

9 APPROVALS AND CONDITIONS

9.1 Restructuring and Flotation Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Coastal on the Main Board of the KLSE, the Company undertook a restructuring scheme that involved the following:-

9.1.1 Proposed Incorporation of Revaluation Surplus

In conjunction with the proposed listing of Coastal, the listing group undertook a revaluation exercise on its assets, which resulted in a revaluation surplus of RM5,725,259. The aggregate NTA of the respective companies in the listing group as at 31 December 2001 will be increased from RM52,273,427 to RM57,998,686 after incorporating the revaluation surplus of RM5,725,259. A summary of the revaluation is as follows:-

Registered Owner	Property / Location Address	Net Book Value (31/12/2001) (RM)	Market Value / Valuation Date (RM)	Valuation Surplus/ (Deficit) (RM)
BSR	CL 075350846 & CL 075359527	983,524	2,649,000	1,665,476
BSR	Workshop	44,260	990,000	945,740
SM	Workshop and generator room	1,034,738	1,651,000	616,262
SM	Slipway and other buildings	3,539,011	5,933,000	2,393,989
SM	1/50 undivided share of TL077508886	26,415	35,000	8,585
CTS	4/11 undivided share of CL075212421	446,675	400,000	(46,675)
CTS	TL077534313	338,798	400,000	61,202
CTS	1/2 undivided share of TL077534304	119,320	200,000	80,680
		6,532,741	12,258,000	5,725,259

9.1.2 Interim Dividend, Clearing of Balances and Disposal of Non-Operational Assets

As part of Coastal's listing proposal, Coastal has undertaken the following:-

- Settlement of all amounts payable to and by the directors or companies in which the directors have an interest, totalling RM3.5 million and RM2.3 million respectively as at 31 December 2001, including dividend totalling RM3.0 million declared in the financial year ended 31 December 2001. Amounts outstanding were settled on 30 October 2002;
- BSR, CTS and SM had on 29 November 2002 disposed of properties not employed in the operations of the Coastal Group to Top Pride Sdn Bhd, a private limited company related to the directors and promoters, for a cash consideration based on their respective net book value, details of which are as set out below:-

	Consideration RM	Land Title No.
BSR	12,175	CL075350837
SM	146,122	Land and other buildings
CTS	498,179	CL075330620, CL075330639 and PTD55906.
Total	656,476	

9.1.3 Acquisitions of BSR, CW, CTS and SM For Shares

Pursuant to the Share Sale Agreement dated 10 April 2002, Coastal had on 21 November 2002 acquired the entire issued and paid-up capital of BSR, CW, CTS and SM for a total purchase consideration of RM57,998,686 based on the audited NTA of the respective companies as at 31 December 2001 adjusted for the revaluation surplus, to be satisfied in full by the issuance of 53,499,900 new shares RM1.00 each in the Coastal at an issue price of approximately RM1.08 per Share as follows:-

Vendors	Adjusted NTA as at 31.12.2001*	% Acquired	Purchase consideration	No. of Coastal Shares issued
BSR				
Pang Fong Thau	5,224,779	50.0	5,224,779	4,819,508
Ng Chin Heng	5,224,778	50.0	5,224,778	4,819,508
	<u>10,449,557</u>	<u>100.0</u>	<u>10,449,557</u>	<u>9,639,016</u>
CW				
Pang Fong Thau	3,065,424	52.5	3,065,424	2,827,647
Ng Chin Heng	2,773,478	47.5	2,773,478	2,558,348
	<u>5,838,902</u>	<u>100.0</u>	<u>5,838,902</u>	<u>5,385,995</u>
CTS				
Pang Fong Thau	6,382,514	30.0	6,382,514	5,887,441
Ng Chin Heng	5,318,762	25.0	5,318,762	4,906,201
Ng Chin Shin	3,191,257	15.0	3,191,257	2,943,721
Ng Chin Kok	3,191,257	15.0	3,191,257	2,943,721
Ng Chin Keuan	3,191,257	15.0	3,191,257	2,943,721
	<u>21,275,047</u>	<u>100.0</u>	<u>21,275,047</u>	<u>19,624,805</u>
SM				
Pang Fong Thau	11,239,349	55.0	11,239,349	10,367,546
Ng Chin Heng	6,130,554	30.0	6,130,554	5,655,025
Ng Chin Shin	3,065,277	15.0	3,065,277	2,827,513
	<u>20,435,180</u>	<u>100.0</u>	<u>20,435,180</u>	<u>18,850,084</u>
TOTAL	57,998,686	100.0	57,998,686	53,499,900

* adjusted for revaluation surplus as detailed in section 9.1.1 above and RM900,000

The above acquisitions were completed on 21 November 2002.

17,939,082 new Shares, 5,771,234 new Shares, 2,943,721 new Shares and 2,943,721 new Shares had been issued to Ng Chin Heng, Ng Chin Shin, Ng Chin Kok and Ng Chin Keuan respectively pursuant to the Acquisitions. As at 17 June 2003, the latest practicable date prior to the printing of this Prospectus, they are still the registered holders of the said Shares. However, a certain portion of these Shares amounting to 1,136,350 and 22,711,999 will be transferred to Mdm Pang Fong Thau and Ivory Asia respectively, an investment holding company, prior to the listing of the Company on the Main Board of the KLSE.

9.1.4 Transfer of COL to Coastal

Subsequent to the completion of the Acquisitions, COL was transferred from CTS to Coastal and became a direct subsidiary of Coastal. The consideration of USD893,740 was based on the NTA of COL at the date of transfer on 29 November 2002.

9.1.5 Public Issue/Private Placement and Proposed Offer for Sale

Upon completion of the above, the Company proposes a Public Issue/Private Placement of 13,300,000 new ordinary shares of RM1.00 each (representing 19.91% of the enlarged share capital) at an issue price of RM1.60 per new ordinary share to the public thereby increasing the Company's issued and paid-up share capital to RM66,800,000.

Simultaneously, some of the promoters of the Coastal Group also propose to offer for sale 3,600,000 ordinary shares of RM1.00 each in the Coastal (representing 5.39% of the enlarged share capital) at an offer price of RM1.60 per ordinary share to selected public investors. Any shares not taken up by identified investors will be made available for subscription by the public.

Both the Proposed Public Issue/Private Placement and Proposed Offer for Sale totalling 16,900,000 shares represents 25.3% of the enlarged share capital of RM66,800,000. Upon acceptance, the 13,300,000 Public Issue Shares and 3,600,000 Offer Share will be allotted or allocated in the following manner:-

- i) 10,830,000 of the IPO Shares will be made available for application by the public, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;
- ii) 5,500,000 of the IPO Shares will be made available for placement to selected investors; and
- iii) 570,000 of the IPO Shares have been reserved for eligible Directors and employees of the Coastal Group.

9.1.6 Proposed Listing

Upon completion of the above-mentioned proposals, the Coastal Group will seek the listing of and quotation for its enlarged share capital of 66,800,000 ordinary shares of RM1.00 each on the Main Board of the KLSE.

9.2 Conditions of Approval

SC on 29 August 2002, MITI on 20 June 2002 and FIC on 20 May 2002 had approved the listing of Coastal. The SC had vide letters dated 17 March 2003 approved an extension of time for Coastal to implement the Listing Proposals. On 12 May 2003, the SC approved the waiver of from the full payment of the land premium and conversion of the ownership title of the land to industrial use and on 13 June 2003, the SC had approved the payment of a dividend amounting to RM4.28 million by SM for the financial year ended 31 December 2002. Further, on 18 June 2003, the SC had approved a waiver application by Coastal for the non provision of debts owing for more than 6 months amounting to RM0.158 million.

The approvals from the aforesaid authorities were subjected to, inter alia, the following conditions:-

Authority	Details of Conditions Imposed	Status on Compliance
SC (vide letter dated 29 August 2002)	<p><i>Utilisation of Proceeds</i></p> <p>1. Approval from the SC must be obtained for any change in the utilisation of the proceeds from the Public Offer/Private Placement if the revision entails utilisation other than for the core business of Coastal.</p>	Will be complied (if applicable)

Authority	Details of Conditions Imposed	Status on Compliance
2.	Shareholders' approval must be obtained for utilisation of the proceeds from the Public Offer/Private Placement and also any change of 25% or more from the initial intended utilisation of the proceeds. Appropriate disclosures must be made for any change less than 25% to the shareholders of Coastal.	Will be complied (if applicable)
3.	Any extension of the initial utilisation period of the Public Offer/Private Placement must be approved by the Board of Directors resolution and fully disclosed to the KLSE; and	Will be complied (if applicable)
4.	Appropriate disclosures on the status of utilisation of the proceeds from the issue must be made in both the Quarterly and Annual Report of Coastal until such time as the proceeds from the issue has been fully utilised.	To be disclosed until such time of full utilisation.
	<i>General</i>	
1.	Coastal is disallowed from engaging in new business activities not being part of its core business for a period of 3 years after the date of listing as stipulated under paragraph 10.17 of Policies and Guidelines on Issue/Offer of Securities (Guidelines).	Will be complied.
2.	The promoters, directors and substantial shareholders are prohibited from engaging in businesses in direct competition or otherwise, and in conflict with the businesses of Coastal, in the future.	Will be complied
3.	The fulltime directors and substantial shareholders of Coastal are prohibited from involving themselves fulltime in their private businesses.	Complied.
4.	Any transactions between the Coastal Group and companies wherein the promoters, directors and substantial shareholders of Coastal have interests must be made on arm's length and is not based on special terms dissimilar to normal commercial terms at the expense of the Coastal Group. In relation to this, the Audit Committee of Coastal is obliged to observe and the directors of Coastal are required to report such transactions in the annual report of Coastal.	Complied.
5.	Coastal must adhere to the following conditions in relation to trade receivable:- <ul style="list-style-type: none"> Full disclosure must be made in the prospectus on the total trade receivable, ageing analysis on the amount owing by the same trade receivable and comments/statements by the directors of Coastal on the recoverability of the amounts exceeding the credit period; 	Complied. Details are disclosed in section 10.4

Authority	Details of Conditions Imposed	Status on Compliance
	<ul style="list-style-type: none"> Provision must be made for trade debtors exceeding the credit period, wherein uncertainties/conflicts concerning the amount owing, under legal proceedings or those that have exceeded 6 months; and 	<p>Complied. The provision for trade debtors was made in the financial year ended 31 December 2002 save for those where the amount owing has been cleared post year end and an amount of RM0.158 million where the SC had on 18 June 2003 approved a waiver application by Coastal for non provision as the ownership of the vessel still lies with Coastal Group.</p>
	<ul style="list-style-type: none"> The directors of Coastal are to submit a written confirmation that trade debtor amounts exceeding the credit period are recoverable and full provision have been made for doubtful and bad debts in its financial statements and forecast/projections; 	<p>Complied. The confirmation letter dated 17 February 2003 was submitted to the SC on 24 April 2003.</p>
6.	<p>AmMerchant Bank/Coastal must comply to the conditions as set out below, for Public Issue Shares allocated for Private Placement and Offer Shares offered to selected investors:-</p>	
	<ul style="list-style-type: none"> Placement/Offer for Sale of Coastal Shares must be made through an independent placement agent (merchant banks or stockbroking firms), and the public investors must be identified and nominated by the independent placement agent; 	To be complied.
	<ul style="list-style-type: none"> At least 30% of the Coastal Shares under the Private placement/Offer Shares must be allocated, to the extent possible, to Bumiputera investors; and 	To be complied.
	<ul style="list-style-type: none"> The advisors or independent placement agent, whomsoever is applicable, must submit the final list of investors for the SC's attention and a written confirmation that the Private Placement/Offer for Sale have complied with the requirements of the Guidelines after its implementation; 	To be complied.
7.	<p>At least 2,000,000 Public Issue Shares of Coastal (which represents par value of RM2 million) must be allotted to the public through the process of balloting;</p>	Complied.

Authority	Details of Conditions Imposed	Status on Compliance
8.	<p>AmMerchant Bank/Coastal must comply with the following conditions in relation to property under the Group before the prospectus is issued:-</p> <ul style="list-style-type: none"> • Disbursement of premium and change of ownership to industrial use for lands under CL 075359527 and CL075350846; and 	<p>To be complied. Coastal has appealed against the imposition of this condition and the SC had, vide its letter dated 12 May 2003, approved the appeal subject to conditions as disclosed below:-</p> <ol style="list-style-type: none"> 1. that Coastal undertakes to obtain the draft ownership of the lands approved for industrial use, on a best effort basis, within 12 months from the date of approval (Letter of undertaking dated 19 May 2003 was submitted to the SC on 10 June 2003, and 2. that Coastal updates the SC on the status of the change of ownership on a monthly basis.
	<ul style="list-style-type: none"> • Rectification of uncertified structures for properties under TL 077534313 and TL 077534304; 	Complied
9.	<p>Detailed disclosure must be made in the prospectus for the following:-</p>	
	<ul style="list-style-type: none"> • Risk management plan of Coastal to overcome operational risks of the business of Coastal, including fire risks and other risks that could disrupt the operation of the Coastal group; 	Complied. Please refer to sec. 4 "Risk Factors".
	<ul style="list-style-type: none"> • Management Succession Plan of Coastal. In connection to this, Coastal is required to formulate the management succession plan before the prospectus is issued. 	Complied. Please refer to sec. 7.6.
	<ul style="list-style-type: none"> • Marketing approach of the business and products of Coastal; and 	Complied. Please refer to sec. 5.2 & 5.5.
	<ul style="list-style-type: none"> • All interest, involvement and transactions between the Coastal Group and companies related to the promoters/directors and substantial shareholders. 	Complied. Please refer to sec. 7.11 and 7.12.
10.	<p>AmMerchant Bank/Coastal must at all times adhere to full compliance with other requirements in relation to listing of companies as stipulated under the Guidelines.</p>	To be complied.

Authority	Details of Conditions Imposed	Status on Compliance
	11. Coastal and other parties concerned are to give a written confirmation on compliance with all the terms and conditions of approval for the proposed listing at the end of every financial year until such time of completion of the proposal and all conditions in the preceding paragraphs have been fully complied.	To be complied.
<i>MITI</i>	1. The equity condition on the manufacturing license to be amended as follows:- At least 70% of the Shares in BSR is to be held by Malaysian citizen(s) with no less than 30% being reserved for Bumiputera shareholders.	Complied.
<i>FIC</i>	No condition was imposed.	-

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10 FINANCIAL INFORMATION

10.1 Profit and Dividend Record

Coastal was incorporated on 21 June 2000 and has been dormant prior to the Acquisitions. As such, it does not have any profit or dividend records.

A summary of the consolidated audited results of the Coastal Group for the five(5) financial years ended 31 December 1998 to 2002, which have been prepared for illustrative purposes only, on the assumption that the current structure of the Group has been in existence throughout the financial years under review, is as follows:-

	Year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	13,397	27,277	28,265	41,596	42,260
EBIDTA	7,182	13,685	14,502	16,769	17,645
Depreciation	(2,159)	(1,782)	(2,214)	(2,723)	(3,648)
Finance cost	(1,609)	(1,009)	(1,005)	(1,479)	(2,041)
Operating profit	3,414	10,894	11,283	12,567	11,956
Exceptional item	-	-	-	-	-
Profit before taxation and MI	3,414	10,894	11,283	12,567	11,956
Taxation	(538)	65	(736)	(412)	(224)
Profit after taxation but before MI	2,876	10,959	10,547	12,155	11,732
MI	-	-	2	10	(7)
Profit attributable to shareholders	2,876	10,959	10,549	12,165	11,725
Net EPS (sen)*	4.31	16.41	15.79	18.21	17.55

Notes

- * Computed based on the enlarged ordinary shares in issue of 66,800,000 Shares after taking into account the Public Issue.
- # The Proforma Group had no associated companies in the financial years under review and neither was there any Extraordinary nor Exceptional Items.
- i) The audited results of the Group have been prepared based on accounting policies consistent with those previously adopted in the preparation of the Group's audited financial statements.
 - ii) In FY 1999, the improvement in revenue and PBT was attributed mainly to the recovery of the regional economy and improved market sentiments..
 - iii) As for FY 2000, revenue improved in line with the increase in the level of chartering.
 - iv) For FY 2001, revenue improved due mainly to larger vessels were being built and sold. However, PBT margin declined due mainly to increase in finance cost, loss on foreign exchange and loss on disposal of fixed assets.
 - v) In FY 2002, despite the slight improvement in revenue, PBT dropped due mainly to the increase in finance cost, depreciation arising from acquisition of vessels for the hiring operation and provision of bad and doubtful debts of RM2.3 million.
 - vi) For FYs 1998 to 2002, except for FY 1999, the lower tax charge as compared to the statutory tax rates was due mainly to difference in treatment of lease payments for accounting and tax purpose, the pioneer income, unabsorbed capital and reinvestment allowances to set-off against taxable profits. No tax was provided on profit generated for FY 1999 as it formed the basis year in which tax was waived.
 - vii) There was no exceptional or extraordinary item in respect of the financial years under review.
 - viii) The net EPS has been calculated based on the proforma profit attributable to the shareholders divided by the issued and paid-up capital assumed in issue after the Public Issue.

10.2 Directors' Declaration On Financial Performance

The directors of the Company are of the view that the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following: -

- known trends, demands, commitments, events and uncertainties that have had or that Coastal expects to have a material favourable or unfavourable impact on the financial performance, position and operation of Coastal;
- material commitments for capital expenditure save for the expansion as detailed in Section 2.7 and 3.7.
- unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performances, position and operations of Coastal; and
- known trends, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

The proceeds from the Public Issue will increase the working capital of the Group as well as contribute towards the construction of a shielded factory as well as purchase of machinery, heavy vehicles and other shipyard facilities to increase its manufacturing capacity. The production capacity of the Group is expected to increase to approximately 29 vessels per annum. Hence, a profit after tax and MI of about RM13.9 million is forecasted for the year ending 31 December 2003.

10.3 Analysis And Commentary On Financial Information

The following table is for illustrative purpose only and on the assumption that the group structure had been in existence throughout the financial years under review and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in section 14 of this prospectus, sets out a summary of the consolidated results of the Coastal Group for the past five (5) financial years ended 31 December 2002.

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Analysis of revenue by segment					
Sale of tugboats and barges	2,887	12,375	11,343	24,021	22,674
Tugboats, barges and equipment hiring income	7,225	10,928	11,633	14,348	17,474
Vessel repairs and services income	2,970	3,779	5,189	3,025	2,047
Others	315	195	100	202	65
	<u>13,397</u>	<u>27,277</u>	<u>28,265</u>	<u>41,596</u>	<u>42,260</u>
Operating expenses	(6,524)	(14,493)	(14,120)	(25,859)	(24,918)
Gross Profit	<u>6,873</u>	<u>12,784</u>	<u>14,145</u>	<u>15,737</u>	<u>17,342</u>
Revenue by segment (%)					
Sale of tugboats and barges	22%	45%	40%	58%	53%
Tugboats, barges and equipment hiring income	54%	40%	41%	34%	41%
Vessel repairs and services income	22%	14%	18%	7%	<5%
Others	2%	1%	<1%	<1%	<1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
<i>Number of tugboats and barges sold (unit)</i>	2	12	13	16	17
<i>Vessels owned by the Proforma Group at end of year (unit)</i>	33	26	29	38	46

Revenue as tabulated above excludes transactions between companies within the Coastal Group.

The regional economic crisis in 1998 had a negative impact on the business of the Group as the demand for vessels deteriorated. Demand for tugboat and barge hiring was not adversely affected as the Group was engaged for a land reclamation project in Brunei. The increased contribution from the hiring activity mainly attributed to the improvement in the gross profit margin in FY 1998 from 28.1% in 1997 to 51.3% in 1998.

In FY 1999, sale of vessels and hiring income improved by 329% and 51% respectively as additional orders came from Indonesia, Korea and Hong Kong.

Revenue only improved marginally by 4% in 2000. The manufacturing and hiring divisions of the Group remained relatively constant. Vessel repairs and services on the other hand, recorded an uptrend due to the additional slipway that consequently increased the Group's ability to provide more repair and maintenance works. The additional capacity had enabled the Group to meet the needs of the Royal Malaysian Navy and other shipping and fishing companies for repair and maintenance works.

In FY 2001, shipbuilding revenue recorded a dramatic increase of 112% as a result of an increase in production and the sale of two high value vessels totalling RM8.5 million. However, revenue from vessel repair and service declined by 42% due mainly to its major customer, the Royal Malaysian Navy, which reduced its budget on repair and services on vessels in the year. Ship chartering sector recorded an improvement in its revenue by 23% compared to FY2000 as more vessels were produced from the shipbuilding sector to cope with the high demand for chartering.

For the financial year ended 31 December 2002, Coastal managed to record a revenue of RM42.26 million, of which about 53.7% came from its shipbuilding division, 4.8% from shiprepair and approximately 41.3% from its chartering business. During the year, Coastal disposed 13 vessels to its chartering division for deployment in several hiring contracts that were recently secured.

10.4 Trade Receivables And Ageing Analysis

Total trade receivables for the Coastal Group as at 31 December 2002 totalled RM13.4 million. Ageing analysis on the amount owing by trade receivables of the Group is as follows:-

1-month RM'000	2-month RM'000	3-month RM'000	4-month RM'000	5-month RM'000	6-month RM'000	> 6-month RM'000	Total RM'000
9,133	701	1,019	743	523	478	3,676	16,273

Provision for doubtful debts for the financial year ending 2002 totalled RM2.9 million. This represents debts with uncertainties/conflicts concerning the amount owing or those under legal proceedings or amounts that have exceeded 6 months and with questionable recoverability. Certain trade receivables amounting to RM1.3 million that have exceeded six months but not provided for as either the amount has been settled post the financial year ended 31 December 2002 or the amount is secured by an underlying asset. Therefore, the Board of Directors of Coastal confirms that trade receivables amounts exceeding the credit

period of Coastal are recoverable and that full provision have been made for bad and doubtful debts in its financial statements.

10.5 Consolidated Profit Forecast

The Directors of Coastal forecast that, barring any unforeseen circumstances, the consolidated PBT and PAT for the year ending 31 December 2003 will be as follows:-

FYE 31 December	Forecast 2003
	RM'000
Revenue	57,707
Consolidated profit before taxation	16,971
Taxation	(2,985)
Consolidated profit after taxation before MI	13,986
MI	(38)
Consolidated profit after taxation after MI	13,948
Number of Shares in issue after Public Issue ('000)	66,800
Net EPS (sen)	20.9
Net PE multiples based on Public Issue/Offer for Sale price of RM1.60 per ordinary share (times)	7.7
Gross Dividend per Share, (sen)	8.0
Net Dividend per Share, (sen)	5.8
Gross Dividend Cover, (times)	2.6
Gross Dividend Yield, (%)	5.0

The principal bases and assumptions upon which the above proforma consolidated profit forecast has been made as set out in section 12 of this prospectus. Nevertheless, in the light of the current economic environment in Malaysia and in the Asian Pacific region, certain assumptions, including interest and exchange rates, may differ significantly from actual results should the economic situation differ significantly from the date of this Prospectus.

1. Coastal will carry out the following, which shall hereinafter be collectively referred to as the "Listing Exercise":
 - a) Public issue of 13,300,000 new ordinary shares of RM1.00 each in Coastal at an issue price of RM1.60 per share. ("Public Issue")
 - b) Offer for sale of 3,600,000 ordinary shares of RM1.00 each in Coastal at an offer price of RM1.60 per share.
 - c) Listing of and quotation for the entire enlarged issued and paid-up share capital of Coastal comprising 66,800,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.
2. There will be no material changes in the structure and the principal activities of Coastal Group.
3. Coastal Group will be able to achieve the forecast sale of marine vessels in the forecast year.
4. There will be no significant variation in the forecast average chartering rates and vessel utilisation rates of Coastal Group which will adversely affect the performance of Coastal Group.
5. There will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas in particular, Indonesia, for marine vessels and vessel chartering services which will adversely affect the performance of Coastal Group.

6. Coastal Group will increase the fleet of marine transportation vessels as planned to meet the demand for chartering services.
7. There will be no unfavourable weather conditions, natural disasters or major disruption in the manufacturing of marine vessels and vessel chartering activities arising from industrial disputes, labour shortage, economic and political changes in Malaysia and Indonesia or any abnormal circumstances that will adversely affect the operations of the Coastal Group.
8. There will be no major breakdown in the manufacturing facilities and equipment, which will adversely affect the operations of Coastal Group.
9. The cost of materials, fuel and oil, labour and overheads for Coastal Group's operations will not change materially from the present levels.
10. There will be no material changes in the management, operation, trading and accounting policies currently adopted by Coastal Group, other than that set out in note 11 below, which will adversely affect the performance of Coastal Group.
11. Deferred income taxes are provided, using the liability method, on all temporary differences at the balance sheet dates between the tax bases of assets and liabilities and their carrying amounts in the balance sheets.
12. There will be no material changes in the present legislation or government regulations including marine regulations and regulations governing repatriation of funds in Malaysia and Indonesia, foreign exchange and foreign investment in Indonesia, rates and bases of duties, levies, cess and taxes which will adversely affect the activities of the Coastal Group.
13. The inflation rate will not change significantly from the present level, which will adversely affect the performance of Coastal Group.
14. The existing financing facilities will remain available to Coastal Group at the prevailing interest rates, which will not change materially from the present levels.
15. Coastal Group will be able to secure additional financing facilities as planned at the forecast interest rates.
16. There will be no significant variation in the exchange rates of foreign currencies, which are based on the prevailing exchange rate of USD1.00 to RM3.80 and Rp100 to RM0.04, that will adversely affect the performance of Coastal Group.
17. Capital expenditure programmes of Coastal Group will be implemented as planned and there will be no material acquisitions or disposals of property, plant and equipment other than those planned.
18. Proposed dividend at the rate of 8% (gross) will be declared by Coastal in respect of the financial year ending 31 December 2003 and shall be payable in the following financial year.
19. The gross proceeds from the Public Issue amounting to RM21.28 million will be utilised as follows:

	RM'000
Construction of an additional shielded factory	2,000
Purchase of machinery, heavy vehicles and other shipyard facilities	500
Working capital for manufacturing and chartering of vessels operations	16,780
Payment of estimated listing expenses	2,000
	21,280

20. The estimated listing expenses for the Listing Exercise of RM2.00 million will be set-off against the share premium account.

10.6 Material Litigation/Arbitration Proceedings

Neither Coastal nor any of its subsidiaries are engaged in any material litigation or arbitration, either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or the business of the Company or any of its subsidiaries.

10.7 Working Capital, Borrowings and Material Contingent LiabilitiesWorking Capital

The Directors of Coastal are of the opinion that after taking into account the Group's cashflow position and banking facilities available the Group will have adequate working capital for its present and foreseeable future.

Borrowings

As at 17 June 2003 (being the last practicable date prior to the printing of this Prospectus), the total borrowings (interest bearing) of the Coastal Group from financial institutions as follows.

	RM'000
<u>Short Term</u>	
Trade Loan	778
Revolving Credits	13,080
Term Loan	4,657
	18,815
<u>Long Term</u>	
Term Loan	7,566
	26,381

Contingent Liabilities and Capital Commitment

Save as disclosed below, as at 17 June 2003, (being the last practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities or capital commitments.

<u>Material Capital Commitment</u>	RM'000
Approved but not contracted for	2,500

10.8 Directors' Commentary on Achievability of Profit Forecast

For FY 2003, the Group expects to achieve revenue of approximately RM57.7 million with 69% from the shipbuilding division and 31% from its ship-chartering arm. This represents an increase of 42% compared to FY 2002 and is largely attributed to the expected higher demand for coastal transportation. Additionally, projects that commenced in 2002 will come into full operation in 2003 and is expected to contribute about RM13.9 million to the Group's bottom line. This represents an improvement of about 19% compared to FY 2002, which is in line with the improvement in total revenue.

In anticipation of the rising demand, the Group plans to allocate more funds from the Public Issue to expand its shipbuilding capacity. Simultaneously, the Group intends to build larger vessels with higher engine and storage capacities, as they command better margins.

The Board of Directors of Coastal confirms that the profit forecast of Coastal and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of Coastal Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of Coastal are achievable and the assumptions made are reasonable.

Nevertheless, in light of the current economic environment in Malaysia and of the world economic conditions, certain assumption may differ significantly from actual situation from the date of the profit forecast included in this Prospectus.

10.9 Dividend Forecast and Policy

Subject to the prevailing laws and legislation, it will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Coastal Group.

On the basis of the consolidated profit forecast and on the assumption that the present basis for calculating taxation and the rates of taxation will be unchanged, the Directors of the Coastal Group anticipate that they will be in a position to propose, based on the enlarged issued share capital of RM66,800,000, a gross dividend of 8% for the financial year ending 31 December 2003.

The intended appropriation of the consolidated profit forecast for the financial year ending 31 December 2003 will be as follows:-

	Forecast 31.12.2003 RM'000
Consolidated profit before taxation	16,971
Taxation	(2,985)
Consolidated profit after taxation but before MI	13,986
MI	(38)
Consolidated profit after taxation and MI	13,948
Gross dividend per Share (sen)	8.0
Gross dividend yield based on the issue price of RM1.60 per Share (%)	5.0
Gross dividend cover (times)	2.6
Net dividend per Share (sen)	5.8
Net dividend yield based on the issue price of RM1.60 per Share (%)	3.6
Net dividend cover (times)	3.6

Investors should note that future dividends might be waived if:-

- (a) The Group records a loss instead of the forecast profits; or
- (b) The payment of dividends would adversely affect the Group's cashflow and operations.

10.10 Sensitivity Analysis

10.10.1 Variations In Selling Prices of Marine Vessel And Chartering Rates

The principal bases and assumptions upon which the sensitivity analysis on the consolidated profit forecast is prepared are as follows:

- (a) Selling prices of marine vessel and chartering rates will vary $\pm 10\%$ and $\pm 20\%$ from the base case.
- (b) Taxation of the respective companies was arrived at after taking into consideration of the forecast capital allowances available for each scenario.

- (c) Except for the above variations, the same assumptions as for the base case shall apply.

Effects on the forecast revenue and profit after taxation and minority interests

Financial year ending 31 December 2003	Revenue		Profit after taxation and minority interests	
	RM'000	%	RM'000	%
+20%	67,533	17	22,289	60
+10%	62,620	9	18,155	30
Base case	57,707	-	13,948	-
-10%	52,797	(9)	9,451	(32)
-20%	47,882	(17)	4,943	(65)

Based on the above assumptions, the sensitivity analysis shows that the Coastal Group will still remain profitable during the forecast year despite a 10% and 20% downward variation on selling prices of marine vessel and chartering rates.

10.10.2 Variations On Sale of Marine Vessels and Vessel Utilisation Rates

The principal bases and assumptions upon which the sensitivity analysis on the consolidated profit forecast is prepared are as follows:

- (a) Sale of marine vessels and vessel utilisation rates will vary $\pm 10\%$ and $\pm 20\%$ from the base case.
- (b) Taxation of the respective companies was arrived at after taking into consideration of the forecast capital allowances available for each scenario.
- (c) Except for the above variations, the same assumptions as for the base case shall apply.

Effects on the forecast revenue and profit after taxation and minority interests

Financial year ending 31 December 2003	Revenue		Profit after taxation and minority interests	
	RM'000	%	RM'000	%
+20%	69,909	21	18,230	31
+10%	63,808	11	16,115	16
Base case	57,707	-	13,948	-
-10%	51,608	(11)	11,510	(17)
-20%	45,505	(21)	9,087	(35)

Based on the above assumptions, the sensitivity analysis shows that the Coastal Group will still remain profitable during the forecast year despite a 10% and 20% downward variation on sale of marine vessels and vessel utilisation rates.

10.11 Summary of Properties

The properties owned by the Coastal Group are set out below :-

Registered Owner	Property / Location Address	Age of Buildings	Tenure/ Expiry Date	Description/ Existing Use	Land Area/ Built-up Area	Date of Purchase	Original Purchase Price (RM)	Market Value / Valuation Date (RM)	Net Book Value (31/12/01) (RM)	Value Approved by SC (RM)	Valuation Surplus/ (Deficit)* (RM)
BSR	CL 075350846 / CL 075359527 Seguntor Integrated Timber Complex, Off Mile 9, Jalan Labuk Sandakan, Sabah	1 to 15 years	99 years / 31 December 2073 & 99 years / 31 December 2077	Vessel dockyard facility	8.26 acres & 9.40 acres respectively / 76,348.43 sq ft	24/4/1990	6,537,855	11,223,000** / 11 May 2001	5,601,533	11,223,000	5,621,467
SM	1/50 undivided share of TL077508886 Lot 4A, 4th Floor, Wisma Wemin Mile 1 1/2, Leila Road Sandakan, Sabah	14 years since 1987	999 years / 15 December 2910	1 unit residential flat	1.027 acres/900 sq ft	14/12/1995	29,250	35,000 / 11 May 2001	26,415	35,000	8,585
CTS	1/2 undivided share of TL077534313 Lot 3A, Block G, Bandar Leila Jalan Leila Sandakan, Sabah	17 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	6/8/1997	167,180	200,000 / 11 May 2001	115,538	200,000	84,462
CTS	1/2 undivided share of TL077534313 Lot No. 3B Block G Bandar Leila, Jalan Leila Sandakan, Sabah	17 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	6/8/1988	167,188	200,000 / 11 May 2001	223,260	200,000	(23,260)
CTS	1/2 undivided share of TL077534304 Lot 4A, Block G Bandar Leila, Jalan Leila Sandakan, Sabah	17 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	20/4/1991	167,188	200,000 / 11 May 2001	119,320	200,000	80,680

Registered Owner	Property / Location Address	Age of Buildings	Tenure/ Expiry Date	Description/ Existing Use	Land Area/ Built-up Area	Date of Purchase	Original Purchase Price (RM)	Market Value / Valuation Date (RM)	Net Book Value (31/12/01) (RM)	Value Approved by SC (RM)	Valuation Surplus/ (Deficit)* (RM)
CTS	4/11 undivided share of CL075212421 Lot No. 2 & 3, Mile 3, North Road Sandakan, Sabah	32 years since 1969	999 years / 8 Jan 2882	2 units warehouse building	1.093 acres/4,000 sq ft	1/6/1984	334,375	400,000 / 11 May 2001	446,675	400,000	(46,675)

Notes

- * The valuation surplus as computed based on the net book value as at 31 December 2001 and premium RM900,000.
- ** Detail of the properties are as set out below:-

Land	Owner	Value
17.66 acres	BSR	RM2,649,000
Buildings	BSR	
Main workshop building	BSR	RM990,000
Workshop No.1	SM	RM916,000
Workshop No.2	SM	RM708,000
Generator shed	SM	RM27,000
		<u>RM2,641,000</u>
Slipway Line No.1	SM	RM1,357,000
Slipway Line No. 2	SM	RM1,499,000
Launching Line	SM	RM3,077,000
		<u>RM5,933,000</u>
		<u>RM11,223,000</u>

The open market valuation of the properties are based on valuations carried by an independent firm of professional valuers Henry Butcher, Lim & Long (Sandakan) Sdn Bhd. The Valuation Certificate of the Properties is set out in section 15 of this Prospectus.

COASTAL CONTRACTS BHD

(517649-A)

Lot 3B, Block G, Bandar Leila,
W.D.T. 259, 90009 Sandakan, Sabah, Malaysia
Tel: +6 089 616263 Fax: +6 089 616654

Web: <http://www.coastalcontracts.com> Email: coastal@coastalcontracts.com

Date: 18 June 2003

The Shareholders of
Coastal Contracts Berhad
Block G, Lot 3B
Bandar Leila
W.D.T. 259
90009 Sandakan
Sabah


Dear Sir/Madam

On behalf of the Board of Coastal Contracts Berhad, I report after due inquiry that during the period from 31 December 2002 (being the date to which the last audited accounts of the Company and its subsidiaries have been made up) to the date of this letter (being a date not earlier than fourteen (14) days before the issue of this Prospectus) that :

- (a) the business of the Company and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company or its subsidiary companies;
- (c) the current assets of the Company and its subsidiaries appear in the book at values, which are believed to be realisable in the ordinary course of business;
- (d) no material contingent liabilities have arisen by reason of any guarantees or indemnity given by the Company or its subsidiaries; and
- (e) there have been no changes, since the last audited accounts of the Group, in published reserve or any unusual factors affecting the profits of the Company and its subsidiaries since the last audited accounts of the Company and its subsidiaries.

No report is required to be prepared pursuant to the items mentioned in paragraph (a) to (e) above.

Yours faithfully
On Behalf of the Board of Directors of
COASTAL CONTRACTS BERHAD



NG CHIN HENG
Executive Chairman

12 THE CONSOLIDATED PROFIT FORECAST OF THE COASTAL GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2003 AND REPORTING ACCOUNTANTS' LETTER



■ **Chartered Accountants**
16th Floor
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

■ Phone : 089-211455
Fax : 089-271299

**REPORTING ACCOUNTANTS' LETTER
ON THE CONSOLIDATED
PROFIT FORECAST**

(Prepared for inclusion in Prospectus)

Mailing Address:
P. O. Box 648
90707 Sandakan
Sabah, Malaysia.

18 June 2003

The Board of Directors
Coastal Contracts Berhad
Block G, Lot 3B, Bandar Leila
W.D.T. No. 259
90009 Sandakan, Sabah

Dear Sirs,

**COASTAL CONTRACTS BERHAD ("Coastal")
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003**

We have reviewed the consolidated profit forecast of Coastal and its subsidiary companies ("Coastal Group") for the year ending 31 December 2003 as set out in the Prospectus to be dated 27 June 2003 in accordance with the standard applicable to the review of forecasts. The forecast has been prepared for inclusion in the aforementioned prospectus in connection with the public issue of 13,300,000 new ordinary shares of RM1.00 each in Coastal at an issue price of RM1.60 per share, offer for sale of 3,600,000 ordinary shares of RM1.00 each in Coastal at an offer price of RM1.60 per share and the listing of and quotation for the enlarged issued and fully paid-up share capital of Coastal on the Main Board of the Kuala Lumpur Stock Exchange, and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Coastal Group in its audited financial statements for the year ended 31 December 2002. The Directors of Coastal are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

- i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the aforementioned Prospectus, do not provide a reasonable basis for the preparation of the profit forecast; and
- ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Coastal Group in its audited financial statements for the year ended 31 December 2002, except for the change in accounting policy on deferred taxation arising from the adoption of Standard No. 25, Income Taxes issued by the Malaysian Accounting Standards Board.

Yours faithfully,



ERNST & YOUNG

AF: 0039

Chartered Accountants



CHONG YEW HOONG

1502/04/05 (J)

Partner

COASTAL CONTRACTS BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003

The Directors of Coastal forecast that, in the absence of unforeseen circumstances, the consolidated profit after taxation and minority interest will be as follows:

	Year ending 31 December 2003 RM'000
Profit before taxation	16,971
Less: Taxation	(2,985)
Profit after taxation but before minority interest	<u>13,986</u>
Less: Minority interest	(38)
Profit after taxation and minority interest	<u><u>13,948</u></u>

The principal bases and assumptions upon which the consolidated profit forecast has been made are as follows:

1. Coastal will carry out the following, which shall hereinafter be collectively referred to as the "Listing Exercise":
 - a) Public issue of 13,300,000 new ordinary shares of RM1.00 each in Coastal at an issue price of RM1.60 per share. ("Public Issue")
 - b) Offer for sale of 3,600,000 ordinary shares of RM1.00 each in Coastal at an offer price of RM1.60 per share.
 - c) Listing of and quotation for the entire enlarged issued and paid-up share capital of Coastal comprising 66,800,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.
2. There will be no material changes in the structure and the principal activities of Coastal Group.
3. Coastal Group will be able to achieve the forecast sale of marine vessels in the forecast year.
4. There will be no significant variation in the forecast average chartering rates and vessel utilisation rates of Coastal Group which will adversely affect the performance of Coastal Group.
5. There will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas in particular, Indonesia, for marine vessels and vessel chartering services which will adversely affect the performance of Coastal Group.

COASTAL CONTRACTS BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003

6. Coastal Group will increase the fleet of marine transportation vessels as planned to meet the demand for chartering services.
7. There will be no unfavourable weather conditions, natural disasters or major disruption in the manufacturing of marine vessels and vessel chartering activities arising from industrial disputes, labour shortage, economic and political changes in Malaysia and Indonesia or any abnormal circumstances that will adversely affect the operations of the Coastal Group.
8. There will be no major breakdown in the manufacturing facilities and equipment, which will adversely affect the operations of Coastal Group.
9. The cost of materials, fuel and oil, labour and overheads for Coastal Group's operations will not change materially from the present levels.
10. There will be no material changes in the management, operation, trading and accounting policies currently adopted by Coastal Group, other than that set out in note 11 below, which will adversely affect the performance of Coastal Group.
11. Deferred income taxes are provided, using the liability method, on all temporary differences at the balance sheet dates between the tax bases of assets and liabilities and their carrying amounts in the balance sheets.
12. There will be no material changes in the present legislation or government regulations including marine regulations and regulations governing repatriation of funds in Malaysia and Indonesia, foreign exchange and foreign investment in Indonesia, rates and bases of duties, levies, cess and taxes which will adversely affect the activities of the Coastal Group.
13. The inflation rate will not change significantly from the present level, which will adversely affect the performance of Coastal Group.
14. The existing financing facilities will remain available to Coastal Group at the prevailing interest rates, which will not change materially from the present levels.
15. Coastal Group will be able to secure additional financing facilities as planned at the forecast interest rates.
16. There will be no significant variation in the exchange rates of foreign currencies, which are based on the prevailing exchange rate of USD1.00 to RM3.80 and Rp100 to RM0.04, that will adversely affect the performance of Coastal Group.
17. Capital expenditure programmes of Coastal Group will be implemented as planned and there will be no material acquisitions or disposals of property, plant and equipment other than those planned.

COASTAL CONTRACTS BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003

18. Proposed dividend at the rate of 8% (gross) will be declared by Coastal in respect of the financial year ending 31 December 2003 and shall be payable in the following financial year.

19. The gross proceeds from the Public Issue amounting to RM21.28 million will be utilised as follows:

	RM'000
Construction of an additional shielded factory	2,000
Purchase of machinery, heavy vehicles and other shipyard facilities	500
Working capital for manufacturing and chartering of vessels operations	16,780
Payment of estimated listing expenses	2,000
	<u>21,280</u>

20. The estimated listing expenses for the Listing Exercise of RM2.00 million will be set-off against the share premium account.

13 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER



■ **Chartered Accountants**
16th Floor
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

■ Phone : 089-211455
Fax : 089-271299

**REPORTING ACCOUNTANTS' LETTER
ON PROFORMA CONSOLIDATED
BALANCE SHEETS**

(Prepared for inclusion in Prospectus)

18 June 2003

The Board of Directors
Coastal Contracts Berhad
Block G, Lot 3B, Bandar Leila
W.D.T. No. 259
90009 Sandakan
Sabah

Mailing Address:
P. O. Box 648
90707 Sandakan
Sabah, Malaysia.

Dear Sirs,

**COASTAL CONTRACTS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002**

We have reviewed the presentation of the proforma consolidated balance sheets of Coastal Contracts Berhad ("Coastal") as at 31 December 2002 together with the notes thereon, for which the Directors are solely responsible, as set out in the Prospectus of Coastal to be dated 27 June 2003 in connection with the public issue of 13,300,000 new ordinary shares of RM1.00 each in Coastal at an issue price of RM1.60 per share, offer for sale of 3,600,000 ordinary shares of RM1.00 each in Coastal at an offer price of RM1.60 per share, and the listing of and quotation for Coastal's enlarged issued and fully paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the proforma consolidated balance sheets together with the notes thereon, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by Coastal Group, except for the change in accounting policy on deferred taxation arising from the adoption of Standard No. 25, Income Taxes issued by the Malaysian Accounting Standards Board, and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully,

ERNST & YOUNG
AF: 0039
Chartered Accountants

CHONG YEW HOONG
1502/04/05 (J)
Partner

COASTAL CONTRACTS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002

The proforma consolidated balance sheets of Coastal Group at 31 December 2002 set out below are provided for illustrative purposes only to show the effects of the Adjustment on Deferred Taxation and the Public Issue as set out in the notes below, on the assumption that these transactions were completed on 31 December 2002:

	I	II
	After	
	Adjustment	After I and
	on Deferred	Public Issue
	Taxation	RM'000
	RM'000	RM'000
	Audited as at	After I and
	31.12.2002	Public Issue
	RM'000	RM'000
ASSETS		
Property, plant and equipment	70,510	73,010
Goodwill on consolidation	-	2,837
Trade receivables	1,323	1,323
Other receivables	1,437	1,437
	<u>73,270</u>	<u>78,607</u>
CURRENT ASSETS		
Inventories	11,870	11,870
Trade receivables	12,034	12,034
Other receivables	9,990	9,990
Tax refundable	173	173
Cash and bank balances	3,618	20,398
	<u>37,685</u>	<u>54,465</u>
CURRENT LIABILITIES		
Amount due to directors	1,926	1,926
Amount due to bankers	21,004	21,004
Trade payables	4,040	4,040
Other payables	5,757	5,757
Hire purchase creditors	22	22
Provision for taxation	96	96
	<u>32,845</u>	<u>32,845</u>
NET CURRENT ASSETS	4,840	21,620
LONG TERM LIABILITIES		
Deferred taxation	65	9,268
Amount due to bankers	10,076	10,076
Other payables	249	249
Hire purchase creditors	27	27
	<u>(10,417)</u>	<u>(19,620)</u>
	<u>67,693</u>	<u>80,607</u>
SHARE CAPITAL	53,500	66,800
SHARE PREMIUM	4,499	10,479
CONSOLIDATION RESERVE	6,366	-
CURRENCY TRANSLATION RESERVE	5	5
RETAINED PROFITS	3,289	3,289
	<u>67,659</u>	<u>80,573</u>
MINORITY INTEREST	34	34
	<u>67,693</u>	<u>80,607</u>
<i>Net tangible assets per share (RM)</i>	<i>1.26</i>	<i>1.16</i>

COASTAL CONTRACTS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. The proforma consolidated balance sheets have been prepared based on the audited consolidated balance sheet of Coastal Group as at 31 December 2002.
2. The proforma consolidated balance sheets of Coastal Group are provided for illustrative purposes only to show the effects of the following transactions on the assumption that they were effected on 31 December 2002.

A. Proforma I – After Adjustment on Deferred Taxation

3. The audited consolidated balance sheet of Coastal Group as at 31 December 2002 is adjusted to include the effects of a change in accounting policy on deferred taxation arising from the adoption of Standard No. 25, Income Taxes, issued by the Malaysian Accounting Standards Board. Deferred income taxes are provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the balance sheets. (“Adjustment on Deferred Taxation”)

B. Proforma II – After I and Public Issue

4. Public issue of 13,300,000 new ordinary shares of RM1.00 each in Coastal at an issue price of RM1.60 per share. (“Public Issue”)
5. The estimated listing expenses of approximately RM2.0 million will be set-off against the share premium account.
6. The gross proceeds arising from the Public Issue amounting to RM21,280,000 will be utilised as follows:

	RM'000
Construction of an additional shielded factory	2,000
Purchase of machinery, heavy vehicles and other shipyard facilities	500
Working capital for manufacturing and chartering of vessels operations	16,780
Payment of estimated listing expenses	2,000
	21,280
	21,280

COASTAL CONTRACTS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (Contd.)

C. Others

7. The movement of the issued and paid-up share capital of Coastal after implementation of the Listing Exercise set out above is as follows:

	RM'000
As at 31 December 2002	53,500
To be issued pursuant to the Public Issue	<u>13,300</u>
	<u><u>66,800</u></u>

8. Share premium is arrived at as follows:

	RM'000
As at 31 December 2002	4,499
Arising from the Public Issue	<u>7,980</u>
	12,479
Less: Estimated listing expenses	<u>(2,000)</u>
	<u><u>10,479</u></u>

9. The net tangible assets per share is calculated by dividing the net tangible assets by the number of ordinary shares of Coastal in issue. In arriving at the net tangible assets, goodwill on consolidation has been excluded.