



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



[www.coastalcontracts.com](http://www.coastalcontracts.com)

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Sail Forth,  
Grow Beyond



Annual Report **2008**



Sail Forth,  
Grow Beyond

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# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Ninth Annual General Meeting of the Company will be held at the Registered Office, Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 24 June 2009 at 11.00 am to transact the following business:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.
2. To declare a first and final dividend of 12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt in respect of the financial year ended 31 December 2008.
3. To approve the payment of Directors' fees for the financial year ended 31 December 2008.
4. To consider and if thought fit, to pass the following Resolution:  
  
"THAT pursuant to Section 129(6) of the Companies Act 1965, Mr Kwan Cheong Kaw @ Kuan Yeek Chieu be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting."
5. To re-elect the following Directors:
  - 5.1 Mr Ng Chin Shin who retires as Director pursuant to Article No. 91 of the Company's Articles of Association and being eligible, offers himself for re-election.
  - 5.2 Mr Zainal Bin Rajan who retires as Director pursuant to Article No. 96 of the Company's Articles of Association and being eligible, offers himself for re-election.
6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

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

#### ORDINARY RESOLUTION

##### **Authority to issue shares under Section 132D of the Companies Act, 1965**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are empowered to obtain the approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

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

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

**Resolution 5**

**Resolution 6**

**Resolution 7**

**Resolution 8**

## Notice Of Annual General Meeting (Cont'd)

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Ninth Annual General Meeting, a first and final dividend of 12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt in respect of the financial year ended 31 December 2008 will be payable on 3 September 2009 to depositors registered in the Records of Depositors at the close of business on 10 August 2009.

A depositor shall qualify for entitlement only in respect of:

1. Securities transferred into the Depositor's Securities Account before 4.00 pm on 10 August 2009 in respect of transfers; and
2. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

### GENERAL MEETING RECORD OF DEPOSITORS

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the Ninth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article No. 49 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 18 June 2009. Only a depositor whose name appears on the Record of Depositors as at 18 June 2009 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**  
**Company Secretary**

Kota Kinabalu, Sabah  
Dated: 2 June 2009

#### Notes:

- a) 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. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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 appointor 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) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

#### Explanatory Note on Special Business

##### Ordinary Resolution - Authority to issue shares under Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8 under Agenda 7 above, if passed, will 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 issued 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.

# 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 and 5 of the Notice of Annual General Meeting are set out on pages 7 to 9 of this Annual Report, whereas the details of their interest in the securities of the Company are disclosed on pages 84 to 85 of this Annual Report.



# Corporate Information

## BOARD OF DIRECTORS

Ng Chin Heng	Executive Chairman
Ng Chin Shin	Executive Director
Ng Chin Kuan	Executive Director
Kwan Cheong Kaw @ Kuan Yeek Chieu	Senior Independent Non-Executive Director
Loh Tian Sang @ Lo Tian Siang	Independent Non-Executive Director
Zainal Bin Rajan	Independent Non-Executive Director

## AUDIT COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu  
*Chairman*

Loh Tian Sang @ Lo Tian Siang  
*Member*

Zainal Bin Rajan  
*Member*

## NOMINATION COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu  
*Chairman*

Loh Tian Sang @ Lo Tian Siang  
*Member*

Zainal Bin Rajan  
*Member*

## REMUNERATION COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu  
*Chairman*

Loh Tian Sang @ Lo Tian Siang  
*Member*

Ng Chin Heng  
*Member*

## COMPANY SECRETARY

Dorothy Luk Wei Kam, MAICSA 7000414

## REGISTERED OFFICE

Block G, Lot 3B, Bandar Leila  
W.D.T. No. 259, 90009 Sandakan, Sabah  
Tel: +60 89-616263  
Fax: +60 89-616654, 616189  
Website: <http://www.coastalcontracts.com>

## REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel: +60 3 27212222  
Fax: +60 3 27212530/1

## PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Malaysia Berhad  
Alliance Islamic Bank Berhad  
AmBank (M) Berhad  
AmInvestment Bank Berhad (Labuan Offshore Branch)  
Bank Pembangunan Malaysia Berhad  
CIMB Bank (L) Limited  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad  
RHB Investment Bank Berhad  
RHB Islamic Bank Berhad  
Sabah Development Bank Berhad  
Standard Chartered Bank, Offshore Labuan  
The Hongkong and Shanghai Banking Corporation Ltd  
United Overseas Bank Limited

## AUDITORS

Ernst & Young (AF 0039)  
16th Floor, Wisma Khoo Siak Chiew  
Jalan Buli Sim Sim  
P.O. Box 648, 90707 Sandakan, Sabah

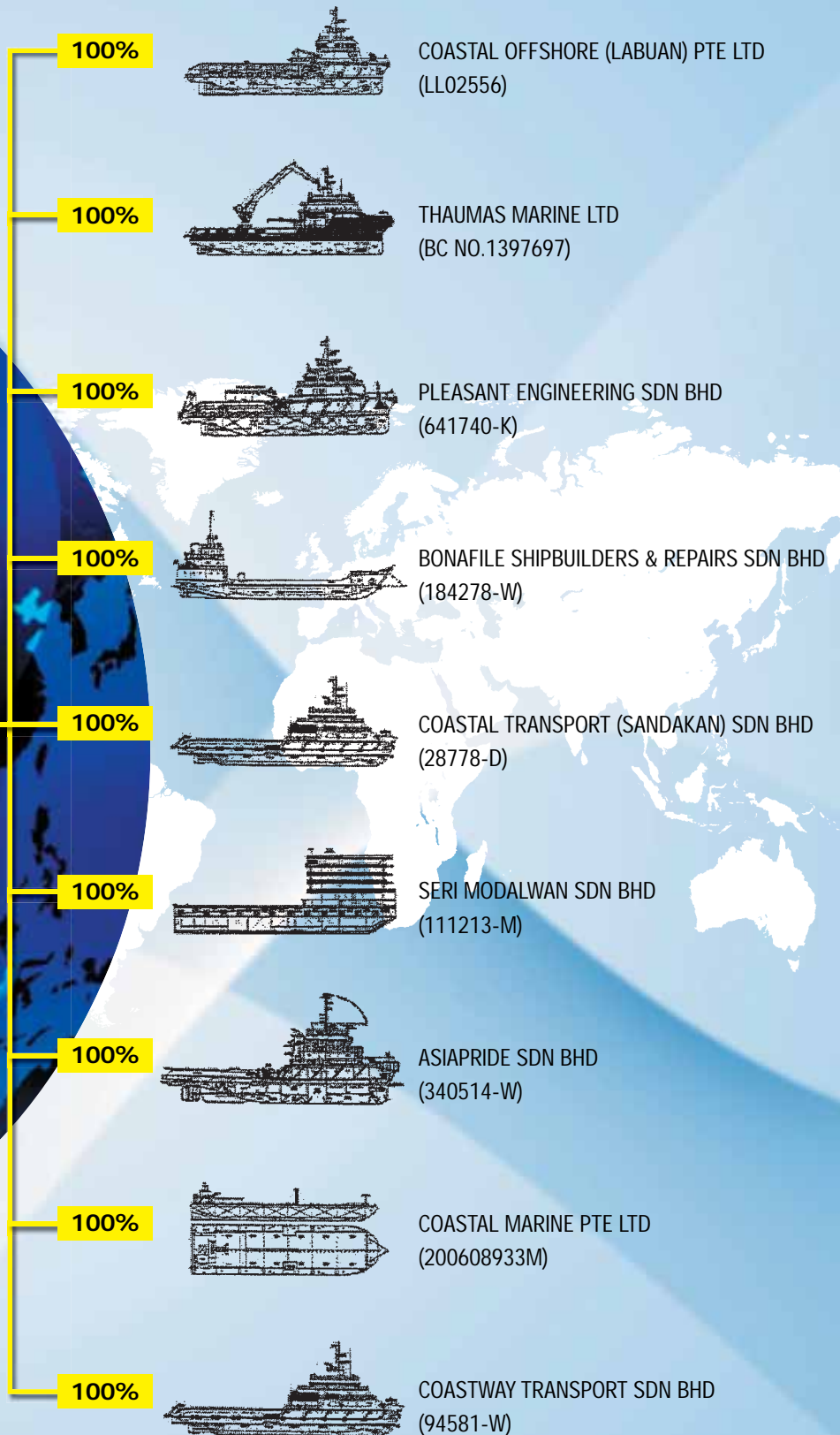
## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
(Main Board)

# Corporate Structure



**COASTAL CONTRACTS BHD**  
(517649-A)



# 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

Aged 60, 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 Remuneration Committee. He resigned as a member of the Audit Committee and Nomination Committee respectively on 15 January 2009.

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 attended all the five board meetings held during the financial year ended 31 December 2008. He does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Ng Chin Heng has direct interests of 4.85% and indirect interests of 54.18% 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 72 to 74 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

## NG CHIN SHIN

Aged 50, Malaysian  
Executive Director

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

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 over 20 years. He has been instrumental in shaping and laying the foundations for the Group's products and workmanship quality in vessel manufacturing and repair works. His vast experience and in-depth knowledge in the vessel manufacturing and repair activities will continue to benefit the Group.

Mr Ng Chin Shin attended four of the five board meetings held during the financial year ended 31 December 2008. He does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Ng Chin Shin has direct interests of 1.86% 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 72 to 74 of the Annual Report on related party transactions, he has no conflict of interest with the Company.



**NG CHIN KEUAN**

**Aged 50, Malaysian  
Executive Director**

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

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

Mr Ng Chin Keuan attended three the five board meetings held during the financial year ended 31 December 2008. He does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Ng Chin Keuan has direct interests of 1.98% and indirect interests of 0.015% 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 72 to 74 of the Annual Report on related party transactions, he has no conflict of interest with the Company.

**KWAN CHEONG KAW  
@ KUAN YEEK  
CHIEU**

**Aged 70, Malaysian  
Senior Independent  
Non-Executive Director**

Mr Kwan Cheong Kaw @ Kuan Yeek Chieu was appointed as Independent Non-Executive Director to the Board on 2 December 2002 and was promoted to Senior Independent Non-Executive Director on 28 April 2004. He serves as the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee respectively.

He completed his tertiary education with a Degree in Commerce from the University of New South Wales under the Colombo Scholarship Plan. He started his career as a Division One accountant with the Sabah State Treasury and subsequently gained his practical experience in a firm of chartered accountants. Having gained substantial experience in the private sector, he established his practice in the early 1970s. He is a member of CPA Australia, the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Taxation.

Mr Kwan Cheong Kaw @ Kuan Yeek Chieu attended all the five board meetings held during the financial year ended 31 December 2008. He does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Kwan Cheong Kaw @ Kuan Yeek Chieu does not have any direct or indirect interest in shares in Coastal Contracts Bhd. He has no conflict of interest with the Company or the Group and has no family relationship with any Directors and/or substantial shareholders of the Company.



**LOH THIAN SANG @  
LO THIAN SIANG**

Aged 64, 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 the five board meetings held during the financial year ended 31 December 2008. He does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Loh Thian Sang @ Lo Thian Siang does not have any direct or indirect interest in shares in Coastal Contracts Bhd. He has no conflict of interest with the Company or the Group and has no family relationship with any Directors and/or substantial shareholders of the Company.

**ZAINAL BIN RAJAN**

Aged 62, Malaysian  
Independent  
Non-Executive Director

Mr Zainal Bin Rajan was appointed as an Independent Non-Executive Director to the Board on 15 January 2009 and serves as a member of the Audit Committee and Nomination Committee.

He started his career in 1965 with the Royal Malaysian Customs And Excise Department ("RMCED") and was promoted several times from an ordinary Customs Officer to the rank of a Senior Assistant Director of Customs. While serving the RMCED, the Federal Government had awarded him a scholarship which enabled him to further his studies on textile technology at the Bolton Institute of Higher Learning, Bolton, England from 1982 to 1983, where he graduated with the Certificate of T.E.C. in Textile Technology (London). Mr Zainal had been handpicked to represent RMCED as a Committee Member of the Border Patrol Coordinating Group (BPCG) (1998 to 2003) and the SOSEK-MALINDO (2002 to 2003) involved in the prevention of smuggling of goods and human trafficking along the common border of Malaysia/Philippines and Malaysia/Indonesia, respectively. Prior to his retirement in 2003, he was the Head of Department in Sandakan, Sabah, a post he has held since 1996.

Mr Zainal Bin Rajan does not hold any directorship in other public company, and has not been convicted of any offences within the past 10 years.

As at 27 April 2009, Mr Zainal Bin Rajan does not have any direct or indirect interest in shares in Coastal Contracts Bhd. He has no conflict of interest with the Company or the Group and has no family relationship with any Directors and/or substantial shareholders of the Company.

# Chairman's Statement



## Dear Shareholders,

FY2008 was a year marked by the financial catastrophe best known as "Subprime Crisis" which has had cost many industries and companies across the world dearly. Despite the market downturn, I am proud to report that 2008 was another rewarding year for Coastal, having set new profit record for the fifth consecutive year attributed to Coastal's long standing strategy of financial debt control and fleet augmentation.

For the financial year under review, Coastal recorded another milestone with total revenue of RM348.1 million, a laudable growth of 19.3%. While prices of input material persisted on the rise, Coastal persevered to deliver yet another record-breaking net profit, this time at RM96.8 million, or 27.51 sen earnings per share. I am heartened as Coastal has achieved a 5-years' compounded annual growth rate above 43%.

Our net asset per share surged by 42.3% from 61.3 sen to 87.3 sen during the financial year while our debt-to-equity ratio rested on a healthy 29.4%. These numbers reflected our stronger balance sheet in the face of market recession. Bracing for the rough rides ahead instigated by the reverberating effect of this subprime crisis, we are determined to remain firm on fostering a strong balance sheet and sound credit rating.



## Financial Overview and Highlights

Our Shipbuilding Division remained as the Group's vanguard, contributing RM323.8 million (2007: RM269.8million) or 93% of the overall recorded revenue for FY2008. This remarkable growth of 20% vis-à-vis 2007 was primarily attributed to the delivery of 8 units offshore support vessels ("OSV") and progressive revenue recognition of shipbuilding contracts secured for OSV. Meanwhile, with higher fleet utilization rate and inflow of a new stream of freight income, our Chartering Division managed to uphold consistent year-on-year growth, introducing total revenue of RM24.3 million into the Group and achieving 11% annual growth.

In FY2008, the Shipbuilding Division emerged again to be the major contributor - RM86.3 million or 89% vis-à-vis RM59.8 million or 86% in FY2007 - to the Group's net profit. On the other hand, our Chartering Division upheld FY2007's performance and delivered RM10.5 million into the Group's net profit. Given operational costs inflation throughout the period, such upholding was commendable.

## Dividend

As Coastal's objective remains to maximize shareholders' value, it is therefore vital to continue to control our financial debt especially during such financial downturn, to boost our overall cash flow and to increase market share while we continue to propose decent dividend to reward our valued shareholders. In light of that, the Board of Directors recommended a first and final dividend of

12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt (equivalent to an aggregate of 3.0 sen net per ordinary share), for approval by the shareholders at the forthcoming Annual General Meeting.

## Accolades and Recognition

For the third consecutive year in 2008, Coastal received two corporate accolades no other than the Forbes' "Asia's 200 Best Under A Billion" and the "KPMG Shareholder Value Awards 2007" awards.



### Prospect

In FY2008, Coastal chalked up a total book order of RM1.7 billion as compared to that of RM450 million merely a year ago, testifying our standing in the shipbuilding industry.

I mentioned in the last financial year that we will continue to, of which we did, augment our fleet by building and owning more sophisticated marine transportation vessels, including higher-end OSV, for outright sales, chartering and possibly self-operating. This strategic fleet augmentation program continued to expose Coastal to more desirable market, inducing revenue growth for FY2008.



In light of world recession, volatile exchange rates and declined oil prices, we expect 10 - 15% reduction in global fuel exploration and production expenditure and hence the concomitant offshore services. In the short run, our performance will be backed by existing book order.

While the International Marine Organization (IMO) continues to impose ever more stringent regulations on marine vessels, global oil moguls continue to move exploration into deeper sea ensued by higher demands for young and sophisticated OSV. Pressures are on ship owners to replace their fleets. Longer term, we believe the fundamentals for oil & gas services remain strong and the demand for OSV will gradually return.

Coastal's growth has historically been engendered organically but it has always remained alert to corporate opportunities, measuring them against its own projects and strategies. Underpinned by its balance sheet, with cash availability and healthy gearing, the Group is well positioned to capitalize any business occasions ahead.

In view of the highlighted business fortes coupled with the dedicated industry savvy management team, we expect 2009 to be another year of progress for the Group.

### Heartfelt Appreciation

The Board is pleased to welcome Tn Hj Zainal Bin Rajan ("Zainal") as an Independent Non-Executive Director of the Company on 15 January 2009. We are confident that Zainal's extensive experience and expertise gained during his many years of service in Royal Malaysian Customs And Excise Department will further strengthen our Board's overall capabilities.

Our Board of Directors, management and staff have again contributed enormously to execute the Group's strategy despite many challenging activities in FY2008. I sincerely thank them all for their relentless dedication throughout the year.

My sincere gratitude also goes to our valuable customers and business partners. Their support and confidence in Coastal have conveyed us to today's success and we certainly hope that they will continue extending their support to Coastal in 2009 and onwards.

Last but not least, I would like to thank our Shareholders for their unwavering support in 2008 and we strive for greater long term shareholders' value as we press forward to another challenging year.

### Ng Chin Heng

Executive Chairman  
Sandakan Malaysia

# Corporate Social Responsibility Statement

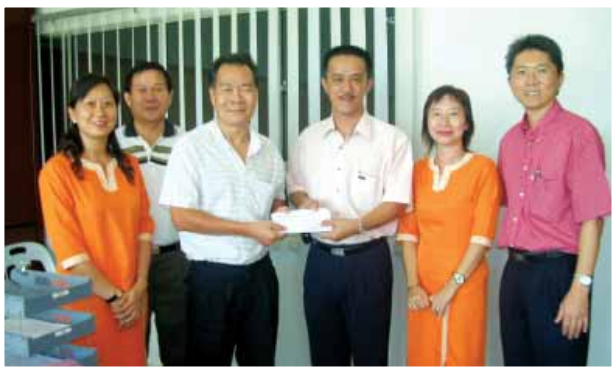
Coastal Group is a proponent of open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. The Group's Corporate Social Responsibility ("CSR") initiatives are designed to deliver sustainable value to society at large. In a nutshell, our CSR practices go beyond compliance to laws, for the concepts of CSR are integrated into the way the Group functions as a business entity and in the process of planning and crafting our future strategies.

The ongoing CSR initiatives of Coastal Group are summarised below:

## Community

We fully understand the fact that Coastal Group lives within the community, and that the Group depends on the community in many ways. Correspondingly, we recognise that we can make a positive impact in the community by giving financial and other resources towards worthy causes.

In this regard, Coastal Group has from time to time made contributions to a range of local schools, sport and leisure bodies as well as community and charitable organisations in support of education, children, youth development and the underprivileged. We will continue our active and purposeful involvement in community issues to enrich our interaction with the community on the whole.



Contribution to Chi Hwa Kindergarten 2008 Educational Fund.



Donation to Malaysian Red Crescent Society for Si Chuan Earthquake.

## Environment

As we live and operate among the rich biodiversity of flora and fauna, preservation of the environment is our joint responsibility. Coastal Group has put in place several focal initiatives to reduce our impact on the environment, which entail waste management, energy saving and water conservation.

To reduce the waste that we generate, we practice recycling both in our offices as well as at our operation sites. In fact, writing and photocopier papers with only one side used are collected for redeployment as scribble pads, whilst envelopes are reused by placing stickers of new address over the previous one – supporting a good cause and saving a number of trees along the way. Similarly, Coastal Group's shipbuilding and shiprepair operations recycle odds and ends produced from their activities, such as scrap steel plates, for secondary usages wherever practicable. We also make it a point that no rubbish or solid waste is indiscriminately disposed into the river to prevent water pollution.

On the same note, Coastal Group acknowledges that by reducing our electricity usage, we can contribute to lessening global warming. We are also mindful of the effects of our water consumption and of the need to monitor and limit this. For 2008, we have achieved a meaningful reduction of electricity and water usage for each Ringgit of revenue generated from our business operations.

This achievement was made possible through strong top-down management leadership in electricity-conservation, and also due to the fact that one of our shipyards has been tapping and storing nearby flows of natural hill water for industrial activities as well as for cleaning and sanitary purposes.

## Corporate Social Responsibility Statement (Cont'd)

### Workplace

Coastal Group derives its workforce from the society, so everything we do at the workplace needs to be socially responsible to compliment our drive for business success.

The Group currently employs more than 450 employees in our domestic and overseas operations. On top of our inclination to source for skills and talent from the local pool of graduates, we strive to offer fair opportunities to female employees as well. In a small way, we also offer employment opportunities to older members of the society, where about 11% of our workforce are over the age of 50.

As for developing and growing our talent pool, we are resolute on creating a conducive and learning organisation to provide our personnel with career development prospects. We enlisted our shipyard workers, vessel crewmen and office staff across all levels of hierarchy for scheduled periodical training in various occupational safety and health, marine technologies as well as management and financial skills upgrading programmes with the aim to embed the high standards required to enhance work quality and achieve optimal job performance. Besides structured training, informal learning measures in the form of internal employee meetings are also implemented as part of our initiatives to actively engage our workforce in curbing on-site injuries, spills and hazardous releases, and to ensure compliance with existing environmental health and safety regulations in all our operations.

While we are passionate about building corporate sustainability, we are mindful that a rewarding lifestyle outside the workplace is equally important to our workforce. By subsidising various sports and outdoor activities every now and then, we hope to encourage our employees to lead a healthier and well-balanced way of life.



### Marketplace

In our interaction with shareholders, suppliers, and customers, Coastal Group makes every attempt to meet these stakeholders' expectations by raising our standards of corporate governance, supporting green products or engaging environmental-friendly industrial practices.

Coastal Group's corporate governance practices are separately covered in the Statement on Corporate Governance (see page 18 to 22).

At the same time as we strive to meet customer needs, we also ensure that our shipbuilding and shiprepair activities result in minimal environmental impact. One of the Group's initiatives to environmental stewardship include green procurement policies through the sourcing from suppliers of fuel-efficient marine engines with recognised Engine International Air Pollution Prevention certificates that qualify our vessels for the International Air Pollution Prevention certificates. Such certifications are attestation that the engines 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 coating ship hulls. Onboard all our manned ships are sewerage treatment systems that 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 gases into the atmosphere.

Moving forward, Coastal Group will continue to embrace creative environment protective solutions and also take a hard look within ourselves on how best to readapt our daily corporate actions towards reinforcing our social responsibility commitments.

# AUDIT COMMITTEE REPORT

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

The Audit Committee was established on 2 December 2002.

The Audit Committee comprises the following members:-

Name	Designation	Directorship
Kwan Cheong Kaw @ Kuan Yeek Chieu	Chairman	Senior Independent Non-Executive Director
Loh Thian Sang @ Lo Thian Siang	Member	Independent Non-Executive Director
Zainal Bin Rajan *	Member	Independent Non-Executive Director
Ng Chin Heng **	Member	Executive Chairman

\* Appointed on 15 January 2009

\*\* Resigned on 15 January 2009

### 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 1st 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 1st 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.

### 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.

## AUDIT COMMITTEE REPORT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

#### Functions

The functions of 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 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;
  - f) 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;
  - g) 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;
  - h) 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;
  - i) any letter of resignation from the external auditors of the Company; and
  - j) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
- 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.

##### 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 REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (Cont'd)

### Audit Committee Meeting

The Audit Committee held five (5) meetings during the financial year ended 31 December 2008. These meetings were held at the registered office on 25 February, 22 April, 22 May, 25 August and 24 November 2008. Details of the attendance of the meetings by the Committee Members are as follows:-

Name	No of Meetings Attended	% of Meetings Attended
Kwan Cheong Kaw @ Kuan Yeek Chieu	5/5	100%
Loh Thian Sang @ Lo Thian Siang	5/5	100%
Ng Chin Heng	5/5	100%
Zainal Bin Rajan *	N/A	N/A

\* Appointed on 15 January 2009

### Activities During The Year

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

- i) Review the external auditors' scope of work and their audit plan.
- ii) Review with the external auditors the results of their audit, the audit report and internal control recommendations in respect of improvements in internal control procedures noted in the course of their audit.
- iii) Review and approve the internal audit plan presented by the internal auditors.
- iv) Review the annual report and the audited financial statements of the Company and the Group 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, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- v) Review the Company's compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- vi) Review the quarterly unaudited financial statements and the explanatory notes thereon and recommend to the Board for Directors' approval.
- vii) Review the related party transactions entered into by the Group.
- viii) Review the Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of issuing a Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad.

### 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 Auditors had carried out evaluation and assessment of the internal controls within the Group's business processes that are essential to the achievement of its business objectives, in order to test the adequacy and effectiveness of the internal controls over the most significant risks. The areas covered by the audit are selected on a rotational basis, with core risk areas being subject to audit more regularly than those outside the defined core risk areas.

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.

# 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 practices as stipulated in the Malaysian Code on Corporate Governance (Revised 2007) ("Revised Code").

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 Officers 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 risks functions affecting the Group. This is elaborated in greater detail in the Statement on Internal Control.

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 has enabled the Group to have leadership position in its business division.

## A. DIRECTORS

### Board Composition and Balance

The Board currently comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors. The strong and independent element on the Board fairly reflects the interest of the minority shareholders in the Company and provides for effective check and balance to the functioning of the Board. 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, bringing in-depth and diversity in experience and perspectives to the Group's business operations. The profile of each Director is presented on pages 7 to 9 of this Annual Report.

The key functions of the Executive Chairman are to conduct Board meetings and meetings of Shareholders and to ensure that all Directors are properly briefed for a full and constructive part in Board discussions. The Executive Directors are responsible for the day-to-day management of the Group in ensuring that the strategies, policies and matters approved by the Board and/or respective Board Committees are effectively implemented. The Executive Directors ensures that there is a balance of power and authority at the head of the Group.

The Board has identified and formally appointed Mr Kwan Cheong Kaw @ Kuan Yeek Chieu as Senior Independent Non-Executive Director as a representative of the Board to whom concerns may be conveyed.

### Board Committees

The Board has delegated specific responsibilities to three (3) committees to assist in its functions. These committees, namely, Audit Committee, Nomination Committee and Remuneration Committee, have the authority to examine particular issues according to their respective terms of reference and report back to Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests entirely with the Board.

### Board Meetings

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when necessary. In intervals between Board meetings, for matters requiring Board decision, Board approvals are sought via Directors' Circular Resolutions (DCR) with sufficient information required to make an informed decision. A summary of the DCR approved will be tabled at the following Board meetings for notation.

The Board had held five (5) meetings during the financial year ended 31 December 2008 where the Board deliberated and considered a variety of matters including the Group's financial results, major investments and 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 interest and abstain from the decision making process.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### A. DIRECTORS (Cont'd)

#### Board Meetings (Cont'd)

Shown below is the number of meetings attended by each Director for the financial year ended 31 December 2008, of which were held at the registered office on 25 February, 22 April, 22 May, 25 August and 24 November 2008.

Name of Director	Designation	No. of meetings attended	%
Ng Chin Heng	Executive Chairman	5/5	100%
Ng Chin Shin	Executive Director	4/5	80%
Ng Chin Keuan	Executive Director	3/5	60%
Kwan Cheong Kaw @ Kuan Yeek Chieu	Senior Independent Non-executive Director	5/5	100%
Loh Thian Sang @ Lo Thian Siang	Independent Non-executive Director	5/5	100%
Zainal Bin Rajan *	Independent Non-executive Director	N/A	N/A

\* Appointed on 15 January 2009

#### Supply of Information

All Board members are supplied with information in a timely manner. The Board's reports 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, they may take independent advice if necessary at the Company's expense.

#### Appointments to the Board

The Nomination Committee comprising Mr Kwan Cheong Kaw @ Kuan Yeek Chieu (Chairman), Mr Loh Thian Sang @ Lo Thian Siang (Member) and Mr Zainal Bin Rajan (Member) is entrusted to formally and transparently review annually the Board structure, size and composition as well as the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board, and is responsible for making recommendations for any appointments to the Board or committees of the Board. In making these recommendations, the Committee considers the candidates':

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent non-executive directors, ability to discharge such responsibilities/ functions as expected from independent non-executive directors.

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

The Nomination Committee held two (2) meetings during the financial year, which were attended by all the Committee members.

#### Directors' Training

All the Directors have attended the Mandatory Accreditation Programme. During the financial year under review, all the Directors have attended a training on "Equity-Linked Financing".

The Directors will continue to undergo relevant training programmes to keep abreast with latest changes in laws, regulations and the business environment to equip themselves with the knowledge to discharge their duties effectively. Further, 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)

### A. DIRECTORS (Cont'd)

#### Re-election and Re-appointment of Directors

In accordance with the Company's Articles of Association, at an annual general meeting of the Company, one-third (1/3) of the Directors for the time being, or if the number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office so that all Directors shall retire from office once at least in every three (3) years. A retiring Director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires.

Directors who are of or over the age of seventy (70) years are subject to retirement annually and may seek for re-appointment in accordance with Section 129(6) of the Companies Act 1965.

#### Remuneration Committee

The Remuneration Committee consists of two (2) Independent Non-Executive Directors namely Mr Kwan Cheong Kaw @ Kuan Yeek Chieu (Chairman) and Mr Loh Thian Sang @ Lo Thian Siang (Member) and one (1) Executive Chairman, Mr Ng Chin Heng (Member).

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 as and 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.

The Remuneration Committee held one (1) meeting during the financial year, which was attended by all the Committee members.

### B. DIRECTORS' REMUNERATION

The Remuneration Committee recommends to the Board the remuneration structure and incentives for each Executive Director. The Committee has the right to obtain independent consultants' advice and information about remuneration practices elsewhere.

The Board as a whole determines and endorses the remuneration of the Directors, after considering the proposals of 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.

The remuneration paid/payable to all the Directors of the Company for the financial year ended 31 December 2008 is as follows:-

Directors' Remuneration	Executive Directors RM'000	Non-executive Directors RM'000
Fee	-	58
Salaries	856	-
Bonuses and allowances	453	-
EPF	160	3
Benefits in kind (based on estimated money value)	11	-
Total	1,480	61

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### B. DIRECTORS' REMUNERATION (Cont'd)

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 ended 31 December 2008 fall within the following bands is as follows:

Directors' Remuneration Band RM	Number of Directors	
	Executive Director	Non-Executive Director
50,000 and below	-	2
50,001 to 100,000	-	-
100,001 to 150,000	-	-
150,001 to 200,000	-	-
200,001 to 250,000	-	-
250,001 to 300,000	1	-
300,001 to 350,000	-	-
350,001 to 400,000	-	-
400,001 to 450,000	1	-
450,001 to 500,000	-	-
500,001 to 550,000	-	-
550,001 to 600,000	-	-
600,001 to 650,000	-	-
650,001 to 700,000	-	-
700,001 to 750,000	-	-
750,001 to 800,000	1	-

### C. SHAREHOLDERS

#### Dialogue between Company and Investors

The Board recognizes the importance of an effective communication channel between the Board, shareholders and the general 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.

#### The Annual General Meeting (AGM)

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.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### **D. ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board aims to provide and present a balanced and meaningful assessment of the Group's 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. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 31 of this Annual Report.

#### **Internal Control**

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 nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board's statement on internal control is set out on page 23 of this Annual Report.

#### **Relationship with Auditors**

Key features underlying the relationship of the Audit Committee with its auditors, both external and internal, are included in the Audit Committee's terms of reference. A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 15 to 17 of this Annual Report.

#### **Compliance Statement**

Save as disclosed below, the Group had substantially complied with the principles and best practices of the Revised Code throughout the year:

- a) Although there is no formal schedule on matters specifically reserved to the Board for decision, it is the practice for the whole Board to deliberate on all significant matters that affect the Group, such matters being those that concern with capital expenditure, announcements to Bursa Malaysia and policy issues; and
- b) The Board has not developed position descriptions for the Board and the management. The Board recognises the importance of proper identification of the roles and responsibility limits of the management and will consider delineating the roles and responsibilities of executive and non-executive directors.

# STATEMENT ON INTERNAL CONTROL

## Responsibility

The Board recognises the importance of sound systems of internal control and effective risk management practices in the maintenance of good corporate governance.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, present throughout the financial year under review and up to the date of approval of the Financial Statements and the Annual Report, and is in accordance with the guidance as contained in the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad.

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 risk that may impede the achievement of the Group's business objectives.

## Risk Management Framework and Control Self-Assessment

Risk Management is firmly embedded in the Group's management system and is every employee's responsibility. The Board's primary objective and direction in managing Group's risk are focused on the achievement of the Group's business objectives. In the previous year, the Internal Auditors had carried out evaluation and assessment of the internal controls within the Group's business processes that are essential to the achievement of its business objectives, in order to test the adequacy and effectiveness of the internal controls over the most significant risks. After the audit, the findings and recommendations for improvement were communicated to the respective management for their response and corrective actions, if necessary, to strengthen the internal control, risk management and governance systems of the Group.

There are continuous efforts to assess the effectiveness of the controls in place to manage these risks as well as the action plans designed to address the weaknesses which are assigned to the risk owners.

The Executive Directors are specifically tasked with the responsibility of monitoring and reviewing strategic and significant operational matters of the Group.

## 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 was 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 have 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 had 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 Board is of the view that the system of internal control that has been implemented within the Group is sound and effective and has not resulted in any material losses and contingencies during the financial year 2008. The 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' investment.

The costs incurred for the internal audit function in respect of the financial year 2008 was RM19,500.

# ADDITIONAL COMPLIANCE INFORMATION

- **Utilisation of Proceeds**

There were no proceeds raised from any corporate proposal during the financial year.

- **Share Buyback**

During the financial year ended 31 December 2008, the Company did not enter into any share buyback transactions.

- **Options, Warrants or Convertible Securities**

During the financial year ended 31 December 2008, a total of 2,767,400 options were exercised pursuant to the Company's Employee Share Option Scheme which was implemented on 18 January 2005.

The Company did not issue any warrants or convertible securities during the financial year under review.

- **American Deposit Receipt ("ADR") or Global Deposit ("GDR") Programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Imposition of Sanctions/Penalties**

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

- **Non-Audit Fees**

During the financial year, the non-audit fees paid by the Company and its subsidiaries to the external auditors amounted to RM25,950.

- **Variation in Results**

There was no variance of 10% or more between the audited results for the financial period ended 31 December 2008 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projection for the financial period.

- **Profit Guarantee**

No profit guarantee was given by the Company during the financial year.

- **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 year.

- **Revaluation Policy**

Please refer to accounting policy on property, plant and equipment found on page 40 to 41.

- **Recurrent Related Party Transactions**

The details of the related party transactions can be found on page 72 to 74.

# STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 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 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 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, 1965.

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 26 May 2009.



# 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 31 December 2008.

## Principal Activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies 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 for the year	96,771,539	14,079,990

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 dividends paid by the Company since 31 December 2007 were as follows:

	RM
In respect of the financial year ended 31 December 2007:	
First and final dividend declared on 26 June 2008 and paid on 3 September 2008:	
- 12% tax exempt	8,457,178
Special dividend declared on 26 June 2008 and paid on 3 September 2008:	
- 5.5% tax exempt	3,876,206
	<u>12,333,384</u>

At the forthcoming Annual General Meeting, a first and final dividend of 12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt, amounting to a dividend payable of RM10,584,186 (3 sen net per ordinary share) in respect of the financial year ended 31 December 2008 will be proposed for shareholders' approval. This is computed based on the issued and paid-up capital of 352,806,200 ordinary shares of RM0.20 each as at 31 December 2008. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

# Directors' Report (Cont'd.)

## 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  
Kwan Cheong Kaw @ Kuan Yeek Chieu  
Loh Thian Sang @ Lo Thian Siang  
Zainal Bin Rajan (Appointed on 15 January 2009)

## 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 in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

## Directors' Interest

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

The Company	Number of Ordinary Shares of RM0.20 Each			
	1.1.2008	Acquired	Sold	31.12.2008
<b>Direct Interest:</b>				
Ng Chin Heng	16,731,400	-	-	16,731,400
Ng Chin Keuan	6,978,200	-	-	6,978,200
Ng Chin Shin	6,578,200	-	-	6,578,200
<b>Indirect Interest:</b>				
Ng Chin Heng	191,441,600	-	(39,500)	191,402,100
Ng Chin Keuan	53,000	-	-	53,000

Ng Chin Heng, by virtue of his interests in shares in the Company, is deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

The Company	Number of Options Over Ordinary Shares of RM0.20 Each			
	1.1.2008	Granted	Exercised	31.12.2008
Ng Chin Heng	1,200,000	-	-	1,200,000
Ng Chin Shin	1,200,000	-	-	1,200,000
Ng Chin Keuan	800,000	-	-	800,000

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

# Directors' Report (Cont'd.)

## Issue of Shares

During the financial year, the Company increased its issued and paid up ordinary share capital from RM70,007,760 to RM70,561,240 by way of the issuance of 2,767,400 ordinary shares of RM0.20 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM0.51 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## Employee Share Options Scheme ("ESOS")

The Coastal Contracts Bhd. ESOS for eligible employees and Directors of the Company and its subsidiary companies was approved by the shareholders at the Extraordinary General Meeting held on 18 October 2004. The ESOS became effective on 18 January 2005 when the last requisite approval was obtained and is valid for a period of five years expiring on 17 January 2010.

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

## Other Statutory Information

- (a) Before the income statements and balance sheets 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As 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.

# Directors' Report (Cont'd.)

## **Significant Event**

Details of the significant event are disclosed in Note 34 to the financial statements.

## **Subsequent Events**

Details of the subsequent events are disclosed in Note 35 to the financial statements.

## **Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 April 2009.

NG CHIN HENG

NG CHIN KEUAN

# Statement by Directors/ Statutory Declaration

## Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, NG CHIN HENG 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 33 to 82 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 April 2009.

NG CHIN HENG

NG CHIN KEUAN

## Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, VOO VUN YAU, 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 33 to 82 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 VOO VUN YAU  
at Sandakan in the State of Sabah on 20 April 2009

VOO VUN YAU

Before me,

# Independent Auditors' Report

## to the members of COASTAL CONTRACTS BHD.

### Report on the financial statements

We have audited the financial statements of Coastal Contracts Bhd., which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 82.

#### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Chin Mui Khiong Peter  
1881/03/10 (J)  
Chartered Accountant

Kuching, Malaysia  
20 April 2009

# Income Statements

## For the Year Ended 31 December 2008

	Note	2008 RM	Group 2007 RM (Restated)	Company 2008 RM	2007 RM
Revenue	3	348,058,992	291,756,621	13,335,991	7,530,000
Cost of sales	4	(237,929,548)	(208,916,326)	-	-
<b>Gross profit</b>		110,129,444	82,840,295	13,335,991	7,530,000
Other income	5	4,992,211	3,698,646	1,474,024	1,535,389
Administrative expenses		(9,296,968)	(7,904,843)	(634,051)	(758,363)
Other expenses		(3,292,496)	(4,520,693)	(63,488)	(264)
<b>Operating profit</b>		102,532,191	74,113,405	14,112,476	8,306,762
Finance costs	6	(6,018,229)	(3,023,723)	(3,872)	(5,694)
<b>Profit before tax</b>	7	96,513,962	71,089,682	14,108,604	8,301,068
Income tax	10	257,577	(1,772,530)	(28,614)	(222,065)
<b>Profit for the year</b>		96,771,539	69,317,152	14,079,990	8,079,003
Attributable to: Equity holders of the Company		96,771,539	69,317,152	14,079,990	8,079,003
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic	11(a)	27.51	20.00		
Diluted	11(b)	26.89	19.29		

# Balance Sheets

## As at 31 December 2008

	Note	2008 RM	Group 2007 RM	Company 2008 RM	2007 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	103,501,123	65,407,808	83,644	118,127
Prepaid land lease payments	14	5,940,281	4,479,250	-	-
Investments in subsidiaries	15	-	-	63,510,393	63,510,393
Intangible asset	16	5,884,127	5,884,127	-	-
Deferred tax assets	26	15,447	5,352	-	-
		<u>115,340,978</u>	<u>75,776,537</u>	<u>63,594,037</u>	<u>63,628,520</u>
<b>Current assets</b>					
Inventories	17	608,708,745	331,677,437	-	-
Trade and other receivables	18	64,620,564	68,693,879	34,909,108	34,275,103
Tax recoverable		922,831	243,983	106,952	59,379
Cash and bank balances	20	72,728,466	70,031,170	369,974	8,890
		<u>746,980,606</u>	<u>470,646,469</u>	<u>35,386,034</u>	<u>34,343,372</u>
<b>TOTAL ASSETS</b>		<u>862,321,584</u>	<u>546,423,006</u>	<u>98,980,071</u>	<u>97,971,892</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	70,561,240	70,007,760	70,561,240	70,007,760
Share premium	21	15,675,302	14,818,578	15,675,302	14,818,578
Foreign currency translation reserve	22	173,734	(7,284,693)	-	-
Retained earnings	23	221,560,761	137,122,606	5,017,774	3,271,168
<b>Total equity</b>		<u>307,971,037</u>	<u>214,664,251</u>	<u>91,254,316</u>	<u>88,097,506</u>
<b>Non-current liabilities</b>					
Borrowings	24	17,875,541	8,042,875	23,691	62,862
Deferred tax liabilities	26	6,547,848	7,934,629	2,867	2,857
		<u>24,423,389</u>	<u>15,977,504</u>	<u>26,558</u>	<u>65,719</u>
<b>Current liabilities</b>					
Borrowings	24	72,692,631	99,882,279	35,735	37,348
Trade and other payables	27	456,755,696	213,911,792	7,663,462	9,771,319
Current tax payable		478,831	1,987,180	-	-
		<u>529,927,158</u>	<u>315,781,251</u>	<u>7,699,197</u>	<u>9,808,667</u>
<b>Total liabilities</b>		<u>554,350,547</u>	<u>331,758,755</u>	<u>7,725,755</u>	<u>9,874,386</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>862,321,584</u>	<u>546,423,006</u>	<u>98,980,071</u>	<u>97,971,892</u>

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

## For the Year Ended 31 December 2008

	← Attributable to Equity Holders of the Company →					Total RM
	Share Capital (Note 21) RM	Share Premium (Note 21) RM	Foreign Currency Translation Reserve (Note 22) RM	Distributable Retained Earnings (Note 23) RM	Non-Distributable	
Note						
<b>At 1 January 2007</b>	67,016,800	10,184,503	(2,238,293)	74,539,020		149,502,030
Exchange differences on translation of financial statements of foreign entities	22	-	-	(5,046,400)	-	(5,046,400)
Profit for the year		-	-	69,317,152		69,317,152
Dividends	12	-	-	(6,733,566)		(6,733,566)
Transaction costs	21	-	(1,913)	-	-	(1,913)
Issue of ordinary shares pursuant to ESOS	21	2,990,960	4,635,988	-	-	7,626,948
<b>At 31 December 2007</b>		70,007,760	14,818,578	(7,284,693)	137,122,606	214,664,251
Exchange differences on translation of financial statements of foreign entities	22	-	-	7,458,427	-	7,458,427
Profit for the year		-	-	96,771,539		96,771,539
Dividends	12	-	-	(12,333,384)		(12,333,384)
Transaction costs	21	-	(1,170)	-	-	(1,170)
Issue of ordinary shares pursuant to ESOS	21	553,480	857,894	-	-	1,411,374
<b>At 31 December 2008</b>		70,561,240	15,675,302	173,734	221,560,761	307,971,037

The accompanying notes form an integral part of the financial statements.

# Company Statement of Changes in Equity

## For the Year Ended 31 December 2008

	Note	Share Capital (Note 21) RM	Non- Distributable Share Premium (Note 21) RM	Distributable Retained Earnings (Note 23) RM	Total RM
<b>At 1 January 2007</b>		67,016,800	10,184,503	1,925,731	79,127,034
Profit for the year		-	-	8,079,003	8,079,003
Dividends	12	-	-	(6,733,566)	(6,733,566)
Transaction costs	21	-	(1,913)	-	(1,913)
Issue of ordinary shares pursuant to ESOS	21	2,990,960	4,635,988	-	7,626,948
<b>At 31 December 2007</b>		70,007,760	14,818,578	3,271,168	88,097,506
Profit for the year		-	-	14,079,990	14,079,990
Dividends	12	-	-	(12,333,384)	(12,333,384)
Transaction costs	21	-	(1,170)	-	(1,170)
Issue of ordinary shares pursuant to ESOS	21	553,480	857,894	-	1,411,374
<b>At 31 December 2008</b>		70,561,240	15,675,302	5,017,774	91,254,316

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statements

## For the Year Ended 31 December 2008

	Note	2008 RM	Group 2007 RM	Company 2008 RM	2007 RM
<b>Cash Flows From Operating Activities</b>					
Profit before tax		96,513,962	71,089,682	14,108,604	8,301,068
Adjustments for:					
Dividend income	3	-	-	(13,335,991)	(7,080,000)
Gain on disposal of property, plant and equipment	5	(811,195)	(525,360)	-	-
Interest income	5	(840,220)	(1,366,327)	(1,465,399)	(1,524,150)
Negative goodwill recognised in income statement	5	-	(112)	-	-
Provision for doubtful debts written back	5	(39,050)	(7,946)	-	-
Interest expense	6	6,018,229	3,023,723	3,872	5,694
Amortisation of prepaid land lease payments	7	67,357	65,021	-	-
Depreciation of property, plant and equipment	7	7,269,612	4,906,917	34,483	34,388
Plant and equipment written off	7	-	1,089,855	-	-
Loss on disposal of plant and equipment	7	-	164,823	-	-
Provision for doubtful debts	7	-	4,913	-	-
Unrealised net (gain)/loss on foreign exchange		(1,811,377)	2,449,155	11	264
Operating profit/(loss) before working capital changes		106,367,318	80,894,344	(654,420)	(262,736)
Net change in accounts with subsidiaries		-	-	(2,806,938)	(8,470,667)
Increase in inventories		(254,260,800)	(175,150,165)	-	-
Decrease/(increase) in receivables		5,961,999	(50,009,022)	71,400	(73,606)
Increase/(decrease) in payables		225,074,368	122,637,112	(4,512)	(377,712)
Cash generated from/(used in) operations		83,142,885	(21,627,731)	(3,394,470)	(9,184,721)
Interest paid		(5,858,388)	(2,695,159)	(3,872)	(5,694)
Income tax paid		(3,330,059)	(4,543,018)	-	(3,607)
Net cash generated from/(used in) operating activities		73,954,438	(28,865,908)	(3,398,342)	(9,194,022)

# Cash Flow Statements

For the Year Ended 31 December 2008 (Cont'd.)

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Cash Flows From Investing Activities</b>					
Acquisition of subsidiary companies		-	(230)	-	(345)
Net dividend received		-	-	13,257,991	6,810,000
Interest received		840,220	1,366,327	1,465,399	1,524,150
Proceeds from disposal of property, plant and equipment		1,473,515	5,078,827	-	-
Prepayment of land lease payments	14	(1,528,388)	(99,743)	-	-
Additions of property, plant and equipment		(35,010,088)	(11,778,184)	-	(1,790)
Net cash (used in)/generated from investing activities		(34,224,741)	(5,433,003)	14,723,390	8,332,015
<b>Cash Flows From Financing Activities</b>					
Proceeds from issuance of ordinary shares		1,410,204	7,625,035	1,410,204	7,625,035
Dividends paid		(12,333,384)	(6,733,566)	(12,333,384)	(6,733,566)
Net proceeds from (repayment)/drawdown of revolving credits		(30,570,525)	75,483,173	-	-
Net proceeds from drawdown of term loans and Islamic bank loan		4,306,225	2,783,957	-	-
Repayment of hire purchase payables		(1,160,483)	(330,303)	(40,784)	(32,090)
Net cash (used in)/generated from financing activities		(38,347,963)	78,828,296	(10,963,964)	859,379
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,381,734	44,529,385	361,084	(2,628)
<b>Effect of foreign exchange rate changes</b>		2,271,149	(3,596,358)	-	-
<b>Cash and cash equivalents at beginning of year</b>		69,075,583	28,142,556	8,890	11,518
<b>Cash and cash equivalents at end of year</b>	20	72,728,466	69,075,583	369,974	8,890

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2008

## 1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board 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 activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2009.

## 2. Significant Accounting Policies

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 July 2007 as described fully in Note 2.3 below.

The financial statements of the Group and of the Company have also been prepared on a historical basis except when otherwise indicated.

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

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

##### (ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.2 Summary of Significant Accounting Policies (Cont'd.)

##### (a) Subsidiaries and Basis of Consolidation (Cont'd.)

###### (ii) Basis of Consolidation (Cont'd.)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

##### (b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### (c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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:

Leasehold buildings	50 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
Tugboats and barges	11 - 15 years

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.2 Summary of Significant Accounting Policies (Cont'd.)

##### (c) Property, Plant and Equipment, and Depreciation (Cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

##### (d) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

##### (e) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset 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 CGUs 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 unit or groups of units on a pro-rata basis.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.2 Summary of Significant Accounting Policies (Cont'd.)

##### (e) Impairment of Non-financial Assets (Cont'd.)

An impairment loss is recognised in income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

##### (f) Inventories

Inventories are stated 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.

##### (g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, bank overdrafts, demand deposits, fixed deposits pledged to financial institutions and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They also include borrowings which are not subject to a term facility and are integral to the cash management function of the Group and of the Company.

##### (ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

# Notes to the Financial Statements

31 December 2008 (Cont'd.)

## 2. Significant Accounting Policies (Cont'd.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (g) Financial Instruments (Cont'd.)

##### (iii) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### (iv) Interest-bearing Borrowings

Interest-bearing bank overdrafts and other facilities are recorded at the amount of proceeds received, net of transaction costs.

##### (v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### (h) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.2 Summary of Significant Accounting Policies (Cont'd.)

##### (h) Leases (Cont'd.)

###### (iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

###### (iv) Operating Leases - the Group as Lessor

Assets leased out under operating leases are recognised in the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### (i) Borrowing Costs

All borrowing costs are recognised in income statement in the period in which they are incurred.

##### (j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

##### (k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.2 Summary of Significant Accounting Policies (Cont'd.)

##### (l) 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund.

###### (iii) Share-Based Compensation

The Coastal Contracts Bhd. Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

##### (m) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

Revenue of the Group derived from:

- (i) Sale of offshore support and marine transportation vessels are recognised upon delivery of the vessels to customers during the year;
- (ii) Provision of vessel repairs and maintenance services and sub-contract services are recognised upon rendering of services;
- (iii) Provision of tugboats, barges and equipment hiring income are recognised upon rendering of services;
- (iv) Shipbuilding construction contract income is recognised on stage of completion method as described in Note 2.2(d);

# Notes to the Financial Statements

31 December 2008 (Cont'd.)

## 2. Significant Accounting Policies (Cont'd.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (m) Revenue Recognition (Cont'd.)

- (v) Interest is recognised on a time proportion basis that reflects the effective yield on the assets;
- (vi) Dividend income is recognised when the Group's right to receive payment is established; and
- (vii) Ocean freight income, towing service and commission agency income are recognised upon rendering of services.

Transactions between companies within the Group are excluded in determining the revenue of the Group.

#### (n) Foreign Currencies

##### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in income statement in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

# Notes to the Financial Statements

31 December 2008 (Cont'd.)

## 2. Significant Accounting Policies (Cont'd.)

### 2.2 Summary of Significant Accounting Policies (Cont'd.)

#### (n) Foreign Currencies (Cont'd.)

##### (iii) Foreign Operations (Cont'd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### (o) Segment Information

Segment information is presented in respect of the Group's business segments as the Group's risk and rates of return are affected predominantly by differences in the products it produces.

Segment results, assets and liabilities included items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate administration expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that is expected to be used for more than one accounting period.

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2008, the Group and the Company adopted the following revised FRS, amendment to FRS and Interpretations:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>
IC Interpretation 8	:	Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and of the Company.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 2. Significant Accounting Policies (Cont'd.)

#### 2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 7 : Financial Instruments: Disclosures	1 January 2010
FRS 8 : Operating Segments	1 July 2009
FRS 139 : Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

#### 2.5 Significant Accounting Estimates

##### Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

##### (i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2008 was RM5,884,127 (2007: RM5,884,127). Further details are disclosed in Note 16.

##### (ii) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery 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.

##### (iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM54,723 (2007: RM25,568).

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 3. Revenue

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sale of offshore support and marine transportation vessels	284,670,779	235,494,836	-	-
Shipbuilding construction contract income	38,405,845	30,144,046	-	-
Tugboats and barges hiring income	22,617,152	21,935,904	-	-
Vessel repairs and service income	689,376	4,181,835	-	-
Dividend income	-	-	13,335,991	7,080,000
Management fee income	-	-	-	450,000
Ocean freight income	1,353,796	-	-	-
Commission and agency income	33,714	-	-	-
Towing service income	288,330	-	-	-
	<u>348,058,992</u>	<u>291,756,621</u>	<u>13,335,991</u>	<u>7,530,000</u>

### 4. Cost of Sales

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cost of contracts and inventories sold	221,681,745	194,288,040	-	-
Cost of services rendered	16,247,803	14,628,286	-	-
	<u>237,929,548</u>	<u>208,916,326</u>	<u>-</u>	<u>-</u>

### 5. Other Income

	Group		Company	
	2008 RM	2007 RM (Restated)	2008 RM	2007 RM
Bad debts recovered	-	85,258	-	-
Commission received	8,625	11,239	8,625	11,239
Gain on foreign exchange				
- realised	646,383	699,898	-	-
- unrealised	2,006,800	827	-	-
Insurance claim received	126,206	-	-	-
Interest income	840,220	1,366,327	1,465,399	1,524,150
Provision for doubtful debts written back	39,050	7,946	-	-
Gain on disposal of property, plant and equipment	811,195	525,360	-	-
Realisation of negative goodwill	-	112	-	-
Rental income	3,520	3,360	-	-
Sundry income	510,212	998,319	-	-
	<u>4,992,211</u>	<u>3,698,646</u>	<u>1,474,024</u>	<u>1,535,389</u>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 6. Finance Costs

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interests on:				
Bank overdrafts	25,909	28,304	-	-
Hire purchase	441,868	51,575	3,872	5,694
Revolving credits	4,768,448	2,588,080	-	-
Term loans and Islamic bank loan	775,799	355,764	-	-
Trade loans	6,205	-	-	-
	<u>6,018,229</u>	<u>3,023,723</u>	<u>3,872</u>	<u>5,694</u>

### 7. Profit before Tax

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

	Group		Company	
	2008 RM	2007 RM (Restated)	2008 RM	2007 RM
Employee benefits expenses (Note 8)	10,266,700	8,701,374	177,438	457,497
Non-executive Directors' fees and allowances (Note 9)	60,570	39,600	60,570	39,600
Auditors' remuneration:				
- statutory audits				
- current year	141,532	117,657	28,000	25,000
- under/(over)provision in prior years	31,511	(4,000)	-	-
- other services	25,950	2,000	7,500	2,000
Amortisation of prepaid land lease payments (Note 14)	67,357	65,021	-	-
Depreciation of property, plant and equipment (Note 13)	7,269,612	4,906,917	34,483	34,388
Equipment hire charges	45,959	166,111	-	-
Plant and equipment written off	-	1,089,855	-	-
Loss on disposal of plant and equipment	-	164,823	-	-
Loss on foreign exchange				
- realised	3,082,075	776,010	63,477	-
- unrealised	195,423	2,449,982	11	264
Rental of premises	116,894	87,628	6,000	6,000
Provision for doubtful debts	-	4,913	-	-
	<u>10,266,700</u>	<u>8,701,374</u>	<u>177,438</u>	<u>457,497</u>

### 8. Employee Benefits Expenses

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries, wages and bonuses	9,502,146	8,008,716	157,379	407,136
Contributions to defined contribution plan	693,745	637,810	18,749	48,651
Social Security Contributions	70,809	54,848	1,310	1,710
	<u>10,266,700</u>	<u>8,701,374</u>	<u>177,438</u>	<u>457,497</u>

Included in employee benefits expenses of the Group are Executive Directors' remuneration amounting to RM2,318,044 (2007: RM1,796,346) as further disclosed in Note 9.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 9. Directors' Remuneration

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	1,563,468	1,384,320	-	-
Non-Executive:				
Fees and allowances	60,570	39,600	60,570	39,600
<b>Directors of Subsidiaries</b>				
Executive:				
Fees and allowances	14,132	11,407	-	-
Salaries and other emoluments	740,444	400,619	-	-
	754,576	412,026	-	-
<b>Total</b>	<b>2,378,614</b>	<b>1,835,946</b>	<b>60,570</b>	<b>39,600</b>

The estimated money value of benefits-in-kind provided to the Directors of the Group by way of usage of the Group's assets and the provision of other benefits amounted to RM16,200 (2007: RM48,550).

### 10. Income Tax

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current income tax:				
Malaysian income tax	1,339,730	3,824,892	27,589	230,260
Labuan offshore business activity	20,000	20,000	-	-
Foreign tax	39,383	45,642	-	-
	1,399,113	3,890,534	27,589	230,260
(Over)/underprovision in prior years:				
Malaysian income tax	(259,814)	(15,418)	1,015	(8,401)
	1,139,299	3,875,116	28,604	221,859
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(1,451,666)	(1,786,148)	10	426
Relating to changes in tax rates	-	(299,138)	-	(258)
Under/(over)provision in prior years	54,790	(17,300)	-	38
	(1,396,876)	(2,102,586)	10	206
<b>Total income tax</b>	<b>(257,577)</b>	<b>1,772,530</b>	<b>28,614</b>	<b>222,065</b>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 10. Income Tax (Cont'd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	:	20%
In excess of RM500,000 of chargeable income	:	Malaysian corporate statutory tax rate

A reconciliation of income tax applicable to profit before tax at the statutory income tax rate to income tax at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax	96,513,962	71,089,682	14,108,604	8,301,068
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	25,093,630	19,194,213	3,668,237	2,241,288
Effect of income subject to tax rate of 20%	(80,575)	(106,024)	-	-
Effect of changes in tax rates	-	(299,138)	-	(258)
Effect of different tax rates in other jurisdictions	(21,853,514)	(15,037,646)	-	-
Effect on tax exempt profit#	(1,740,598)	(760,045)	-	-
Effect of income not subject to tax	(1,621,138)	(1,212,545)	(3,770,361)	(2,051,757)
Effect of deferred tax assets recognised on unabsorbed capital allowances	-	(2,927)	-	-
Effect of expenses not deductible for tax purposes	149,642	29,360	129,723	41,155
(Over)/underprovision of tax expense in prior years	(259,814)	(15,418)	1,015	(8,401)
Under/(over)provision of deferred tax in prior years	54,790	(17,300)	-	38
Income tax for the year	(257,577)	1,772,530	28,614	222,065

# A subsidiary had been granted pioneer status under the Promotion of Investments Act, 1986 which exempts 100% of its statutory income from ship building and ship repairing activities for a period of 5 years with effect from April 2007.

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax savings recognised during the year arising from:				
Utilisation of current year capital allowance	1,154,862	995,124	2,636	3,734
Unabsorbed capital allowances carried forward	14,570	6,291	-	-
Unutilised tax losses carried forward	40,153	19,277	-	-

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 11. Earnings Per Share

#### (a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	96,771,539	69,317,152
Weighted average number of ordinary shares in issue	351,737,211	346,492,911
Basic earnings per share (sen)	27.51	20.00

#### (b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, namely share options granted to employees.

	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	96,771,539	69,317,152
Weighted average number of ordinary shares in issue	351,737,211	346,492,911
Effect of dilution in share options	8,085,361	12,815,418
Adjusted weighted average number of ordinary shares in issue and issuable	359,822,572	359,308,329
Diluted earnings per share (sen)	26.89	19.29

### 12. Dividends

	Dividends in Respect of Year			Dividends Recognised in Year	
	2008 RM	2007 RM	2006 RM	2008 RM	2007 RM
<b>Recognised during the year:</b>					
First and final dividend declared on 26 June 2008 and paid on 3 September 2008:					
- 12% tax exempt	-	8,457,178	-	8,457,178	-
Special dividend declared on 26 June 2008 and paid on 3 September 2008:					
- 5.5% tax exempt	-	3,876,206	-	3,876,206	-
First and final dividend declared on 27 June 2007 and paid on 3 September 2007, comprising:					
- 1.4% less 27% taxation	-	-	715,203	-	715,203
- 8.6% tax exempt	-	-	6,018,363	-	6,018,363
	-	12,333,384	6,733,566	12,333,384	6,733,566

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 12. Dividends (Cont'd.)

	Dividends in Respect of Year			Dividends Recognised in Year	
	2008 RM	2007 RM	2006 RM	2008 RM	2007 RM
<b>Proposed for approval at AGM (not recognised as at 31 December):</b>					
First and final dividend for 2008:					
- 4.5% tax exempt	3,175,256	-	-	-	-
- 7.5% single-tier	5,292,093	-	-	-	-
Special dividend for 2008:					
- 3% tax exempt	2,116,837	-	-	-	-
on 352,806,200 ordinary shares	10,584,186	-	-	-	-

At the forthcoming Annual General Meeting, a first and final dividend of 12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt, amounting to a dividend payable of RM10,584,186 (3 sen net per ordinary share) in respect of the financial year ended 31 December 2008 will be proposed for shareholders' approval. This is computed based on the issued and paid-up capital of 352,806,200 ordinary shares of RM0.20 each as at 31 December 2008. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

### 13. Property, Plant and Equipment

	Buildings and Workshops RM	Slipway and Shipyard Infrastructure RM	Tugboats, Barges, 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>Group</b>							
<b>At 31 December 2008</b>							
<b>Cost</b>							
At 1 January 2008	7,084,559	10,894,192	60,822,308	2,373,632	1,648,157	10,092,236	92,915,084
Additions	2,379,203	222,985	34,557,097	233,781	112,244	6,490,778	43,996,088
Disposals	(541,058)	-	(600,161)	(31,310)	(3,414)	-	(1,175,943)
Reclassifications	2,806,237	3,706,688	616,453	-	-	(7,129,378)	-
Exchange differences	-	-	2,223,322	-	-	-	2,223,322
At 31 December 2008	11,728,941	14,823,865	97,619,019	2,576,103	1,756,987	9,453,636	137,958,551

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 13. Property, Plant and Equipment (Cont'd.)

Group (Cont'd.)	Buildings and Workshops RM	Slipway and Shipyard Infrastructure RM	Tugboats, Barges, Heavy Machinery and Equipment RM	Motor Vehicles RM	Telecommunication and Office Equipment, Furniture, Fittings and Renovations RM	Construction Work-In-Progress RM	Total RM
<b>At 31 December 2008 (Cont'd.)</b>							
<b>Accumulated depreciation</b>							
At 1 January 2008	2,715,790	4,093,443	18,327,688	1,285,694	1,084,661	-	27,507,276
Depreciation charge for the year	499,878	753,204	5,398,752	415,590	202,188	-	7,269,612
Disposals	(208,723)	-	(272,113)	(31,309)	(1,478)	-	(513,623)
Exchange differences	-	-	194,163	-	-	-	194,163
At 31 December 2008	3,006,945	4,846,647	23,648,490	1,669,975	1,285,371	-	34,457,428
<b>Net carrying amount</b>							
At 31 December 2008	8,721,996	9,977,218	73,970,529	906,128	471,616	9,453,636	103,501,123
<b>At 31 December 2007</b>							
<b>Cost</b>							
At 1 January 2007	5,035,165	10,894,192	64,768,943	2,197,712	1,765,641	4,421,787	89,083,440
Additions	90,932	-	3,961,147	325,761	261,004	7,363,340	12,002,184
Disposals	-	-	(5,267,723)	(130,000)	-	-	(5,397,723)
Scrapped	-	-	(1,682,794)	(19,841)	(378,488)	-	(2,081,123)
Reclassification	1,692,891	-	-	-	-	(1,692,891)	-
Adjustment	265,571	-	-	-	-	-	265,571
Exchange differences	-	-	(957,265)	-	-	-	(957,265)
At 31 December 2007	7,084,559	10,894,192	60,822,308	2,373,632	1,648,157	10,092,236	92,915,084

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 13. Property, Plant and Equipment (Cont'd.)

Group (Cont'd.)	Buildings and Workshops RM	Slipway and Shipyard Infrastructure RM	Tugboats, Barges, Heavy Machinery and Equipment RM	Motor Vehicles RM	Telecommunication and Office Equipment, Furniture, Fittings and Renovations RM	Construction Work-In-Progress RM	Total RM
<b>At 31 December 2007 (Cont'd.)</b>							
<b>Accumulate depreciation</b>							
At 1 January 2007	2,318,562	3,544,335	16,185,912	1,100,639	1,264,862	-	24,414,310
Depreciation charge for the year	397,228	549,108	3,427,988	334,892	197,701	-	4,906,917
Disposals	-	-	(558,340)	(129,998)	-	-	(688,338)
Scrapped	-	-	(593,527)	(19,839)	(377,902)	-	(991,268)
Exchange differences	-	-	(134,345)	-	-	-	(134,345)
At 31 December 2007	2,715,790	4,093,443	18,327,688	1,285,694	1,084,661	-	27,507,276
<b>Net carrying amount</b>							
At 31 December 2007	4,368,769	6,800,749	42,494,620	1,087,938	563,496	10,092,236	65,407,808

Leasehold buildings and workshops comprise:

Group	Leasehold Buildings RM	Buildings and Workshops RM	Total RM
<b>At 31 December 2008</b>			
<b>Cost</b>			
At 1 January 2008	1,271,167	5,813,392	7,084,559
Additions	-	2,379,203	2,379,203
Disposals	(541,058)	-	(541,058)
Reclassification	-	2,806,237	2,806,237
At 31 December 2008	730,109	10,998,832	11,728,941
<b>Accumulated depreciation</b>			
At 1 January 2008	386,637	2,329,153	2,715,790
Depreciation charge for the year	16,405	483,473	499,878
Disposals	(208,723)	-	(208,723)
At 31 December 2008	194,319	2,812,626	3,006,945
<b>Net carrying amount</b>			
At 31 December 2008	535,790	8,186,206	8,721,996

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 13. Property, Plant and Equipment (Cont'd.)

Group (Cont'd.)	Leasehold Buildings RM	Buildings and Workshops RM	Total RM
<b>At 31 December 2007</b>			
<b>Cost</b>			
At 1 January 2007	1,271,167	3,763,998	5,035,165
Additions	-	90,932	90,932
Reclassification	-	1,692,891	1,692,891
Adjustment	-	265,571	265,571
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,271,167	5,813,392	7,084,559
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2007	361,211	1,957,351	2,318,562
Depreciation charge for the year	25,426	371,802	397,228
	<hr/>	<hr/>	<hr/>
At 31 December 2007	386,637	2,329,153	2,715,790
	<hr/>	<hr/>	<hr/>
<b>Net carrying amount</b>			
At 31 December 2007	884,530	3,484,239	4,368,769
	<hr/>	<hr/>	<hr/>
<b>Company</b>			
<b>At 31 December 2008</b>			
<b>Cost</b>			
At 1 January 2008 and 31 December 2008	170,625	1,790	172,415
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2008	54,025	263	54,288
Depreciation charge for the year	34,125	358	34,483
	<hr/>	<hr/>	<hr/>
At 31 December 2008	88,150	621	88,771
	<hr/>	<hr/>	<hr/>
<b>Net carrying amount</b>			
At 31 December 2008	82,475	1,169	83,644
	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 13. Property, Plant and Equipment (Cont'd.)

Company (Cont'd.)	Motor Vehicles RM	Furniture, Fittings and Office Equipment RM	Total RM
<b>At 31 December 2007</b>			
<b>Cost</b>			
At 1 January 2007	170,625	-	170,625
Addition	-	1,790	1,790
At 31 December 2007	170,625	1,790	172,415
<b>Accumulated depreciation</b>			
At 1 January 2007	19,900	-	19,900
Depreciation charge for the year	34,125	263	34,388
At 31 December 2007	54,025	263	54,288
<b>Net carrying amount</b>			
At 31 December 2007	116,600	1,527	118,127

- (a) During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM43,996,088 (2007: RM12,002,184) of which RM8,986,000 (2007: RM224,000) were acquired by means of hire purchase arrangements.
- (b) Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Heavy equipment	9,175,420	115,500	-	-
Motor vehicles	838,511	1,019,478	82,475	116,600
	10,013,931	1,134,978	82,475	116,600

- (c) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 24) are as follows:

	Group	
	2008 RM	2007 RM
Slipway and shipyard infrastructure	9,977,314	6,800,747
Buildings and workshops	8,392,993	3,687,748
Tugboats, barges, heavy machinery and equipment	36,126,142	9,472,605
Motor vehicles	332,733	449,503
Telecommunication and office equipments, furniture, fittings and renovation	228,142	244,487
Construction work-in-progress	1,043,763	-
	56,101,087	20,655,090

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 14. Prepaid Land Lease Payments

Group	Leasehold land unexpired period more than 50 years	
	2008 RM	2007 RM
At 1 January	4,479,250	4,710,099
Additions	1,528,388	99,743
Amortisation for the year (Note 7)	(67,357)	(65,021)
Adjustment	-	(265,571)
At 31 December	<u>5,940,281</u>	<u>4,479,250</u>

The long leasehold land of the Group amounting RM5,940,281 (2007: RM4,479,250) has been pledged as securities for borrowings (Note 24) of certain subsidiaries.

### 15. Investments in Subsidiaries

Unquoted shares at cost:	Company	
	2008 RM	2007 RM
At 1 January	63,510,393	63,510,048
Additions	-	345
At 31 December	<u>63,510,393</u>	<u>63,510,393</u>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2008 %	2007 %
Bonafide Shipbuilders & Repairs Sdn. Bhd.	Malaysia	Fabrication and sale of offshore support and marine transportation vessels, provision of repairs and maintenance services and sub-contract services	100	100
Coastal Transport (Sandakan) Sdn. Bhd.	Malaysia	Provision of tugboat and barge transportation, equipment hiring services and property letting	100	100
Coastway Transport Sdn. Bhd.	Malaysia	Provision of vessel chartering and related services	100	100
Seri Modalwan Sdn. Bhd.	Malaysia	Fabrication and sale of offshore support and marine transportation vessels, provision of repairs and maintenance services and sub-contract services	100	100

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 15. Investments in Subsidiaries (Cont'd.)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2008 %	2007 %
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	Sale of offshore support and marine transportation vessels, provision of vessels chartering and towing 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	Vessel chartering, shipbroking and land and sea transportation	100	100
Thaumas Marine Ltd #	British Virgin Islands	Sale of marine vessels and provision of shipping agency, vessel chartering and towing services	100	100

# Audited by firm of auditors other than Ernst & Young.

### 16. Intangible Asset

	2008 RM	Group 2007 RM
<b>Goodwill</b>		
At 1 January and 31 December	5,884,127	5,884,127

#### Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	2008 RM	2007 RM
<b>At 31 December</b>		
Vessels manufacturing and repairing services	5,641,469	5,641,469
Vessels chartering and equipment hire	242,658	242,658
	<u>5,884,127</u>	<u>5,884,127</u>

The recoverable amount of the vessels manufacturing and repairing services segment is determined based on value-in-use calculation, whilst the recoverable amount of the vessels chartering and equipment hire segment is determined based on fair value less costs to sell.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 16. Intangible Asset (Cont'd.)

#### Key assumptions used in value-in-use calculations

The recoverable amount is determined based on value-in-use calculations using cash flow projections based on financial forecast approved by management covering the useful lives of the assets. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past four years immediately before the budgeted year and taking into account of the forecast of selling price and historical margin trend.

(ii) Growth rates

The weighted average growth rates used are consistent with the long-term average growth rate for the industry.

(iii) Discount rate

The discount rate used is pre-tax and reflect specific risks relating to the industry.

(iv) Raw materials price inflation

The basis used to determine the value assigned to the raw materials price inflation is the forecast price indices during the budget year for Malaysia being where raw materials are sourced. Values assigned to key assumptions are consistent with external information sources.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values materially exceed their recoverable amount.

#### Methodology used to determine the fair value less costs to sell

Fair value less costs to sell is determined using an observable market price of an active market for used vessels adjusted for the incidental costs that would be directly attributable to the disposal of such vessels.

### 17. Inventories

	2008 RM	Group 2007 RM
<b>Cost</b>		
Finished goods	159,503,602	89,456,454
Raw materials	27,238,928	16,809,745
Work-in-progress	421,946,797	225,376,662
Spare parts	19,418	34,576
	<u>608,708,745</u>	<u>331,677,437</u>

There were no inventories stated at net realisable value as at 31 December 2008 and 2007.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 18. Trade and Other Receivables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade receivables</b>				
Third parties	18,222,011	13,528,698	-	-
Construction contracts:				
Due from customers (Note 19)	13,551,168	3,632,876	-	-
Less: Provision for doubtful debts:				
At 1 January	(978,742)	(1,067,182)	-	-
Written back	39,050	7,946	-	-
Provision for the year	-	(1,781)	-	-
Exchange differences	52,892	82,275	-	-
At 31 December	(886,800)	(978,742)	-	-
Trade receivables, net	30,886,379	16,182,832	-	-
<b>Other receivables</b>				
Amounts due from subsidiaries				
- Interest-bearing advances	-	-	5,557,139	31,306,951
- Interest-free advances	-	-	29,340,965	2,885,748
Deposits paid to suppliers and contractors	-	-	34,898,104	34,192,699
Deposits	27,742,856	49,994,700	-	-
Prepayments	386,017	427,913	3,400	3,400
Sundry receivables	988,226	300,152	7,604	7,171
	4,632,620	1,804,069	-	71,833
	33,749,719	52,526,834	34,909,108	34,275,103
Less: Provision for doubtful debts:				
At 1 January	(15,787)	(12,944)	-	-
Provision for the year	-	(3,132)	-	-
Exchange differences	253	289	-	-
At 31 December	(15,534)	(15,787)	-	-
Other receivables, net	33,734,185	52,511,047	34,909,108	34,275,103
Trade and other receivables, net	64,620,564	68,693,879	34,909,108	34,275,103

#### (a) Credit Risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for a few customers, where payment in advance is normally required. Credit risk is minimised and maintained by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis by the Board of Directors. Trade receivables are non-interest bearing.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 18. Trade and Other Receivables (Cont'd.)

(b) Amounts due from subsidiaries

All the amounts are repayable on demand, unsecured, and are to be settled in cash.

Further details on related party transactions are disclosed in Note 31.

Other information on financial risks of other receivables are disclosed in Note 32.

### 19. Due from/(to) Customer on Contracts

	Group	
	2008 RM	2007 RM
Shipbuilding construction contract costs incurred to date	54,746,695	25,942,871
Attributable profits	13,667,157	4,201,175
	<hr/>	<hr/>
	68,413,852	30,144,046
Less : Progress billings	(60,791,320)	(26,511,170)
	<hr/>	<hr/>
	7,622,532	3,632,876
	<hr/>	<hr/>
Due from customers on contracts (Note 18)	13,551,168	3,632,876
Due to customers on contracts (Note 27)	(5,928,636)	-
	<hr/>	<hr/>
	7,622,532	3,632,876
	<hr/>	<hr/>

### 20. Cash and Cash Equivalents

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash on hand and at banks	15,597,284	4,686,905	369,974	8,890
Fixed deposits with licensed banks	57,131,182	65,344,265	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and bank balances	72,728,466	70,031,170	369,974	8,890
	<hr/>	<hr/>	<hr/>	<hr/>

Fixed deposits with licensed banks amounting to RM28,235,946 (2007: RM17,673,364) were held under lien as security for guarantees and documentary credits issued by the banks in favour of third parties and hence, not available for general use.

Other information on financial risks of cash and cash equivalents are disclosed in Note 32.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	72,728,466	70,031,170	369,974	8,890
Bank overdrafts (Note 24)	-	(955,587)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and cash equivalents	72,728,466	69,075,583	369,974	8,890
	<hr/>	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 21. Share Capital and Share Premium

	Number of Ordinary Shares of RM0.20 Each		Amount	
	Share Capital (Issued and Fully Paid)	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM
At 1 January 2007	335,084,000	67,016,800	10,184,503	77,201,303
Ordinary shares issued pursuant to ESOS (Note 28)	14,954,800	2,990,960	4,635,988	7,626,948
Transaction costs	-	-	(1,913)	(1,913)
At 31 December 2007	350,038,800	70,007,760	14,818,578	84,826,338
Ordinary shares issued pursuant to ESOS (Note 28)	2,767,400	553,480	857,894	1,411,374
Transaction costs	-	-	(1,170)	(1,170)
At 31 December 2008	352,806,200	70,561,240	15,675,302	86,236,542

	Number of Ordinary Shares of RM0.20 Each		Amount	
	2008	2007	2008 RM	2007 RM
<b>Authorised</b>				
At 1 January and 31 December	2,500,000,000	2,500,000,000	500,000,000	500,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company increased its issued and paid up ordinary share capital from RM70,007,760 to RM70,561,240 by way of the issuance of 2,767,400 ordinary shares of RM0.20 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM0.51 per ordinary share. The share premium of RM857,894 arising from the issuance of ordinary shares and share issue costs of RM1,170 have been included in the share premium account. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

### 22. Foreign Currency Translation Reserve

	Group	
	2008 RM	2007 RM
At 1 January	7,284,693	2,238,293
Addition	(7,458,427)	5,046,400
At 31 December	(173,734)	7,284,693

The foreign currency translation reserve is used to record 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.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 23. Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance as at 31 December 2007. Accordingly, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the Section 108 balance and the balance in tax exempt income account to pay dividends amounting to RM499,000 out of its retained earnings. If the balance of the retained earnings of RM2,772,000 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

As at 31 December 2008, the Company has tax exempt profit available for distribution of approximately RM 844,000 (2007: RM141,000), subject to the agreement of the Inland Revenue Board.

The Company has elected for the irrevocable option to disregard the Section 108 balance as at 31 December 2008. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 31 December 2008 under the single tier system.

### 24. Borrowings

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Short term borrowings</b>				
Secured:				
Bank overdrafts (Note 20)	-	955,587	-	-
Revolving credits	68,991,860	97,524,997	-	-
Islamic bank loan	168,169	-	-	-
Term loans	2,088,925	1,025,357	-	-
Hire purchase payables (Note 25)	1,443,677	376,338	35,735	37,348
	<u>72,692,631</u>	<u>99,882,279</u>	<u>35,735</u>	<u>37,348</u>
<b>Long term borrowings</b>				
Secured:				
Islamic bank loan	320,392	-	-	-
Term loans	10,153,732	7,399,636	-	-
Hire purchase payables (Note 25)	7,401,417	643,239	23,691	62,862
	<u>17,875,541</u>	<u>8,042,875</u>	<u>23,691</u>	<u>62,862</u>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 24. Borrowings (Cont'd.)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Total borrowings</b>				
Secured:				
Bank overdrafts (Note 20)	-	955,587	-	-
Revolving credits	68,991,860	97,524,997	-	-
Islamic bank loan	488,561	-	-	-
Term loans	12,242,657	8,424,993	-	-
Hire purchase payables (Note 25)	8,845,094	1,019,577	59,426	100,210
	<u>90,568,172</u>	<u>107,925,154</u>	<u>59,426</u>	<u>100,210</u>

Borrowings, excluding hire purchase payables, are secured by the following:

- legal charges over assets of certain subsidiaries as disclosed in Note 13 and Note 14 to the financial statements;
- third party legal charges over the leasehold buildings of a company in which certain Directors of the Company are also directors and have financial interests;
- corporate guarantees issued by the Company and certain subsidiaries; and
- legal charges over all present and future fixed and floating assets of certain subsidiaries.

Other information on financial risks of borrowings are disclosed in Note 32.

### 25. Hire Purchase Payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Future minimum lease payments:</b>				
Not later than 1 year	1,933,414	418,288	37,785	41,220
Later than 1 year and not later than 2 years	1,743,984	358,354	24,045	41,220
Later than 2 years and not later than 5 years	4,894,715	311,025	-	24,045
Later than 5 years	1,900,260	15,282	-	-
	<u>10,472,373</u>	<u>1,102,949</u>	<u>61,830</u>	<u>106,485</u>
Less: Future finance charges	(1,627,279)	(83,372)	(2,404)	(6,275)
	<u>8,845,094</u>	<u>1,019,577</u>	<u>59,426</u>	<u>100,210</u>
<b>Analysis of present value of hire purchase payables:</b>				
Not later than 1 year	1,443,677	376,338	35,735	37,348
Later than 1 year and not later than 2 years	1,347,788	335,770	23,691	39,171
Later than 2 years and not later than 5 years	4,218,830	292,461	-	23,691
Later than 5 years	1,834,799	15,008	-	-
	<u>8,845,094</u>	<u>1,019,577</u>	<u>59,426</u>	<u>100,210</u>
Less: Amount due within 12 months (Note 24)	(1,443,677)	(376,338)	(35,735)	(37,348)
	<u>7,401,417</u>	<u>643,239</u>	<u>23,691</u>	<u>62,862</u>

Other information on financial risks of hire purchase payables are disclosed in Note 32.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 26. Deferred Tax

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	7,929,277	10,031,863	2,857	2,651
Recognised in income statement (Note 10)	(1,396,876)	(2,102,586)	10	206
At 31 December	6,532,401	7,929,277	2,867	2,857
Presented after appropriate offsetting as follows:				
Deferred tax assets	(15,447)	(5,352)	-	-
Deferred tax liabilities	6,547,848	7,934,629	2,867	2,857
	6,532,401	7,929,277	2,867	2,857

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

#### Deferred Tax Liabilities:

	Property, Plant and Equipment RM	Receivables RM	Payables RM	Others RM	Total RM
<b>Group</b>					
At 1 January 2008	8,834,029	-	12,585	-	8,846,614
Recognised in income statement	(1,580,268)	22,968	(11,894)	117,172	(1,452,022)
At 31 December 2008	7,253,761	22,968	691	117,172	7,394,592
At 1 January 2007	10,764,689	-	72,827	-	10,837,516
Recognised in income statement	(1,930,660)	-	(60,242)	-	(1,990,902)
At 31 December 2007	8,834,029	-	12,585	-	8,846,614
<b>Company</b>					
At 1 January 2008	2,926	-	-	-	2,926
Recognised in income statement	(57)	-	-	-	(57)
At 31 December 2008	2,869	-	-	-	2,869
At 1 January 2007	2,651	-	-	-	2,651
Recognised in income statement	275	-	-	-	275
At 31 December 2007	2,926	-	-	-	2,926

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 26. Deferred Tax (Cont'd.)

#### Deferred Tax Assets:

	Property, Plant and Equipment RM	Inventories RM	Receivables RM	Payables RM	Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
<b>Group</b>							
At 1 January 2008	(446,191)	(107,342)	(278,467)	-	(6,392)	(78,945)	(917,337)
Recognised in income statement	5,771	2,189	46,107	(38,877)	(7,288)	47,244	55,146
At 31 December 2008	<u>(440,420)</u>	<u>(105,153)</u>	<u>(232,360)</u>	<u>(38,877)</u>	<u>(13,680)</u>	<u>(31,701)</u>	<u>(862,191)</u>
At 1 January 2007	(521,516)	-	(280,628)	-	(3,509)	-	(805,653)
Recognised in income statement	75,325	(107,342)	2,161	-	(2,883)	(78,945)	(111,684)
At 31 December 2007	<u>(446,191)</u>	<u>(107,342)</u>	<u>(278,467)</u>	<u>-</u>	<u>(6,392)</u>	<u>(78,945)</u>	<u>(917,337)</u>
<b>Company</b>							
							<b>Related Companies RM</b>
At 1 January 2008							(69)
Recognised in income statement							67
At 31 December 2008							<u>(2)</u>
At 1 January 2007							-
Recognised in income statement							(69)
At 31 December 2007							<u>(69)</u>

The unused 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 those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

### 27. Trade and Other Payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade payables</b>				
Third parties	13,060,627	9,828,023	-	-
Construction contracts:				
Due to customers (Note 19)	5,928,636	-	-	-
	<u>18,989,263</u>	<u>9,828,023</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 27. Trade and Other Payables (Cont'd.)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Other payables</b>				
Amounts due to subsidiaries	-	-	7,554,628	9,656,150
Accruals	5,761,094	2,557,913	76,437	64,974
Deposits received from vessel buyers	429,369,842	199,921,384	-	-
Sundry payables	2,483,480	1,505,255	32,397	50,195
Due to a company connected with the Directors of the Company	152,017	94,417	-	-
A company in which certain Directors of the Company are also Directors and have financial interests	-	4,800	-	-
	<u>437,766,433</u>	<u>204,083,769</u>	<u>7,663,462</u>	<u>9,771,319</u>
	<u>456,755,696</u>	<u>213,911,792</u>	<u>7,663,462</u>	<u>9,771,319</u>

#### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days.

#### (b) Amounts due to related parties

The amounts are unsecured, interest-free and have no fixed terms of repayment.

Further details on related party transactions are disclosed in Note 31.

Other information on financial risks of other payables are disclosed in Note 32.

### 28. Employee Benefits

#### Employee Share Options Scheme ("ESOS")

The Coastal Contracts Bhd. ESOS for eligible employees and directors of the Company and its subsidiary companies which was approved by the shareholders at the Extraordinary General Meeting held on 18 October 2004 became effective on 18 January 2005 when the last of the requisite approvals was obtained and is valid for a period of five years expiring on 17 January 2010.

The salient features of the ESOS are as follows:

- (a) 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.
- (b) 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:
  - (i) not more than fifty percent (50%) of the new shares available under the ESOS should be allocated, in aggregate, to the directors and senior management of the Group; and
  - (ii) 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.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 28. Employee Benefits (Cont'd.)

#### Employee Share Options Scheme ("ESOS") (Cont'd.)

The salient features of the ESOS are as follows: (Cont'd.)

- (c) any director or employee of the Company and its subsidiaries, who fulfills the following conditions shall be eligible to participate in the ESOS if the director or employee, as the case may be:
  - (i) is at least eighteen years of age on the date of offer; and
  - (ii) is a natural person who is a Malaysian citizen who is confirmed as at the date of offer and must have served the Group on a full-time basis for a continuous period of six months or such other period as may be determined by the Option Committee; or
  - (iii) is serving under an employment or service contract, the employee shall have served the Company on a full time basis for a continuous period of six months or such other period as may be determined by the Option Committee, as at the date of offer under the contract and renewal thereof; or
  - (iv) is employed by a subsidiary (other than a subsidiary which is dormant) of the Company, the employee's period of employment in the Group, for purposes of determining the minimum continuous service as stipulated in paragraph (iii) above, shall be deemed to commence from the date on which such company becomes a subsidiary of the Group; or
  - (v) is a Director of a company within the Group who has held office for at least one year in the Group and whose entitlement under the ESOS is approved by shareholders of the Company in general meeting (for Directors of the Company only), and who is not prohibited or disallowed by the relevant authorities from participating in the ESOS; or
  - (vi) is a foreign employee, in addition to the conditions stipulated in paragraphs (i) to (iv) above, the employee's contribution must be deemed by the Option Committee to be vital to the Group. In the case of a foreign director, he must have held office for a period of at least one year.
- (d) a director in a non-executive capacity who is eligible pursuant to By-Law 5.1, must not sell, transfer or assign the shares obtained through the exercise of the options granted pursuant to the ESOS within one year from the date of offer of the options.
- (e) The ESOS shall be in force for a period of five years from the effective date. The date of expiry of the ESOS shall be at the end of the five years from the effective date. However, on or before the expiry thereof, the Option Committee may extend the duration or tenure of the ESOS beyond five years from the effective date with the approval of the relevant authorities and shareholders of the Company and without contravening any applicable laws prevailing at the time of such extension subject to a maximum duration of ten years.
- (f) 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

## 31 December 2008 (Cont'd.)

### 28. Employee Benefits (Cont'd.)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movement in, share options during the year:

	Number of Share Options			Outstanding at 31 December '000	Exercisable at 31 December '000
	Outstanding at 1 January '000	Movements Exercised '000	During the Year Forfeited '000		
<b>2008</b>					
2005 Options	12,656	(2,767)	(27)	9,862	9,862
<b>2007</b>					
2005 Options	28,313	(14,955)	(702)	12,656	12,656
<b>WAEP</b>	0.51	0.51	0.51	0.51	0.51

(i) Details of share options outstanding at the end of the year:

	WAEP RM	Exercised Period
<b>2008</b>		
2005 Options	0.51	14.07.2005 - 17.01.2010
<b>2007</b>		
2005 Options	0.51	14.07.2005 - 17.01.2010

(ii) Share options exercised during the year

As disclosed in Note 21, options exercised during the financial year resulted in the issuance of 2,767,400 ordinary shares at an average price of RM0.51 each. The related weighted average share price at the date of exercise was RM2.27.

### 29. Capital Commitments

	Group	
	2008 RM	2007 RM
Approved and contracted for:		
Purchase of property, plant and equipment	3,057,450	13,069,983

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 30. Contingent Liabilities

	Company	
	2008 RM	2007 RM
Unsecured:		
Corporate guarantees given to bankers to secure credit facilities granted to subsidiary companies	89,920,613	107,305,913
Corporate guarantees given to a banker in respect of documentary credits issued on behalf of a subsidiary company	90,112,496	50,771,308
	180,033,109	158,077,221

### 31. Related Party Disclosures

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2008 RM	2007 RM
<b>Group</b>		
<b>Transactions with companies in which certain Directors of the Company are also directors:</b>		
Syarikat Guan Huat Trading*		
- Purchase of fuel and oil	52,920	-
Top Pride Sdn. Bhd.*		
- Hiring of motor vehicle	1,800	4,800
- Rent of premises	14,400	21,600
- Acquisition of motor vehicle	8,000	-
PT. Prima Armada Nusantara**		
- Agency service fees paid	76,666	42,626
- Disposal of used vessels	-	915,695
<b>Transactions with a person connected with certain Directors of the Company :</b>		
Ng Lai Whoon		
- Rent of premises	19,200	19,200
	19,200	19,200
<b>Remuneration for employment services provided by close members of the family of Directors:</b>		
Salaries, wages and bonuses	729,266	950,560
Contributions to defined contribution plan	76,635	106,370
Social security contributions	5,259	5,071
Estimated money value of benefits-in-kind	9,960	27,535
	821,120	1,089,536

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 31. Related Party Disclosures (Cont'd.)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (Cont'd.)

	2008 RM	2007 RM
<b>Company</b>		
<b>Transactions with subsidiary companies:</b>		
Bonafide Shipbuilders & Repairs Sdn. Bhd.		
- Dividend income	10,000,000	6,080,000
- Management fee income	-	174,000
Coastal Transport (Sandakan) Sdn. Bhd.		
- Dividend income	-	1,000,000
- Management fee income	-	204,000
- Rental	6,000	6,000
Coastal Offshore (Labuan) Pte. Ltd.		
- Interest on credit facility granted	1,465,399	1,519,100
- Dividend income	3,035,991	-
Seri Modalwan Sdn. Bhd.		
- Management fee income	-	72,000
Coastway Transport Sdn. Bhd.		
- Dividend income	300,000	-
<b>Remuneration for employment services provided by close members of the family of Directors:</b>		
Salaries, wages and bonuses	-	276,000
Contributions to defined contribution plan	-	33,120
Social security contributions	-	620
Estimated money value of benefits-in-kind	-	9,400
	-	319,140

\* A partnership/company in which Ng Chin Heng, Pang Fong Thau, Ng Chin Keuan, Ng Chin Kok and Ng Chin Shin have financial interests.

\*\* A company in which the spouse of Ng Chin Kok has financial interests.

Information regarding outstanding balances arising from related party transactions as at 31 December 2008 are disclosed in Note 18 and 27 to the financial statements.

The Directors are of the opinion that the above transactions were entered into in the normal course of business and have been established on terms and conditions that are mutually agreed between the respective parties.

# Notes to the Financial Statements

31 December 2008 (Cont'd.)

## 31. Related Party Disclosures (Cont'd.)

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short-term employee benefits	2,148,846	1,924,362	57,600	315,600
Defined contribution plan	229,768	220,704	2,970	33,120
Social security contributions	-	620	-	620
Estimated money value of benefits-in-kind	16,200	57,950	-	9,400
	<u>2,394,814</u>	<u>2,203,636</u>	<u>60,570</u>	<u>358,740</u>

Included in the total key management personnel are:

Directors' remuneration (Note 9)	<u>2,378,614</u>	<u>1,835,946</u>	<u>60,570</u>	<u>39,600</u>
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Executive Directors of the Group and of the Company and other members of key management have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

	Group and Company	
	2008	2007
At 1 January	5,072,000	11,680,000
Exercised	<u>(450,000)</u>	<u>(6,608,000)</u>
At 31 December	<u>4,622,000</u>	<u>5,072,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 28).

## 32. Financial Instruments

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business operations whilst managing its input material price, interest rate (both cash flow and fair value), foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

### (b) Price risk

The Group's earnings are affected by changes in the prices of its input materials and manufactured products.

### (c) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings comprise a mixture of fixed and floating interest-bearing debts. The Group manages its interest exposure by maintaining a prudent mix of fixed and floating rate borrowings. This strategy allows it to gain access to cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 32. Financial Instruments (Cont'd.)

#### (c) Interest rate risk (Cont'd.)

The following tables set out the carrying amounts, the effective interest rates (EIR) as at the balance sheet date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	More Than 5 Years RM	Total RM
<b>At 31 December 2008</b>									
<b>Group</b>									
<b>Fixed rate</b>									
Fixed deposits with licensed banks	20	0.02 - 3.70	57,131,182	-	-	-	-	-	57,131,182
Hire purchase payables	25	4.41 - 7.16	1,443,677	1,347,788	1,359,976	1,431,524	1,427,330	1,834,799	8,845,094
Term loans	24	6.50 - 7.75	2,088,925	2,971,377	2,577,355	1,992,000	1,929,000	684,000	12,242,657
<b>Floating rate</b>									
Revolving credits	24	3.26 - 7.75	68,991,860	-	-	-	-	-	68,991,860
Islamic bank loan	24	4.65 - 4.80	168,169	178,019	142,373	-	-	-	488,561
<b>Company</b>									
<b>Fixed rate</b>									
Hire purchase payables	25	4.71	35,735	23,691	-	-	-	-	59,426
Amount due from a subsidiary	18	4.70 - 5.70	5,557,139	-	-	-	-	-	5,557,139
<b>At 31 December 2007</b>									
<b>Group</b>									
<b>Fixed rate</b>									
Fixed deposits with licensed banks	20	3.22 - 7.50	65,344,265	-	-	-	-	-	65,344,265
Hire purchase payables	25	4.41 - 7.16	376,338	335,770	147,080	77,700	67,681	15,008	1,019,577
Term loans	24	6.50 - 7.75	873,495	1,913,904	1,975,377	1,581,355	996,000	933,000	8,273,131
<b>Floating rate</b>									
Revolving credits	24	4.80 - 8.00	97,524,997	-	-	-	-	-	97,524,997
Bank overdrafts	24	7.75 - 8.00	955,587	-	-	-	-	-	955,587
Term loan	24	8.25	151,862	-	-	-	-	-	151,862
<b>Company</b>									
<b>Fixed rate</b>									
Hire purchase payables	25	4.71	37,348	39,171	23,691	-	-	-	100,210
Amount due from a subsidiary	18	4.70 - 5.70	31,306,951	-	-	-	-	-	31,306,951

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced annually. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 32. Financial Instruments (Cont'd.)

#### (d) Foreign exchange risk

The Group operates in Indonesia, Malaysia, Singapore and British Virgin Islands and is exposed to various currencies, mainly Indonesian Rupiah, Euro, Renminbi, United States Dollars and Singapore Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group minimises its exposure to foreign exchange risks by transacting with its business partners in Ringgit Malaysia, United States Dollars or other foreign currencies, namely Singapore Dollars and Euro which have relative strength with Ringgit Malaysia.

For those transactions in currencies other than those mentioned above, the Group will closely monitor the movement of these foreign currencies and would take appropriate action to minimise the adverse impact to the Group.

The financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Functional Currency of the Group							
	At 31 December 2008				At 31 December 2007			
	Ringgit Malaysia RM	United States Dollars RM	Singapore Dollars RM	Total RM	Ringgit Malaysia RM	United States Dollars RM	Singapore Dollars RM	Total RM
<b>Cash and Bank Balances</b>								
United Arab Emirates Dirhams	1,420	-	-	1,420	-	-	-	-
Hong Kong Dollars	670	-	-	670	-	-	-	-
United States Dollars	130,562	-	21,564	152,126	229,815	-	822,018	1,051,833
Renminbi	145	18,186	-	18,331	-	68,464	-	68,464
Ringgit Malaysia	-	987,760	-	987,760	-	74,684	-	74,684
Australian Dollars	-	-	-	-	13	-	-	13
Indonesian Rupiah	1,517,059	61,344	-	1,578,403	1,268,046	122,291	-	1,390,337
Singapore Dollars	179,106	6,045,944	-	6,225,050	4,452	-	-	4,452
Bahamas Dollars	269	-	-	269	-	-	-	-
	<u>1,829,231</u>	<u>7,113,234</u>	<u>21,564</u>	<u>8,964,029</u>	<u>1,502,326</u>	<u>265,439</u>	<u>822,018</u>	<u>2,589,783</u>
<b>Trade Receivables</b>								
Singapore Dollars	106,137	-	-	106,137	-	-	-	-
United States Dollars	14,031,611	-	-	14,031,611	402,946	-	-	402,946
Indonesian Rupiah	569,229	307,873	104,383	981,485	631,543	108,209	-	739,752
	<u>14,706,977</u>	<u>307,873</u>	<u>104,383</u>	<u>15,119,233</u>	<u>1,034,489</u>	<u>108,209</u>	<u>-</u>	<u>1,142,698</u>
<b>Other Receivables</b>								
United States Dollars	1,639,099	-	14,847	1,653,946	1,955,982	-	-	1,955,982
Euro	31,005	-	-	31,005	528,532	2,337,298	-	2,865,830
Renminbi	-	8,126,544	-	8,126,544	-	94,503	-	94,503
Indonesian Rupiah	253,884	5,438	-	259,322	199,673	8,680	-	208,353
Ringgit Malaysia	-	1,703,020	24,118	1,727,138	-	62,805	4,771,320	4,834,125
Singapore Dollars	1,119,741	2,176,587	-	3,296,328	4,209,811	1,292,676	-	5,502,487
	<u>3,043,729</u>	<u>12,011,589</u>	<u>38,965</u>	<u>15,094,283</u>	<u>6,893,998</u>	<u>3,795,962</u>	<u>4,771,320</u>	<u>15,461,280</u>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 32. Financial Instruments (Cont'd.)

#### (d) Foreign exchange risk (Cont'd.)

The financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows: (Cont'd.)

	Functional Currency of the Group							
	At 31 December 2008				At 31 December 2007			
	Ringgit Malaysia RM	United States Dollars RM	Singapore Dollars RM	Total RM	Ringgit Malaysia RM	United States Dollars RM	Singapore Dollars RM	Total RM
<b>Trade Payables</b>								
Renminbi	-	7,614	-	7,614	-	-	-	-
United States Dollars	5,998,838	-	1,649	6,000,487	37,551	-	-	37,551
Euro	13,896	-	-	13,896	74,283	-	-	74,283
Indonesian Rupiah	83	3,267	-	3,350	93	-	-	93
Singapore Dollars	2,106,110	178,351	-	2,284,461	2,268,781	27,627	-	2,296,408
Ringgit Malaysia	-	4,206,131	21,771	4,227,902	-	1,139,372	-	1,139,372
	<u>8,118,927</u>	<u>4,395,363</u>	<u>23,420</u>	<u>12,537,710</u>	<u>2,380,708</u>	<u>1,166,999</u>	<u>-</u>	<u>3,547,707</u>
<b>Other Payables</b>								
United States Dollars	885,171	-	52,011	937,182	968,902	-	49,650	1,018,552
Renminbi	-	25,467	-	25,467	-	19,905	-	19,905
Indonesian Rupiah	53,379	125,334	-	178,713	56,992	53,125	-	110,117
Ringgit Malaysia	-	7,157,708	993	7,158,701	-	69,651	993	70,644
Singapore Dollars	3,205,628	17,771,626	-	20,977,254	344	-	-	344
	<u>4,144,178</u>	<u>25,080,135</u>	<u>53,004</u>	<u>29,277,317</u>	<u>1,026,238</u>	<u>142,681</u>	<u>50,643</u>	<u>1,219,562</u>

#### (e) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

#### (f) Credit Risk

Credit risk is minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis by the Board of Directors.

The Group's normal trade credit terms range from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

As at balance sheet date, apart from deposits paid to 2 (2007: 2) contractors and suppliers representing 53% (2007: 48%) of total net other receivables, the Group has no significant concentration of credit risk.

#### (g) Fair Values

Those borrowings with fixed rate due more than 1 year are subject to fair value changes.

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 33. Segmental Information

#### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### (b) Business segments

The Group's operations comprise the following business segments:

- |  |   |
|--|---|
| Vessels manufacturing and repairing services | - Fabrication and sale of marine transportation vessels and provision of ship repairs and maintenance services. |
| Vessels chartering and equipment hire        | - Provision of vessels transportation and equipment hiring services.  |

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.

#### (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's two business segments operate in three main geographical areas:

- |                 |   |
|-----------------|---|
| (i) Malaysia    | - the operations in this area are principally fabrication and sale of offshore support and marine transportation vessels, provisions of tugboat and barge transportation, provision of ship repairs and maintenance services, equipment hiring services, provision of vessel chartering and related services. |
| (ii) Indonesia  | - the operations in this area are principally provision of vessel chartering and related services.  |
| (iii) Singapore | - the operations in this area are principally provision of vessels chartering and towing services.  |

#### (d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 33. Segmental Information (Cont'd.)

(i) *Business segments*

2008

	Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Elimination RM	Consolidated RM
<b>Revenue</b>				
External sales	323,766,000	24,292,992	-	348,058,992
Inter-segment sales	8,419,387	2,986,042	(11,405,429)	-
Total revenue	<u>332,185,387</u>	<u>27,279,034</u>	<u>(11,405,429)</u>	<u>348,058,992</u>
<b>Results</b>				
Segment results	92,328,161	10,046,724		102,374,885
Unallocated corporate expenses				(682,914)
Interest income				840,220
Finance costs				(6,018,229)
Profit before tax				<u>96,513,962</u>
Income tax				257,577
Profit for the year				<u>96,771,539</u>
		Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Consolidated RM
<b>Segment assets and liabilities</b>				
Segment assets		782,436,402	78,482,282	860,918,684
Unallocated corporate assets				1,402,900
Consolidated total assets				<u>862,321,584</u>
Segment liabilities		454,638,067	2,008,797	456,646,864
Unallocated corporate liabilities				97,703,683
Consolidated total liabilities				<u>554,350,547</u>
<b>Other information</b>				
Capital expenditure		19,782,304	24,213,784	43,996,088
Depreciation		2,903,405	4,331,724	7,235,129
Amortisation		67,357	-	67,357
Non-cash expense other than depreciation		<u>922,585</u>	<u>123,478</u>	<u>1,046,063</u>

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 33. Segmental Information (Cont'd.)

(i) Business segments (Cont'd.)

2007

	Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Elimination RM	Consolidated RM
<b>Revenue</b>				
External sales	269,820,717	21,935,904	-	291,756,621
Inter-segment sales	1,694,750	61,600	(1,756,350)	-
Total revenue	271,515,467	21,997,504	(1,756,350)	291,756,621
<b>Results</b>				
Segment results	65,760,545	7,727,921		73,488,466
Unallocated corporate expenses				(741,388)
Interest income				1,366,327
Finance costs				(3,023,723)
Profit before tax				71,089,682
Income tax				(1,772,530)
Profit for the year				69,317,152
<b>Segment assets and liabilities</b>				
Segment assets		489,774,300	56,091,895	545,866,195
Unallocated corporate assets				556,811
Consolidated total assets				546,423,006
Segment liabilities		211,896,375	1,885,840	213,782,215
Unallocated corporate liabilities				117,976,540
Consolidated total liabilities				331,758,755
<b>Other information</b>				
Capital expenditure		8,663,359	3,337,035	12,000,394
Depreciation		1,555,402	3,317,127	4,872,529
Amortisation		65,021	-	65,021
Non-cash expense other than depreciation		119,851	3,992,041	4,111,892

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 33. Segmental Information (Cont'd.)

#### (ii) Geographical Segments

In determining the geographical segments of the Group, revenue is based on the geographical location of its customers. Total assets and capital expenditure are based on the geographical location of assets.

	Revenue RM	Segment assets RM	Capital expenditure RM
<b>2008</b>			
Malaysia	31,445,050	389,875,871	29,689,505
Indonesia	102,045,031	48,958,081	14,306,583
Egypt	141,700,575	2,263,575	-
China	25,163	413,046,529	-
Others	72,843,173	6,774,628	-
	<u>348,058,992</u>	<u>860,918,684</u>	<u>43,996,088</u>
<b>2007</b>			
Malaysia	81,330,234	238,698,670	10,679,624
Indonesia	63,888,598	32,289,991	102,025
Singapore	89,335,167	-	-
Guernsey	32,657,200	-	-
China	-	266,498,779	-
Others	24,545,422	8,378,755	1,218,745
	<u>291,756,621</u>	<u>545,866,195</u>	<u>12,000,394</u>

### 34. Significant Event

On 8 October 2008, the Company and Petrosab Logistik Sdn. Bhd. have mutually agreed not to extend the term of the Memorandum of Understanding which was signed on 27 October 2005 in relation to the proposed joint venture for establishment and development of viable commercial activities within the petrochemical and fabrication engineering sectors as well as provision of other related services to support the upstream and downstream oil and gas sectors in Malaysia. The Memorandum of Understanding expired on 26 October 2008.

### 35. Subsequent Events

- (a) On 6 February 2009, a subsidiary company, Pleasant Engineering Sdn. Bhd. ("PESB"), had received a Notice of Arbitration from one of its vessel buyers in connection with the commencement of arbitration proceedings against PESB. The arbitration proceedings was instigated following dispute on the buyer's termination of a shipbuilding contract on the alleged delay by PESB in completing the construction of a vessel.

The arbitration proceedings is not expected to have any material financial and operational impact on PESB and the Group.

- (b) On 13 April 2009, the Company subscribed for 1,000 ordinary shares in Ace Capital Pte Ltd, a company incorporated in Labuan, for a total cash consideration of USD1,000 resulting in the latter becoming a wholly-owned subsidiary of the Company.

# Notes to the Financial Statements

## 31 December 2008 (Cont'd.)

### 36. Restatement of Comparatives

The following comparatives have been restated to conform with current year's presentation.

Group	As Previously Stated RM	Reclassification RM	As Restated RM
<b>For the year ended 31 December 2007</b>			
Other income	5,777,749	(2,079,103)	3,698,646
Other expenses	(6,599,796)	2,079,103	(4,520,693)

# 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 (31.12.2008) (RM)
CL 075512168 Off Mile 9, Sungai Seguntor, Labuk Road, Sandakan, Sabah	4 to 21 years	Leasehold / 31.12.2073	Shipbuilding & Repairs Facility	17.66 acres / 76,348.43 sq ft	24.04.1990 / 11.05.2001	5,965,516
1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin, Mile 1 1/2, Leila Road, Sandakan, Sabah	22 years since 1987	Leasehold / 15.12.2910	1 unit residential flat	1.027 acres / 900 sq ft	14.12.1995 / 11.05.2001	22,124
1/2 undivided share of TL077534313 Lot 3A, Block G, Bandar Leila, Jalan Leila, Sandakan, Sabah	25 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	189,100
1/2 undivided share of TL077534313 Lot 3B, Block G, Bandar Leila, Jalan Leila Sandakan, Sabah	25 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	94,255
1/2 undivided share of TL077534304 Lot 4A, Block G Bandar Leila, Jalan Leila, Sandakan, Sabah	25 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	97,904
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.	2 years ↓	Leasehold / 31.12.2073 31.12.2073 31.12.2073 31.12.2078 31.12.2078 31.12.2088 31.12.2088	Shipbuilding & Repairs Facility ↓	2.07 acres 1.80 acres 1.99 acres 6.30 acres 12.83 acres 11.38 acres 8.00 acres 8.00 acres	24.07.2004 / 22.03.2006 ↓	17,818,591
CL 075350855 CL 075350864 CL 075350882 CL 075359652 Mile 10, Church Road, Off Jalan Labuk, Jalan Seguntur, Sandakan, Sabah	N/A ↓	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 ↓	4,113,580

# Analysis of Shareholdings

## Statistics on Ordinary Shareholdings as at 27 April 2009

<b>Authorised Share Capital</b>	RM500,000,000
<b>Issued and Paid-up Share Capital</b>	RM 70,653,140
<b>Type of Shares</b>	Ordinary Shares of RM0.20 each
<b>Voting Rights</b>	One vote per ordinary share

## Analysis of Shareholdings

Size of Holdings	No. of holders	No. of Shares	% of issued Capital
Less than 100	3	150	0.00
100 to 1,000	692	370,450	0.11
1,001 to 10,000	1,014	4,805,800	1.36
10,001 to 100,000	347	10,781,500	3.05
100,001 to less than 5% of issued shares	96	108,383,100	30.68
5% and above of issued shares	7	228,924,700	64.80
<b>Total</b>	<b>2,159</b>	<b>353,265,700</b>	<b>100.00</b>

## List of Thirty Largest Securities Accounts Holders

No.	Name	No. of Shares	% of issued Capital
1.	IVORY ASIA SDN BHD	63,559,995	17.99
2.	IVORY ASIA SDN BHD	50,000,000	14.15
3.	LEMBAGA TABUNG HAJI	29,806,100	8.44
4.	PANG FONG THAU	23,750,000	6.72
5.	RICKOH CORPORATION SDN BHD	21,400,000	6.06
6.	PANG FONG THAU	21,200,000	6.00
7.	PANG FONG THAU	19,208,605	5.44
8.	ONG SENG HENG	10,353,000	2.93
9.	PANG FONG THAU	10,000,000	2.83
10.	NG CHIN HENG	9,080,000	2.57
11.	NG CHIN KOK	7,548,200	2.14
12.	NG CHIN SHIN	6,578,200	1.86
13.	NG CHIN KEUAN	5,778,200	1.64
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	4,000,000	1.13
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (471873)	2,830,300	0.80
16.	NG CHIN HENG	2,800,000	0.79
17.	NG CHIN HENG	2,750,000	0.78
18.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AFFIN ISLAMIC EQUITY FUND	2,741,300	0.78
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	2,582,900	0.73
20.	NG CHIN HENG	2,501,400	0.71
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR PANG FONG THAU (PB)	2,500,000	0.71
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN (CEB)	2,421,700	0.69
23.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC OPPORTUNITIES FUND	2,035,400	0.58
24.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG CHEE HIUNG	1,856,800	0.53

# Statistics on Ordinary Shareholdings as at 27 April 2009 (Cont'd.)

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

No.	Name	No. of Shares	% of issued Capital
25.	RUBY TECHNIQUE SDN BHD	1,738,900	0.49
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE INVESTMENT MANAGEMENT BERHAD FOR EMPLOYEES PROVIDENT FUND	1,637,000	0.46
27.	SBB NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	1,443,700	0.41
28.	SBB NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,237,500	0.35
29.	NG CHIN KEUAN	1,200,000	0.34
30.	NG CHUI LAI	1,068,000	0.30

## Substantial Shareholders

No.	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1.	IVORY ASIA SDN BHD	113,559,995	-	32.15	-
2.	PANG FONG THAU	76,658,605	<sup>a</sup> 130,691,395	21.70	37.00
3.	LEMBAGA TABUNG HAJI	30,213,300	-	8.55	-
4.	RICKOH CORPORATION SDN. BHD.	25,400,000	-	7.19	-
5.	NG CHIN HENG	17,131,400	<sup>b</sup> 190,218,600	4.85	53.85
6.	DATO' KOH KIN LIP	621,000	<sup>c</sup> 25,400,000	0.18	7.19

## Directors' Shareholdings

No.	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1.	NG CHIN HENG	17,131,400	<sup>d</sup> 191,402,100	4.85	54.18
2.	NG CHIN SHIN	6,578,200	-	1.86	-
3.	NG CHIN KEUAN	6,978,200	<sup>e</sup> 53,000	1.98	0.01
4.	KWAN CHEONG KAW @ KUAN YEEK CHIEU	-	-	-	-
5.	LOH THIAN SANG @ LO THIAN SIANG	-	-	-	-
6.	ZAINAL BIN RAJAN	-	-	-	-

<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 through Rickoh Corporation Sdn Bhd.

<sup>d</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 Ms Alice Ng and Ivory Asia Sdn Bhd in the Company.

<sup>e</sup> Deemed interests by virtue of shareholdings of wife, Madam Chin Nyuk Oi.

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# COASTAL CONTRACTS BHD

(Company No. 517649-A)  
(Incorporated in Malaysia)

No. of ordinary shares held

## FORM OF PROXY

I/We, .....

of .....

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 Ninth Annual General Meeting of the Company, to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 24 June 2009 at 11.00 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 receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.		
2.	To declare a first and final dividend of 12% (comprising a 4.5% tax exempt dividend and a 7.5% single-tier dividend) and a special dividend of 3% tax exempt in respect of the financial year ended 31 December 2008.		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2008.		
4.	To re-appoint Mr Kwan Cheong Kaw @ Kuan Yeek Chieu as Director.		
5.	To re-elect Mr Ng Chin Shin as Director.		
6.	To re-elect Mr Zainal Bin Rajan as Director.		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8.	Authority to issue shares under Section 132D of the Companies Act, 1965.		

(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 ..... 2009

.....  
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. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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 appointor 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.
- The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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**Coastal Contracts Bhd**

(Company No. 517649-A)

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

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