



# C o n t e n t s

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of the Company will be held at the Registered Office, Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, on 29 June 2004 at 10.00 am to transact the following business:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a first and final dividend of 8 sen per share less tax for the financial year ended 31 December 2003. **Resolution 2**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2003. **Resolution 3**
4. To re-elect the following Directors:
  - 4.1 Mr Ng Chin Shin who retires pursuant to Article No. 91 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 4**
  - 4.2 Mr Ng Chin Keuan who retires pursuant to Article No. 91 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 5**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

### SPECIAL BUSINESS

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

#### ORDINARY RESOLUTION

**Resolution 7**

#### Authority to issue shares pursuant to Section 132D, 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 approval from Bursa Malaysia Securities Berhad for listing and quotation for 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 ."



**ANY OTHER BUSINESS**

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

By Order of the Board

.....  
**Ng Soon Hong**  
**Dorothy Luk Wei Kam**  
Company Secretaries

Sandakan, Sabah  
Date: 7 June 2004

**Notes:**

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy 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 without limitation 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 or more to attend and vote at the same Meeting, he shall specify 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 W.D.T 259, 90009 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 Pursuant To The Proposed Authority To Directors To Issue New Shares Under Section 132D Of The Companies Act, 1965**

The proposed Ordinary Resolution 7 under item 6 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

### 1. Names of directors who are standing for re-election are:

- |                  |  |
|------------------|--|
| a) Ng Chin Shin  | Retiring pursuant to Article 91 of the Company's Articles of Association |
| b) Ng Chin Keuan | Retiring pursuant to Article 91 of the Company's Articles of Association |

### 2. Details of attendance of Directors at Board Meetings:

Five (5) Board Meetings were held during the financial year from 1 January 2003 to 31 December 2003.

Name	Meetings Attended	Maximum Possible Meetings to Attend
1. Ng Chin Heng	5	5
2. Ng Chin Kok*	1	5
3. Ng Chin Shin	5	5
4. Ng Chin Keuan	5	5
5. Ng Chin Hong**	5	5
6. Kwan Cheong Kaw @ Kuan Yeek Chieu	3	5
7. Loh Thian Sang @ Lo Thian Siang	3	5

Note: The Company was officially listed on the Main Board of Bursa Malaysia Securities Berhad on 13 August 2003.

\* Ng Chin Kok resigned as Executive Director w.e.f. 5 April 2004.

\*\* Ng Chin Hong resigned as Executive Director w.e.f. 30 April 2004.

### 3. Place, date and time of the Fourth Annual General Meeting

Date	Time	Place
29 June 2004	10.00 am	Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah

### 4. Further details of individuals who are standing for re-election as Directors:

Please refer to the Directors' Profiles appearing on page 6 to 7.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Ng Chin Heng	Executive Chairman
Ng Chin Shin	Executive Director
Ng Chin Keuan	Executive Director
Kwan Cheong Kaw @ Kuan Yeek Chieu	Senior Independent Non-Executive Director
Loh Thian Sang @ Lo Thian Siang	Independent Non-Executive Director
Ng Chin Hong	Executive Director (Resigned on 30 April 2004)
Ng Chin Kok	Executive Director (Resigned on 5 April 2004)

### AUDIT COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu	Chairman
Loh Thian Sang @ Lo Thian Siang	Member
Ng Chin Heng (Appointed on 30 April 2004)	Member
Ng Chin Hong (Resigned on 30 April 2004)	Member

### NOMINATION COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu	Chairman
Loh Thian Sang @ Lo Thian Siang	Member
Ng Chin Heng	Member

### REMUNERATION COMMITTEE

Kwan Cheong Kaw @ Kuan Yeek Chieu	Chairman
Loh Thian Sang @ Lo Thian Siang	Member
Ng Chin Heng	Member

### COMPANY SECRETARIES

Ng Soon Hong, C.A.(M), MICPA 3596  
Dorothy Luk Wei Kam, MAICSA 7000414

### REGISTERED OFFICE

Block G, Lot 3B, Bandar Leila,  
W.D.T. No.259,90009 Sandakan, Sabah.  
Tel : 089-616263  
Fax : 089-616654, 616189  
Website : <http://www.coastalcontracts.com>

### REGISTRAR

Signet Share Registration Services Sdn Bhd  
Level 26, Menara Multi Purpose,  
Capital Square, No. 8, Jalan Munshi Abdullah,  
50100 Kuala Lumpur.  
Tel: 03-2721 2222  
Fax: 03-2721 2530/1

### PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad  
Bank Industri & Teknologi Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
Sabah Development Bank Berhad

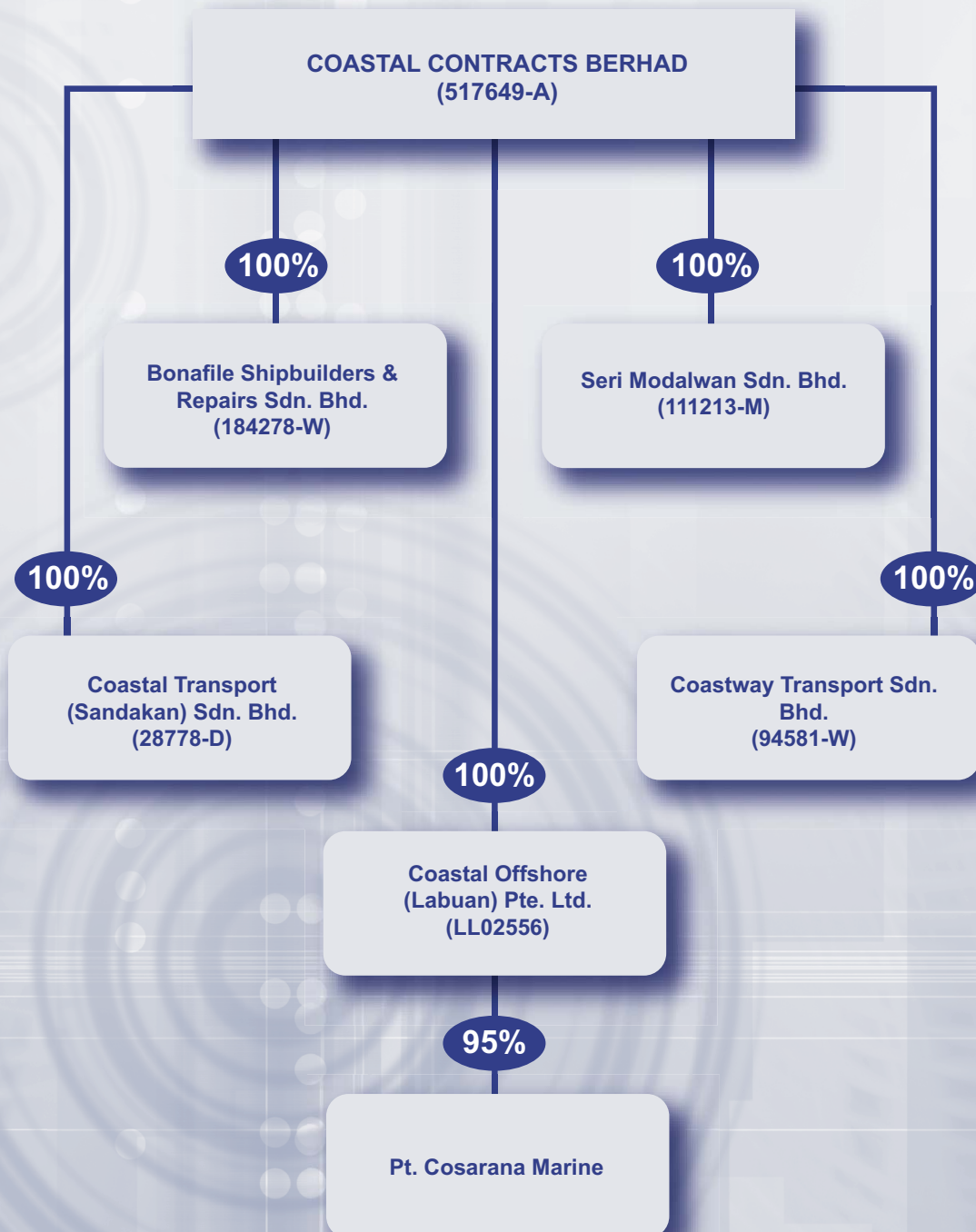
### AUDITORS

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

### STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia

## CORPORATE STRUCTURE



## DIRECTORS' PROFILES

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

**NG CHIN HENG**, aged 55, 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 Audit Committee, Remuneration Committee and Nomination Committee.

He is the principal founder of Coastal Group. Soon after completing the Lower Certificate of Education (LCE) 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 started with 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 of tugboat and barge repairs and fabrications. He further learn and improve 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 2003. He has not held any directorship in other public company. None has he been convicted of any offences within the past 10 years.

As at 10 May 2004, Mr Ng Chin Heng has direct interests of 2.41% and indirect interests of 57.22% by virtue of Ivory Asia Sdn Bhd and his wife's shareholdings in the Coastal Contracts Berhad. He is the brother of Mr Ng Chin Shin and Mr Ng Chin Keuan, both are the Directors of the Company and husband of Madam Pang Fong Thau, a substantial shareholder of the Company.

**NG CHIN SHIN**, aged 45, 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 (LCE), he went on to be 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 about 18 years. He has been instrumental in shaping and laying the foundations for the Group's product and workmanship quality in vessel manufacturing and repair works. His vast experience and in-depth knowledge in the vessel manufacturing and repair activities will continue to benefit the Group.

Mr Ng Chin Shin attended all the five board meetings held during the financial year ended 31 December 2003. He has not held any directorship in other public company. None has he been convicted of any offences within the past 10 years.

As at 10 May 2004, Mr Ng Chin Shin has direct interests of 1.73% in Coastal Contracts Berhad. He is a 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. He is a brother-in-law of Madam Pang Fong Thau, a substantial shareholder of the Company.

**NG CHIN KEUAN**, aged 45, 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 involved in the affairs of the Group since its early years in 1980s and thus, well acquainted with the Group's operations, he gained the knowledge and skills of marine engineering through hands-on management and practical experience. He is principally responsible in supervising the day-to-day operations of the shipyards and also for fleet maintenance and parts procurement. Prior to joining the Group, he was in the trading business with Mr Ng Chin Heng.

Mr Ng Chin Keuan attended all the five board meetings held during the financial year ended 31 December 2003. He has not held any directorship in other public company. None has he been convicted of any offences within the past 10 years.

As at 10 May 2004, Mr Ng Chin Keuan has direct interests of 1.73% in Coastal Contracts Berhad. He is a 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. He is a brother-in-law of Madam Pang Fong Thau, a substantial shareholder of the Company.



**KWAN CHEONG KAW @ KUAN YEEK CHIEU**, aged 65, 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 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 three out of five board meetings held during the financial year ended 31 December 2003. He has not held any directorship in other public company. None has he been convicted of any offences within the past 10 years.

As at 10 May 2004, Mr Kwan Cheong Kaw @ Kuan Yeek Chieu has direct interests of 0.009% in Coastal Contracts Berhad. 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 59, Malaysian, Independent Non-Executive Director.

Mr Loh Tiang Sang @ Lo Thian Siang was appointed as an Independent Non-Executive Director to the Board on 2 December 2002. He has over 36 years of experience in marine administration and operation. He joined the Marine Department in 1963 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 three out of five board meetings held during the financial year ended 31 December 2003. He has not held any directorship in other public company. None has he been convicted of any offences within the past 10 years.

As at 10 May 2004, Mr Loh Thian Sang @ Lo Thian Siang neither have any direct nor indirect interests in Coastal Contracts Berhad. 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



"With improved economic condition and increased oil exploration and extraction activities in the region, demand for the Group's products and services remains strong for the current year. We look ahead with confidence to build upon the achievements made in 2003"

**Ng Chin Heng**  
Executive Chairman

On behalf of the Board of Directors, it gives me great pleasure to present to you the first Annual Report and audited financial statements of the Group and Company for the year ended 31 December 2003.

This report is a new milestone for Coastal Group as it is the first report since the Company achieved its listing status on 13 August 2003. To sustain long term growth of the Group's business and shareholders' value, as well as value to other stakeholders, the Board has adopted a strategy of continuously enlarging the Group's products and customer base, enhancing the Group's manufacturing capabilities and capacity and aggressively investing in its employees.

## PERFORMANCE

The Group achieved a record revenue of RM56.4 million compared to its proforma revenue of RM42.26 million in 2002. The significant increase of 33.5% against the previous year was due to the increased orders for higher value vessels.

The Shipbuilding Division enjoyed a healthy growth of 33.5% in revenue. This is the result of the increased emphasis of manufacturing higher value vessels, while at the same time continuously expanding and enhancing the existing tug boat and barge manufacturing operations.

The Chartering Division remains a strong and stable revenue contributor to the Group. The goods carried by our vessels are mainly essential commodities and raw materials for the various manufacturing industries. Indonesia remains the Group's main market for vessel chartering activities.

## CORPORATE DEVELOPMENTS

During the year, the Company undertook the following corporate exercises:

- 1) Increased its paid-up share capital from RM53.5 million to RM66.8 million by way of issuance of 13.3 million new ordinary shares of RM1.00 each at RM1.60 per share to the public through Public issue/Private placement in conjunction with its listing exercise on the Main Board of Bursa Malaysia. On 13 August 2003, the entire share capital of the Company was successfully quoted on the Main Board of Bursa Malaysia.
- 2) The proposals which have been announced by the Company and are not yet completed as at the date of this report are as follows:
  - a) *Share split*

Share split into five (5) new ordinary shares of Rm0.20 each for every one (1) existing ordinary share held in the Company.
  - b) *Private placement*

Private placement of up to 66.8 million new ordinary shares representing up to twenty percent (20%) of the issued and paid-up share capital of the Company after completion of the above Proposed Shares Split, at an issue price to be determined later.

### c) *ESOS scheme*

Employees' Share Option Scheme ("ESOS") for the employees and Directors of the Company and its subsidiaries up to fifteen (15%) of the issued and paid-up share capital of the Company at any point in time during the duration of five (5) years.

The above Proposals are subject to the approvals being obtained from the relevant authorities and the Shareholders.

## PROSPECTS AND OUTLOOK

Increased enquiries and orders for new vessels and chartering services continued into the first quarter of 2004. Economists of all the countries in the region have forecasted improving economic conditions and fairly respectable growth rates for these economies for 2004. On the local front, the recently announced new finding of oil reserves along the West Coast of Sabah brings much hope and opportunities for the Group as the Group is best placed to tap on these new opportunities. However, against this trend, steel product prices have been increasing since the end of 2003. Prices for new orders of vessels have invariably increased along with increases in prices of steel products. With improved economic condition and increased oil exploration and extraction activities in the region, demand for the Group's products and services remains strong for the current year. We look ahead with confidence to build upon the achievements made in 2003.

## DIVIDEND

With the satisfactory results achieved in 2003, the Board has declared a first and final dividend of 8% less 28% tax in respect of the financial year ended 31 December 2003.

## CORPORATE GOVERNANCE

The need for good corporate governance is recognized by the Board. Accordingly, the Group has established some guiding principals as stated in our Statement on Corporate Governance (page 12) and Statement on Internal Control (page 17).

## INVESTING IN PEOPLE

The Group regards its employees as key assets in its business. The Group believes in continuously investing to improve the skills and competencies of its employees through training and rewards them appropriately for their contributions. The Group also emphasizes on leadership building at all levels and to ensure performance excellence at all times. The Group has instilled a strong culture of hard work, perseverance and care for quality in everything produced or services provided by the Group.

## ACKNOWLEDGEMENTS

On behalf of my fellow Directors, I would like to take this opportunity to express our appreciation to the management and staff of the Group for their dedicated services and contributions during the year. Appreciation is also extended to the relevant authorities and other stakeholders for their supports. To our shareholders, we thank you for your confidence in the Group.

**Ng Chin Heng**  
Executive Chairman

## REPORT OF AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

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
Ng Chin Hong ( <i>resigned on 30 April 2004</i> )	Member	Executive Director
Ng Chin Heng ( <i>appointed on 30 April 2004</i> )	Member	Executive Chairman

### Terms of Reference

The primary objectives of the Audit Committee are to:-

- provide assistance to the Board in fulfilling its fiduciary responsibilities to the accounting and internal control systems, financial reporting and business ethics policies of the Company and all its subsidiaries.
- provide greater emphasis on the audit function by serving as the focal point for communication between non-committee directors, the external auditors, internal auditors and the management and providing a forum for discussion that is independent of the management. It is the Board's principle agent in assuring the independence of the Company's external auditors, the objectivity of the Company's internal auditors, the integrity of the management and the adequacy of disclosure to shareholders.
- undertake all such additional duties as may be deemed appropriate and necessary to assist the Board.

The 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) a majority of the audit committee must be independent directors; and
- c) at least one member of the audit committee;
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, 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.

The members of the 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 Committee which result 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 Committee and each of its members at least once every three years.

### Rights

The 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 (if any);
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

## Functions

The functions of Committee shall include the following:

- 1) review the following and report the same to the Board:
  - a) with the external auditor, the audit plan;
  - b) with the external auditor, his evaluation of the system of internal controls;
  - c) with the external auditor, his audit report;
  - d) the assistance given by the employees of the Company to the external auditor;
  - e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - f) the internal audit programme, processes, the results of 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 auditor is 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 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 Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable.

### 2) *Quorum*

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

### 3) *Secretaries*

The Company Secretaries shall be the secretaries of the Committee and shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.

## Audit Committee Meeting

The Audit Committee held two (2) meetings since its listing in August 2003. These meetings were held at the registered office at 9.00 am on 8 August 2003 and 28 November 2003. 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	2/2	100%
Loh Thian Sang @ Lo Thian Siang	2/2	100%
Ng Chin Hong*	2/2	100%

\*On 30 April 2004, Mr Ng Chin Hong resigned as the member of the Audit Committee and Mr Ng Chin Heng was appointed as a member of the Audit Committee to replace Mr Ng Chin Hong.

### **Activities During The Year**

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year included the following:

- i) Reviewing of the external auditors' scope of work and their audit plan.
- ii) Reviewing with the external auditors on 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) Reviewing and approving the internal audit plan presented by the internal auditors.
- iv) Reviewing the annual report and the audited financial statements of the Company and the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provision of the Companies Act, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standard Board.
- v) Reviewing the Company's compliance with the Revamped Listing Requirements of the Bursa Malaysia and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- vi) Reviewing of the quarterly unaudited financial statements and its explanatory notes thereon and recommending to the Board for Directors' approval.
- vii) Reviewing the related party transactions entered into by the Group.
- viii) Reviewing of the Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of issuing of a Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Revamped Listing Requirements of Bursa Malaysia.

### **Internal Audit Function**

The Board has engaged the services of an accounting 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 internal audit function includes evaluation of the processes by which significant risks were identified, assessed and managed and thereby ensuring that the instituted controls are appropriate and effectively applied.

During the year, the Internal Auditor carried out a high-level risk assessment of the Group's business processes that are keys to the achievement of its business objectives, in order to determine the focus areas of internal audit which will be carried out in the subsequent year.

## STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors fully supports the Principles and Best Practices outlined in the Malaysian Code on Corporate Governance. Set out below is a statement on how the Group has applied the Principles and the extent of its compliance with the Best Practices of the 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 of 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 five (5) members, of whom two (2) independent Non-Executive Directors and three (3) Executive Directors (inclusive the Executive Chairman). The Board has within its members drawn from varied backgrounds, bringing in-depth and diversity in experience and perspectives to the Group's business operations. The Directors' Profiles are presented on pages 6 to 7 of the 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 effective. 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 to 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 namely, Audit Committee, Nomination Committee and Remuneration Committee. These committees have the authority to examine particular issues according to their respective terms of reference and report back to the 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, any matters arising of which require the Board's decisions, approval are normally sought via Directors' Circular Resolutions (DCR) with sufficient information provided in order to make informed decisions. A summary of the approved DCR will be tabled at the following Board meetings for notation.

The Board had held five (5) meetings during the financial year ended 31 December 2003 for the purposes of deliberating and considering matters pertaining to the Group's financial results, major investments and strategic decisions and directions of the Group. Where a potential of 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.

Shown below is the number of meetings attended by each Director for the financial year ended 31 December 2003 of which were held at the registered office at 10.00 am on 16 January, 25 February, 7 August and 11.00 am on 8 August and 28 November 2003.

Name of Director	Designation	No of Meetings Attended	%
Ng Chin Heng	Executive Chairman	5/5	100%
Ng Chin Shin	Executive Director	5/5	100%
Ng Chin Keuan	Executive Director	5/5	100%
Kwan Cheong Kaw @ Kuan Yeek Chieu	Independent Non-Executive Director	3/5	60%
Loh Thian Sang @ Lo Thian Siang	Independent Non-Executive Director	3/5	60%
Ng Chin Hong*	Executive Director	5/5	100%
Ng Chin Kok**	Executive Director	1/5	20%

### **Board Meetings (Cont'd)**

- \* Mr Ng Chin Hong resigned as Executive Director on 30 April 2004.
- \*\* Mr Ng Chin Kok was unable to attend the 4 scheduled meetings during the financial year due to pre-arranged commitments he had made. As he was absent for these unscheduled meetings, Mr Ng Chin Kok could not meet the 50% attendance requirement (of the total meetings held during the year). As such, pursuant to Article 90 (f) of the Articles of the Association of the Company, he has resigned on 5 April 2004.

### **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 require the approval of the Board. All directors are entitled to call for additional clarification and information to assist them in matters that required their decision.

All directors have access to the services of the Company Secretaries 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**

As an integral element of process of appointing new Directors, a Nomination Committee was established on 2 December 2002 with the appointment of Mr Kwan Cheong Kaw @ Kuan Yeek Chieu (Chairman), Mr Loh Thian Sang @ Lo Thian Siang (Member) and Mr Ng Chin Heng (Member).

The Nomination Committee is entrusted to formally and transparently review annually the Board structure, size and composition and is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Committee considers the required mix skills and experience, which the potential Director(s) will bring and contribute to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

As such, the Nomination Committee has met on the 27 April 2004 and was attended by all the Committee members.

### **Directors' Training**

All the Directors have attended the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). The Directors will continue to undergo other relevant training programmes to keep abreast with new regulatory development and requirements in compliance with Bursa Malaysia Listing Requirements on the Continuing Education Programme (CEP).

### **Re-election**

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 until the close of the meeting at which he retires.

### **Remuneration Committee**

In line with the requirements of the Code, a Remuneration Committee was established on 2 December 2002 consisting of two (2) Independent Non-Executive Directors namely Mr Kwan Cheong Kaw @ Kuan Yeek Chieu (Chairman), Mr Loh Thian Sang @ Lo Thian Siang (Member) and one (1) Executive Chairman, Mr Ng Chin Heng (Member).

The Committee shall review the remuneration packages of all Executive Directors annually and make recommendation to the Board. The individuals concerned shall abstain from discussion of their own remuneration. The packages which consist of base salary, fringe benefits, incentive schemes, superannuation and entitlements upon retirement and termination are to be reviewed with due regard to performance and other relevant factors including market relativity.

The Committee shall recommend 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 both within the Group and from external specialists on this field.

The Remuneration Committee met on the 27 April 2004 and was attended by all 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 recommends the remuneration of the Directors after considering the proposals of the Remuneration Committee for shareholders' approval. The remuneration of the Directors shall be determined by an ordinary resolution of the Company pursuant to Article 78 of the Company's Articles of Association.

The Directors' remuneration paid/payable to all the Directors of the Company for the financial year ended 31 December 2003 is as follows:-

Directors' Remuneration	Executive Directors	Non-Executive Directors
	RM'000	RM'000
Fee	-	20
Salaries	576	-
Bonuses & allowances	144	1
EPF	69	-
Benefit in kind (based on estimated money value)	62	-
<b>Total</b>	<b>851</b>	<b>21</b>

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 2003 fall within the following bands are as follows:

Directors' Remuneration Band RM	No. of Directors	
	Executive Directors	Non-Executive Directors
Below 50,000	-	2
50,000 to 100,000	-	-
100,001 to 150,000	4	-
150,001 to 200,000	-	-
200,001 to 250,000	-	-
250,001 to 300,000	-	-
300,001 to 350,000	1	-

## C. Shareholders

### Dialog Between Companies 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 release 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 circulated nationwide for a wider dissemination of such notice and to encourage greater shareholders' participation at general meeting.

## 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 24 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 of internal control is set out on page 17 of the Annual Report.

## Relationship with auditors

Key features underlying the relationship of the Audit Committee with external auditors 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 9 to 11 of this Annual Report.

## Compliance Statement

Save as disclosed below, the Group had substantially complied with the Best Practices of the 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 concern with capital expenditure, announcements to Bursa Malaysia and policy issues; and
- b) The Board has not developed position descriptions for the Board and Management. The Board recognises the importance of proper identification of the roles and authorisation limits of Management and will consider to delineate the roles and responsibilities of executive and non-executive directors.

## Additional Compliance Statements

- **Utilisation of Proceeds**

The Gross proceeds raised pursuant to the Initial Public Offering were utilised for the following purposes:

	RM'000 Approved	RM'000 Utilised	RM'000 Balance as at 31 December 2003
Construction of one (1) additional shielded factory	2,000	58	1,942
Purchase of machinery, heavy vehicles and other shipyard facilities	500	0	500
Working capital for manufacturing and chartering of vessels	16,780	16,780	0
Listing Expenses	2,000	2,000	0
Total	<u>21,280</u>	<u>18,838</u>	<u>2,442</u>

- **Share Buyback**

During the financial year, the Company did not enter into any share buyback transactions.

- **Options, Warrants or Convertible Securities**

No options, warrants or convertible securities were issued and exercised by the Company during the financial year. However, on 28 April 2004, the Board of Directors has approved the proposed ESOS (Employee Share Option Scheme) for eligible employees with the maximum number of new shares in Coastal Contracts Berhad to be issued upon the exercise of the Options granted under the proposed ESOS, not exceeding 15% of the issued and paid-up share capital of the Company at any one time. On 5 May 2004, the proposed ESOS has been submitted to the respective regulatory bodies for approval before seeking approval from the Shareholders of the Company in an Extraordinary General Meeting to be convened on a date to be determined later.



## Additional Compliance Statements (Cont'd)

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

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

- **Imposition of Sanctions/Penalties**

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

- **Non-Audit Fees**

During the financial year, the non-audit fees paid to the external auditors amounted to RM375,000 as the fee for acting as Reporting Accountant in connection to the Company's proposed listing on the Main Board of Bursa Malaysia. This amount was set off against the share premium arising from the initial public offering of the Company's shares.

- **Profit Estimate, Forecast or Projection**

The quantum of variance between the audited consolidated profit and the estimated consolidated profit as stated in the prospectus dated 27 June 2003 is negligible.

- **Profit Guarantee**

No Profit Guarantee was given by the Company during the financial year.

- **Material Contracts**

During the financial year, there were no material contracts entered by the Company and its subsidiaries involving directors' and substantial shareholders' interests.

- **Analysis of shareholdings**

Analysis of shareholdings can be found from page 65 to 66

- **List of Properties**

The list of properties for the Group can be found on page 64

- **Recurrent Related Party Transactions**

The details of the related party transactions are set out in note 33 of the Financial Statements.

## STATEMENT OF INTERNAL CONTROL

### Responsibility

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

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 date of approval of the Annual Report and Financial Statements, and is in accordance with the guidance as contained in the publication Statement on Internal Control Guidance for Directors of Public Listed Companies.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

### Risk Management Framework and Control Self - Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. During the financial year, the Board carried out a Strategic Risk Assessment exercise to identify and evaluate principal risks affecting the achievement of Group's business objectives.

The effectiveness of the current controls in place to manage these risks had also been assessed with practical action plans to address any potential weakness. Further, the risk owners and measures to monitor risks were formally identified. Future risk assessments will be conducted annually, with the results presented to the Board through the Executive Directors. The Executive Directors are 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 in, 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.

Three, previously five, of the Board's members are Executive Directors and are actively involved in the day-to-day operations of the Group. The Executive Directors ensures that all employees have a 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 are in the process of establishing a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

### Internal Audit Function

During the financial year, the Group has outsourced its Internal Audit function to a reputable accounting firm, whose remit is to the Audit Committee. The Internal Audit function carried out a high-level risk assessment of the Group's business processes that are keys to the achievement of its business objectives, in order to determine the focus areas of internal audit which will be carried out in the subsequent year. The Internal Audit plan was approved by the Audit Committee.

During the current financial year, the Internal Audit function also performed a high-level current state assessment of the Group's system of internal control vis-à-vis the requirements outlined in the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by the Bursa Malaysia's Task Force on Internal Control. The Board has reviewed the findings and recommendations of this report. A programme of action plans to enhance the system of internal control has been approved by the Board and these enhancements are expected to be put in place during the next financial year.

The Board is pleased to report that there was no significant material internal control weakness noted during the period under review and to the date of approval of the Annual Report and the Financial Statements.

## **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 enquires, 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 Company and which enable them to ensure that financial statements comply with the Companies Act, 1965.

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

The above statement of the Directors' responsibility for preparing the financial statements was made in accordance to a Board resolution dated 28 April 2004.



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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 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 14 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

### RESULTS

	Group RM	Company RM
Profit after taxation	13,720,545	4,275,646
Minority interest	(16,187)	-
Net profit for the year	<u>13,704,358</u>	<u>4,275,646</u>

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

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 other than the effects arising from a change in accounting policy resulting in a decrease in the Group's net profit for the year by RM1,387,306 as disclosed in Note 29 to the financial statements.

### DIVIDEND

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003, of 8% less 28% taxation on 66,800,000 ordinary shares, amounting to a total dividend payable of RM3,847,680 (5.76 sen net per share) will be proposed for shareholders' approval. 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 shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

### SIGNIFICANT EVENTS

- (a) Pursuant to the Extraordinary General Meeting of the Members on 18 June 2003:
- (i) the Directors were authorised to offer for sale of 3,600,000 ordinary shares of RM1.00 each at an offer price of RM1.60 per share on behalf of the offerees through an invitation by the Company via private placement to selected investors who shall subscribe by way of Prospectus issued by the Company;
  - (ii) the Directors were authorised to allot and issue 13,300,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share through an invitation by the Company for application by Malaysian Public and identified investors who shall subscribe by way of a Prospectus issued by the Company; and
  - (iii) approval was given to the Company to seek the listing and quotation for its entire issued and paid-up capital of the Company of 66,800,000 ordinary shares of RM1.00 each to be listed and quoted on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

## **SIGNIFICANT EVENTS (Cont'd)**

- (b) The Company had on 19 June 2003 entered into an Underwriting Agreement with AmMerchant Bank Berhad and twelve other underwriters in respect of the underwriting of 12,500,000 ordinary shares of RM1.00 each in the Company in connection with the proposed listing of the Company's shares on the Main Board of Bursa Malaysia.
- (c) On 27 June 2003, the Company issued a Prospectus relating to the Public Issue and Offer for Sale of the following:
  - (i) 10,830,000 ordinary shares of RM1.00 each for application by Malaysian Public and identified investors at an issue price of RM1.60 per share; and
  - (ii) 5,500,000 existing ordinary shares of RM1.00 each for application by private placement to identified investors at an issue price of RM1.60.
  - (iii) 570,000 ordinary shares of RM1.00 each for application by eligible Directors and employees of the Group.
- (d) On 25 July 2003, the Company allotted 13,300,000 new ordinary shares of RM1.00 each to Malaysian Public and identified investors at an issue price of RM1.60 per share.
- (e) On 13 August 2003, the entire issued and paid-up capital of the Company was successfully listed and quoted on the Main Board of Bursa Malaysia.

## **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  
Ng Chin Hong  
Kwan Cheong Kaw @ Kuan Yeek Chieu  
Loh Thian Sang @ Lo Thian Siang  
Ng Chin Kok (Resigned on 5 April 2004)

## **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 the shares allotted to them pursuant to the listing exercise of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than emoluments shown in Note 8 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 33 to the financial statements.

## DIRECTORS' INTERESTS

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

The Company	As at	Number of Ordinary Shares of RM1 each		As at
	1.1.2003	Bought	Sold	31.12.2003
<b>Direct Interest</b>				
Ng Chin Heng	17,939,107	-	(16,328,827)	1,610,280
Ng Chin Keuan	2,943,736	-	(1,788,096)	1,155,640
Ng Chin Kok	2,943,736	-	(1,788,096)	1,155,640
Ng Chin Shin	5,771,249	-	(4,615,609)	1,155,640
Ng Chin Hong	-	62,000	-	62,000
Kwan Cheong Kaw @ Kuan Yeek Chieu	-	12,000	-	12,000
Loh Thian Sang @ Lo Thian Siang	-	12,000	(12,000)	-
<b>Indirect Interest</b>				
Ng Chin Heng	35,560,893	23,848,349	(14,019,522)	45,389,720
Ng Chin Keuan	26,654,092	22,711,999	(22,732,532)	26,633,559
Ng Chin Kok	26,654,092	22,711,999	(22,732,532)	26,633,559
Ng Chin Shin	23,826,579	22,711,999	(19,905,019)	26,633,559
Ng Chin Hong	29,597,828	22,711,999	(24,520,628)	27,789,199

Ng Chin Heng, Ng Chin Keuan, Ng Chin Kok, Ng Chin Shin and Ng Chin Hong by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than the above disclosed, 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.

## SHARE CAPITAL

Pursuant to the listing exercise, the Company had on 25 July 2003 allotted 13,300,000 new ordinary shares of RM1.00 each to Malaysian public and identified investors at issue price of RM1.60 per share.

The newly issued shares rank pari passu in all respects with the existing shares.

## 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:
- 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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - 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:
- the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - the values attributed to current assets in the financial statements of the Group and of the Company misleading.

#### **OTHER STATUTORY INFORMATION (Cont'd)**

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and 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 liability 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.

#### **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

**Ng Chin Heng**

Sandakan, Malaysia  
28 April 2004

**Ng Chin Shin**

## Statement by Directors Statutory Declaration by Officer

### Statement by Directors

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

We, **Ng Chin Heng** and **Ng Chin Shin**, 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 26 to 63 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting 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 2003 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

**Ng Chin Heng**

Sandakan, Malaysia  
28 April 2004

**Ng Chin Shin**

### Statutory Declaration

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

I, **Ng Soon Hong**, 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 26 to 63 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 **Ng Soon Hong**  
at Sandakan in the State of Sabah  
on 28 April 2004

**Ng Soon Hong**

Before me -

## Report of the Auditors

### Report of the Auditors to the Members of

#### **COASTAL CONTRACTS BHD.**

(Company No: 517649-A)

We have audited the accompanying financial statements set out on pages 26 to 63. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

#### **ERNST & YOUNG**

AF: 0039

Chartered Accountants

#### **CHONG YEW HOONG**

1502/04/05 (J)

Partner

Sandakan, Malaysia

28 April 2004

## Income Statements For the Year Ended 31 December 2003

		Group		Company	
	Note	2003 (12 months) RM	2002 (1 month) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
Revenue	5	56,444,747	11,544,986	6,000,000	80,000
Cost of sales and services		<u>(38,543,228)</u>	<u>(7,847,421)</u>	<u>-</u>	<u>-</u>
Gross profit		17,901,519	3,697,565	6,000,000	80,000
Other operating income		4,023,990	566,703	56,843	-
Other operating expenses		(853,446)	(28,274)	-	-
Administrative expenses		<u>(3,147,427)</u>	<u>(402,705)</u>	<u>(90,173)</u>	<u>(12,322)</u>
Profit from operations	6	17,924,636	3,833,289	5,966,670	67,678
Finance costs	9	<u>(2,065,345)</u>	<u>(246,710)</u>	<u>-</u>	<u>-</u>
Profit before taxation		15,859,291	3,586,579	5,966,670	67,678
Taxation	10	<u>(2,138,746)</u>	<u>(556,467)</u>	<u>(1,691,024)</u>	<u>-</u>
Profit after taxation		13,720,545	3,030,112	4,275,646	67,678
Minority interest		(16,187)	(533)	-	-
Net profit for the year/period		<u>13,704,358</u>	<u>3,029,579</u>	<u>4,275,646</u>	<u>67,678</u>
Earnings per share (sen)	11				
- Basic		<u>23.10</u>	<u>66.67</u>		
- Diluted		<u>23.10</u>	<u>66.67</u>		
Net dividend per share (sen)	12				
- Proposed		<u>5.76</u>	<u>-</u>		

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

## Balance Sheets

### As at 31 December 2003

	Note	2003 RM	Group 2002 RM (Restated)	2003 RM	Company 2002 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	68,116,608	70,510,018	-	-
Investment in subsidiaries	14	-	-	61,394,898	61,394,898
Goodwill on consolidation		2,402,298	2,402,298	-	-
Trade receivables	16	9,781,709	1,323,000	-	-
Other receivables	17	-	1,437,077	-	-
		<u>80,300,615</u>	<u>75,672,393</u>	<u>61,394,898</u>	<u>61,394,898</u>
<b>CURRENT ASSETS</b>					
Inventories	15	14,435,116	11,870,228	-	-
Trade receivables	16	17,359,839	12,034,608	-	-
Other receivables	17	12,014,189	9,989,858	2,400	704,486
Amounts due from subsidiaries	18	-	-	17,217,873	-
Tax recoverable		212,412	172,807	-	-
Fixed deposits	19	2,581,194	-	2,524,194	-
Cash and bank balances		6,028,817	3,617,740	11,417	-
		<u>52,631,567</u>	<u>37,685,241</u>	<u>19,755,884</u>	<u>704,486</u>
<b>CURRENT LIABILITIES</b>					
Amount due to a subsidiary	20	-	-	-	3,820,318
Amounts due to directors	21	-	1,926,000	-	-
Trade payables	22	2,975,143	4,040,445	-	-
Other payables	23	4,251,310	5,756,736	154,830	221,661
Borrowings	24	11,202,189	21,025,645	-	-
Provision for taxation		286,285	96,633	11,024	-
		<u>18,714,927</u>	<u>32,845,459</u>	<u>165,854</u>	<u>4,041,979</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		33,916,640	4,839,782	19,590,030	(3,337,493)
		<u>114,217,255</u>	<u>80,512,175</u>	<u>80,984,928</u>	<u>58,057,405</u>

**Balance Sheets (Cont'd.)**

		Group		Company	
	Note	2003 RM	2002 RM (Restated)	2003 RM	2002 RM
<b>FINANCED BY:</b>					
Share capital	26	66,800,000	53,500,000	66,800,000	53,500,000
Reserves	27	26,623,685	7,524,811	14,184,928	4,557,405
Shareholders' equity		93,423,685	61,024,811	80,984,928	58,057,405
Minority interest		52,174	33,873	-	-
		<u>93,475,859</u>	<u>61,058,684</u>	<u>80,984,928</u>	<u>58,057,405</u>
Deferred tax liabilities	28	10,489,394	9,102,088	-	-
Other payables	23	-	248,517	-	-
Borrowings	24	10,252,002	10,102,886	-	-
Non-current liabilities		<u>20,741,396</u>	<u>19,453,491</u>	<u>-</u>	<u>-</u>
		<u>114,217,255</u>	<u>80,512,175</u>	<u>80,984,928</u>	<u>58,057,405</u>
<b>NET TANGIBLE ASSETS PER SHARE</b>		<u>1.36</u>	<u>1.10</u>	<u>1.21</u>	<u>1.09</u>

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

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2003

	Note	Share capital RM	Share premium RM	Non-distributable Currency translation reserve RM	Distributable Retained profits/ (Accumulated losses) RM	Total RM
<b>At 1 January 2002</b>		100	-	-	(9,059)	(8,959)
Issue of shares	26	53,499,900	4,498,786	-	-	57,998,686
Net profit for the period		-	-	-	3,029,579	3,029,579
Exchange differences on translation of financial statements of foreign entity		-	-	5,505	-	5,505
<b>At 31 December 2002</b>		<u>53,500,000</u>	<u>4,498,786</u>	<u>5,505</u>	<u>3,020,520</u>	<u>61,024,811</u>
<b>At 1 January 2003</b>						
- As previously stated		53,500,000	4,498,786	5,505	3,289,007	61,293,298
- Prior year adjustment	29	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268,487)</u>	<u>(268,487)</u>
<b>At 1 January 2003 (restated)</b>		53,500,000	4,498,786	5,505	3,020,520	61,024,811
Issue of shares	26	13,300,000	7,980,000	-	-	21,280,000
Exchange differences on translation of financial statement of foreign entity		-	-	42,639	-	42,639
Net loss not recognised in the income statement						
- Listing expenses set off against share premium		-	(2,628,123)	-	-	(2,628,123)
Net profit for the year		-	-	-	13,704,358	13,704,358
<b>At 31 December 2003</b>		<u>66,800,000</u>	<u>9,850,663</u>	<u>48,144</u>	<u>16,724,878</u>	<u>93,423,685</u>

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

## Company Statement of Changes in Equity For the Year Ended 31 December 2003

	Note	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits/ (Accumulated losses) RM	Total RM
<b>At 1 January 2002</b>		100	-	(9,059)	(8,959)
Issue of shares	26	53,499,900	4,498,786	-	57,998,686
Net profit for the year		-	-	67,678	67,678
<b>At 31 December 2002</b>		53,500,000	4,498,786	58,619	58,057,405
Issue of shares	26	13,300,000	7,980,000	-	21,280,000
Net loss not recognised in the income statement					
- Listing expenses set off against share premium		-	(2,628,123)	-	(2,628,123)
Net profit for the year		-	-	4,275,646	4,275,646
<b>At 31 December 2003</b>		<u>66,800,000</u>	<u>9,850,663</u>	<u>4,334,265</u>	<u>80,984,928</u>

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

## Cash Flow Statements

### For the Year Ended 31 December 2003

	2003 (12 months) RM	Group 2002 (1 month) RM (Restated)	2003 (12 months) RM	Company 2002 (12 months) RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	15,859,291	3,586,579	5,966,670	67,678
Adjustments for:				
Equipment written off	590	-	-	-
Interest income	(134,872)	(4,529)	(56,843)	-
Depreciation of property, plant and equipment	4,711,655	368,889	-	-
Finance costs	2,065,345	246,710	-	-
Provision for doubtful debts written back	-	(6,000)	-	-
Unrealised (gain)/loss on foreign exchange	(269,205)	10,829	-	-
Loss on disposal of plant and equipment	92,412	-	-	-
Gain on disposal of plant and equipment	(2,635,924)	(472,150)	-	-
Exchange differences	42,562	(11,655)	-	-
Provision for doubtful debts	160,453	-	-	-
Operating profit before working capital changes	19,892,307	3,718,673	5,909,827	67,678
Changes in working capital:				
Decrease in amounts due to directors	(1,926,000)	-	-	-
Net change in amounts due to subsidiaries	-	-	(21,038,191)	3,820,318
(Increase)/decrease in inventories	(2,564,888)	5,323,396	-	-
(Increase)/decrease in receivables	(14,820,213)	(6,983,803)	702,086	(132,400)
(Decrease)/increase in payables	(2,833,069)	976,231	(66,831)	(359,384)
Cash (used in)/generated from operations	(2,251,863)	3,034,497	(14,493,109)	3,396,212
Finance costs paid	(2,060,722)	(177,520)	-	-
Income tax paid	(601,392)	(53,117)	(1,680,000)	-
Net cash (used in)/generated from operating activities	(4,913,977)	2,803,860	(16,173,109)	3,396,212

	2003 (12 months) RM	Group 2002 (1 month) RM (Restated)	2003 (12 months) RM	Company 2002 (12 months) RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from insurance claim	360,314	-	-	-
Interest income	134,872	4,529	56,843	-
Acquisition of subsidiary companies net of cash and cash equivalents (Note 30)	-	(1,851,954)	-	(3,396,212)
Proceeds from disposal of equipment	6,242,470	3,388,900	-	-
Additions of property, plant and equipment (Note 30)	(5,671,135)	(917,184)	-	-
Net cash generated from/(used in) investing activities	<u>1,066,521</u>	<u>624,291</u>	<u>56,843</u>	<u>(3,396,212)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital	18,651,877	-	18,651,877	-
Proceeds from drawdown of bank loans	4,650,000	-	-	-
Proceeds from drawdown of revolving credit	8,556,000	3,000,000	-	-
Proceeds from drawdown of trade loans	10,681,130	208,000	-	-
Repayment of bank loans	(4,110,616)	(398,173)	-	-
Repayment of revolving credit	(18,500,000)	-	-	-
Repayment of trade loans	(10,902,669)	(3,167,519)	-	-
Repayment of hire purchase payables	(49,639)	(1,723)	-	-
Net cash generated from/(used in) financing activities	<u>8,976,083</u>	<u>(359,415)</u>	<u>18,651,877</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	5,128,627	3,068,736	2,535,611	-
<b>Effect of exchange rate changes</b>	2,191	-	-	-
<b>Cash and cash equivalents at beginning of year/period</b>	3,068,736	-	-	-
<b>Cash and cash equivalents at end of year/period (Note 30)</b>	<u>8,199,554</u>	<u>3,068,736</u>	<u>2,535,611</u>	<u>-</u>

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

## Notes to the Financial Statements

### 31 December 2003

#### 1. Corporate Information

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are stated in Note 14 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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 ("Bursa Malaysia") on 13 August 2003. The registered office and the principal place at which the business is carried out are located at Lot 3A and 3B, Block G, Bandar Leila, W. D.T. 259, 90009 Sandakan, Sabah.

The numbers of employees in the Group and in the Company at the end of the financial year were 271 (2002: 300) and 4 (2002: 4) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2004.

#### 2. Significant Accounting Policies

##### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The financial statements of the Group and of the Company have been prepared in accordance with the applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 Income Taxes  
MASB 27 Borrowing Costs  
MASB 29 Employee Benefits

The effects of adopting MASB 25 are summarised in the Statement of Changes in Equity and further information is disclosed in Note 29 to the financial statements. The adoption of MASB 27 and MASB 29 have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

##### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

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

### (b) Basis of Consolidation (Cont'd)

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

### (c) Investments in Subsidiaries

Investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

### (d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair values of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Goodwill is not amortised.

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

(i) Leasehold land held on long-term leases (with remaining lease period of over 50 years) is not amortised. The non-amortisation of the long leasehold land has no material effect on the financial statements. The effect on the non-amortisation of the leasehold land is disclosed under Note 13 to the financial statements.

(ii) All other property, plant and equipment are depreciated over their estimated useful lives after taking into account estimated net realisable values using the straight line method. The estimated useful lives are as follows:

Leasehold buildings	50 years
Buildings and workshops	10 - 15 years
Heavy machinery and equipment	10 years
Motor vehicles	5 years
Renovation	10 years
Slipway	20 years
Telecommunications and office equipment, furniture and fittings	5 years
Tugboats and barges	11 - 15 years

(iii) Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(iv) Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value and are computed on the weighted average basis. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items, where applicable.

Work-in-progress comprises cost of materials, direct labour and overheads of unsold tugboats and barges in progress and are stated at cost. Full provision is made for estimated losses where applicable.

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

### (f) Inventories (Cont'd)

Cost of consumable stores includes expenses incurred in bringing the inventories into stores and is computed using the weighted average basis.

### (g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, bank overdrafts, demand deposits 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.

### (h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

#### (i) Finance Leases

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.

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 as an expense 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 consistent with that for depreciable property, plant and equipment as described in Note 2(e).

#### (ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

### (i) Provisions for Liabilities

Provisions for liabilities 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (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.

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

### (j) Income Tax (Cont'd)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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 negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method, for taxation deferred by timing differences except where it was thought reasonably probable that the tax effects of such deferrals would continue in the foreseeable future. No future income tax benefit was recognised in respect of unutilised tax losses and timing differences that result in a net debit unless it could be demonstrated that these benefits could be realised in the foreseeable future. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 29.

### (k) Employees 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

As required by law, employers in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

### (l) Revenue Recognition

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

Revenue of the Group derived from:

- (i) sales of tugboats and barges are recognised upon delivery of 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 and barges hiring income are recognised upon rendering of services;
- (iv) interest is recognised on a time proportion basis that reflects the effective yield on the assets; and
- (v) dividend income is recognised when the shareholders' right to receive payment is established.

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

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

### (m) Foreign Currencies

#### (i) Foreign currency transactions

Foreign currency transactions are recorded in Ringgit Malaysia at the rates of exchange approximating those ruling at transaction dates. Foreign currency assets and liabilities are reported at the rates ruling at balance sheet date. All gains or losses on exchange are dealt with through the income statement.

#### (ii) Foreign entities

Financial statements of foreign consolidated subsidiary companies are translated into Ringgit Malaysia at the rates of exchange which approximate those prevailing at balance sheet date except for share capital, which is recorded at historical rates, while income statements are translated at average rates for the year. Exchange differences are transferred directly to the Currency Translation Reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2003 RM	2002 RM
United States Dollar	3.8000	3.8000
Singapore Dollar	2.2342	2.1887
Indonesian Rupiah (RP100)	0.0449	0.0425
Euro	4.7783	3.9811
Australian Dollar	2.8510	2.1489

### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### (o) Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segment as the Group's risk and rates of return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

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 mainly comprise finance costs and corporate administration expenses.

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

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

### (p) 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, 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 charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### (i) 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.

#### (ii) Payables

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

#### (iii) Interest-bearing Borrowings

Interest-bearing bank overdrafts and other facilities are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are reported in the income statement as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or for sale. All other borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

#### (iv) 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.

## 3. 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, foreign exchange, liquidity and credit risks.

### (a) Price risk

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

### (b) Interest rate risk

The Group's borrowings comprise of 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 hikes.

### 3. Financial Risk Management Objectives and Policies (Cont'd)

#### (c) Foreign Exchange Risk

The Group operates in Indonesia and Malaysia, and is exposed to various currencies, mainly Indonesian Rupiah, United States Dollar and Singapore Dollar. 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 at Ringgit Malaysia, United States Dollar or other foreign currencies, namely Singapore Dollar, Australian Dollar and Euro which have relative strength with Ringgit Malaysia.

For those transactions at other currencies than those mentioned above, the Group will closely monitor the movement of these foreign currencies and would take appropriate action to minimise 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 2003			At 31 December 2002		
	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM
<b>Cash and Bank Balances</b>						
Australian Dollar	13	-	13	13	-	13
Indonesian Rupiah	186,997	-	186,997	239,670	-	239,670
Singapore Dollar	25,805	-	25,805	5,884	-	5,884
United States Dollar	3,049,863	4	3,049,867	2,760,926	4	2,760,930
	<u>3,262,678</u>	<u>4</u>	<u>3,262,682</u>	<u>3,006,493</u>	<u>4</u>	<u>3,006,497</u>
<b>Trade Receivables</b>						
Indonesian Rupiah	2,297,919	-	2,297,919	1,596,187	-	1,596,187
Singapore Dollar	331,050	-	331,050	873,286	2,378	875,664
United States Dollar	15,245,751	165,036	15,410,787	624,685	151,055	775,740
	<u>17,874,720</u>	<u>165,036</u>	<u>18,039,756</u>	<u>3,094,158</u>	<u>153,433</u>	<u>3,247,591</u>

### 3. Financial Risk Management Objectives and Policies (Cont'd)

#### (c) Foreign Exchange Risk (Cont'd)

	Functional Currency of the Group					
	At 31 December 2003			At 31 December 2002		
	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM
<b>Other Receivables</b>						
Euro	222,009	-	222,009	-	-	-
Indonesian Rupiah	58,879	-	58,879	96,054	-	96,054
Ringgit Malaysia	-	467	467	-	-	-
Singapore Dollar	379,527	-	379,527	156,730	-	156,730
United States Dollar	3,079,186	981,443	4,060,629	5,381,458	1,847,070	7,228,528
	<u>3,739,601</u>	<u>981,910</u>	<u>4,721,511</u>	<u>5,634,242</u>	<u>1,847,070</u>	<u>7,481,312</u>
<b>Trade Payables</b>						
Australian Dollar	-	-	-	20,505	-	20,505
Euro	8,125	-	8,125	12,430	-	12,430
Indonesian Rupiah	45	-	45	13,548	-	13,548
Singapore Dollar	651,458	-	651,458	1,807,769	-	1,807,769
United States Dollar	17,377	-	17,377	77,733	-	77,733
	<u>677,005</u>	<u>-</u>	<u>677,005</u>	<u>1,931,985</u>	<u>-</u>	<u>1,931,985</u>
<b>Other Payables</b>						
Euro	-	-	-	1,815	-	1,815
Indonesian Rupiah	974	-	974	23,722	-	23,722
Ringgit Malaysia	-	6,298	6,298	-	-	-
United States Dollar	1,777,169	3,122	1,780,291	108,737	17,263	126,000
	<u>1,778,143</u>	<u>9,420</u>	<u>1,787,563</u>	<u>134,274</u>	<u>17,263</u>	<u>151,537</u>

#### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent 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.

#### (e) Credit Risk

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

#### 4. Significant Events

- (a) Pursuant to the Extraordinary General Meeting of the Members on 18 June 2003:
- (i) the Directors were authorised to offer for sale of 3,600,000 ordinary shares of RM1.00 each at an offer price of RM1.60 per share on behalf of the offerees through an invitation by the Company via private placement to selected investors who shall subscribe by way of Prospectus issued by the Company;
  - (ii) the Directors were authorised to allot and issue 13,300,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share through an invitation by the Company for application by Malaysian Public and identified investors who shall subscribe by way of a Prospectus issued by the Company; and
  - (iii) approval was given to the Company to seek the listing and quotation for its entire issued and paid-up capital of the Company of 66,800,000 ordinary shares of RM1.00 each to be listed and quoted on the Main Board of Bursa Malaysia.
- (b) The Company had on 19 June 2003 entered into an Underwriting Agreement with AmMerchant Bank Berhad in respect of the underwriting of 12,500,000 ordinary shares of RM1.00 each in the Company in connection with the proposed listing of the Company's shares on the Main Board of Bursa Malaysia.
- (c) On 27 June 2003, the Company issued a Prospectus relating to the Public Issue and Offer for Sale of the following:
- (i) 10,830,000 ordinary shares of RM1.00 each for application by Malaysian Public and identified investors at an issue price of RM1.60 per share; and
  - (ii) 5,500,000 existing ordinary shares of RM1.00 each for application by private placement to identified investors at an issue price of RM1.60.
  - (iii) 570,000 ordinary shares of RM1.00 each for application by eligible Directors and employees of the Group.
- (d) On 25 July 2003, the Company allotted 13,300,000 new ordinary shares of RM1.00 each to Malaysian Public and identified investors at an issue price of RM1.60 per share.
- (e) On 13 August 2003, the entire issued and paid-up capital of the Company was successfully listed and quoted on the Main Board of Bursa Malaysia.

#### 5. Revenue

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM	2003 (12 months) RM	2002 (12 months) RM
Revenue comprises:				
Sales of tugboats and barges	38,560,120	8,409,200	-	-
Vessel repair and service income	1,375,046	1,843,753	-	-
Tugboats and barges hiring income	16,509,581	1,292,033	-	-
Dividend income	-	-	6,000,000	80,000
	56,444,747	11,544,986	6,000,000	80,000

## 6. Profit from Operations

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM	2003 (12 months) RM	2002 (12 months) RM
<b>This is stated after charging/ (crediting):</b>				
Staff costs (Note 7)	4,502,640	625,417	-	-
Directors' remuneration (Note 8)	933,620	172,480	21,200	1,500
Auditors' remuneration				
- special	-	500	-	500
- statutory	49,642	43,280	15,000	5,000
Depreciation of property, plant and equipment (Note 13)	4,711,655	368,889	-	-
Office rental	26,271	2,732	-	-
Equipment hire charges	36,602	-	-	-
Hire of motor vehicles	9,600	-	-	-
Equipment written off	590	-	-	-
Launch hire	6,335	86	-	-
Tugboat hire	34,306	3,822	-	-
Loss on disposal of plant and equipment	92,412	-	-	-
Provision for doubtful debts	160,453	-	-	-
(Gain)/Loss on foreign exchange				
- realised	85,614	(10,777)	-	-
- unrealised	(269,205)	10,829	-	-
Interest income	(134,872)	(4,529)	(56,843)	-
Rental income	(3,000)	(250)	-	-
Gain on disposal of plant and equipment	(2,635,924)	(472,150)	-	-
Provision for doubtful debts written back	-	(6,000)	-	-
	<u>4,502,640</u>	<u>625,417</u>	<u>-</u>	<u>-</u>

## 7. Staff Costs

Staff costs consist of :-

Salaries, wages and bonuses	4,226,899	604,495	-	-
Employees' Provident Fund contributions	248,762	18,950	-	-
SOSCO contributions	26,979	1,972	-	-
	<u>4,502,640</u>	<u>625,417</u>	<u>-</u>	<u>-</u>

Included in staff costs of the Group are Executive Directors' remuneration amounting to RM912,420 (2002: RM170,980) as further disclosed in Note 8.

## 8. Directors' Remuneration

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM	2003 (12 months) RM	2002 (12 months) RM
<b>Directors of the Company</b>				
Executive:				
Fees	-	34,000	-	-
Salaries and other emoluments	789,120	106,080	-	-
	<u>789,120</u>	<u>140,080</u>	<u>-</u>	<u>-</u>
Non-Executive:				
Fees and allowances	21,200	1,500	21,200	1,500
	<u>21,200</u>	<u>1,500</u>	<u>21,200</u>	<u>1,500</u>
<b>Directors of Subsidiaries</b>				
Executive:				
Fees	-	7,500	-	-
Salaries and other emoluments	123,300	23,400	-	-
	<u>123,300</u>	<u>30,900</u>	<u>-</u>	<u>-</u>
Non-Executive:				
Fees	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>933,620</u>	<u>172,480</u>	<u>21,200</u>	<u>1,500</u>

The estimated monetary 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 RM15,141 (2002: Nil).

## 9. Finance Costs

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM	2003 (12 months) RM	2002 (12 months) RM
Interest on -				
Bank overdrafts	10,511	2,586	-	-
Trade loans	194,223	30,632	-	-
Revolving credit	853,540	113,896	-	-
Bank loans	995,328	99,129	-	-
Hire purchase	11,716	425	-	-
Others	27	42	-	-
	<u>2,065,345</u>	<u>246,710</u>	<u>-</u>	<u>-</u>

## 10. Taxation

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
Tax expense for the year/period:				
Malaysian income tax	719,056	266,113	1,691,024	-
Labuan Offshore Business Activity Tax	8,554	2,922	-	-
Foreign Tax	20,835	18,945	-	-
Malaysian Real Property Gain Tax	669	-	-	-
	<u>749,114</u>	<u>287,980</u>	<u>1,691,024</u>	<u>-</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 28)	1,387,306	268,487	-	-
	<u>1,387,306</u>	<u>268,487</u>	<u>-</u>	<u>-</u>
(Over)/Underprovision in prior year:				
Malaysian income tax	(1,215)	-	-	-
Malaysian Real Property Gain Tax	3,541	-	-	-
	<u>2,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,138,746</u>	<u>556,467</u>	<u>1,691,024</u>	<u>-</u>

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

	Group		Company	
	2003 (12 months) RM	2002 (1 month) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
Profit before taxation	15,859,291	3,586,579	5,966,670	67,678
Taxation at Malaysian statutory tax rate of 28%	4,440,601	1,004,242	1,670,668	18,950
Effect of income tax subject to tax rate of 20%	(16,000)	-	-	-
Effect of different tax rates in Indonesia and Labuan Offshore	(146,942)	(16,633)	-	-
Effect on tax exempt profit*	(1,907,192)	(434,592)	-	-
Income not subject to tax	(361,037)	-	-	(22,400)
Expenses not deductible for tax purposes	126,321	3,450	20,356	3,450
Underprovided in prior years	2,326	-	-	-
Malaysian Real Properties Gain Tax	669	-	-	-
Tax expense for the year/period	<u>2,138,746</u>	<u>556,467</u>	<u>1,691,024</u>	<u>-</u>

\*One of its subsidiary companies has been granted pioneer status under the Promotion of Investments Act, 1986 which exempts 85% of its statutory income from shipbuilding activity for a period of 5 years commencing from April 2000.

The income tax rate applicable to the first RM100,000 of two of the subsidiary companies chargeable income is reduced from 28% to 20%. This is in accordance to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967 where the first RM100,000 of the chargeable income of a small and medium scale company is subject to a lower tax rate of 20%.

## 10. Taxation (Cont'd)

	Group	Company		
	2003 (12 months) RM	2002 (1 month) RM	2003 (12 months) RM	2002 (12 months) RM
Tax losses are analysed as follows:				
Unutilised tax losses carried forward	74,330	-	-	-
Unabsorbed capital allowance are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of current year unabsorbed capital allowance	6,103,096	-	-	-
Utilisation of unabsorbed capital allowance brought forward from previous years	1,797,944	846,000	-	-
Unabsorbed capital allowances carried forward	1,767,534	3,197,000	-	-

## 11. Earnings Per Share

The basic and diluted earnings per share are calculated by dividing the Group's net profit for the year by weighted average number of ordinary shares in issue during the financial year held by the Company.

	Group	
	2003	2002 (Restated)
Net profit for the year/period (RM)	13,704,358	3,029,579
Weighted average number of ordinary shares in issue	59,330,137	4,543,936
Basic and diluted earnings per share (sen)	23.10	66.67

The comparative basic and diluted earnings per share have been restated to take into account the effect of the change in accounting policy as disclosed in Note 2(a) and Note 29 on net profit for that period.

## 12. Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003, of 8% less 28% taxation on 66,800,000 ordinary shares, amounting to a total dividend payable of RM3,847,680 (5.76 sen net per share) will be proposed for shareholders' approval. 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 shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

13. Property, Plant and Equipment - Group

	Leasehold land and buildings RM	Slipway RM	Tugboats, barges, heavy machinery and equipment RM	Motor vehicles RM	Telecom- munication and office equipment, furniture, fittings and renovation RM	Total RM
<b>Cost -</b>						
At 1 January 2003	7,526,419	10,564,932	63,570,578	754,634	979,198	83,395,761
Additions	70,923	40,168	5,466,864	28,000	205,180	5,811,135
Disposals	-	-	(4,460,528)	-	(20,872)	(4,481,400)
Scrapped	-	-	-	(19,485)	(673)	(20,158)
Exchange differences	-	-	226,348	2,671	893	229,912
At 31 December 2003	<u>7,597,342</u>	<u>10,605,100</u>	<u>64,803,262</u>	<u>765,820</u>	<u>1,163,726</u>	<u>84,935,250</u>
<b>Accumulated Depreciation -</b>						
At 1 January 2003	1,245,910	1,374,961	8,971,011	600,930	692,931	12,885,743
Charge for the year	276,242	534,991	3,728,478	53,521	118,423	4,711,655
Disposals	-	-	(780,791)	-	(1,651)	(782,442)
Scrapped	-	-	-	(19,484)	(84)	(19,568)
Exchange differences	-	-	21,740	1,202	312	23,254
At 31 December 2003	<u>1,522,152</u>	<u>1,909,952</u>	<u>11,940,438</u>	<u>636,169</u>	<u>809,931</u>	<u>16,818,642</u>
<b>Net Book Value -</b>						
At 31 December 2003	<u>6,075,190</u>	<u>8,695,148</u>	<u>52,862,824</u>	<u>129,651</u>	<u>353,795</u>	<u>68,116,608</u>
At 31 December 2002	<u>6,280,509</u>	<u>9,189,971</u>	<u>54,599,567</u>	<u>153,704</u>	<u>286,267</u>	<u>70,510,018</u>

13. **Property, Plant and Equipment - Group (Cont'd)**

Leasehold land and buildings comprise:

	Cost RM	Accumulated Depreciation RM	Net book value RM
<b>At 31 December 2003</b>			
Long leasehold land	3,605,344	-	3,605,344
Leasehold buildings	1,271,167	284,937	986,230
Buildings and workshops	2,720,831	1,237,215	1,483,616
	<u>7,597,342</u>	<u>1,522,152</u>	<u>6,075,190</u>
<b>At 31 December 2002</b>			
Long leasehold land	2,649,000	-	2,649,000
Leasehold buildings	1,271,167	259,514	1,011,653
Buildings and workshops	3,606,252	986,396	2,619,856
	<u>7,526,419</u>	<u>1,245,910</u>	<u>6,280,509</u>

(a) Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group	
	2003 RM	2002 RM
Heavy equipment	129,500	-
Motor vehicles	39,502	58,841
	<u>169,002</u>	<u>58,841</u>

(b) The net book value of property, plant and equipment pledged for borrowings as referred in Note 24 are as follows:

	Group	
	2003 RM	2002 RM
Long leasehold land and buildings	5,122,563	5,303,241
Slipway	8,695,148	9,189,972
Short leasehold buildings	761,922	782,147
Tugboats, barges, heavy machinery and equipment	24,813,561	19,307,842
Motor vehicles	84,618	127,677
Telecommunication and office equipments, furniture, fittings and renovation	174,020	133,358
	<u>39,651,832</u>	<u>34,844,237</u>

(c) One of the barges of the Group with net book value of RM534,743 (2002: RM572,995) is registered in the name of a third party and is in the process of being transferred to the Group.

(d) The financial impact of non-amortisation of the long leasehold land on the financial results as stated in Note 2(e)(i) is an increase in amortisation charge for the Group of RM37,820 (2002: RM37,139).

14. Investment in Subsidiaries

	Company	
	2003 RM	2002 RM
Unquoted shares in Malaysia - at cost	<u>61,394,898</u>	<u>61,394,898</u>

Details of the subsidiaries are as follows:

Subsidiary companies	Country of incorporation	Principal activities	Effective interest held by the Group	
			2003 %	2002 %
Bonafide Shipbuilders & Repairs Sdn. Bhd.	Malaysia	Fabrication and sale of marine transportation vessels and property letting	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 marine transportation vessels, provision of ship repairs and maintenance services and sub-contract services	100	100
Coastal Offshore (Labuan) Ptd Ltd	Malaysia, Labuan	Provision of bareboat chartering and leasing services to non-Malaysia residents	100	100
<b>Subsidiary company of Coastal Offshore (Labuan) Ptd Ltd</b>				
PT. Cosarana Marine #	Indonesia	Provision of tugboat and barge hiring services	95	95

# Audited by another firm of auditors.

#### 14. Investment in Subsidiaries (Cont'd)

The effects of the acquisitions of the subsidiary companies on the financial results of the Group at the end of the financial year ended 31 December 2002 were as follows:

	<b>Group 2002 RM</b>
Revenue	11,544,986
Operating costs	<u>(7,961,987)</u>
Profit before taxation	3,582,999
Taxation	<u>(540,565)</u>
Increase in net profit of the Group	<u>3,042,434</u>

The effects of the acquisitions of the subsidiary companies on the financial position of the Group as at the end of the financial year ended 31 December 2002 were as follows:

	<b>Group 2002 RM</b>
Property, plant and equipment	70,510,018
Trade receivables	13,357,608
Inventories	11,870,228
Tax refundable	172,807
Other receivables	10,722,449
Cash and bank balances	3,617,740
Other payables	(5,783,592)
Trade payables	(4,040,445)
Provision for taxation	(96,633)
Hire purchase creditors	(49,307)
Deferred taxation	(8,833,601)
Amount due to bankers	(31,079,224)
Amount due to directors	<u>(1,926,000)</u>
Increase in Group net assets	<u>58,442,048</u>

#### 15. Inventories

	<b>2003 RM</b>	<b>Group 2002 RM</b>
<b>At cost -</b>		
Input materials	6,112,876	3,284,836
Work-in-progress	8,263,965	7,069,830
Spare parts	58,275	65,693
Finished goods	-	1,449,869
	<u>14,435,116</u>	<u>11,870,228</u>

There were no inventories stated at net realisable value.

**16. Trade Receivables**

		<b>Group</b>	
		<b>2003 RM</b>	<b>2002 RM</b>
(a)	Receivable within 12 months	17,359,839	12,034,608
	Receivable after 12 months	9,781,709	1,323,000
		<u>27,141,548</u>	<u>13,357,608</u>
(b)	This is stated after providing for doubtful debts of	<u>3,060,618</u>	<u>2,916,138</u>
(c)	Bad debts written off against provision for doubtful debts	<u>44,333</u>	<u>-</u>

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

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**17. Other Receivables**

		<b>Group</b>		<b>Company</b>	
		<b>2003 RM</b>	<b>2002 RM</b>	<b>2003 RM</b>	<b>2002 RM</b>
(a)	Receivable within 12 months	12,014,189	9,989,858	2,400	704,486
	Receivable after 12 months	-	1,437,077	-	-
		<u>12,014,189</u>	<u>11,426,935</u>	<u>2,400</u>	<u>704,486</u>
(b)	This is stated after providing for doubtful debts of	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**18. Amounts Due from Subsidiaries**

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

**19. Fixed Deposits**

Fixed deposits of the Group amounting to RM57,000 (2002: Nil) are pledged to banks for the issuance of bank guarantees in favour of several third parties.

The weighted average effective interest rate of deposits at the balance sheet date was 2.2% and the average maturity of deposits as at 31 December 2003 is less than 30 days.

**20. Amount Due to A Subsidiary**

The amount due to a subsidiary was unsecured, interest free and had no fixed term of repayment.

**21. Amounts Due to Directors**

These amounts were unsecured, interest free and had no fixed term of repayment.

**22. Trade Payables**

Included in trade payables is an amount of RM77,905 (2002: RM18,902) due to Syarikat Guan Huat Trading, a partnership in which certain Directors and a substantial shareholder of the Company have interests.

The normal trade credit terms granted to the Group range from 30 to 90 days.

**23. Other Payables**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Payable within 12 months	4,251,310	5,756,736	154,830	221,661
Payable after 12 months	-	248,517	-	-
	<u>4,251,310</u>	<u>6,005,253</u>	<u>154,830</u>	<u>221,661</u>

Included in previous year's other payables of the Group was an amount of RM2,354,000 owed by a subsidiary company to Pang Fong Thau, a substantial shareholder and also the spouse of a Director of the Company. The amount was fully settled during the year.

**24. Borrowings**

	Group	
	2003 RM	2002 RM
<b>Short Term Borrowings</b>		
Secured:		
Bank overdraft	410,457	549,004
Trade loans	1,273,686	1,495,224
Revolving credits	5,056,000	15,000,000
Islamic bank loan	22,768	20,448
Bank loans	4,369,842	3,939,049
Hire purchase payables (Note 25)	69,436	21,920
	<u>11,202,189</u>	<u>21,025,645</u>
<b>Long Term Borrowings</b>		
Secured:		
Islamic bank loan	65,374	88,142
Bank loans	10,116,396	9,987,357
Hire purchase payables (Note 25)	70,232	27,387
	<u>10,252,002</u>	<u>10,102,886</u>

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

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
<b>Total Borrowings</b>		
Secured:		
Bank overdraft	410,457	549,004
Trade loans	1,273,686	1,495,224
Revolving credits	5,056,000	15,000,000
Islamic bank loan	88,142	108,590
Bank loans	14,486,238	13,926,406
Hire purchase payables (Note 25)	139,668	49,307
	<u>21,454,191</u>	<u>31,128,531</u>
<b>Maturity of borrowings (excluding hire purchase)</b>		
Within 1 year	11,132,753	21,003,725
More than 1 year and less than 2 years	3,148,071	4,009,603
More than 2 years and less than 5 years	4,654,486	5,510,977
5 years or more	2,379,213	554,919
	<u>21,314,523</u>	<u>31,079,224</u>

The weighted average effective interest rates or profit rate at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>%</b>	<b>%</b>
Bank overdrafts	8.00 - 8.50	7.75
Trade loans	8.02	8.02
Revolving credit	7.92	7.92
Islamic bank loan	10.50	10.50
Bank loans	6.25 - 8.17	7.45 - 9.30

Borrowings, excluding hire purchase payables, are secured by:

- (a) legal charges over certain assets of certain subsidiary companies as disclosed in Note 13 to the financial statements;
- (b) 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;
- (c) guarantees given by certain Directors of the Company and a director of certain subsidiary companies;
- (d) corporate guarantees issued by the Company and certain subsidiary companies; and
- (e) legal charge over all present and future fixed and floating assets of certain subsidiary companies.

**25. Hire Purchase Payables**

	<b>Group</b>	
	<b>2003 RM</b>	<b>2002 RM</b>
<b>Minimum hire purchase payments:-</b>		
- Not later than 1 year	79,152	25,764
- Later than 1 year and not later than 2 years	56,587	28,963
- Later than 2 years and not later than 5 years	17,796	-
	<u>153,535</u>	<u>54,727</u>
Less: Future finance charges	(13,867)	(5,420)
Present value of hire purchase liabilities	<u>139,668</u>	<u>49,307</u>
<b>Present value of hire purchase liabilities</b>		
- Not later than 1 year	69,436	21,920
- Later than 1 year and not later than 2 years	52,739	27,387
- Later than 2 years and not later than 5 years	17,493	-
	<u>139,668</u>	<u>49,307</u>
<b>Analysed as:</b>		
Due within 12 months	69,436	21,920
Due after 12 months	70,232	27,387
	<u>139,668</u>	<u>49,307</u>

The hire purchase liabilities bore interest at the balance sheet date of 4.8% - 5.9% (2002: 5.25% - 5.9%) per annum.

**26. Share Capital**

	<b>Company</b>	
	<b>2003 RM</b>	<b>2002 RM</b>
<b>Authorised:</b>		
Ordinary shares of RM1.00 each		
Balance at beginning of year	500,000,000	100,000
Created during the year	-	499,900,000
Balance at end of year	<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of RM1.00 each		
Balance at beginning of year	53,500,000	100
Issue of shares for:		
- acquisition of subsidiary companies	-	53,499,900
- cash	13,300,000	-
Balance at end of year	<u>66,800,000</u>	<u>53,500,000</u>

## 26. Share Capital (Cont'd)

During the financial year, pursuant to the listing exercise, the Company increased its issued and paid-up share capital from RM53,500,000 to RM66,800,000 by the allotment of 13,300,000 ordinary shares of RM1.00 each at a premium of RM0.60 per share for cash.

The newly issued shares rank pari passu in all respects with the existing shares.

## 27. Reserves

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Non distributable:				
Share premium	9,850,663	4,498,786	9,850,663	4,498,786
Currency translation reserve	48,144	5,505	-	-
	<u>9,898,807</u>	<u>4,504,291</u>	<u>9,850,663</u>	<u>4,498,786</u>
(b) Distributable:				
Retained profits	16,724,878	3,020,520	4,334,265	58,619
	<u>26,623,685</u>	<u>7,524,811</u>	<u>14,184,928</u>	<u>4,557,405</u>

Based on the balance of estimated tax credits available and prevailing tax rate applicable to dividends, the retained profits of the Company amounting to RM4,320,000 (2002: Nil) are available for distribution by way of dividends without incurring additional tax liability. Any distribution in excess of this amount would be subject to a tax charge of 28% on the excess gross amount of the dividend declared.

## 28. Deferred Tax

	2003 RM	Group 2002 RM (Restated)
At 1 January, as previously stated	65,400	-
Prior year adjustment (Note 29)	9,036,688	-
At 1 January, as restated	9,102,088	-
Recognised in the income statement (Note 10)	1,387,306	268,487
Acquisition of subsidiaries	-	8,833,601
At 31 December	<u>10,489,394</u>	<u>9,102,088</u>
Presented after offsetting:		
Deferred tax assets	(879,343)	(942,131)
Deferred tax liabilities	11,368,737	10,044,219
	<u>10,489,394</u>	<u>9,102,088</u>

## 28. Deferred Tax (Cont'd)

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

### Deferred tax liabilities:

Group	Accelerated Capital Allowances RM	Fair Value Adjustment RM	Trade Receivables RM	Total RM
At 1 January 2003	9,227,746	1,573,061	(756,588)	10,044,219
Recognised in the income statement	1,394,358	(49,656)	(20,184)	1,324,518
At 31 December 2003	<u>10,622,104</u>	<u>1,523,405</u>	<u>(776,772)</u>	<u>11,368,737</u>

### Deferred Tax Assets:

Group	Tax losses and Unabsorbed Capital Allowances RM	Deferred Income RM	Total RM
At 1 January 2003	(942,131)	-	(942,131)
Recognised in the income statement	418,739	(355,951)	62,788
At 31 December 2003	<u>(523,392)</u>	<u>(355,951)</u>	<u>(879,343)</u>

## 29. Change in Accounting Policy and Prior Year Adjustment

### (a) Change in Accounting Policy

During the financial year, the Group applied three new MASB standards, which became effective from 1 January 2003, and accordingly modified certain accounting policies. The change in accounting policy which resulted in prior year adjustment is discussed below:

#### MASB 25: Income taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences except where it was thought reasonably probable that the tax effects of such deferrals would continue in the foreseeable future. In addition, the Group have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, no deferred tax assets were recognised in respect of unutilised tax losses and timing differences unless it could be demonstrated that these benefits could be realised in the foreseeable future.

29. **Change in Accounting Policy and Prior Year Adjustment (Cont'd)**

(b) **Prior Year Adjustment**

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows:

	2003 (12 months) RM	Group 2002 (1 month) RM
<b>Effect on retained profits/ (accumulated losses):</b>		
At 1 January, as previously stated	3,289,007	(9,059)
Effect of adopting MASB 25	(268,487)	-
At 1 January, as restated	<u>3,020,520</u>	<u>(9,059)</u>
<b>Effect on net profit for the year:</b>		
Net profit before change in accounting policy	15,091,664	3,298,066
Effect of adopting MASB 25	(1,387,306)	(268,487)
Net profit for the year/period	<u>13,704,358</u>	<u>3,029,579</u>

Comparatives amounts as at 31 December 2002 have been restated as follows:

Group	Previously stated RM	Adjustment RM	Restated RM
(Negative goodwill)/goodwill on consolidation	(6,365,903)	8,768,201	2,402,298
Retained profits	3,289,007	(268,487)	3,020,520
Deferred tax liabilities	65,400	9,036,688	9,102,088

30. **Notes to Cash Flow Statements**

(i) **Cash and Cash Equivalents**

	2003 RM	Group 2002 RM	2003 RM	Company 2002 RM
Fixed deposits	2,524,194	-	2,524,194	-
Fixed deposits pledged	57,000	-	-	-
Cash and bank balances	6,028,817	3,617,740	11,417	-
Bank overdrafts (Note 24)	(410,457)	(549,004)	-	-
	<u>8,199,554</u>	<u>3,068,736</u>	<u>2,535,611</u>	<u>-</u>

**30. Notes to Cash Flow Statements (Cont'd)**

(ii) During the year, the Group acquired property, plant and equipment totalling RM5,811,135 (2002: RM917,184).

	<b>2003</b> <b>(12 months)</b> <b>RM</b>	<b>Group</b> <b>2002</b> <b>(1 month)</b> <b>RM</b>
Heavy equipment acquired under hire purchase arrangement	140,000	-
Cash payments	5,671,135	917,184
	<u>5,811,135</u>	<u>917,184</u>

**(iii) Acquisition of Subsidiary Companies**

The fair values of assets and liabilities assumed at the end of the financial year ended 31 December 2002 were as follows:

	<b>2002</b> <b>RM</b>
Property, plant and equipment	72,861,155
Inventories	17,193,624
Receivables	17,222,654
Income tax refundable	352,307
Cash and bank balances	1,815,014
Amount due to directors	(1,926,000)
Amount due to bankers	(30,887,912)
Payables	(8,408,403)
Hire purchase creditors	(51,030)
Provision for taxation	(41,270)
Deferred taxation	(8,833,601)
Bank overdraft	(270,756)
	<u>59,025,782</u>
Less: Minority interest	(33,182)
	<u>58,992,600</u>
Add: Goodwill on consolidation	2,402,298
	<u>61,394,898</u>
Total purchase consideration	61,394,898
Less: Amount discharged by issuance of shares	(57,998,686)
	<u>3,396,212</u>
Purchase consideration discharged by cash	<u>3,396,212</u>
	<u>3,396,212</u>
Cash and cash equivalents acquired from subsidiary companies	
- Cash and bank balances	1,815,014
- Bank overdrafts	(270,756)
	<u>1,544,258</u>
	<u>1,544,258</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>1,851,954</u>

**31. Capital Commitments**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Future capital expenditure:				
Approved but not contracted for:-				
- Acquisition of plant and equipment	500,000	-	-	-
- Construction of shielded factory	1,942,333	-	-	-
	<u>2,442,333</u>	<u>-</u>	<u>-</u>	<u>-</u>

**32. Contingent Liabilities**

	Company	
	2003 RM	2002 RM
Unsecured		
Corporate guarantees given to banks to secure credit facilities granted to its subsidiaries	<u>20,400,000</u>	<u>-</u>

**33. Significant Related Party Transactions**

Group	2003 (12 months) RM	2002 (1 month) RM
Acquisition of one unit of motor vehicle from Ng Chui Lai, a sister of Ng Chin Heng, Ng Chin Shin, Ng Chin Keuan, Ng Chin Hong and Ng Chin Kok	<u>28,000</u>	<u>-</u>
Purchase of fuel and oil from Syarikat Guan Huat Trading*	<u>454,181</u>	<u>18,902</u>
Sub-contract fees charged from Asiapride Sdn. Bhd.**	<u>16,900</u>	<u>-</u>
Hiring of motor vehicle charged from Top Pride Sdn. Bhd.*	<u>9,600</u>	<u>-</u>
Settlement of advances due to certain Directors and a substantial shareholder of the Company		
- Pang Fong Thau	2,354,000	-
- Ng Chin Heng	1,284,000	-
- Ng Chin Shin	<u>642,000</u>	<u>-</u>

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

\*\*A company in which Ng Chin Heng, Pang Fong Thau and Ng Chin Kok have interests.

### 33. Significant Related Party Transactions (Cont'd)

	2003 RM	2002 RM
Dividends received from subsidiary companies		
- Seri Modalwan Sdn. Bhd.	6,000,000	-
- Coastway Transport Sdn. Bhd.	-	80,000
	<u>                    </u>	<u>                    </u>

All non-trade transactions have been fully settled as at 31 December. The outstanding balance of trade transactions is disclosed in Note 22 to the financial statements.

The Directors are of the opinion that the related party transactions were entered into the normal course of business on terms mutually agreed between the respective parties.

### 34. Fair Values

The net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Company as at the end of the financial year is represented as follows:

		2003		2002	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Values RM
<b>Financial Assets</b>					
Amounts due from subsidiaries	18	17,217,873	-	-	-
<b>Financial Liabilities</b>					
Amount due to a subsidiary company	20	-	-	3,820,318	-
<b>Contingent Liabilities</b>	32	<u>20,400,000</u>	<u>4,650,000</u>	<u>-</u>	<u>-</u>

It is not practical to estimate the fair values of amounts due from/to subsidiary companies due principally to a lack of fixed repayment term entered by the parties involved. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

**(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings**

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

**(ii) Borrowings**

The fair value of borrowings is estimated to approximate the carrying amount.

### 35. Segmental Information

(i) *The Business Segment*

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.

#### 2003

	<b>Vessels manufacturing and repairing services RM</b>	<b>Vessels chartering and equipment hire RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b>Revenue</b>				
External sales	39,935,166	16,509,581	-	56,444,747
Inter-segment sales	7,050,268	362,881	(7,413,149)	-
	<u>46,985,434</u>	<u>16,872,462</u>	<u>(7,413,149)</u>	<u>56,444,747</u>
<b>Results</b>				
Segment results	8,402,103	9,477,834	-	17,879,937
Unallocated corporate expenses				(90,173)
Interest income				134,872
Finance costs				(2,065,345)
Taxation				<u>15,859,291</u> (2,138,746)
Gain from ordinary activities				13,720,545
Minority interest				(16,187)
Net profit for the financial year				<u>13,704,358</u>

35. **Segmental Information (Cont'd)**

(i) *The Business Segment (Cont'd)*

2003

	<b>Vessels manufacturing and repairing services RM</b>	<b>Vessels chartering and equipment hire RM</b>	<b>Consolidated RM</b>
<b>Segment assets and liabilities</b>			
Segment assets	63,294,124	66,872,634	130,166,758
Unallocated corporate assets			2,765,424
Consolidated total assets			<u>132,932,182</u>
Segment liabilities	5,895,836	1,175,787	7,071,623
Unallocated corporate liabilities			32,384,700
Consolidated total liabilities			<u>39,456,323</u>
<b>Other information</b>			
Capital expenditure	378,880	5,432,255	5,811,135
Depreciation	1,130,422	3,581,233	4,711,655
Non-cash expense other than depreciation	-	161,043	161,043

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

(i) *The Business Segment (Cont'd)*

**2002**

	Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Elimination RM	Consolidated RM
<b>Revenue</b>				
External sales	10,252,955	1,292,031	-	11,544,986
Inter-segment sales	42,100	5,800	(47,900)	-
	<u>10,295,055</u>	<u>1,297,831</u>	<u>(47,900)</u>	<u>11,544,986</u>
<b>Results</b>				
Segment results (External)	3,081,494	821,765	(62,177)	3,841,082
Unallocated corporate expenses				(12,322)
Interest income				4,529
Finance costs				(246,710)
				<u>3,586,579</u>
Taxation				(556,467)
Gain from ordinary activities				3,030,112
Minority interest				(533)
				<u>3,029,579</u>
<b>2002</b>				
		Vessels manufacturing and repairing services RM	Vessels chartering and equipment hire RM	Consolidated RM
<b>Segment assets and liabilities</b>				
Segment assets		41,555,225	70,925,117	112,480,342
Unallocated corporate assets				877,292
Consolidated total assets				<u>113,357,634</u>
Segment liabilities		5,758,791	1,711,246	7,470,037
Unallocated corporate liability				44,828,913
Consolidated total liabilities				<u>52,298,950</u>
<b>Other information</b>				
Capital expenditure		902,364	14,820	917,184
Depreciation		74,804	294,085	368,889
Non-cash expense other than depreciation		<u>37,707</u>	<u>-</u>	<u>37,707</u>

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

#### (ii) Geographical Segments

In determining the geographical segments of the Group, revenue is based on the geographical location of production or service facilities. Total assets and capital expenditure are based on the geographical location of assets.

	Revenue RM	Segment assets RM	Capital expenditure RM
<b>2003</b>			
Malaysia	48,306,466	96,821,624	1,718,373
Indonesia	8,138,281	33,345,134	4,092,762
	<u>56,444,747</u>	<u>130,166,758</u>	<u>5,811,135</u>
<b>2002</b>			
Malaysia	10,825,205	41,555,225	917,184
Indonesia	719,781	70,925,117	-
	<u>11,544,986</u>	<u>112,480,342</u>	<u>917,184</u>

### 36. Comparative Figures

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 2(a) and Note 29.

## LIST OF PROPERTIES IN THE GROUP

Property / Location address	Age of buildings	Tenure/ Expiry date	Description/ existing use	Land Area/ Built-up area	Purchase price (RM)/ Date of purchase	Market Value / Valuation date (RM)	Net book value (31/12/03) (RM)
CL 075350846 / CL 075359527 Off Mile 9, Sungai Seguntor Labuk Road, WDT 259 90009 Sandakan, Sabah	1 to 16 years	99 years / 31 December 2073 & 99 years / 31 December 2077	Vessel dockyard facility	8.26 acres and 9.40 acres respectively / 76,348.43 sq ft	11,296,433 / 24 April 1990	11,223,000 /1 1 May 2001	8,386,433
1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin Mile 1 1/2, Leila Road Sandakan, Sabah	17 years since 1987	999 years / 15 December 2910	1 unit residential flat	1.027 acres / 900 sq ft	29,250 / 14 December 1995	35,000 / 11 May 2001	25,189
1/2 undivided share of TL077534313 Lot 3A , Block G, Bandar Leila Jalan Leila Sandakan, Sabah	20 years since 1984	999 years / 5 Feb 2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	167,180 / 6 August 1997	200,000 / 11 May 2001	213,500
1/2 undivided share of TL077534313 Lot No. 3B Block G Bandar Leila, Jalan Leila Sandakan, Sabah	20 years since 1984	999 years / 5 Feb 2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	167,188 / 6 August 1988	200,000 / 11 May 2001	109,457
1/2 undivided share of TL077534304 Lot 4A, Block G Bandar Leila, Jalan Leila Sandakan, Sabah	20 years since 1984	999 years / 5 Feb 2888	1 unit double storey terrace workshop cum office	1,685 sq ft / 1,104.5 sq ft	167,188 / 20 April 1991	200,000 / 11 May 2001	113,201
4/11 undivided share of CL075212421 Lot No. 2 & 3, Mile 3, Labuk Road Sandakan, Sabah	35 years since 1969	999 years / 8 Jan 2882	2 units warehouse building	1.093 acres / 4,000 sq ft	334,375 / 1 June 1984	400,000 / 11 May 2001	423,166

## SHAREHOLDING STATISTICS

### Statistics on Ordinary Shareholdings as at 10 May 2004

<b>Authorised Share Capital</b>	RM500,000,000
<b>Issued and Paid-up Share Capital</b>	RM66,800,000
<b>Type of Shares</b>	Ordinary Shares of RM1.00 each
<b>Voting Rights</b>	One vote per ordinary share

### Analysis of Shareholdings

Size of Holdings	No. of holders	No. of Shares	%
Less than 100	2	100	0.00
100 to 1,000	292	273,400	0.41
1,001 to 10,000	227	852,900	1.27
10,001 to 100,000	58	2,450,600	3.67
100,001 to less than 5% of issued shares	44	27,500,200	41.17
5% and above of issued shares	5	35,722,800	53.48
<b>Total</b>	<b>628</b>	<b>66,800,000</b>	<b>100.00</b>

### List of Thirty Largest Securities Accounts Holders

No.	Name	No. of Shares	%
1.	IVORY ASIA SDN BHD	12,711,999	19.03
2.	IVORY ASIA SDN BHD	10,000,000	14.97
3.	PANG FONG THAU	4,750,000	7.11
4.	PANG FONG THAU	4,500,000	6.74
5.	PANG FONG THAU	3,760,801	5.63
6.	BHLB TRUSTEE BERHAD PRUGROWTH FUND	2,025,400	3.03
7.	PANG FONG THAU	2,000,000	2.99
8.	ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	1,667,800	2.50
9.	ALLIANZ GENERAL INSURANCE MALAYSIA BERHAD	1,507,000	2.26
10.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	1,280,600	1.92
11.	NG CHIN KEUAN	1,155,640	1.73
12.	NG CHIN SHIN	1,155,640	1.73
13.	NG CHIN KOK	1,155,640	1.73
14.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRUDENTIAL DYNAMIC FUND (4496)	1,064,600	1.59
15.	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR BALANCED RETURNS FUND (N14011980060)	1,000,000	1.50
16.	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR FUTURE GOALS FUND (N14011980050)	1,000,000	1.50
17.	BHLB TRUSTEE BERHAD PRUSMALL - CAP FUND	858,000	1.28
18.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)	673,300	1.01
19.	BHLB TRUSTEE BERHAD TA SMALL CAP FUND	622,100	0.93
20.	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIAN TRUSTEES BERHAD FOR MAYBAN SMALLCAP TRUST FUND (240165)	600,000	0.90
21.	ONG SENG HENG	588,200	0.88
22.	NG CHIN HENG	560,000	0.84
23.	NG CHIN HENG	550,000	0.82
24.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRUDENTIAL DANA AL-ILHAM (4173)	549,000	0.82
25.	MALAYSIAN TRUSTEES BERHAD PACIFICMAS ASSET MANAGEMENT SDN BHD FOR GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	535,000	0.80
26.	ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	501,100	0.75
27.	NG CHIN HENG	500,280	0.75
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR PANG FONG THAU (PB)	500,000	0.75

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

No.	Name	No. of Shares	%
29.	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR AVENUE SYARIAH EXTRA FUND (N14011960240)	500,000	0.75
30.	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET AUSTRALIA FUND UAJB FOR UNIFUND (BTSL AS TRUSTEE)	480,000	0.72

**Substantial Shareholders**

No	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1.	IVORY ASIA SDN BHD	22,711,999	0	34.00	0.00
2.	PANG FONG THAU	15,510,801	*24,322,279	23.22	36.41
3.	PRUDENTIAL UNIT TRUSTS BERHAD	0	4,904,300	0	7.34
4.	NG CHIN HENG	1,610,280	**38,222,800	2.41	57.22

**Directors' Shareholdings**

No	Name	No. of Shares held		% of Issued Share Capital	
		Direct	Indirect	Direct	Indirect
1	NG CHIN HENG	1,610,280	**38,222,800	2.41	57.22
2	NG CHIN SHIN	1,155,640	0	1.73	0.00
3	NG CHIN KEUAN	1,155,640	0	1.73	0.00
4	KWAN CHEONG KAW @ KUAN YEEK CHIEU	6,000	0	0.01	0.01
5	LOH THIAN SANG @ LO THIAN SIANG	0	0	0.00	0.00

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

\*\* Deemed interests by virtue of shareholdings of wife, Madam Pang Fong Thau and Ivory Asia Sdn Bhd in the Company.



**COASTAL CONTRACTS BERHAD**  
(Company No. 517649-A)

**FORM OF PROXY**

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of Coastal Contracts Berhad., hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him, \_\_\_\_\_  
of \_\_\_\_\_  
or failing him the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company, to be held at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on 29 June 2004 at 10.00 am or 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 Directors' Report and Audited Financial Statements for the financial year ended 31 December 2003.		
2.	To declare a first and final dividend of 8 sen per share less tax for the financial year ended 31 December 2003.		
3.	To approve the payment of Directors' fee for the financial year ended 31 December 2003.		
4.	To re-elect Mr Ng Chin Shin as Director.		
5.	To re-elect Mr Ng Chin Kuan as Director.		
6.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.		
7.	Authority to issue shares pursuant to Section 132D, 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 \_\_\_\_\_ 2004

No. of shares held	
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\_\_\_\_\_  
Signature(s) of Member(s)

**Notes:**

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy 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 without limitation 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 or more to attend and vote at the same Meeting, he shall specify the proportions of his shareholdings 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, W.D.T 259, 90009 Sandakan, Sabah, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

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**Coastal Contracts Berhad** (Company No.517649-A)  
Block G, Lot 3B, Bandar Leila,  
W.D.T. No.259,90009 Sandakan, Sabah.

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