ng Chin Kok	2,400,000	-	-	2,400,000
Ng San Chen	2,400,000	-	-	2,400,000
Lau Joo Ting	2,400,000	-	-	2,400,000
Kong Wei Ket	600,000	-	-	600,000

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

No option was exercised as of 30 June 2017.

# Statement On Corporate Governance

The Board of Directors is fully committed to maintaining high standards of corporate governance throughout the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group. Set out below is a statement on how the Group has applied the principles and the extent of its compliance with the best practice as stipulated in the Malaysian Code on Corporate Governance ("MCCG") 2012. The Board took cognisance of the new Malaysian Code on Corporate Governance published in April 2017 ("MCCG 2017") which is applicable to annual reports published from 2018 onwards.

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 page 36 and 37 of this Annual Report.

The Executive Directors take the primary responsibility for 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 have leadership position in its business division.

## PRINCIPLE 1 – ESTABLISH CLEAR ROLE AND RESPONSIBILITIES

### 1.1. Functions reserved for the board and management

The Board takes responsibility for the overall performance of the Company and Group by setting the strategic directions and objective, formulating policies and executing strategic action plans. The Board is also responsible for oversight and overall management of the Company and Group, whilst the Management is responsible for the day-to-day operations of the business and effective implementation of the Board's decision.

The Board has also delegated certain responsibilities to the Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. The Chairman of each committee will report to the Board on the outcome of each of the committee meetings.

### 1.2. Roles and responsibilities of the Board

The Board retains full and effective control over the affairs of the Group, to formulate policies and strategy, to actively oversee and monitor management's performance and has assumed the following to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Review and adopt strategic corporate plans for the Group;
- Approve the Group's annual budget, including major capital commitments;
- Conduct periodic review of the achievements against business targets;
- Identify principal risks and implement appropriate internal control system and mitigation strategy;
- Oversee and evaluate the conduct of the Group's business;
- Ensure effective shareholder communications;
- Consider emerging issues which may be material to the business affairs of the Group;
- To ensure 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 2012.



## Statement On Corporate Governance (cont'd.)

### PRINCIPLE 1 – ESTABLISH CLEAR ROLE AND RESPONSIBILITIES (CONT'D)

#### 1.3. Code of conduct and its compliance

A Directors' Code of Conduct had 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. In line with this commitment, the Group has implemented the 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](mailto:jacob.pang@coastalcontracts.com).

#### 1.4. Strategies promoting sustainability

The Board recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals. 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 community and the environment. The Group continues to invest in its employees through continuous training to develop in-house capability and pay out rewards to employees with outstanding performance to retain the talent pool. The rewards encompass performance recognition and career progression. In addition, Coastal Group is also mindful of the importance of ethical business conduct and compliance with regulations.

The Company's activities on corporate social responsibilities for the financial year are disclosed in the Corporate Social Responsibility Statement on page 20 and 21 of this Annual Report.

#### 1.5. Access to information and advice

All Board members are supplied with information in a timely manner. The reports for the Board include, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Group and management proposals, which requires the approval of the Board. All Directors are entitled to call for additional clarification and information to assist them in matters that require their decision.

All Directors have access to the services of the Company Secretary for any information or advice they may require, and if need be, may take independent advice at the Company's expense.

#### 1.6. Company Secretary

The Company Secretary who is an experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities, provides 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 Secretary fulfils her attendance in Board meetings. Not only that, the Company Secretary also works collaboratively with the Management in assuring timely and appropriate information flows within the Group.

#### 1.7. Board Charter

A Board Charter had 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 5 October 2017.

The details of the Board Charter are available for reference at [www.coastalcontracts.com](http://www.coastalcontracts.com).

# Statement On Corporate Governance (cont'd.)

## PRINCIPLE 2 – STRENGTHEN COMPOSITION

### 2.1. Nomination Committee

The Nomination Committee comprises the following members:

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

The Nomination Committee held three (3) meetings during the financial year from 1 July 2016 to 30 June 2017. These meetings were held at the registered office on 6 October 2016, 28 November 2016 and 24 May 2017. 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	3/3	100%
Loh Thian Sang @ Lo Thian Siang	3/3	100%
Tuan Hj. Intizam Bin Ayub	3/3	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; and
- discussed and reviewed the Board's succession plans

### 2.2. Appointment to the Board, re-election of Directors, annual assessment and gender, ethnicity and age group diversity

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:

- The candidate is identified upon the recommendation by the existing Directors and/or Senior Management;
- 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;
- 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;
- 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.

The Nomination Committee will assess 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.

# Statement On Corporate Governance (cont'd.)

## PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

### 2.2. Appointment to the Board, re-election of Directors, annual assessment and gender, ethnicity and age group diversity (cont'd)

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

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

### 2.3. 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 functions of the Committee include evaluating and making its recommendations on all aspects of the Executive Directors' performance, terms of employment, remuneration package and incentives, and recommending to the Board the Company's framework for retaining and rewarding the Executive Directors.

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.

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 Articles of Association.

## Statement On Corporate Governance (cont'd.)

## PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

## 2.3. Remuneration Committee (cont'd)

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 2016 to 30 June 2017 are as follows:

Directors' Remuneration	Company		Group	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Fee	-	102	-	102
Salaries	-	-	3,276	-
Bonuses and allowances	-	6	349	6
EPF	-	2	154	2
Benefits in kind (based on estimated money value)	13	-	44	-
Share-based payment benefits	-	74	1,821	74
Total	13	184	5,644	184

The details of the remuneration of each Director are not disclosed as they are private and confidential.

The number of Directors of the Company, whose remuneration during the financial year from 1 July 2016 to 30 June 2017, fall within the following bands as follows:

Directors' Remuneration Band RM	Company Number of Directors		Group Number of Directors	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
100,000 and below	1	3	-	3
800,001 to 850,000	-	-	1	-
1,000,001 to 1,050,000	-	-	1	-
3,750,001 to 3,800,000	-	-	1	-

## PRINCIPLE 3 – REINFORCE INDEPENDENCE

## 3.1. Assessment of Independent Directors

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.

## 3.2. Tenure of an Independent Director exceeding cumulative terms

The Board is fully aware of one of the recommendations 3.2 of MCCG 2012 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.



## Statement On Corporate Governance (cont'd.)

### PRINCIPLE 3 – REINFORCE INDEPENDENCE (CONT'D)

#### 3.3. Shareholders' approval for the retention of Independent Non-Executive Director

Although Mr Loh Tian Sang @ Lo Tian Siang has served a cumulative term of more than nine (9) years on the Board as Independent Non-Executive Director, the Board views that Mr Loh's independence is not impaired merely because of his long tenure. Other factors have to be considered in assessing Mr Loh's independence. It is the Board's and Nomination Committee's responsibility to assess the level of independence of each Independent Director and their competency annually. Latest assessments of Mr Loh's independence and competency as an Independent Director are satisfactory. In addition, Mr Loh has well demonstrated his extensive experience and knowledge pertaining to the Group's unique operating environment by providing numerous constructive suggestions to the Board ever since his appointment on 2 December 2002.

In view thereof, the Board recommends and supports the retention of Mr Loh Tian Sang @ Lo Tian Siang as Independent Non-Executive Director of the Company which shall be tabled for shareholders' approval at the forthcoming AGM of the Company.

#### 3.4. Chairman of the Board

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

#### 3.5. Board composition

The Board currently comprises of six (6) members of whom three (3) are Executive Directors and three (3) Independent Non-Executive Directors. The presence of 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.

### PRINCIPLE 4 – FOSTER COMMITMENT

#### 4.1. Time commitment

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 are 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 2016 to 30 June 2017 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.

# Statement On Corporate Governance (cont'd.)

## PRINCIPLE 4 – FOSTER COMMITMENT (CONT'D)

### 4.1. Time commitment (cont'd)

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 2016 to 30 June 2017, which were held at the registered office on 29 August 2016, 6 October 2016, 28 November 2016, 27 February 2017 and 24 May 2017.

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

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

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

### 4.2. 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 2016 to 30 June 2017, the details of seminars attended by the Directors are as follows:

Name of Director	Seminar
Ng Chin Heng	• 2017 Budget and Tax Conference
Ng Chin Shin	• 2017 Budget and Tax Conference
Ng Chin Keuan	• 2017 Budget and Tax Conference
Jacob O Pang Su Yin	• Latest Customs GST Audit Finding, Accounting Entries and Problem Solving • Seminar Percukaian Kebangsaan 2016 • Audit Committee Conference 2017
Loh Thian Sang @ Lo Thian Siang	• Audit Committee Conference 2017
Tuan Hj. Intizam Bin Ayub	• Audit Committee Conference 2017

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.

## Statement On Corporate Governance (cont'd.)

### PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1. Compliance with applicable financial reporting standards

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 46 of this Annual Report.

#### 5.2. Assessment on 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 assess 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 appointment or 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 their audit plan, audit findings and their views in respect of the integrity of the Group's financial statements. The external auditors are also invited to attend the annual general meeting.

### PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

#### 6.1. Risk management framework and internal controls system

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 page 36 and 37 of this Annual Report.

#### 6.2. 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 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### 7.1. Corporate disclosure policies

The Board has yet to formalise a corporate disclosure policy. However, the Board is committed to ensure that communications to the public pertaining to business, operations and financial performance of the Company are accurate, timely and consistent. For information filed with regulators, the Board will ensure that it is in accordance with applicable legal and regulatory requirements.

## Statement On Corporate Governance (cont'd.)

### PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

#### 7.2. Leverage on information technology for effective dissemination of information

The Board also recognises information technology is essential for effective dissemination of information. Most of the information pertaining to investor relation are accessible at the Company's corporate website and this information will be updated appropriately in a timely manner.

Furthermore, shareholders shall be able to communicate with Company's Investor Relation Representatives, whose contact information is disclosed in the Company's corporate website.

### PRINCIPLE 8 – STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1. Shareholder participation at general meetings

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.

#### 8.2. Poll voting

The Board noted the paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which states that any resolution set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting is voted by poll. The Board shall ensure compliance with this new requirement starting with the forthcoming AGM. 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 will 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.

#### 8.3. Effective communication and proactive engagements with shareholders

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.

### COMPLIANCE STATEMENT

During the year the Company has, in all material aspects, complied with the recommendations of MCCG 2012 to certain extent, except as disclosed elsewhere in the Statement on Corporate Governance. Moving forward, the Board will endeavour to improve and enhance the Company's compliance with the new MCCG 2017.



## 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 2017. 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 2012.

### RESPONSIBILITY

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

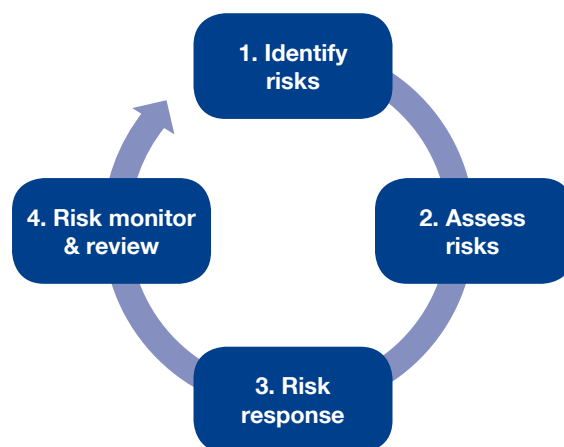
The Board confirms that there is an ongoing process for identifying, assessing and managing the principal risks faced by the Group, which is in accordance with the guidance as contained in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This process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

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

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

### RISK MANAGEMENT FRAMEWORK

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



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

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

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

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

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

### INTERNAL AUDIT FUNCTION

The Group outsources its Internal Audit function to an independent professional firm, whose remit is to the Audit Committee. The Internal Auditors have carried out the internal audit covering the period under review and presented their report to the Audit Committee. The Audit Committee had deliberated on the contents of the report and is satisfied that appropriate actions are being taken to address all the weaknesses highlighted. The costs incurred for the Internal Audit function in respect of the financial year ended 30 June 2017 was RM38,000.00.

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

In addition to the assurance received from the Executive Chairman and Chief Financial Officer on the adequacy and effectiveness of the Group's risk management and internal control system, the Board is of the view that the system of risk management and internal control, which has been implemented within the Group is sound and effective. It has not resulted in any material losses and contingencies during the financial year ended 30 June 2017. 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.

## 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 2017 was summarised as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Expected timeframe for the full utilisation
* Working capital:				Within 54 months from March 2014
- purchase of offshore support vessels	195,133	125,446	69,687	
- 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	138,033	69,687	

\* 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 2017 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	40,000	36,706
Subsidiaries	252,626	41,512
	292,626	78,218

- Material Contracts**

There were no material contracts 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 period.

- Recurrent Related Party Transactions**

The details of the related party transactions can be found on page 112 and 113.

## 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 5 October 2017.



# 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 2017.

## Principal Activities

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

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

## Results

	Group RM	Company RM
Profit net of tax	48,884,198	31,730,207
Attributable to:		
Owners of the Company	48,880,065	31,730,207
Non-controlling interests	4,133	-
	48,884,198	31,730,207

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.

## Dividends

The amounts of dividend paid by the Company since 30 June 2016 were as follows:

	RM
In respect of the financial period ended 30 June 2016 as reported in the Directors' Report of that period:	
Third interim single-tier dividend of 1.0 sen per ordinary share on 530,512,331 ordinary shares, declared on 15 September 2016 and paid on 28 September 2016	5,305,124
In respect of the financial year ended 30 June 2017:	
First interim single-tier dividend of 1.0 sen per ordinary share on 527,402,631 ordinary shares, declared on 14 March 2017 and paid on 28 March 2017	5,274,026
	10,579,150

## Directors' Report (cont'd.)

### Dividends (continued)

The second interim single-tier dividend in respect of the financial year ended 30 June 2017 amounting to RM5,274,026 (1.0 sen per ordinary share) declared on 18 September 2017 and paid on 3 October 2017 has not been reflected in the current year financial statements. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2018.

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

### Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Ng Chin Heng  
Ng Chin Shin  
Ng Chin Keuan  
Loh Thian Sang @ Lo Thian Siang  
Jacob O Pang Su Yin  
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  
Chee Soon Yew  
Tan Ee Dim

### 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 warrants or debentures of the Company or any other body corporate.

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

### Directors' Remuneration

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

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company during the financial year amounted to RM14,108.

# Directors' Report (cont'd.)

## Directors' Interests

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

The Company	1.7.2016	Number of Ordinary Shares		30.6.2017
		Acquired	Sold	
Direct Interests:				
Ng Chin Heng	24,442,900	-	-	24,442,900
Ng Chin Keuan	23,691,587	-	-	23,691,587
Ng Chin Shin	23,851,320	-	-	23,851,320
Indirect Interests:				
Ng Chin Heng (#)	213,603,700	30,000	-	213,633,700
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.

	1.7.2016	Number of Warrants 2011/2016			30.6.2017
		Acquired	Expired	Exercised	
<b>The Company</b>					
<b>Direct Interests:</b>					
Ng Chin Heng	3,056,390	-	(3,056,390)	-	-
Ng Chin Keuan	2,961,448	-	(2,961,448)	-	-
Ng Chin Shin	2,981,415	-	(2,981,415)	-	-

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

The Company	1.7.2016	Number of Options Over Unissued Ordinary Shares		30.6.2017
		Granted	Exercised	
Ng Chin Heng	4,000,000	-	-	4,000,000
Ng Chin Shin	2,400,000	-	-	2,400,000
Ng Chin Keuan	2,400,000	-	-	2,400,000
Loh Thian Sang @ Lo Thian Siang	120,000	-	-	120,000
Jacob O Pang Su Yin	120,000	-	-	120,000
Intizam Bin Ayub	120,000	-	-	120,000

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

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

## Directors' Report (cont'd.)

### Issue of Shares

During the financial year,

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

### Treasury Shares

During the financial year, the Company repurchased 3,159,700 of its issued ordinary shares from the open market at an average price of approximately RM1.39 per share. The total consideration paid for the repurchase including transaction costs was RM4,381,249. The shares repurchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 30 June 2017, the Company held as treasury shares a total of 4,196,800 of its 531,599,431 issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,045,347 and further relevant details are disclosed in Note 26 to the financial statements.

### Options Granted Over Unissued Shares

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

### Employees' Share Option Scheme

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

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

### Other Statutory Information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the allowance for impairment losses on receivables inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

# Directors' Report (cont'd.)

## Other Statutory Information (continued)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent or other liability 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 15 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 38 to the financial statements.

## Auditors

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 October 2017.

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 51 to 132 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 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.

The supplementary information set out in Note 41 on page 133 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 October 2017.

Ng Chin Shin

Ng Chin Keuan

## Statutory Declaration

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

I, Kong Wei Ket, 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 51 to 133 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Kong Wei Ket  
at Sandakan in the State of Sabah  
on 19 October 2017

Kong Wei Ket

Before me,

# Independent auditors' report to the members of COASTAL CONTRACTS BHD. (Incorporated in Malaysia)

## 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 2017 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 51 to 132.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 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 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.

# Independent auditors' report

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

<b>Net Realisable Value of Inventories</b> 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.</p> <p>The significant decline in sales of offshore support vessels has led the management to engage an independent external valuer 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 2017 as disclosed in Note 19 to the financial statements.</p> <p>The net realisable values of the unsold offshore 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. The management has assessed the external valuer valuation and has computed and recognised a writedown in value of inventories of approximately RM26 million for the current financial year as disclosed in Note 9 to the financial statements.</p> <p>We focus on this area as a key audit matter due to the 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"> <li>• Evaluating the qualifications, objectivity and competency of the independent external valuer engaged in the valuation of the unsold vessels and assessed the reasonableness of the assumptions used in arriving at the valuation.</li> <li>• Assessing the methodologies used by the independent external valuer to estimate the net realisable value of the vessels.</li> <li>• Checking on sample basis, the accuracy and relevance of the input data provided by management to the independent external valuer.</li> <li>• Assessing the adequacy for inventory writedown.</li> </ul>
<b>Recoverability of Trade Receivables</b> Refer to Note 18 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>Trade receivables are a major component of the financial position of the Group. Given the unfavourable macro-economic factors from prolonged weakness in the crude oil prices, the recoverability of trade receivables may be uncertain and the risk of trade receivables becoming insolvent may be high.</p> <p>There is significant degree of Management judgement involved in the assessment of recoverability of trade receivables, particularly regarding estimation of future cash collection and in calculating allowance for impairment losses.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• Performing the subsequent collections on the significant trade receivables balances and trade receivables aged more than one (1) year.</li> <li>• Reviewing the ageing of trade receivables.</li> <li>• Reviewing the recoverability of trade receivables and enquiring the management of the adequacy of allowance for impairment losses on trade receivables.</li> </ul>

# Independent auditors' report to the members of COASTAL CONTRACTS BHD. (Incorporated in Malaysia) (cont'd.)

## *Information Other than the Financial Statements and Auditors' Report Thereon*

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

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

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

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

## *Responsibilities of Directors for the Financial Statements*

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

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

## *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

# Independent auditors' report to the members of COASTAL CONTRACTS BHD. (Incorporated in Malaysia) (cont'd.)

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

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 (continued):

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

## **Other Reporting Responsibilities**

The supplementary information set out in Note 41 on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **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 Horwath**  
Firm No : AF 1018  
Chartered Accountants

**Chan Kuan Chee**  
Approval No : 2271/10/17(J)  
Chartered Accountant

19 October 2017  
Kuala Lumpur



# Statements of Profit or Loss

For the Financial Year Ended 30 June 2017

	Note	Group		Company	
		1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Revenue	4	420,377,358	2,005,895,469	24,125,400	366,125,535
Cost of sales		(322,315,842)	(1,781,279,615)	-	-
<b>Gross profit</b>		<b>98,061,516</b>	<b>224,615,854</b>	<b>24,125,400</b>	<b>366,125,535</b>
<b>Other items of income</b>					
Interest income	5	10,528,743	8,351,842	10,201,628	6,429,037
Other income	6	25,229,605	54,414,496	2,311,027	40,346,100
<b>Other items of expenses</b>					
Marketing and distribution		(450,205)	(38,177,979)	-	-
Administrative expenses		(33,736,502)	(42,810,064)	(2,288,564)	(2,232,115)
Finance costs	7	(26,747,118)	(14,602,302)	-	(1,027)
Other expenses		(3,460,205)	(19,528,186)	(1,733,235)	(3,371,795)
Share of results in joint venture	8	(15,613)	-	-	-
<b>Profit before tax</b>	9	<b>69,410,221</b>	<b>172,263,661</b>	<b>32,616,256</b>	<b>407,295,735</b>
Income tax expense	12	(20,526,023)	(6,059,378)	(886,049)	(759,249)
<b>Profit net of tax</b>		<b>48,884,198</b>	<b>166,204,283</b>	<b>31,730,207</b>	<b>406,536,486</b>
<b>Profit attributable to:</b>					
<b>Owners of the Company</b>		<b>48,880,065</b>	<b>166,204,283</b>	<b>31,730,207</b>	<b>406,536,486</b>
<b>Non-controlling interests</b>		<b>4,133</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>48,884,198</b>	<b>166,204,283</b>	<b>31,730,207</b>	<b>406,536,486</b>
<b>Earnings per share attributable to owners of the Company (sen):</b>					
Basic	13	<b>9.24</b>	<b>31.31</b>		
Diluted	13	<b>9.24</b>	<b>31.06</b>		

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 2017

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2016 to 30.6.2017 RM</b>	<b>1.1.2015 to 30.6.2016 RM</b>	<b>1.7.2016 to 30.6.2017 RM</b>	<b>1.1.2015 to 30.6.2016 RM</b>
<b>Profit net of tax</b>	48,884,198	166,204,283	31,730,207	406,536,486
<b>Other comprehensive income/(loss):</b>				
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	91,536,747	116,715,081	-	-
Cash flow hedges	11,537,422	(8,038,406)	1,879,944	117,442
<b>Net other comprehensive income may be reclassified to profit or loss in subsequent periods</b>	<b>103,074,169</b>	<b>108,676,675</b>	<b>1,879,944</b>	<b>117,442</b>
<b>Total comprehensive income for the year/period</b>	<b>151,958,367</b>	<b>274,880,958</b>	<b>33,610,151</b>	<b>406,653,928</b>
<b>Total comprehensive income attributable to:</b>				
<b>Owners of the Company</b>	151,954,308	274,880,958	33,610,151	406,653,928
<b>Non-controlling interests</b>	4,059	-	-	-
	<b>151,958,367</b>	<b>274,880,958</b>	<b>33,610,151</b>	<b>406,653,928</b>

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

# Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 RM	2016 RM
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	700,031,095	717,175,596
Investment properties	16	3,650,081	3,732,105
Investment securities	17	3,283,162	-
Trade and other receivables	18	21,513,402	17,770,122
		<u>728,477,740</u>	<u>738,677,823</u>
<b>Current Assets</b>			
Inventories	19	850,796,549	986,083,666
Trade and other receivables	18	476,101,198	339,281,428
Short-term investment	20	46,240,994	-
Derivative assets	21	861,525	9,358,903
Tax recoverable		5,802	374,456
Cash and bank balances	22	368,409,153	529,365,270
		<u>1,742,415,221</u>	<u>1,864,463,723</u>
<b>Total Assets</b>		<b><u>2,470,892,961</u></b>	<b><u>2,603,141,546</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans and borrowings	23	65,082,131	201,997,148
Trade and other payables	24	215,368,952	351,323,311
Income tax payable		2,639,616	437,627
Derivative liabilities	21	756,074	8,264,111
		<u>283,846,773</u>	<u>562,022,197</u>
<b>Net Current Assets</b>		<b><u>1,458,568,448</u></b>	<b><u>1,302,441,526</u></b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	23	370,454,964	370,795,599
Deferred tax liabilities	25	345,971	462,799
		<u>370,800,935</u>	<u>371,258,398</u>
<b>Total Liabilities</b>		<b><u>654,647,708</u></b>	<b><u>933,280,595</u></b>
<b>Net Assets</b>		<b><u>1,816,245,253</u></b>	<b><u>1,669,860,951</u></b>

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

# Consolidated Statement of Financial Position

As at 30 June 2017 (cont'd.)

	Note	2017 RM	2016 RM
<b>Equity</b>			
Share capital	26	106,319,886	106,319,886
Treasury shares	26	(7,045,347)	(2,664,098)
Share premium	26	195,820,030	195,820,030
Other reserves	27	342,914,068	256,000,326
Retained earnings		1,178,145,211	1,114,384,807
<b>Equity attributable to owners of the Company</b>		1,816,153,848	1,669,860,951
<b>Non-controlling interests</b>		91,405	-
<b>Total Equity</b>		1,816,245,253	1,669,860,951
<b>Total Equity and Liabilities</b>		<b>2,470,892,961</b>	<b>2,603,141,546</b>

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

# Statement of Financial Position

As at 30 June 2017

	Note	2017 RM	2016 RM
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	15,767	13,912
Investments in subsidiaries	15	446,264,699	438,967,595
Other receivables	18	121,030,884	151,509,395
		<u>567,311,350</u>	<u>590,490,902</u>
<b>Current Assets</b>			
Trade and other receivables	18	114,955,434	124,439,881
Short-term investment	20	46,240,994	-
Derivative assets	21	-	9,358,903
Tax recoverable		-	136,784
Cash and bank balances	22	23,129,504	240,152
		<u>184,325,932</u>	<u>134,175,720</u>
<b>Total Assets</b>		<b><u>751,637,282</u></b>	<b><u>724,666,622</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	24	146,746	2,163,994
Income tax payable		263,700	-
Derivative liabilities	21	756,074	-
		<u>1,166,520</u>	<u>2,163,994</u>
<b>Net Current Assets</b>		<b><u>183,159,412</u></b>	<b><u>132,011,726</u></b>
<b>Non-Current Liabilities</b>			
Other payables	24	62,938	90,384
Deferred tax liabilities	25	1,391	2,117
		<u>64,329</u>	<u>92,501</u>
<b>Total Liabilities</b>		<b><u>1,230,849</u></b>	<b><u>2,256,495</u></b>
<b>Net Assets</b>		<b><u>750,406,433</u></b>	<b><u>722,410,127</u></b>

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



# Statement of Financial Position

As at 30 June 2017 (cont'd.)

	Note	2017 RM	2016 RM
<b>Equity Attributable to Owners of the Company</b>			
Share capital	26	106,319,886	106,319,886
Treasury shares	26	(7,045,347)	(2,664,098)
Share premium	26	195,820,030	195,820,030
Other reserves	27	21,689,360	35,969,917
Retained earnings	28	433,622,504	386,964,392
<b>Total Equity</b>		<b>750,406,433</b>	<b>722,410,127</b>
<b>Total Equity and Liabilities</b>		<b>751,637,282</b>	<b>724,666,622</b>

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 2017

	Note	Attributable to Owners of the Company						Non-Controlling Interests RM	Equity, Total RM
		Share Capital RM	Treasury Shares RM	Share Premium RM	Other Reserves RM	Retained Earnings RM	Total RM		
2017									
Group									
Opening balance at 1 July 2016		106,319,886	(2,664,098)	195,820,030	256,000,326	1,114,384,807	1,669,860,951	-	1,669,860,951
Foreign currency translation differences for foreign operations		-	-	-	91,536,821	-	91,536,821	(74)	91,536,747
Cash flow hedges		-	-	-	11,537,422	-	11,537,422	-	11,537,422
Total other comprehensive income/(loss)		-	-	-	103,074,243	-	103,074,243	(74)	103,074,169
Profit for the year		-	-	-	-	48,880,065	48,880,065	4,133	48,884,198
Total comprehensive income for the year		-	-	-	103,074,243	48,880,065	151,954,308	4,059	151,958,367
Transactions with owners:									
Dividends	36	-	-	-	-	(10,579,150)	(10,579,150)	-	(10,579,150)
Purchase of treasury shares	26	-	(4,381,249)	-	-	-	(4,381,249)	-	(4,381,249)
Expiration of warrants	27	-	-	-	(25,259,255)	25,259,255	-	-	-
Share options:									
- share-based payment expenses	27	-	-	-	9,346,554	-	9,346,554	-	9,346,554
- value of options forfeited	27	-	-	-	(247,800)	247,800	-	-	-
Changes in subsidiary's ownership interests that do no result in a loss of control		-	-	-	-	(47,566)	(47,566)	87,346	39,780
Total transactions with owners		-	(4,381,249)	-	(16,160,501)	14,880,339	(5,661,411)	87,346	(5,574,065)
Closing balance at 30 June 2017		106,319,886	(7,045,347)	195,820,030	342,914,068	1,178,145,211	1,816,153,848	91,405	1,816,245,253

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

# Statements of Changes in Equity

For the Financial Year Ended 30 June 2017 (cont'd.)

	Attributable to Owners of the Company						Non-Controlling Interests	Equity, Total
	Share Capital	Treasury Shares	Share Premium	Other Reserves	Retained Earnings	Total		
Note	RM	RM	RM	RM	RM	RM	RM	RM
2016								
Group								
<b>Opening balance at 1 January 2015</b>	106,319,886	(1,250,817)	195,820,035	136,730,431	989,565,756	1,427,185,291	-	1,427,185,291
Foreign currency translation differences for foreign operations	-	-	-	116,715,081	-	116,715,081	-	116,715,081
Cash flow hedges	-	-	-	(8,038,406)	-	(8,038,406)	-	(8,038,406)
Total other comprehensive income	-	-	-	108,676,675	-	108,676,675	-	108,676,675
Profit for the period	-	-	-	-	166,204,283	166,204,283	-	166,204,283
<b>Total comprehensive income for the period</b>	-	-	-	108,676,675	166,204,283	274,880,958	-	274,880,958
Transactions with owners:								
Dividends	-	-	-	-	(41,406,969)	(41,406,969)	-	(41,406,969)
Purchase of treasury shares	-	(1,413,281)	-	-	-	(1,413,281)	-	(1,413,281)
Shares issuance expense	-	-	(5)	-	-	(5)	-	(5)
Share options:								
- share-based payment expenses	-	-	-	10,614,957	-	10,614,957	-	10,614,957
- value of options forfeited	-	-	-	(21,737)	21,737	-	-	-
<b>Total transactions with owners</b>	-	(1,413,281)	(5)	10,593,220	(41,385,232)	(32,205,298)	-	(32,205,298)
<b>Closing balance at 30 June 2016</b>	<b>106,319,886</b>	<b>(2,664,098)</b>	<b>195,820,030</b>	<b>256,000,326</b>	<b>1,114,384,807</b>	<b>1,669,860,951</b>	<b>-</b>	<b>1,669,860,951</b>

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 2017 (cont'd.)

2017	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Share Option Reserve RM	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Retained Earnings RM	Equity, Total RM
<b>Company</b>									
<b>Opening balance at 1 July 2016</b>		106,319,886	(2,664,098)	195,820,030	10,593,220	25,259,255	117,442	386,964,392	722,410,127
Cash flow hedges		-	-	-	-	-	1,879,944	-	1,879,944
Total other comprehensive income		-	-	-	-	-	1,879,944	-	1,879,944
Profit for the year		-	-	-	-	-	-	31,730,207	31,730,207
<b>Total comprehensive income for the year</b>		-	-	-	-	-	1,879,944	31,730,207	33,610,151
Transactions with owners:									
Dividends	36	-	-	-	-	-	-	(10,579,150)	(10,579,150)
Purchase of treasury shares	26	-	(4,381,249)	-	-	-	-	-	(4,381,249)
Expiration of warrants	27	-	-	-	-	(25,259,255)	-	25,259,255	-
Share options:									
- share-based payment expenses	27	-	-	-	9,346,554	-	-	-	9,346,554
- value of options forfeited	27	-	-	-	(247,800)	-	-	247,800	-
<b>Total transactions with owners</b>		-	(4,381,249)	-	9,098,754	(25,259,255)	-	14,927,905	(5,613,845)
<b>Closing balance at 30 June 2017</b>		<b>106,319,886</b>	<b>(7,045,347)</b>	<b>195,820,030</b>	<b>19,691,974</b>	<b>-</b>	<b>1,997,386</b>	<b>433,622,504</b>	<b>750,406,433</b>

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 2017 (cont'd.)

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Share Option Reserve RM	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Retained Earnings RM	Equity, Total RM
<b>2016</b>									
<b>Company</b>									
<b>Opening balance at 1 January 2015</b>		106,319,886	(1,250,817)	195,820,035	-	25,259,255	-	21,813,138	347,961,497
Cash flow hedges		-	-	-	-	-	117,442	-	117,442
Total other comprehensive income		-	-	-	-	-	117,442	-	117,442
Profit for the period		-	-	-	-	-	-	406,536,486	406,536,486
<b>Total comprehensive income for the period</b>		-	-	-	-	-	117,442	406,536,486	406,653,928
Transactions with owners:									
Dividends	36	-	-	-	-	-	-	(41,406,969)	(41,406,969)
Purchase of treasury shares	26	-	(1,413,281)	-	-	-	-	-	(1,413,281)
Shares issuance expense	26	-	-	(5)	-	-	-	-	(5)
Share options:									
- share-based payment expenses	27	-	-	-	10,614,957	-	-	-	10,614,957
- value of options forfeited	27	-	-	-	(21,737)	-	-	21,737	-
<b>Total transactions with owners</b>		-	(1,413,281)	(5)	10,593,220	-	-	(41,385,232)	(32,205,298)
<b>Closing balance at 30 June 2016</b>		<b>106,319,886</b>	<b>(2,664,098)</b>	<b>195,820,030</b>	<b>10,593,220</b>	<b>25,259,255</b>	<b>117,442</b>	<b>386,964,392</b>	<b>722,410,127</b>

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 2017

Note	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
<b>Operating Activities</b>				
Profit before tax	69,410,221	172,263,661	32,616,256	407,295,735
Adjustments for:				
Share of results in joint venture	15,613	-	-	-
Dividend income	4 -	-	(24,125,400)	(366,125,535)
Interest income	5 (10,528,743)	(8,351,842)	(10,201,628)	(6,429,037)
Income from wholesale money market fund	6 (660,994)	(3,121,401)	(660,994)	(3,121,401)
Reversal of inventories written down	6 (61,147)	(412,002)	-	-
Gain on disposal of property, plant and equipment	6 -	(75,214)	-	(151,827)
Premium income arising from guarantee contracts issued	6 -	-	(34,604)	(73,035)
Reversal of impairment loss on receivables	6 (705,915)	(104,372)	-	-
Interest expense	7 26,747,118	14,602,302	-	1,027
Fair value loss on quoted investment	9 1,192,202	-	-	-
Depreciation of investment properties	9 82,024	123,036	-	-
Depreciation of property, plant and equipment	9 70,123,018	39,431,391	7,602	23,422
Fair value loss on derivative financial instruments	9 -	3,371,795	-	3,371,795
Impairment loss on property, plant and equipment	9 -	2,788,926	-	-
Impairment loss on receivables	9 14,433	7,968,529	-	-
Impairment loss on investment in subsidiary	9 -	-	1,733,235	-
Inventories written down	9 25,960,112	60,514,207	-	-
Plant and equipment written off	9 1,023	16,221	-	-
Share-based payment expenses	9,346,554	10,614,957	276,435	298,338
Net unrealised gain on foreign exchange	(2,419,580)	(5,767)	(848,101)	(1,491)
Total adjustments	119,105,718	127,360,766	(33,853,455)	(372,207,744)
Operating cash flows before changes in working capital	188,515,939	299,624,427	(1,237,199)	35,087,991
Changes in working capital				
Net change in accounts with subsidiaries	-	-	66,363,535	(205,840,186)
Decrease in inventories	169,888,501	330,833,769	-	-
(Increase)/decrease in receivables	(114,328,563)	(112,688,505)	(15,992,706)	8,841
(Decrease)/increase in payables	(166,499,622)	(288,359,301)	(92,387)	67,813
Total changes in working capital	(110,939,684)	(70,214,037)	50,278,442	(205,763,532)
Cash flows from/(used in) operations	77,576,255	229,410,390	49,041,243	(170,675,541)
Interest paid	(26,149,559)	(15,452,616)	-	(1,027)
Income tax paid	(18,205,815)	(7,709,383)	(486,291)	(765,298)
Net cash flows from/(used in) operating activities	33,220,881	206,248,391	48,554,952	(171,441,866)

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 2017 (cont'd.)

Note	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
<b>Investing Activities</b>				
Investment in joint venture	(15,385)	-	-	-
Proceeds from withdrawal of wholesale money market fund	-	109,351,627	-	109,351,627
Placement in wholesale money market fund	(46,240,994)	-	(46,240,994)	-
Income from wholesale money market fund	660,994	3,121,401	660,994	3,121,401
Subscription of shares in subsidiaries	-	-	-	(367,375,000)
Net dividend received	-	-	24,125,400	366,125,535
Interest received	12,829,553	5,401,983	10,923,971	4,003,513
Proceeds from disposal of property, plant and equipment	-	76,660	-	220,000
Purchase of property, plant and equipment	14 (243,473)	(600,071,030)	(9,457)	(7,043)
Net cash flows (used in)/from investing activities	(33,009,305)	(482,119,359)	(10,540,086)	115,440,033
<b>Financing Activities</b>				
Shares issuance expense	26 -	(5)	-	(5)
Purchase of treasury shares	26 (4,381,249)	(1,413,281)	(4,381,249)	(1,413,281)
Dividends paid on ordinary shares	36 (10,579,150)	(41,406,969)	(10,579,150)	(41,406,969)
Net (repayment of)/proceeds from revolving credits	(150,101,000)	31,771,200	-	-
Proceeds from bank loan	39,828,694	441,073,839	-	-
Repayment of bank loans	(65,842,176)	(20,997,204)	-	-
Repayment of obligations under finance leases	(58,430)	(658,192)	-	(87,087)
Net cash flows (used in)/from financing activities	(191,133,311)	408,369,388	(14,960,399)	(42,907,342)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(190,921,735)	132,498,420	23,054,467	(98,909,175)
<b>Effect of foreign exchange rate changes</b>	29,965,618	36,527,917	(165,115)	-
<b>Cash and cash equivalents at beginning of year/period</b>	529,365,270	360,338,933	240,152	99,149,327
<b>Cash and cash equivalents at end of year/period</b>	22 368,409,153	529,365,270	23,129,504	240,152

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

# Notes to the Financial Statements

## 30 June 2017

### 1. Corporate Information

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

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

### 2. Summary of Significant Accounting Policies

#### 2.1 Basis of Preparation

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

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

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

#### 2.2 Changes in accounting policies

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

On 1 July 2016, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2016.

##### Description

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above new and amended MFRSs did not have any material impact on the Group's and the Company's financial statements.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above standards and interpretations is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application except as follows:

#### **MFRS 9: Financial Instruments**

In November 2015, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

## 2. Summary of Significant Accounting Policies (continued)

### 2.3 Standards issued but not yet effective (continued)

#### **MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The application of this standard will not have any impact on the Group and the Company’s financial statements.

#### **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 anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

### 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.

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.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.4 Basis of Consolidation (continued)

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

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

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

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

#### Business Combinations

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

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

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

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

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

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.



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

## 2. Summary of Significant Accounting Policies (continued)

### 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 amounts 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.

#### (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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.6 Foreign Currencies (continued)

##### (b) Foreign operations (continued)

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, property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.8 Investment Properties

An investment property is a property 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 accumulated impairment losses.

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

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

#### 2.9 Impairment of Non-Financial Assets

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

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

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

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.10 Current versus Non-Current Classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

#### 2.11 Financial Instruments – Initial Recognition and Subsequent Measurement

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

##### a) Financial assets

##### Initial recognition and measurement

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

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

##### Subsequent measurement

##### Financial Assets at Fair Value through Profit or Loss

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

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

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

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

##### a) Financial assets (continued)

##### Subsequent measurement (continued)

##### Loans and receivables

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

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

##### Derecognition

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

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

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

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

##### b) Impairment of financial assets

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

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

##### b) Impairment of financial assets (continued)

###### Financial assets carried at amortised cost

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

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

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

##### c) Financial liabilities

###### Initial recognition and measurement

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

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

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

###### Subsequent measurement

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

###### Other financial liabilities

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

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

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



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

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

##### c) Financial liabilities (continued)

###### Financial guarantee contracts

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

###### Derecognition

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

##### d) Offsetting of financial instruments

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

##### e) Derivative financial instruments and hedge accounting

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

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

###### Hedge accounting

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

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

###### Fair value hedge

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

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

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

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

###### Cash flow hedge

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

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

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

#### 2.12 Cash and Cash Equivalents

Cash and cash equivalents in the statement 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 statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

#### 2.13 Inventories

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

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

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.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

## 2. Summary of Significant Accounting Policies (continued)

### 2.14 Provisions

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

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

### 2.15 Borrowing Costs

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

### 2.16 Employee Benefits

#### (i) Short-Term Benefits

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

#### (ii) Defined Contribution Plans

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

#### (iii) Share-based Payment Transactions

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

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

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 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 or share premium 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

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.17 Leases

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

##### Group as a lessee

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

##### Group as a lessor

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

#### 2.18 Fair value measurement

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

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.18 Fair value measurement (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.

#### 2.19 Revenue

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

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

##### (a) Sale of Vessels

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

##### (b) Rendering of Services

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

##### (c) Contract Revenue

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

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

##### (d) Interest Income

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

##### (e) Dividend Income

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

##### (f) Rental Income

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.20 Income Taxes

##### (a) Current tax

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

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

##### (b) Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

## 2. Summary of Significant Accounting Policies (continued)

### 2.21 Segment Reporting

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

### 2.22 Share Capital and Share Issuance Expenses

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

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

### 2.23 Treasury Shares

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

### 2.24 Warrants Reserve

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

### 2.25 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.

### 2.26 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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 reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 2. Summary of Significant Accounting Policies (continued)

#### 2.26 Related Parties (continued)

- (b) An entity is related to a reporting entity if any of the following conditions applies: (continued)
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

#### 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 profits 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 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

## 30 June 2017 (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 amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Useful lives of plant and equipment

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

#### (b) Impairment of loans and receivables

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

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

#### (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.

#### (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

## 30 June 2017 (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 amounts 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) 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.

#### (g) Cash flow hedges

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

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 4. Revenue

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Sale of offshore support and marine transportation vessels	265,116,798	1,928,933,590	-	-
Vessel hiring income	152,974,622	76,671,001	-	-
Contract fee income	1,724,373	88,109	-	-
Vessel repairs and service income	561,565	202,769	-	-
Dividend income	-	-	24,125,400	366,125,535
	<u>420,377,358</u>	<u>2,005,895,469</u>	<u>24,125,400</u>	<u>366,125,535</u>

### 5. Interest Income

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Interest income from:				
- Short-term deposits	2,763,215	4,928,343	826,914	3,704,655
- Loans and receivables	7,765,528	3,423,499	9,374,714	2,724,382
	<u>10,528,743</u>	<u>8,351,842</u>	<u>10,201,628</u>	<u>6,429,037</u>

### 6. Other Income

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Commission income	23,364	56,842	23,364	56,842
Gain on foreign exchange:				
- realised	2,554,425	43,936,014	743,964	36,941,311
- unrealised	2,625,509	1,442,352	848,101	1,491
Income from wholesale money market fund	660,994	3,121,401	660,994	3,121,401
Insurance claim receipt	5,789	-	-	-
Premium income arising from guarantee contract issued	-	-	34,604	73,035
Reversal of impairment loss on receivables	705,915	104,372	-	-
Gain on disposal of property, plant and equipment	-	75,214	-	151,827
Rental income from investment properties	242,760	290,160	-	-
Rental income	4,320	155,609	-	-
Reversal of inventories written down	61,147	412,002	-	-
Project management fee income	-	1,221,801	-	-
Sundry income	18,345,382	3,598,729	-	193
	<u>25,229,605</u>	<u>54,414,496</u>	<u>2,311,027</u>	<u>40,346,100</u>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 7. Finance Costs

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Interest expense on:				
Obligations under finance leases	10,630	18,050	-	1,027
Revolving credits	424,384	2,471,379	-	-
Bank loans	20,245,977	14,691,769	-	-
Overdue account	6,542,084	33	-	-
	27,223,075	17,181,231	-	1,027
Less: Interest capitalised in inventories (Note 19)	(475,957)	(2,578,929)	-	-
Total finance costs	26,747,118	14,602,302	-	1,027

The interest expense capitalised in the inventories was at the weighted average rate of the Group's general borrowings of 2.84% (30.6.2016: 2.45%) per annum ("p.a.").

### 8. Investment in Joint Venture

	2017 RM	Group 2016 RM
Unquoted shares, at costs	15,613	-
Share of post acquisition results	(15,613)	-
	-	-

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	
			2017 %	2016 %
CN Energy Holdings Pte. Ltd. <b>Subsidiary of CN Energy Holdings Pte. Ltd.</b>	Singapore	Investment holding company	50	-
CN Energy Servicios, S.A. de C.V.	Mexico	Dormant	49.4	-

- 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.
- Summarised financial information has not been presented as the joint venture is not material to the Group.
- The Group has not fully recognised losses relating to CN Energy Holdings Pte. Ltd., where its share of losses exceeds the Group's interest in the joint venture. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM82,225 (30.06.2016: Nil), which was the share of the current financial year's losses. The Group has no obligation in respect of these losses.



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 9. Profit before Tax

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

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Employee benefits expenses (Note 10)	21,239,834	31,247,139	613,220	796,183
Auditors' remuneration:				
- statutory audits				
- current year	292,626	315,145	40,000	40,000
- underprovision in prior years	39,441	56,566	10,000	25,000
- other services	78,218	41,063	36,706	10,070
Depreciation of property, plant and equipment (Note 14)	70,123,018	39,431,391	7,602	23,422
Depreciation of investment properties (Note 16)	82,024	123,036	-	-
Directors' remuneration (Note 11)				
- Directors of the Company	5,827,857	9,045,892	197,373	259,742
- Directors of subsidiaries	7,492,088	8,796,359	-	-
Fair value loss on derivative financial instruments	-	3,371,795	-	3,371,795
Fair value loss on quoted investment	1,192,202	-	-	-
Plant and equipment written off	1,023	16,221	-	-
Loss on foreign exchange				
- realised	1,725,108	565,347	-	-
- unrealised	205,929	1,436,585	-	-
Impairment loss on receivables	14,433	7,968,529	-	-
Impairment loss on property, plant and equipment	-	2,788,926	-	-
Impairment loss on investment in subsidiary	-	-	1,733,235	-
Inventories written down	25,960,112	60,514,207	-	-

### 10. Employee Benefits Expenses

Salaries, wages and bonuses	15,324,844	24,042,454	363,388	511,727
Contributions to defined contribution plan	1,046,503	1,411,571	44,495	62,550
Social security contributions	65,724	81,970	3,390	3,958
Share-based payment expenses	4,802,763	5,711,144	201,947	217,948
	21,239,834	31,247,139	613,220	796,183

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 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	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	3,778,932	6,789,203	-	-
Estimated monetary value of benefits-in-kind	44,050	45,174	13,325	13,325
Share-based payment expenses	1,820,827	1,965,098	-	-
	<u>5,643,809</u>	<u>8,799,475</u>	<u>13,325</u>	<u>13,325</u>
Non-Executive:				
Fees and allowances	109,560	166,027	109,560	166,027
Share-based payment expenses	74,488	80,390	74,488	80,390
	<u>184,048</u>	<u>246,417</u>	<u>184,048</u>	<u>246,417</u>
	<u>5,827,857</u>	<u>9,045,892</u>	<u>197,373</u>	<u>259,742</u>
<b>Directors of Subsidiaries</b>				
Executive:				
Salaries and other emoluments	4,764,747	5,905,559	-	-
Estimated monetary value of benefits-in-kind	78,865	32,475	-	-
Share-based payment expenses	2,648,476	2,858,325	-	-
	<u>7,492,088</u>	<u>8,796,359</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

## 30 June 2017 (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 2017 and period ended 30 June 2016 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2016 to 30.6.2017 RM</b>	<b>1.1.2015 to 30.6.2016 RM</b>	<b>1.7.2016 to 30.6.2017 RM</b>	<b>1.1.2015 to 30.6.2016 RM</b>
<b>Statement of profit or loss:</b>				
Current tax:				
- Malaysian tax	1,900,229	929,261	747,901	853,321
- Labuan offshore business activity	19,260	58,872	-	-
- Foreign tax	15,844,539	6,459,437	-	-
	<u>17,764,028</u>	<u>7,447,570</u>	<u>747,901</u>	<u>853,321</u>
Under/(over)provision in prior years:				
- Malaysian tax	2,185,508	(508,640)	138,874	(89,825)
- Foreign tax	693,315	(1,090)	-	-
	<u>2,878,823</u>	<u>(509,730)</u>	<u>138,874</u>	<u>(89,825)</u>
	<u>20,642,851</u>	<u>6,937,840</u>	<u>886,775</u>	<u>763,496</u>
Deferred income tax (Note 25):				
- Origination and reversal of temporary differences	(110,039)	(882,386)	(580)	(78,962)
- (Over)/underprovision in prior years	(6,789)	3,924	(146)	74,715
	<u>(116,828)</u>	<u>(878,462)</u>	<u>(726)</u>	<u>(4,247)</u>
Income tax expense recognised in profit or loss	<u>20,526,023</u>	<u>6,059,378</u>	<u>886,049</u>	<u>759,249</u>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 12. Income Tax Expense (continued)

#### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 30 June 2017 and period ended 30 June 2016 are as follows:

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Accounting profit before tax	69,410,221	172,263,661	32,616,256	407,295,735
Taxation at Malaysian statutory tax rate of 24% (30.6.2016: 25%)	-	44,401,359	-	98,390,051
Taxation at Malaysian statutory tax rate of 24% (30.6.2016: 24%)	16,658,453	(1,282,030)	7,827,901	3,296,527
Adjustments:				
Non-deductible expenses	2,319,358	3,318,225	950,553	1,200,812
Income not subject to taxation	(2,613,293)	(12,668,538)	(8,031,133)	(102,113,031)
Effect of different tax rates in Labuan	1,610,343	(4,025,434)	-	-
Effect of different tax rates in other jurisdictions	(172,095)	(25,787,865)	-	-
Deferred tax assets not recognised	464,978	2,720,050	-	-
Utilisation of deferred tax assets previously not recognised	(613,755)	(110,583)	-	-
Under/(over)provision in prior years:				
- current tax	2,878,823	(509,730)	138,874	(89,825)
- deferred tax	(6,789)	3,924	(146)	74,715
Income tax expense recognised in profit or loss	20,526,023	6,059,378	886,049	759,249

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (30.6.2016: 24%) of the estimated assessable profit for the financial year.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 13. Earnings Per Share

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

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the year ended 30 June 2017 and period ended 30 June 2016:

	<b>1.7.2016 to 30.6.2017 RM</b>	<b>Group 1.1.2015 to 30.6.2016 RM</b>
Profit net of tax attributable to owners of the Company used in the computation of basic and diluted earnings per share	48,880,065	166,204,283
	<b>2017 Number of shares</b>	<b>2016 Number of shares</b>
Weighted average number of ordinary shares for basic earnings per share computations*	529,024,616	530,812,540
Effects of dilution:		
- Share options	55,142	4,222,196
Weighted average number of ordinary shares for diluted earnings per share computations*	529,079,758	535,034,736

\* 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.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 14. Property, Plant and Equipment

Group	Leasehold land and buildings* RM	Slipway and shipyard infrastructure RM	Vessels, offshore assets, heavy machinery and equipment RM	Motor vehicles RM	Telecom-munication and office equipment, furniture, fittings and renovations RM	Construction work-in-progress RM	Total RM
<b>Cost</b>							
<b>At 1 January 2015</b>							
Additions	20,844,725	35,375,457	44,074,381	4,942,262	4,157,619	130,840,453	240,234,897
Disposal	-	-	1,734,566	793,442	78,647	597,772,375	600,379,030
Written off	-	-	(4,312)	(493,000)	-	-	(497,312)
Reclassifications	-	-	(54,715)	-	-	(1,796)	(56,511)
Exchange differences	-	1,609,345	756,494,176	-	478,199	(758,581,720)	-
	-	-	(58,834,970)	117,948	-	30,227,565	(28,489,457)
<b>At 30 June 2016 and 1 July 2016</b>							
Additions	20,844,725	36,984,802	743,409,126	5,360,652	4,714,465	256,877	811,570,647
Written off	-	-	77,883	-	119,601	45,989	243,473
Reclassifications	-	-	(4,092)	-	(2,286)	-	(6,378)
Exchange differences	-	158,880	-	-	-	(158,880)	-
	-	-	55,436,899	69,681	43,906	-	55,550,486
<b>At 30 June 2017</b>	20,844,725	37,143,682	798,919,816	5,430,333	4,875,686	143,986	867,358,228
<b>Accumulated depreciation and impairment loss</b>							
<b>At 1 January 2015</b>							
Depreciation charge for the period	7,419,584	13,679,216	24,184,072	4,169,102	2,395,867	-	51,847,841
Disposal	1,259,074	2,999,917	34,047,293	529,169	595,938	-	39,431,391
Written off	-	-	(2,875)	(492,991)	-	-	(495,866)
Impairment loss	-	-	(40,290)	-	-	-	(40,290)
Exchange differences	-	-	2,788,926	-	-	-	2,788,926
	-	-	755,905	61,239	45,905	-	863,049
<b>At 30 June 2016 and 1 July 2016</b>							
Depreciation charge for the year	8,678,658	16,679,133	61,733,031	4,266,519	3,037,710	-	94,395,051
Written off	839,000	2,119,149	66,441,509	305,650	417,710	-	70,123,018
Exchange differences	-	-	(3,071)	-	(2,284)	-	(5,355)
	-	-	2,746,206	38,088	30,125	-	2,814,419
<b>At 30 June 2017</b>	9,517,658	18,798,282	130,917,675	4,610,257	3,483,261	-	167,327,133
<b>Net carrying amount</b>							
At 30 June 2016	12,166,067	20,305,669	681,676,095	1,094,133	1,676,755	256,877	717,175,596
At 30 June 2017	11,327,067	18,345,400	668,002,141	820,076	1,392,425	143,986	700,031,095



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 14. Property, Plant and Equipment (continued)

Note:

\* Leasehold land and buildings comprise:

	Long Term Leasehold Land RM	Leasehold Buildings RM	Buildings and Workshops RM	Total RM
<b>Group</b>				
<b>Cost</b>				
<b>At 1 January 2015,</b>				
<b>1 July 2016 and 30 June 2017</b>	7,260,024	920,109	12,664,592	20,844,725
<b>Accumulated depreciation</b>				
<b>At 1 January 2015</b>	-	295,547	7,124,037	7,419,584
Depreciation charge for the period	177,182	27,603	1,054,289	1,259,074
<b>At 30 June 2016 and 1 July 2016</b>	177,182	323,150	8,178,326	8,678,658
Depreciation charge for the year	118,121	18,402	702,477	839,000
<b>At 30 June 2017</b>	295,303	341,552	8,880,803	9,517,658
<b>Net carrying amount</b>				
At 30 June 2016	7,082,842	596,959	4,486,266	12,166,067
At 30 June 2017	6,964,721	578,557	3,783,789	11,327,067

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 14. Property, Plant and Equipment (continued)

	Motor Vehicles RM	Furniture, Fittings and Office Equipment RM	Total RM
<b>Company</b>			
<b>Cost</b>			
<b>At 1 January 2015</b>	751,416	43,779	795,195
Additions	-	7,043	7,043
Disposal	(339,271)	-	(339,271)
<b>At 30 June 2016 and 1 July 2016</b>	412,145	50,822	462,967
Additions	-	9,457	9,457
<b>At 30 June 2017</b>	412,145	60,279	472,424
<b>Accumulated depreciation</b>			
<b>At 1 January 2015</b>	670,920	25,811	696,731
Depreciation charge for the period	12,322	11,100	23,422
Disposal	(271,098)	-	(271,098)
<b>At 30 June 2016 and 1 July 2016</b>	412,144	36,911	449,055
Depreciation charge for the year	-	7,602	7,602
<b>At 30 June 2017</b>	412,144	44,513	456,657
<b>Net carrying amount</b>			
At 30 June 2016	1	13,911	13,912
At 30 June 2017	1	15,766	15,767

#### Assets held under finance lease

During the last financial period, the Group acquired motor vehicle with an aggregate cost of RM308,000 by means of finance lease. The cash outflow on acquisition of property, plant and equipment in last financial period amounted to RM600,071,030.

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

	2017 RM	Group 2016 RM
Motor vehicles	205,522	274,030

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 14. Property, Plant and Equipment (continued)

#### Assets pledged as security

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

	Group	
	2017 RM	2016 RM
Leasehold land	4,417,812	4,490,855
Slipway and shipyard infrastructure	15,851,173	17,263,810
Buildings and workshops	3,699,629	4,293,298
Vessels, offshore assets, heavy machinery and equipment	657,419,715	669,932,176
Motor vehicles	11,778	16,193
Telecommunication and office equipment, furniture, fittings and renovations	119,460	81,349
	<u>681,519,567</u>	<u>696,077,681</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.

At the last reporting date, the Group conducted a review of the recoverable amount of its marine transportation vessels within vessel chartering segment in view of the lacklustre demand in vessel chartering segment. An impairment loss of RM2,788,926, representing the write-down of the vessels to the recoverable amounts was recognised in "Other expenses" line item of the consolidated statement of profit or loss for the financial period ended 30 June 2016. The recoverable amounts of the vessels were measured at their fair value less costs to sell based on the management's valuation, which were determined by reference to an active market.

### 15. Investments in Subsidiaries

	Company	
	2017 RM	2016 RM
Unquoted shares, at costs	434,951,388	434,991,168
Accumulated impairment losses	(12,033,235)	(10,300,000)
	<u>422,918,153</u>	<u>424,691,168</u>
Provision for financial guarantee	3,959,808	3,959,808
ESOS granted to employees of subsidiaries	19,386,738	10,316,619
	<u>446,264,699</u>	<u>438,967,595</u>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 15. Investments in Subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Principal Activities	Percentage of Effective Interest Held	
			2017 %	2016 %
(a) Subsidiaries of Coastal Contracts Bhd				
Bonafide Shipbuilders & Repairs Sdn. Bhd.	Malaysia	Provision of ship repairs and maintenance services and sub-contract services	100	100
Coastal Transport (Sandakan) Sdn. Bhd.	Malaysia	Provision of tugboat and barge transportation, and property letting	100	100
Coastway Transport Sdn. Bhd.	Malaysia	Provision of vessel chartering and related services	100	100
Seri Modalwan Sdn. Bhd.	Malaysia	Provision of ship repairs and maintenance services and sub-contract services	100	100
Pleasant Engineering Sdn. Bhd.	Malaysia	Fabrication and sale of offshore support and marine transportation vessels and provision of ship repairs and maintenance services	100	100
Coastal Marine Pte. Ltd. #	Singapore	Provision of vessels chartering & towing, marketing, ship delivery and other ancillary services	100	100
Coastal Offshore (Labuan) Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels, provision of bareboat chartering and leasing services to non-Malaysian residents	100	100
Asiapride Sdn. Bhd.	Malaysia	Dormant	100	100

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 15. Investments in Subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Principal Activities	Percentage of Effective Interest Held	
			2017 %	2016 %
<b>(a) Subsidiaries of Coastal Contracts Bhd (continued)</b>				
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	100
Coastal International Marine Inc. #	British Virgin Islands	Sale of offshore support and marine transportation vessels	100	100
Coastal Offshore Venture Pte. Ltd.	Malaysia	Sale of offshore support and marine transportation vessels	100	100
Coastal Drilling Pte. Ltd. #	Singapore	Dormant	70	100
Coastal Energy Solutions Pte. Ltd. #	Singapore	Provision of bareboat chartering services	100	100
<b>(b) Subsidiary of Coastal Marine Pte. Ltd.</b>				
CoastOil, S.A de C.V. *	Mexico	Management and operation of offshore vessel and other investment	98.5	100

# Audited by firm other than Crowe Horwath.

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

- (a) During the current financial year, the Company has disposed of 30% equity interest in Coastal Drilling Pte. Ltd. ("CDPL") for RM39,780 in cash, decreasing its ownership from 100% to 70%. The carrying amount of CDPL at the date of disposal was RM114,702. The Group recognised an increase in non-controlling interests of RM87,346 and a decrease in retained earnings of RM47,566.

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 are not material to the Group.

- (b) During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. An impairment loss of RM1,733,235 (2016: Nil), representing the write-down of the cost of investment, was recognised in "Other Expenses" line item of the statement of profit or loss.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 16. Investment Properties

	2017 RM	Group 2016 RM
<b>Cost</b>		
At beginning and end of year/period	4,101,213	4,101,213
<b>Accumulated depreciation</b>		
At beginning of year/period	369,108	246,072
Depreciation charge for the year/period	82,024	123,036
At end of year/period	451,132	369,108
<b>Net carrying amount</b>	<b>3,650,081</b>	<b>3,732,105</b>

#### Properties pledged as security

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

#### Fair value of investment properties

The fair value of investment properties as at the reporting date amounted to approximately RM4,600,000 (2016: RM4,500,000).

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

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

### 17. Investment Securities

	2017 RM	Group 2016 RM
Quoted shares outside Malaysia, at fair value	3,283,162	-



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 18. Trade and Other Receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	155,880,924	101,120,974	-	-
Less: Allowance for impairment	(7,916,607)	(8,996,059)	-	-
Trade receivables, net	147,964,317	92,124,915	-	-
<b>Other receivables</b>				
Loan to subsidiary	-	-	40,343,628	37,877,349
Amounts due from subsidiaries	-	-	55,953,192	83,830,378
Amount due from joint venture	188,987	-	-	-
Deposits paid to suppliers and contractors	227,822,575	205,396,611	-	-
Deposits	2,961,126	1,134,271	28,460	3,400
Prepayments	50,894,351	16,679,066	1,510	1,600
Other loan	6,149,533	11,695,829	-	-
Sundry receivables	40,120,994	12,356,848	18,628,644	2,727,154
	328,137,566	247,262,625	114,955,434	124,439,881
Less: Allowance for impairment	(685)	(106,112)	-	-
	328,136,881	247,156,513	114,955,434	124,439,881
	476,101,198	339,281,428	114,955,434	124,439,881
<b>Non-Current</b>				
<b>Trade receivables</b>				
Third parties	958,498	4,394,004	-	-
<b>Other receivables</b>				
Loan to subsidiary	-	-	121,030,884	151,509,395
Other loan	20,554,904	13,376,118	-	-
	21,513,402	17,770,122	121,030,884	151,509,395
<b>Total trade and other receivables</b>	497,614,600	357,051,550	235,986,318	275,949,276

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 18. Trade and Other Receivables (continued)

#### Receivables that are impaired

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

	Trade		Non-trade	
	2017 RM	2016 RM	2017 RM	2016 RM
Individually impaired:				
Receivables - nominal amounts	7,916,607	8,996,059	685	106,112
Less: Allowance for impairment	(7,916,607)	(8,996,059)	(685)	(106,112)
	-	-	-	-

#### Movement in allowance accounts:

	Trade		Non-trade	
	2017 RM	2016 RM	2017 RM	2016 RM
At beginning of year/period	8,996,059	934,320	106,112	134,157
Reversal of impairment loss	(705,915)	(72,364)	-	(32,008)
Written off	(741,290)	-	(106,749)	-
Exchange differences	359,986	165,574	(5,344)	3,963
Charge for the year/period	7,767	7,968,529	6,666	-
At end of year/period	7,916,607	8,996,059	685	106,112

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 (2016: 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 RM15.5 million (2016: RM14.2 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 RM114.7 million (2016: RM62.9 million) where recovery is secured under a charter earnings account managed by an independent trustee.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 18. Trade and Other Receivables (continued)

#### (a) Trade receivables (continued)

##### Ageing analysis of trade receivables

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

	2017 RM	2016 RM
Neither past due nor impaired	16,727,125	33,169,727
1 to 30 days past due not impaired	14,475,476	11,904,661
31 to 120 days past due not impaired	25,753,450	22,550,449
More than 121 days past due not impaired	91,966,764	28,894,082
	132,195,690	63,349,192
Total	148,922,815	96,518,919
Impaired	7,916,607	8,996,059
	156,839,422	105,514,978

##### Receivables that are neither past due nor impaired

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

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM132,195,690 (2016: RM63,349,192) that are past due at the reporting date but not impaired. These balances mainly relate to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. The receivables that are past due but not impaired are unsecured in nature.

#### (b) Other receivables

Other receivables comprised mainly:

##### (i) Advances to a trade receivable

Advances to a trade receivable to part finance the construction of an offshore asset of approximately RM16 million (2016: RM15 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.

# Notes to the Financial Statements

30 June 2017 (cont'd.)

## 18. Trade and Other Receivables (continued)

### (b) Other receivables (continued)

#### (iii) Loan to subsidiary

Loan to subsidiary is unsecured, bear interest at 2.78% p.a (2016: 2.78% p.a.) and is fully repayable on 26 February 2021. This loan is denominated in USD.

#### (iv) Amounts due from subsidiaries

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

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

Pursuant to the Memorandum of Understanding entered into between the Company and three venturers on 30 July 2016, the Company has paid an initial refundable and secured deposit of USD6 million (approximately RM24 million) to form a joint venture to undertake a liquefied natural gas related project in Indonesia as disclosed in Note 38 to the financial statements. As at the reporting date, the outstanding amount receivable from the joint venture party including interest charges amounting to approximately RM17 million.

## 19. Inventories

	2017 RM	Group 2016 RM
<b>Cost</b>		
Finished goods	103,112,693	244,717,013
Raw materials	5,708,782	14,029,892
Work-in-progress	298,147,809	299,932,613
Spare parts	8,313	8,313
	<u>406,977,597</u>	<u>558,687,831</u>
<b>Net realisable value</b>		
Finished goods	26,565,008	50,005,848
Work-in-progress	417,253,944	377,389,987
	<u>443,818,952</u>	<u>427,395,835</u>
	<u>850,796,549</u>	<u>986,083,666</u>

During the financial year, the borrowing costs capitalised as cost of work-in-progress amounted to RM475,957 (2016: RM2,578,929).

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM221,804,923 (2016: RM1,686,581,604).

During the financial year, a writedown in value of inventories of the Group amounted to RM25,960,112 (2016: RM60,514,207).

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 20. Short-Term Investment

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Placement with wholesale money market fund	46,240,994	-	46,240,994	-

### 21. Derivative Financial Instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Derivative Assets</b>				
Cross currency interest rate swap				
- Cash flow hedge	-	9,358,903	-	9,358,903
Interest rate swap				
- Cash flow hedge	861,525	-	-	-
	861,525	9,358,903	-	9,358,903

#### Derivative Liabilities

Cross currency interest rate swap				
- Cash flow hedge	756,074	-	756,074	-
Interest rate swap				
- Cash flow hedge	-	8,264,111	-	-
	756,074	8,264,111	756,074	-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Notional Amount</b>				
Cross currency interest rate swap	161,600,000	202,000,000	161,600,000	202,000,000
Interest rate swap	352,813,574	391,693,484	-	-

#### Cross currency interest rate swap ("CCIRS")

The Company had entered into CCIRS to hedge the Company's exposure to foreign exchange risk on its loan to a subsidiary. This contract entitled the Company to receive principal and floating interest equal to KLIBOR in RM and obliged the Company to pay principal and fixed interest of 2.78% p.a. in USD. This CCIRS contract has the same maturity terms as the loan to the subsidiary.

#### Interest rate swap

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 22. Cash and Bank Balances

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash on hand and at banks	169,029,738	110,093,638	10,652,086	240,152
Short-term deposits with licensed banks	199,379,415	419,271,632	12,477,418	-
Cash and bank balances	368,409,153	529,365,270	23,129,504	240,152

Short-term deposits of the Group are made for varying periods of between one and ninety one 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 2017 for the Group and the Company ranged from 0.50% to 3.50% p.a. (2016: 0.20% to 3.80% p.a.) and 3.20% to 3.50% p.a. (2016: Nil) respectively.

### 23. Loans and Borrowings

	Maturity on Borrowings	2017 RM	Group 2016 RM
<b>Current</b>			
Secured:			
Obligation under finance lease (Note 30(c))	2018	61,362	58,430
Bank loans:			
- RM loan at COF	2018	390,262	374,102
- RM loan at BLR – 1.85% p.a.	2018	160,022	209,698
- USD loan at LIBOR + 2.85% p.a.	2018	64,470,485	60,252,418
		65,082,131	60,894,648
Unsecured:			
Revolving credits ("RC")			
- USD RC at COF + 0.75% p.a.		-	60,472,500
- USD RC at COF + 1% p.a.		-	40,315,000
- USD RC at COF + 1.25% p.a.		-	20,157,500
- USD RC at COF + 1.50% p.a.		-	20,157,500
		-	141,102,500
		65,082,131	201,997,148



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 23. Loans and Borrowings (continued)

	Maturity on Borrowings	2017 RM	Group 2016 RM
<b>Non-Current</b>			
Secured:			
Obligation under finance lease (Note 30(c))	2020	137,224	198,586
Bank loans:			
- RM loan at COF	2019	372,260	762,521
- RM loan at BLR – 1.85% p.a.	2026	1,677,245	1,824,251
- USD loan at LIBOR + 2.85% p.a.	2020	368,268,235	368,010,241
		<hr/>	<hr/>
		370,454,964	370,795,599
		<hr/>	<hr/>
<b>Total loans and borrowings</b>		<hr/> 435,537,095	<hr/> 572,792,747

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

	2017 RM	Group 2016 RM
On demand or within one year	65,082,131	201,997,148
More than 1 year and less than 2 years	65,206,947	61,044,882
More than 2 years and less than 5 years	304,295,577	308,876,272
5 years or more	952,440	874,445
	<hr/>	<hr/>
	435,537,095	572,792,747
	<hr/>	<hr/>

#### Obligations under finance leases

These obligations are secured by a charge over the lease assets (Note 14) and corporate guarantee provided by the Company. The discount rate implicit in the leases is 4.59% p.a. (2016: 4.59% p.a.). These obligations are denominated in RM.

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

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

#### 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.

#### 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.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 24. Trade and Other Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>				
<b>Trade payables</b>				
Third parties	107,274,926	87,752,939	-	-
<b>Other payables</b>				
Amounts due to subsidiaries	-	-	1,292	1,918,995
Accruals	50,044,977	56,785,568	40,180	130,524
Deposits received from vessel buyers	40,583,453	196,977,074	-	-
Other deposits	1,768,376	123,280	-	-
Financial guarantees	-	-	27,446	34,604
Sundry payables	15,697,220	9,684,450	77,828	79,871
	108,094,026	263,570,372	146,746	2,163,994
	215,368,952	351,323,311	146,746	2,163,994
<b>Non-Current</b>				
<b>Other payables</b>				
Financial guarantees	-	-	62,938	90,384
Total trade and other payables	215,368,952	351,323,311	209,684	2,254,378
Less: Deposits received from vessel buyers	(40,583,453)	(196,977,074)	-	-
Add: Loans and borrowings (Note 23)	435,537,095	572,792,747	-	-
Total financial liabilities carried at amortised cost	610,322,594	727,138,984	209,684	2,254,378

#### (a) Trade payables

These amounts are non-interest bearing. The terms granted by trade payables normally range from 30 days to 90 days (2016: 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) Amounts 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 23) granted to wholly-owned subsidiaries.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 25. Deferred Tax Liabilities

Deferred income tax as at 30 June 2017 relates to the following:

Group	As at 1 January 2015 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2016 RM	Recognised in profit or loss (Note 12) RM	As at 30 June 2017 RM
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	3,609,772	(216,222)	3,393,550	(812,415)	2,581,135
Others	23,403	117,046	140,449	(61,197)	79,252
	<u>3,633,175</u>	<u>(99,176)</u>	<u>3,533,999</u>	<u>(873,612)</u>	<u>2,660,387</u>
<b>Deferred tax assets:</b>					
Inventories	(247,076)	(289,056)	(536,132)	381,742	(154,390)
Receivables	(96,049)	(370,094)	(466,143)	231,956	(234,187)
Tax losses and unabsorbed capital allowances	(1,938,452)	(44,312)	(1,982,764)	58,840	(1,923,924)
Others	(10,337)	(75,824)	(86,161)	84,246	(1,915)
	<u>(2,291,914)</u>	<u>(779,286)</u>	<u>(3,071,200)</u>	<u>756,784</u>	<u>(2,314,416)</u>
	<u>1,341,261</u>	<u>(878,462)</u>	<u>462,799</u>	<u>(116,828)</u>	<u>345,971</u>
<b>Company</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	5,902	(3,785)	2,117	(726)	1,391
Others	462	(462)	-	-	-
	<u>6,364</u>	<u>(4,247)</u>	<u>2,117</u>	<u>(726)</u>	<u>1,391</u>

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

	2017 RM	Group 2016 RM
Unutilised tax losses	7,753,664	6,411,809
Unabsorbed capital allowances	1,415,108	2,738,787
Deductible temporary differences	4,048,042	3,795,527
	<u>13,216,814</u>	<u>12,946,123</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

30 June 2017 (cont'd.)

## 26. Share Capital and Treasury Shares

	Group and Company					
	Number of Ordinary Shares		Amount			
	Share Capital (Issued and Fully Paid)	Treasury Shares	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 January 2015	531,599,431	(400,000)	106,319,886	195,820,035	302,139,921	(1,250,817)
Purchase of treasury shares	-	(637,100)	-	-	-	(1,413,281)
Shares issuance expense	-	-	-	(5)	(5)	-
At 30 June 2016 and 1 July 2016	531,599,431	(1,037,100)	106,319,886	195,820,030	302,139,916	(2,664,098)
Purchase of treasury shares	-	(3,159,700)	-	-	-	(4,381,249)
At 30 June 2017	531,599,431	(4,196,800)	106,319,886	195,820,030	302,139,916	(7,045,347)
			<b>Number of Ordinary Shares</b>	<b>Amount</b>		
			<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
					<b>RM</b>	<b>RM</b>

### Authorised

At beginning and end of year/period	N/A	2,500,000,000	N/A	500,000,000
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N/A - Not applicable pursuant to the Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (b) below.

### (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

On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. The share premium account is maintained pursuant to the transitional provisions set out in Section 618(3) of the Companies Act 2016.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 26. Share Capital and Treasury Shares (continued)

#### (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 Company acquired 3,159,700 (30.6.2016: 637,100) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM4,381,249 (30.6.2016: RM1,413,281) and this was presented as a component within shareholders' equity.

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

#### (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.

# Notes to the Financial Statements

30 June 2017 (cont'd.)

## 26. Share Capital and Treasury Shares (continued)

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

During the last financial period, the Company has granted 47,618,000 share options under the ESOS. These options expire on 1 February 2021.

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

Date of Offer	Exercise Price	Number of Options Over Unissued Ordinary Shares				30.6.2017
		1.7.2016	Granted	Exercised	Forfeited	
16.2.2016	RM1.40	47,438,000	-	-	(1,666,000)	45,772,000

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

The number of options exercisable as at 30 June 2017 was 18,308,800 and have an exercise price of RM1.40 and a remaining contractual life of 3.58 years. The options' exercisable period are as follows:

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

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

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



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 27. Other Reserves

	Warrants Reserve RM	Foreign Currency Translation Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
<b>Group</b>					
<b>At 1 January 2015</b>	25,259,255	111,471,176	-	-	136,730,431
<b>Other comprehensive income/(loss):</b>					
Foreign currency translation	-	116,715,081	-	-	116,715,081
Cash flow hedges:					
- fair value gain	-	-	4,574,850	-	4,574,850
- transfer to profit or loss	-	-	(12,613,256)	-	(12,613,256)
Total other comprehensive income/(loss)	-	116,715,081	(8,038,406)	-	108,676,675
Share options:					
- share-based payment expenses	-	-	-	10,614,957	10,614,957
- value of options forfeited	-	-	-	(21,737)	(21,737)
<b>At 30 June 2016 and 1 July 2016</b>	25,259,255	228,186,257	(8,038,406)	10,593,220	256,000,326
<b>Other comprehensive income/(loss):</b>					
Foreign currency translation	-	91,536,821	-	-	91,536,821
Cash flow hedges:					
- fair value loss	-	-	(457,499)	-	(457,499)
- transfer to profit or loss	-	-	11,994,921	-	11,994,921
Total other comprehensive income	-	91,536,821	11,537,422	-	103,074,243
Expiration of warrants	(25,259,255)	-	-	-	(25,259,255)
Share options:					
- share-based payment expenses	-	-	-	9,346,554	9,346,554
- value of options forfeited	-	-	-	(247,800)	(247,800)
<b>At 30 June 2017</b>	-	319,723,078	3,499,016	19,691,974	342,914,068

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 27. Other Reserves (continued)

	Warrants Reserve RM	Cash Flow Hedge Reserve RM	Share Option Reserve RM	Total RM
<b>Company</b>				
<b>At 1 January 2015</b>	25,259,255	-	-	25,259,255
<b>Other comprehensive income/(loss):</b>				
Cash flow hedge:				
- fair value gain	-	12,730,698	-	12,730,698
- transfer to profit or loss	-	(12,613,256)	-	(12,613,256)
Total other comprehensive income	-	117,442	-	117,442
Share options:				
- share-based payment expenses	-	-	10,614,957	10,614,957
- value of options forfeited	-	-	(21,737)	(21,737)
<b>At 30 June 2016 and 1 July 2016</b>	25,259,255	117,442	10,593,220	35,969,917
<b>Other comprehensive income/(loss):</b>				
Cash flow hedge:				
- fair value loss	-	(10,114,977)	-	(10,114,977)
- transfer to profit or loss	-	11,994,921	-	11,994,921
Total other comprehensive income	-	1,879,944	-	1,879,944
Expiration of warrants	(25,259,255)	-	-	(25,259,255)
Share options:				
- share-based payment expenses	-	-	9,346,554	9,346,554
- value of options forfeited	-	-	(247,800)	(247,800)
<b>At 30 June 2017</b>	-	<b>1,997,386</b>	<b>19,691,974</b>	<b>21,689,360</b>

#### (a) Warrants reserve

This represents the fair value of warrants issued. This amount was arrived at using the Black-Scholes option pricing model.

On 19 July 2011, the Company allotted 60,408,667 free Warrants 2011/2016 on the basis of one (1) Warrant for every eight (8) ordinary shares of RM0.20 each held in the Company after the bonus issue of new ordinary shares. The Warrants 2011/2016 were listed on Bursa Malaysia Securities Berhad on 25 July 2011.

The Warrants 2011/2016 are constituted by a Deed Poll dated 14 July 2011.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 27. Other Reserves (continued)

#### (a) Warrants reserve (continued)

Each Warrant 2011/2016 entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or after 19 July 2011 to 18 July 2016 at an exercise price of RM3.18, subject to the adjustments in accordance with the provisions in the Deed Poll. Any Warrants 2011/2016 not exercise at the date of maturity will lapse and cease to be valid for any purpose.

The ordinary shares issued from the exercise of Warrants 2011/2016 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2011/2016.

The Warrants 2011/2016 expired during the financial year.

#### (b) 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.

#### (c) 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.

#### (d) Share option reserve

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

### 28. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 30 June 2017 and 30 June 2016 under the single tier system.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 29. Related Party Transactions

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

	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
<b>Group</b>		
Transactions with a company in which certain Directors of the Company are also directors:		
- Rental of premises	10,620	16,200
Transactions with a Director of a subsidiary:		
- Acquisition of motor vehicle	-	450,450
Transactions with a Director of the Company:		
- Rental of premises	19,294	29,122
Remuneration for employment services provided by close members of the family of Directors:*		
Salaries, wages and bonuses	629,246	713,263
Contributions to defined contribution plan	59,698	48,530
Social security contributions	829	947
Estimated monetary value of benefits-in-kind	35,871	42,441
Share-based payment expenses	579,354	625,259
	<b>1,304,998</b>	<b>1,430,440</b>
<b>Company</b>		
Transactions with subsidiaries:		
Thaumas Marine Ltd.		
- Dividend income	24,125,400	202,451,040
Coastal Transport (Sandakan) Sdn. Bhd.		
- Rental of premises	6,000	9,000
- Disposal of motor vehicle	-	135,000
Seri Modalwan Sdn. Bhd.		
- Disposal of motor vehicle	-	85,000
Coastal Offshore (Labuan) Pte. Ltd.		
- Dividend income	-	163,674,495

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 29. Related Party Transactions (continued)

\* 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.

#### (b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year/period was as follows:

	Group		Company	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Short-term employee benefits	8,446,136	12,658,114	265,000	394,200
Defined contribution plan	382,943	450,806	20,400	30,040
Estimated monetary value of benefits-in-kind	122,915	77,649	13,325	13,325
Share-based payment expenses	4,667,937	5,037,797	198,635	214,374
	<u>13,619,931</u>	<u>18,224,366</u>	<u>497,360</u>	<u>651,939</u>

### 30. Commitments

#### (a) Operating lease commitments - Group as lessee

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

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

	Group	
	2017 RM	2016 RM
Not later than 1 year	1,418,711	757,057
Later than 1 year but not later than 5 years	3,056,008	1,550,635
	<u>4,474,719</u>	<u>2,307,692</u>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 30. Commitments (continued)

#### (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 6.7 years. The lease rental is fixed over the lease period. During the financial year, the Group recognised a total of approximately RM147 million in revenue from this lease.

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

	2017 RM	Group 2016 RM
Not later than 1 year	147,588,363	138,566,019
Later than 1 year but not later than 5 years	590,757,806	554,643,711
Later than 5 years	244,632,767	368,243,942
	<u>982,978,936</u>	<u>1,061,453,672</u>

#### (c) Finance lease commitments

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

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

	2017 RM	Group 2016 RM
<b>Minimum lease payments:</b>		
Not later than 1 year	69,060	69,060
Later than 1 year but not later than 2 years	69,060	69,060
Later than 2 years but not later than 5 years	74,783	143,843
	<u>212,903</u>	<u>281,963</u>
Total minimum lease payments	212,903	281,963
Less: Amounts representing finance charges	(14,317)	(24,947)
	<u>198,586</u>	<u>257,016</u>
Present value of minimum lease payments	198,586	257,016
<b>Present value of payments:</b>		
Not later than 1 year	61,362	58,430
Later than 1 year but not later than 2 years	64,294	61,362
Later than 2 years but not later than 5 years	72,930	137,224
	<u>198,586</u>	<u>257,016</u>
Present value of minimum lease payments	198,586	257,016
Less: Amount due within 12 months (Note 23)	(61,362)	(58,430)
	<u>137,224</u>	<u>198,586</u>
Amount due after 12 months (Note 23)	137,224	198,586

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 31. Fair Value Measurement

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

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

Group	Date of valuation	Total RM	Fair value measurement using		
			Quoted prices in active markets (level 1) RM	Significant observable inputs (level 2) RM	Significant unobservable inputs (level 3) RM
Assets measured at fair value:					
Investment securities	30 June 2017	3,283,162	3,283,162	-	-
Short-term investment	30 June 2017	46,240,994	46,240,994	-	-
Derivative assets: Interest rate swap	30 June 2017	861,525	-	861,525	-
Assets for which fair values are disclosed:					
Investment properties (Note 16): Office properties	30 June 2017	4,600,000	-	4,600,000	-
Trade receivables (non-current)	30 June 2017	913,812	-	-	913,812
Other receivables (non-current)	30 June 2017	13,657,570	-	-	13,657,570
Liabilities measured at fair value:					
Derivative liabilities: Cross currency interest rate swap	30 June 2017	756,074	-	756,074	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings: Obligations under finance leases (non-current)	30 June 2017	130,805	-	130,805	-
Company					
Assets for which fair values are disclosed:					
Other receivables (non-current)	30 June 2017	117,334,775	-	-	117,334,775
Liabilities measured at fair value:					
Derivative liabilities: Cross currency interest rate swap	30 June 2017	756,074	-	756,074	-



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 31. Fair Value Measurement (continued)

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 30 June 2016:

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:					
Derivative assets:					
Cross currency interest rate swap	30 June 2016	9,358,903	-	9,358,903	-
Assets for which fair values are disclosed:					
Investment properties (Note 16):					
Office properties	30 June 2016	4,500,000	-	4,500,000	-
Trade receivables (non-current)	30 June 2016	4,177,247	-	-	4,177,247
Other receivables (non-current)	30 June 2016	10,647,118	-	-	10,647,118
Liabilities measured at fair value:					
Derivative liabilities:					
Interest rate swap	30 June 2016	8,264,111	-	8,264,111	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings:					
Obligations under finance leases (non-current)	30 June 2016	189,286	-	189,286	-
Company					
Assets measured at fair value:					
Derivative assets:					
Cross currency interest rate swap	30 June 2016	9,358,903	-	9,358,903	-
Assets for which fair values are disclosed:					
Other receivables (non-current)	30 June 2016	146,806,831	-	-	146,806,831

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 32. Fair Value of Financial Instruments

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

Group	Carrying amount		Fair value	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Financial assets</b>				
Trade receivables (non-current)	958,498	4,394,004	913,812	4,177,247
Other receivables (non-current)	20,554,904	13,376,118	13,657,570	10,647,118
<b>Total</b>	<b>21,513,402</b>	<b>17,770,122</b>	<b>14,571,382</b>	<b>14,824,365</b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings:				
Obligations under finance leases (non-current)	137,224	198,586	130,805	189,286
<b>Company</b>				
<b>Financial assets</b>				
Other receivables (non-current)	121,030,884	151,509,395	117,334,775	146,806,831
<b>Financial liabilities</b>				
Financial guarantees	90,384	124,988	-*	-*

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

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

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

#### Receivables and finance lease obligations

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

#### Financial guarantees

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

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

## Notes to the Financial Statements

30 June 2017 (cont'd.)

**33. Financial Risk Management Objectives and Policies**

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

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

**(a) Credit Risk**

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

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

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM1,013,758,868 (2016: RM1,103,626,618) 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	
	2017		2016	
	RM	% of total	RM	% of total
<b>By country:</b>				
Indonesia	10,274,466	7%	9,349,226	10%
Malaysia	5,257,013	3%	1,638,150	2%
Mexico	132,557,863	89%	80,627,169	83%
Samoa	-	-	4,031,500	4%
Others	833,473	1%	872,874	1%
	<u>148,922,815</u>	<u>100%</u>	<u>96,518,919</u>	<u>100%</u>

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (b) Liquidity Risk

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

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 15% (2016: 35%) of the Group's loans and borrowings (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

#### Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Group</b>				
<b>2017</b>				
<b>Financial assets:</b>				
Investment securities	3,283,162	-	-	3,283,162
Trade and other receivables	212,282,661	25,738,596	-	238,021,257
Short-term investment	46,240,994	-	-	46,240,994
Cash and bank balances	368,409,153	-	-	368,409,153
Derivative assets:				
Interest rate swap (net settled)	(424,450)	1,356,470	-	932,020
<b>Total undiscounted financial assets</b>	<b>629,791,520</b>	<b>27,095,066</b>	<b>-</b>	<b>656,886,586</b>
<b>Financial liabilities:</b>				
Trade and other payables	174,785,499	-	-	174,785,499
Loans and borrowings	82,820,190	408,301,886	1,058,412	492,180,488
Derivative liabilities:				
Cross currency interest rate swap				
- gross payments	44,624,227	127,044,401	-	171,668,628
- gross receipts	(45,753,189)	(129,022,892)	-	(174,776,081)
<b>Total undiscounted financial liabilities</b>	<b>256,476,727</b>	<b>406,323,395</b>	<b>1,058,412</b>	<b>663,858,534</b>
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>373,314,793</b>	<b>(379,228,329)</b>	<b>(1,058,412)</b>	<b>(6,971,948)</b>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (b) Liquidity Risk (continued)

##### Analysis of financial instruments by remaining contractual maturities (continued)

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Group</b>				
<b>2016</b>				
<b>Financial assets:</b>				
Trade and other receivables	131,300,286	23,527,802	-	154,828,088
Cash and bank balances	529,365,270	-	-	529,365,270
Derivative assets:				
Cross currency interest rate swap				
- gross payments	(43,870,619)	(161,117,932)	-	(204,988,551)
- gross receipts	48,982,392	174,504,500	-	223,486,892
Total undiscounted financial assets	665,777,329	36,914,370	-	702,691,699
<b>Financial liabilities:</b>				
Trade and other payables	154,346,237	-	-	154,346,237
Loans and borrowings	215,590,557	412,579,286	944,546	629,114,389
Derivative liabilities:				
Interest rate swap (net settled)	3,584,475	4,775,261	-	8,359,736
Total undiscounted financial liabilities	373,521,269	417,354,547	944,546	791,820,362
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>292,256,060</b>	<b>(380,440,177)</b>	<b>(944,546)</b>	<b>(89,128,663)</b>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (b) Liquidity Risk (continued)

##### Analysis of financial instruments by remaining contractual maturities (continued)

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Company</b>				
<b>2017</b>				
<b>Financial assets:</b>				
Trade and other receivables	114,953,924	121,030,884	-	235,984,808
Short-term investment	46,240,994	-	-	46,240,994
Cash and bank balances	23,129,504	-	-	23,129,504
Total undiscounted financial assets	184,324,422	121,030,884	-	305,355,306
<b>Financial liabilities:</b>				
Trade and other payables excluding financial guarantees*	119,300	-	-	119,300
Total undiscounted financial liabilities	119,300	-	-	119,300
<b>Total net undiscounted financial assets</b>	<b>184,205,122</b>	<b>121,030,884</b>	<b>-</b>	<b>305,236,006</b>
<b>2016</b>				
<b>Financial assets:</b>				
Trade and other receivables	124,438,281	151,509,395	-	275,947,676
Cash and bank balances	240,152	-	-	240,152
Total undiscounted financial assets	124,678,433	151,509,395	-	276,187,828
<b>Financial liabilities:</b>				
Trade and other payables excluding financial guarantees*	2,129,390	-	-	2,129,390
Total undiscounted financial liabilities	2,129,390	-	-	2,129,390
<b>Total net undiscounted financial assets</b>	<b>122,549,043</b>	<b>151,509,395</b>	<b>-</b>	<b>274,058,438</b>

\* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (c) Interest Rate Risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2016: less than 6 months) from the reporting date.

#### Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax through the impact on interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	2017		2016	
	Interest rate	Effect on profit net of tax RM	Interest rate	Effect on profit net of tax RM
Ringgit Malaysia	+ 0.25%	(4,940)	+ 0.25%	(6,024)
Ringgit Malaysia	- 0.25%	4,940	- 0.25%	6,024
United States Dollars	+ 0.10%	-	+ 0.10%	(138,999)
United States Dollars	- 0.10%	-	- 0.10%	138,999

#### (d) Foreign Currency Risk

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

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

Approximately 11% (30.6.2016: 2%) of the Group's sales are denominated in foreign currencies whilst almost 90% (30.6.2016: 98%) of costs are denominated in the respective functional currencies of the Group entities. The Group's foreign currency exposures arising from receivable and payable balances at the reporting date are as follows:

	2017 RM	2016 RM
Trade receivables	459,989	498
Other receivables	44,216,709	25,201,104
Trade payables	142,657	337,219
Other payables	179,913	200,934

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) amount to RM49,378,586 (2016: RM37,057,595) for the Group.

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



# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (d) Foreign Currency Risk (continued)

The Group's exposure to foreign currency risk, based on carrying amounts of 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 year was:

	2017		2016	
	USD/RM RM	SGD/RM RM	USD/RM RM	SGD/RM RM
<b>Group</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	43,398,550	1,556,374	32,689,586	1,324,732
Due from related companies	4,235,365	36,194	6,717,464	301,460
Trade receivables	459,989	-	498	-
Other receivables	16,974,557	46,782	4,444	-
	<u>65,068,461</u>	<u>1,639,350</u>	<u>39,411,992</u>	<u>1,626,192</u>
<b>Financial liabilities:</b>				
Due to related companies	1,292	-	1,213	-
Trade payables	96,539	35,852	51,152	257,761
Other payables	23,273	468	21,850	23,105
	<u>121,104</u>	<u>36,320</u>	<u>74,215</u>	<u>280,866</u>
<b>Currency exposure</b>	<u>64,947,357</u>	<u>1,603,030</u>	<u>39,337,777</u>	<u>1,345,326</u>

The Group's exposure to foreign currency risk, based on carrying amounts of 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 year was:

	2017		2016	
	SGD/USD RM	RM/USD RM	SGD/USD RM	RM/USD RM
<b>Group</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	2,911,963	556,052	1,382,422	958,159
Due from related companies	2,799,194	-	14,099,179	-
Other receivables	820	-	786	-
	<u>5,711,977</u>	<u>556,052</u>	<u>15,482,387</u>	<u>958,159</u>
<b>Financial liabilities:</b>				
Due to related companies	6,432,236	656,132	2,742,085	3,185,965
Trade payables	155	3,633	149	-
Other payables	5,196	48,174	1,867	38,461
	<u>6,437,587</u>	<u>707,939</u>	<u>2,744,101</u>	<u>3,224,426</u>
<b>Currency exposure</b>	<u>(725,610)</u>	<u>(151,887)</u>	<u>12,738,286</u>	<u>(2,266,267)</u>

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (d) Foreign Currency Risk (continued)

The Group's exposure to foreign currency risk, based on carrying amounts of 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 year was:

	2017		2016	
	USD/SGD RM	RM/SGD RM	USD/SGD RM	RM/SGD RM
<b>Group</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	819,623	-	574,872	-
Due from related companies	2,545,145	20,605	13,290,778	19,037
Other receivables	445,812	-	122,657	-
	<u>3,810,580</u>	<u>20,605</u>	<u>13,988,307</u>	<u>19,037</u>
<b>Financial liabilities:</b>				
Due to related companies	193,586	2,213,025	8,044	2,202,600
Trade payables	-	-	1,255	-
Other payables	64,490	33,991	60,397	33,992
	<u>258,076</u>	<u>2,247,016</u>	<u>69,696</u>	<u>2,236,592</u>
<b>Currency exposure</b>	<u>3,552,504</u>	<u>(2,226,411)</u>	<u>13,918,611</u>	<u>(2,217,555)</u>

#### Sensitivity analysis for foreign currency risk

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

	<u>Increase/(Decrease) in Profit Net of Tax</u>	
	<b>Group</b>	
	<b>1.7.2016 to 30.6.2017 RM</b>	<b>1.1.2015 to 30.6.2016 RM</b>
<b>USD/RM</b>		
- strengthened 14% (2016: 12%)	(9,092,630)	(4,720,533)
- weakened 14% (2016: 12%)	9,092,630	4,720,533
<b>SGD/RM</b>		
- strengthened 9% (2016: 7%)	(144,273)	(94,173)
- weakened 9% (2016: 7%)	144,273	94,173
<b>SGD/USD</b>		
- strengthened 5% (2016: 5%)	36,281	(636,914)
- weakened 5% (2016: 5%)	(36,281)	636,914
<b>RM/USD</b>		
- strengthened 14% (2016: 12%)	21,264	271,952
- weakened 14% (2016: 12%)	(21,264)	(271,952)
<b>USD/SGD</b>		
- strengthened 5% (2016: 5%)	(177,625)	(695,931)
- weakened 5% (2016: 5%)	177,625	695,931
<b>RM/SGD</b>		
- strengthened 9% (2016: 7%)	200,377	155,229
- weakened 9% (2016: 7%)	(200,377)	(155,229)

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 33. Financial Risk Management Objectives and Policies (continued)

#### (e) Hedging Activities

##### Cash flow hedge

The Group has entered into an interest rate swap ("IRS") to hedge the cash flow risk in relation to the floating interest rate of a term loan as disclosed in Notes 21 and 23 to the financial statements. The IRS has the same nominal value of RM352,813,574 (2016: RM391,693,484) and is settled monthly, consistent with the interest repayment schedule of the term loan.

The Company has entered into a cross currency interest rate swap ("CCIRS") to hedge the cash flow risk in relation to the foreign exchange rate fluctuation of a loan given to a subsidiary as disclosed in Notes 18 and 21 to the financial statements. The CCIRS has the same nominal value of RM161,600,000 (2016: RM202,000,000) and is settled every 6 monthly, consistent with the interest repayment schedule of the loan.

The following table indicates the periods in which the cash flows associated with the IRS and CCIRS are expected to occur and affect profit or loss:

	Carrying amount RM	Expected cash flows RM	Within one year RM	One to five years RM
<b>Group</b>				
<b>2017</b>				
Cross currency interest rate swap	(756,074)	3,107,453	1,128,962	1,978,491
Interest rate swap	861,525	932,020	(424,450)	1,356,470
<b>2016</b>				
Cross currency interest rate swap	9,358,903	18,498,341	5,111,773	13,386,568
Interest rate swap	(8,264,111)	(8,359,736)	(3,584,475)	(4,775,261)
<b>Company</b>				
<b>2017</b>				
Cross currency interest rate swap	(756,074)	3,107,453	1,128,962	1,978,491
<b>2016</b>				
Cross currency interest rate swap	9,358,903	18,498,341	5,111,773	13,386,568

During the financial year, total loss of RM10,114,977 (30.6.2016: total gain of RM12,730,698) were recognised in other comprehensive income and RM11,994,921 (30.6.2016: RM12,613,256) was reclassified from equity to profit or loss.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 34. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 30 June 2017 and period ended 30 June 2016.

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	2017 RM	Group 2016 RM
Loans and borrowings	23	435,537,095	572,792,747
Equity attributable to owners of the Company		1,816,153,848	1,669,860,951
Gearing ratio		23.98%	34.30%

### 35. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) Vessels manufacturing and repairing services - Fabrication and sale of offshore support and marine transportation vessels, and provision of ship repairs and maintenance services.
- (b) Vessels chartering and equipment hire - Provision of vessels transportation and equipment hiring services.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respect as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 35. Segment Information (continued)

	Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Adjustments and elimination RM	Notes	Per consolidated financial statements RM
<b>30.6.2017</b>					
<b>Revenue:</b>					
External customers	267,402,736	152,974,622	-		420,377,358
Inter-segment	1,466,546	5,000	(1,471,546)	A	-
Total revenue	268,869,282	152,979,622	(1,471,546)		420,377,358
<b>Results:</b>					
Interest income	1,890,383	3,462,681	5,175,679		10,528,743
Depreciation	5,020,018	65,177,422	7,602		70,205,042
Other non-cash expenses	35,620,896	822,717	276,640	B	36,720,253
Segment profit	(7,652,760)	98,705,777	(21,642,796)	C	69,410,221
<b>Assets:</b>					
Additions to non-current assets	204,353	29,663	9,457	D	243,473
Segment assets	1,421,127,149	960,706,310	89,059,502	E	2,470,892,961
<b>Segment liabilities</b>	199,873,069	15,363,152	439,411,487	F	654,647,708
<b>30.6.2016</b>					
<b>Revenue:</b>					
External customers	1,929,224,467	76,671,002	-		2,005,895,469
Inter-segment	836,169,211	5,000	(836,174,211)	A	-
Total revenue	2,765,393,678	76,676,002	(836,174,211)		2,005,895,469
<b>Results:</b>					
Interest income	2,105,377	2,541,790	3,704,675		8,351,842
Depreciation	7,355,134	32,175,871	23,422		39,554,427
Other non-cash expenses	77,987,496	5,053,591	3,670,133	B	86,711,220
Segment profit	111,978,385	36,700,700	23,584,576	C	172,263,661
<b>Assets:</b>					
Additions to non-current assets	1,435,608	598,936,379	7,043	D	600,379,030
Segment assets	1,769,903,058	823,081,920	10,156,568	E	2,603,141,546
<b>Segment liabilities</b>	334,485,639	16,613,133	582,181,823	F	933,280,595

# Notes to the Financial Statements

30 June 2017 (cont'd.)

## 35. Segment Information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Fair value loss on quoted investment	9	1,192,202	-
Fair value loss on derivative financial instruments	9	-	3,371,795
Impairment loss on receivables	9	14,433	7,968,529
Plant and equipment written off	9	1,023	16,221
Unrealised loss on foreign exchange	9	205,929	1,436,585
Impairment loss on property, plant and equipment	9	-	2,788,926
Inventories written down	9	25,960,112	60,514,207
Share-based payment expenses		9,346,554	10,614,957
		<u>36,720,253</u>	<u>86,711,220</u>

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

	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Finance costs	(26,747,118)	(14,602,302)
Unallocated corporate income	5,104,322	38,186,878
	<u>(21,642,796)</u>	<u>23,584,576</u>

D Additions to non-current assets consist of:

	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
Property, plant and equipment	243,473	600,379,030

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 35. Segment Information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (continued)

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

	2017 RM	2016 RM
Tax recoverable	5,802	374,456
Unallocated corporate assets	89,053,700	9,782,112
	<u>89,059,502</u>	<u>10,156,568</u>

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

	2017 RM	2016 RM
Deferred tax liabilities	345,971	462,799
Income tax payable	2,639,616	437,627
Loans and borrowings	435,537,095	572,792,747
Unallocated corporate liabilities	888,805	8,488,650
	<u>439,411,487</u>	<u>582,181,823</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	
	1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM	2017 RM	2016 RM
Malaysia	7,038,609	162,964,575	46,958,412	52,720,871
Thailand	41,653,028	121,719,041	-	-
British Virgin Islands	57,916,704	86,808,793	-	-
Singapore	44,251	991,559,452	1,004,022	1,383,537
Mexico	147,198,428	357,307,604	655,709,128	666,784,403
Samoa	153,531,880	-	-	-
Others	12,994,458	285,536,004	9,614	18,890
	<u>420,377,358</u>	<u>2,005,895,469</u>	<u>703,681,176</u>	<u>720,907,701</u>



# Notes to the Financial Statements

30 June 2017 (cont'd.)

## 35. Segment Information (continued)

### Geographical information (continued)

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

	2017 RM	2016 RM
Property, plant and equipment	700,031,095	717,175,596
Investment properties	3,650,081	3,732,105
	<u>703,681,176</u>	<u>720,907,701</u>

### Information about major customers

The following are major customers from the vessels manufacturing and repairing services segment and vessels chartering segment with revenue equal to or more than 10% of the Group's total revenue:

	Revenue 1.7.2016 to 30.6.2017 RM	Revenue 1.1.2015 to 30.6.2016 RM
<b>Group</b>		
Customer 1	-	877,202,832
Customer 2	187,855,487	-
Customer 3	147,198,428	-
Customer 4	41,653,028	-
	<u>376,706,943</u>	<u>877,202,832</u>

## 36. Dividends

	Group and Company 1.7.2016 to 30.6.2017 RM	1.1.2015 to 30.6.2016 RM
<b>Recognised during the financial year/period:</b>		
Dividends on ordinary shares:		
- Second interim single-tier dividend for 2014: 3.8 sen per share	-	20,184,075
- First interim single-tier dividend for 2016: 2.0 sen per share	-	10,611,647
- Second interim single-tier dividend for 2016: 2.0 sen per share	-	10,611,247
- Third interim single-tier dividend for 2016: 1.0 sen per share	5,305,124	-
- First interim single-tier dividend for 2017: 1.0 sen per share	5,274,026	-
	<u>10,579,150</u>	<u>41,406,969</u>

# Notes to the Financial Statements

30 June 2017 (cont'd.)

## 36. Dividends (continued)

The second interim single-tier dividend in respect of the financial year ended 30 June 2017 amounting to RM5,274,026 (1.0 sen per ordinary share) declared on 18 September 2017 and paid on 3 October 2017 has not been reflected in the current year financial statements. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2018.

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

## 37. Contingent Liabilities

	Company 2017 RM	2016 RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	437,211,000	581,376,000

## 38. Significant Events During The Financial Year

The significant events during the financial year are as follows:

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

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

Further to the Subsidiary's termination of the shipbuilding contract, the Subsidiary has also written to its suppliers for:

- (i) The refund of all sums paid to the suppliers under the shipbuilding contract; and
- (ii) The payment of liquidated damages in accordance with the terms and conditions of the shipbuilding contract.

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

As far as the Group is aware, there is no further material development on the arbitration proceedings.

- (b) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account became part of the share capital.

The Companies Act 2016 has been applied prospectively and the impacts of implementation are disclosed in the respective notes to the financial statements.

- (c) On 8 November 2016, a wholly-owned subsidiary of the Company, Coastal Drilling Pte. Ltd., had entered into a Joint Venture Agreement with Polaris Holdings S.A. R.L. with the intention to establish a joint venture company in Singapore, namely CN Energy Holdings Pte. Ltd. ("CN Energy") to pursue business opportunities pertaining to offshore gas treatment projects worldwide. The incorporation of CN Energy was completed in January 2017.

# Notes to the Financial Statements

## 30 June 2017 (cont'd.)

### 38. Significant Events During The Financial Year (continued)

The significant events during the financial year are as follows: (continued)

- (d) On 30 July 2016, the Company entered into a Memorandum of Understanding ("MOU") with PT. Jaya Samudra Karunia Internasional, PT. Jaya Samudra Karunia Gas ("JSK Gas") and Mr Yudha Kurniawan Tanos to form a joint venture to undertake a liquefied natural gas related project in Indonesia. Pursuant to the MOU, the Company has paid an initial refundable and secured deposit of USD6 million (approximately RM24 million) to JSK Gas. However the MOU was not consummated and subsequently expired on 28 October 2016.

### 39. Authorisation of Financial Statements for Issue

The financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 19 October 2017.

### 40. Comparative Figures

In the previous financial period, the Company and its subsidiaries have changed their financial year end from 31 December to 30 June. Accordingly, the financial statements of the Group and the Company for the financial period ended 30 June 2016 cover a 18 month period from 1 January 2015 to 30 June 2016.

## Notes to the Financial Statements

30 June 2017 (cont'd.)

**41. Supplementary Information - Breakdown of Retained Earnings into Realised and Unrealised**

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2017 into realised and unrealised earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Total retained earnings of the Company and its subsidiaries</b>				
- Realised	1,309,813,650	1,262,939,237	432,775,794	386,963,202
- Unrealised	1,647,711	270,182	846,710	1,190
	<u>1,311,461,361</u>	<u>1,263,209,419</u>	<u>433,622,504</u>	<u>386,964,392</u>
Less: Consolidation adjustments	(133,316,150)	(148,824,612)	-	-
Retained earnings as per financial statements	<u>1,178,145,211</u>	<u>1,114,384,807</u>	<u>433,622,504</u>	<u>386,964,392</u>

# 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 (30.06.2017) (RM)
CL 075512168 Off Mile 9, Sungai Seguntor, Labuk Road, Sandakan, Sabah	13 to 30 years	Leasehold / 31.12.2073	Shipbuilding & Repairs Facility	17.66 acres/ 76,348.43 sq ft	24.04.1990	11.05.2001	5,125,900
1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin, Mile 1 1/2, Leila Road, Sandakan, Sabah	31 years since 1987	Leasehold / 15.12.2910	1 unit residential flat	1.027 acres / 900 sq ft	14.12.1995	11.05.2001	23,009
1/2 undivided share of TL077534313 Lot 3A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah	34 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	131,105
1/2 undivided share of TL077534313 Lot 3B, Block G, Bandar Leila, Jalan Leila Sandakan, Sabah	34 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	128,380
1/2 undivided share of TL077534304 Lot 4A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah	34 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	129,182
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.	8 to 11 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 ↓	19,749,420
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 ↓	96,897

## 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 (30.06.2017) (RM)
CL 075350855 CL 075350864 CL 075350882 CL 075359652 Mile 10, Church Road, Off Jalan Labuk, Jalan Seguntur, Sandakan, Sabah	9 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 ↓	2,729,938
CL 075366031 Sungai Seguntor Sandakan, Sabah	7 years	Leasehold / 31.12.2077	Shipbuilding & Repairs Facility	6.31 acres	18.05.2010	N/A	1,392,357
1/2 undivided share of TL077534322 Lot 2B, Block G Bandar Leila, Jalan Leila, Sandakan, Sabah	34 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	166,883
7/206 undivided share of CL075495340 Lot SO197 - SO203, Block A, One Avenue, Phase 8, Bandar Utama, Mile 6, Jalan Utara, Sandakan, Sabah.	6 years	Leasehold / 31.12.2081	7 units double storey shop office	1,475.60 sq m	17.12.2007	N/A	3,650,080

# Analysis of Shareholdings

as at 27 September 2017

## Statistics on Ordinary Shareholdings as at 27 September 2017

<b>Total Number of Issued Shares Including Treasury Shares</b>	531,599,431 Ordinary Shares
<b>Type of Shares</b>	Ordinary Shares
<b>Voting Rights</b>	One vote per Ordinary Share
<b>No. of Treasury Shares Held</b>	4,196,800 Ordinary Shares

## Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	245	10,323	0.00
100 to 1,000	935	529,211	0.10
1,001 to 10,000	3,096	14,980,976	2.84
10,001 to 100,000	1,297	39,257,143	7.44
100,001 to less than 5% of issued shares	206	288,544,986	54.71
5% and above of issued shares	3	184,079,992	34.91
<b>Total</b>	<b>5,782</b>	<b>527,402,631</b>	<b>100.00</b>

## List of Thirty Largest Securities Accounts Holders

No.	Name	No. of Shares	%
1.	IVORY ASIA SDN. BHD.	84,746,660	16.07
2.	IVORY ASIA SDN. BHD.	66,666,666	12.64
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG FONG THAU (KKINABALU-CL)	32,666,666	6.19
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KOK (B TINGGI-CL)	24,138,254	4.58
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN SHIN (KKINABALU-CL)	23,851,320	4.52
6.	ONG SENG HENG	23,788,500	4.51
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN KEUAN (KKINABALU-CL)	23,691,587	4.49
8.	PANG FONG THAU	20,044,400	3.80
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN HENG (KKINABALU-CL)	13,707,700	2.60
10.	HSBC NOMINEES (ASING) SDN BHD KBL EURO PB FOR HALLEY SICAV – HALLEY ASIAN PROSPERITY	13,000,000	2.46
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN. BHD.	12,500,000	2.37
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	9,502,700	1.80
13.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP	9,330,400	1.77
14.	PANG FONG THAU	8,849,509	1.68
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	5,522,500	1.05
16.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	5,341,700	1.01
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	5,333,333	1.01
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (471873)	4,100,000	0.78



# Analysis of Shareholdings (cont'd.)

as at 27 September 2017

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

No.	Name	No. of Shares	%
19.	NG CHIN HENG	3,733,333	0.71
20.	NG CHIN HENG	3,666,666	0.70
21.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	3,357,500	0.64
22.	NG CHIN HENG	3,335,201	0.63
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	3,200,000	0.61
24.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	2,491,500	0.47
25.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )	2,390,333	0.45
26.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,101,666	0.40
27.	KOO HONG @ KU HONG HAI	2,000,000	0.38
28.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	1,957,900	0.37
29.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,927,077	0.37
30.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	1,755,000	0.33

## Substantial Shareholders

No.	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1.	IVORY ASIA SDN BHD	151,413,326	-	28.71	-
2.	PANG FONG THAU	61,560,575	<sup>a</sup> 175,856,226	11.67	33.34
3.	NG CHIN HENG	24,442,900	<sup>b</sup> 212,973,901	4.63	40.38

## Directors' Shareholdings

No.	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1.	NG CHIN HENG	24,442,900	<sup>c</sup> 213,678,100	4.63	40.52
2.	NG CHIN SHIN	23,851,320	-	4.52	-
3.	NG CHIN KEUAN	23,691,587	<sup>d</sup> 20,000	4.49	0.00
4.	LOH THIAN SANG @ LO THIAN SIANG	-	-	-	-
5.	INTIZAM BIN AYUB	-	-	-	-
6.	JACOB O PANG SU YIN	-	-	-	-

<sup>a</sup> Deemed interests by virtue of shareholdings of husband, Mr. Ng Chin Heng and Ivory Asia Sdn Bhd in the Company.

<sup>b</sup> Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Thau and Ivory Asia Sdn Bhd in the Company.

<sup>c</sup> 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.

<sup>d</sup> 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 Seventeenth Annual General Meeting of the Company to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 23 November 2017 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 Directors' Fees and benefits for the financial year ended 30 June 2017.		
2.	To approve the payment of Directors' Fees and benefits for the period from 1 July 2017 until the next Annual General Meeting.		
3.	To re-elect Mr Ng Chin Keuan as Director of the Company.		
4.	To re-elect Mr Ng Chin Heng as Director of the Company.		
5.	To re-appoint Mr Loh Thian Sang @ Lo Thian Siang as Director of the Company.		
6.	To re-appoint Messrs Crowe Horwath as Auditors of the Company.		
7.	Proposed retention of Mr Loh Thian Sang @ Lo Thian Siang as Independent Non-Executive Director.		
8.	Authority to issue shares pursuant to the Companies Act 2016.		
9.	Proposed renewal of authority for Share Buy-back.		

(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 ..... 2017

.....  
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 appointed for holding the meeting or adjourned meeting at which it is to be used, and in default shall not be treated as valid.

FOLD THIS FLAP FOR SEALING

FOLD HERE

STAMP



**Coastal Contracts Bhd**  
(Company No. 517649-A)

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

FOLD HERE

**Coastal Contracts Bhd** (517649-A)

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

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