



PROSPECTUS

COASTAL CONTRACTS BHD

(Company No. 517649-A)
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 13,300,000 NEW ORDINARY SHARES OF RM1.00 EACH AND OFFER FOR SALE OF 3,600,000 ORDINARY SHARES OF RM1.00 EACH COMPRISING

- 10,830,000 ORDINARY SHARES OF RM1.00 EACH AVAILABLE FOR APPLICATION BY THE PUBLIC;
- 5,500,000 ORDINARY SHARES OF RM1.00 EACH AVAILABLE FOR PLACEMENT TO SELECTED INVESTORS; AND
- 570,000 ORDINARY SHARES OF RM1.00 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF THE GROUP.

AT AN ISSUE AND OFFER PRICE OF RM1.60 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION

IN CONJUNCTION WITH THE LISTING OF COASTAL CONTRACTS BERHAD ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

Advisor, Managing Underwriter and Placement Agent



AmMerchant Bank Berhad

MEMBER OF THE AMB GROUP



FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 22 HEREOF

This Prospectus is dated 27 June 2003



This Prospectus has been seen and approved by the directors and promoters of the Company and the offerors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

The Adviser and Managing Underwriter acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the public issue of 13.3 million new Coastal ordinary shares of RM1.00 each ("Shares") and offer for sale of 3.6 million Coastal Shares ("Public Issue/Offer for Sale") and are satisfied that the profit forecast (for which the directors of the Company are fully responsible) prepared for inclusion in this Prospectus have been stated by the directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission has approved the issue, offer or invitation in respect of the Public Issue/Offer for Sale and the approval shall not be taken to indicate that the Securities Commission recommends the Public Issue/Offer for Sale. The Securities Commission shall not be liable for any non-disclosure on the part of the Company and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

The valuation approved or accepted by the Securities Commission shall only be utilised for the purpose of the corporate proposals submitted to and approved by the Securities Commission, and shall not be construed as an endorsement by the Securities Commission on the value of the subject assets for any other purposes.

The Kuala Lumpur Stock Exchange shall not be liable for any non-disclosure on the part of the corporation and takes no responsibility for the contents of this prospectus, makes no representation as to its correctness or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole of any part of the contents of this prospectus.. Admission to the Official List is not to be taken as an indication of the merits of the invitation, Company or of its securities.

A copy of this Prospectus has been registered by the Securities Commission and lodged with the Chief Executive Officer of the Companies Commission, Malaysia who takes no responsibility for its contents.

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Indicative Timetable

Date of Prospectus/Opening of the IPO	27 June 2003
Closing date of IPO.....	15 July 2003
Tentative balloting date	18 July 2003
Tentative date of allotment.....	31 July 2003
Tentative listing date	8 August 2003

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE PUBLIC ISSUE AND OFFER FOR SALE WILL CLOSE AT THE DATE STATED ABOVE OR SUCH LATER DATE AS THE DIRECTORS OF COASTAL TOGETHER WITH THE MANAGING UNDERWRITER MAY DECIDE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:-

Acquisition of BSR	— Acquisition by Coastal of 250,000 Shares in BSR representing its entire issued and paid-up share capital for a purchase consideration of RM10,449,557 satisfied by the issuance of 9,639,016 new Shares in Coastal
Acquisition of CTS	— Acquisition by Coastal of 2,000,000 Shares in CTS representing its entire issued and paid-up share capital for a purchase consideration of RM21,275,047 satisfied by the issuance of 19,624,805 new Shares in Coastal
Acquisition of CW	— Acquisition by Coastal of 80,000 Shares in CW representing its entire issued and paid-up share capital for a purchase consideration of RM5,838,902 satisfied by the issuance of 5,385,995 new Shares in Coastal
Acquisition of SM	— Acquisition by Coastal of 6,000,000 Shares in SM representing its entire issued and paid-up share capital for a purchase consideration of RM20,435,180 satisfied by the issuance of 18,850,084 new Shares in Coastal
Acquisitions	— Acquisitions of BSR, SM, CTS and CW by Coastal
Act	— Companies Act, 1965
ADA	— Authorised Depository Agent
ADA Code	— ADA (Broker) Code
AFTA	— Asean Free Trade Area
AMIM	— Association of Marine Industries of Malaysia (<i>formerly known as Association of Shipbuilders and Repairers of Malaysia</i>)
AmMerchant Bank	— AmMerchant Bank Berhad (23742-V)
Application	— Application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form	— A printed form for the purpose of applying for the IPO Shares
ASEAN	— Association of South East Asian Nations
ATM	— Automatic Teller Machine
bhp	— Brake horse power, a measure of engine power
BIMP-EAGA	— Brunei, Indonesia, Malaysia and Philippines - East ASEAN Growth Area
BSR	— Bonafide Shipbuilders & Repairs Sdn Bhd (184278-W), a wholly-owned subsidiary of Coastal
CDS	— Central Depository System
Coastal Group or The Group	— Coastal and its subsidiary companies
Coastal or the Company	— Coastal Contracts Bhd (517649-A)

CM	—	PT Cosarana Marine, a 95% owned subsidiary of Coastal Offshore (Labuan) Pte Ltd
COL	—	Coastal Offshore (Labuan) Pte Ltd (LL02556), a wholly-owned subsidiary of Coastal
CPO	—	Crude Palm Oil
CTS	—	Coastal Transport (Sandakan) Sdn Bhd (28778-D), a wholly-owned subsidiary of Coastal
CW	—	Coastway Transport Sdn Bhd (94581-W), a wholly-owned subsidiary of Coastal
dwt	—	Dead-weight tonnes. One dwt equals to 1,000 kilograms and is a measure of the total load which a ship can carry, including its cargo, provisions, fuel, stores, bunkers, crew and spares
EBIDTA	—	Earnings before interest, depreciation, taxation and amortisation
EPS	—	Earnings Per Share
FIC	---	Foreign Investment Committee
FP	—	Financial Period
FY	—	Financial Year
GDP	—	Gross Domestic Product
grt	—	Gross registered tonnage. One grt equals 100 cubic feet and is a measure of the enclosed space within a ship
IMF	—	International Monetary Fund
Initial Public Offering or IPO	—	Public Issue and Offer for Sale collectively
IPO Shares	—	Public Issue Shares and Offer Shares collectively
Ivory Asia	—	Ivory Asia Sdn Bhd (595286-H), an investment holding company owned by the Ng family, details of which is contained in section 7.1.4 of this Prospectus.
KLSE	—	Kuala Lumpur Stock Exchange (30632-P)
Listing	—	Admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of Coastal of RM66,800,000 comprising 66,800,000 Shares of RM1.00 each on the Main Board of the KLSE
MCD or Central Depository	—	Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary company of the KLSE
MI	—	Minority Interest
MIH or Issuing House	—	Malaysian Issuing House Sdn Bhd (258345-X)
MIMA	—	Maritime Institute of Malaysia
MITI	—	Ministry of International Trade and Industry
NTA	—	Net Tangible Assets

- Offer for Sale or Offer** — Offer for Sale of 3,600,000 Shares in Coastal at an offer price of RM1.60 per Share by the Offerors to selected investors via private placement
- Offer Shares** — The 3,600,000 Shares in Coastal which are the subject of the Offer for Sale
- Offerors** — The offerors of the Offer Shares and the number of Coastal Shares Offered for Sale are as follows:-

Name	No. of Shares
Pang Fong Thau	2,927,721
Ng Chin Heng	213,219
Ng Chin Shin	153,020
Ng Chin Kok	153,020
Ng Chin Keuan	153,020
TOTAL	3,600,000

- PAT** — Profit After Tax
- PBT** — Profit Before Tax
- PE Multiple** — Price Earnings Multiple
- Public Issue** — Public Issue of 13,300,000 new Shares in Coastal at an issue price of RM1.60 per Share to the Malaysian public, selected investors as well as eligible employees and Directors of Coastal
- Public Issue Shares** — The 13,300,000 new Shares in Coastal which are the subject of the Public Issue
- Promoters** — Ng Chin Heng, Pang Fong Thau, Ng Chin Shin, Ng Chin Kok and Ng Chin Keuan
- Restructuring** — The Acquisitions and disposal of non-operating assets as detailed in sections 9.1.2, 9.1.3 and 9.1.4 of this Prospectus
- RM and sen** — Ringgit Malaysia and sen respectively
- SC** — Securities Commission
- Shares** — Ordinary shares of RM1.00 each
- SM** — Seri Modalwan Sdn Bhd (111213-M), a wholly-owned subsidiary of Coastal
- Transfer** — The transfer of COL as a direct subsidiary of Coastal from CTS
- USA** — United States Of America
- USD** — United States Dollar(s)

Any use of words in the first person such as "We" or "Our" refers to the Company, Coastal and it does not refer or imply any other persons.

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1 CORPORATE INFORMATION**BOARD OF DIRECTORS**

Name	Address	Occupation	Nationality
Ng Chin Heng <i>(Executive Chairman)</i>	Lot 3, Phase II, Taman Seaview, Mile 1.5, North Road, W.D.T. 259, 90009 Sandakan, Sabah.	Company director	Malaysian
Ng Chin Kok <i>(Executive Director)</i>	1st Floor, Lot 3B, Block G, Bandar Leila, W.D.T. 259, 90009 Sandakan, Sabah.	Company director	Malaysian
Ng Chin Shin <i>(Executive Director)</i>	Lot 439, Lorong Megah 5, Taman Megah, W.D.T. 259, 90009 Sandakan, Sabah.	Company director	Malaysian
Ng Chin Keuan <i>(Executive Director)</i>	Lot 441, Lorong Megah 5, Taman Megah, W.D.T. 259, 90009 Sandakan, Sabah.	Company director	Malaysian
Ng Chin Hong <i>(Executive Director)</i>	Lot 93, Lorong Megah 4, Taman Megah, Mile 7, Jalan Labuk, 90000 Sandakan, Sabah.	Company director	Malaysian
Kwan Cheong Kaw @ Kuan Yeek Chieu <i>(Independent Non-executive Director)</i>	Taman Sentosa, Batu 2 1/2, Jalan Utara, P. S. 1409, 90008 Sandakan, Sabah.	Company director	Malaysian
Loh Thian Sang @ Lo Thian Siang <i>(Independent Non-executive Director)</i>	24, Jalan Semaba, Mile 5, Lorong 6, 93250 Kuching, Sarawak.	Company director	Malaysian

AUDIT COMMITTEE

Name	Responsibility	Directorship
Kwan Cheong Kaw @ Kuan Yeek Chieu	Chairman	Independent Non-Executive Director
Loh Thian Sang @ Lo Thian Siang	Member	Independent Non-Executive Director
Ng Chin Hong	Member	Executive Director

COMPANY SECRETARY

Ng Soon Hong MIA 17216, MICPA 3596
Lot 1350, Block 99, Taman Mawar,
Jln Sibuga,
90000 Sandakan,
Sabah.

Dorothy Luk Wei Kam (f) (MAICSA 7000414)
Lot 11, Taman Masjaya, Penampang,
88300 Kota Kinabalu,
Sabah.

**HEAD/MANAGEMENT OFFICE AND
REGISTERED OFFICE**

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

REGISTRAR

Signet Share Registration Services Sdn Bhd
(506293-D)
11th Floor, Tower Block,
Kompleks Antarabangsa, Jalan Sultan Ismail,
50250 Kuala Lumpur.

ISSUING HOUSE

Malaysian Issuing House Sdn. Bhd. (258345-X)
27th Floor, Menara Multi-Purpose,
Capital Square,
No. 8, Jalan Munshi Abdullah,
P. O. Box 13269,
50804 Kuala Lumpur.

PRINCIPAL BANKERS

Sabah Development Bank Berhad (34638-W)
SDB Tower Wisma Tun Fuad Stephens,
Km 2.4, Jalan Tuaran
P.O.Box 12172
88824 Kota Kinabalu, Sabah

Bank Industri & Teknologi Malaysia Berhad
(49572-H)
Level 28, Bangunan Bank Industri,
Bandar Wawasan, No. 1016,
Jalan Sultan Ismail,
P.O.Box 10788, 50724 Kuala Lumpur

RHB Bank Berhad (6171-M)
East Malaysia Area Business Centre,
Penthouse, Gaya Centre,
Jalan Tun Fuad Stephens,
88400 Kota Kinabalu,
Sabah.

**AUDITORS AND REPORTING
ACCOUNTANTS**

Ernst & Young (AF 0039)
16th Floor, Wisma Khoo Siak Chiew,
Jalan Buli Sim Sim,
90000 Sandakan, Sabah.

SOLICITORS FOR THE IPO

Teh & Lee
Unit 23-3, 3rd Floor,
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.

**ADVISER, MANAGING UNDERWRITER
AND PLACEMENT AGENT**

AmMerchant Bank Bhd (23742-V)
22nd Floor, Bangunan AmBank Group,
55 Jalan Raja Chulan,
50200 Kuala Lumpur.

UNDERWRITERS

AmMerchant Bank Bhd (23742-V)
22nd Floor, Bangunan AmBank Group,
55 Jalan Raja Chulan,
50200 Kuala Lumpur.

Innosabah Securities Bhd (194990-K)
11 Equity House, Block K,
Sadong Jaya, Karamuning,
88100 Kota Kinabalu,
Sabah.

PM Securities Sdn Bhd (66299-A)
Ground Floor, MUI Plaza,
Jalan P. Ramlee,
50250 Kuala Lumpur.

AmSecurities Sdn Bhd (92977-U)
15th Floor, Bangunan AmBank Group,
55 Jalan Raja Chulan,
50200 Kuala Lumpur.

Southern Investment Bank Berhad (169955-T)
16th Floor Wisma Genting,
28 Jalan Sultan Ismail
50250 Kuala Lumpur.

Aseambankers Malaysia Berhad (15938-H)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur.

Affin Merchant Bank Berhad (9999-V)
27th Floor, Menara Boustead,
69 Jalan Raja Chulan
50200 Kuala Lumpur.

Kuala Lumpur City Securities Sdn Bhd
(126994-W)
No 8 Jalan Binjai,
Off Jalan Ampang
50450 Kuala Lumpur.

OSK Securities Berhad (14152-V)
20th Floor, Plaza OSK,
Jalan Ampang,
50450 Kuala Lumpur.

Inter-Pacific Securities Sdn Bhd (12738-U)
Level 7, Menara Prime,
No. 30 Jalan Sultan Ismail,
50250 Kuala Lumpur.

KAF-Seagroatt & Campbell Securities Sdn Bhd
(134631-U)
P.O. Box 10790,
50724 Kuala Lumpur.
30th Floor, Menara Weld,
No 76, Jalan Raja Chulan,
50200 Kuala Lumpur.

JF Apex Securities Berhad (47680-X)
6th Floor Menara Apex,
Off Jalan Semenyih,
Bukit Mewah,
43000 Kajang, Selangor.

Hwang-DBS Securities Berhad (14389-U)
Levels 2, 3, 4, 7 & 8, Wisma Sri Pinang,
60 Green Hall,
10200 Penang.

VALUERS

Henry Butcher, Lim & Long (Sandakan) Sdn
Bhd (351190-W)
Suite 1203, 12th Floor,
Wisma Khoo Siak Chiew,
W.D.T. 748,
90009 Sandakan,
Sabah.

LISTING SOUGHT

Main Board of the KLSE

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2 PROSPECTUS SUMMARY

THE FOLLOWING INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE COASTAL GROUP, INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

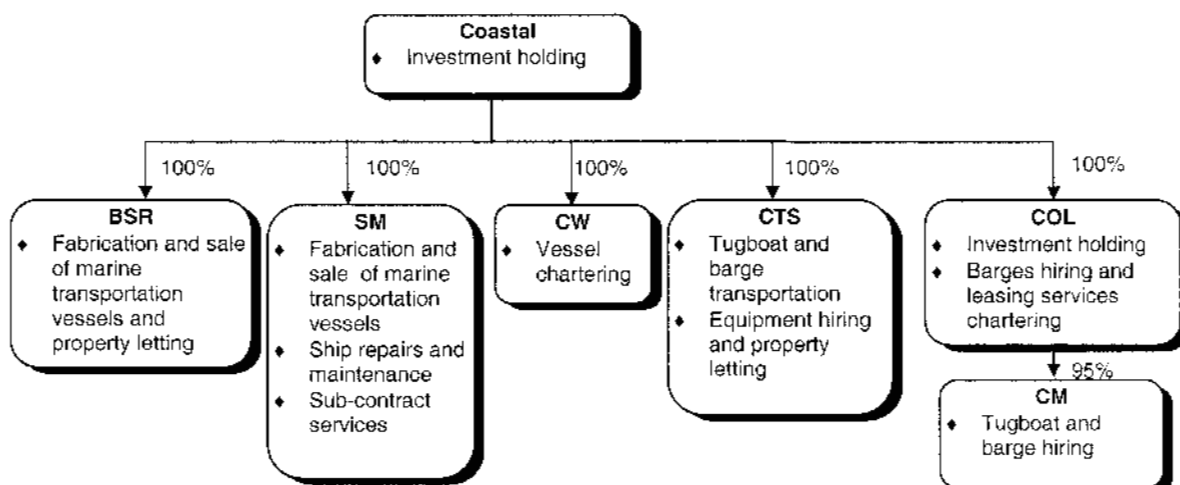
2.1 History, Principal Activities and Group Structure

Coastal was incorporated in Malaysia under the Companies Act, 1965 on 21 June 2000 as a private limited company under the name of Ocean Contracts Sdn Bhd. On 4 December 2000, the company was converted to a public limited company and assumed its current name on 19 April 2001. It is principally an investment holding company with its subsidiaries involved in the fabrication and sale of marine transportation vessels, particularly tugboats and barges, the provision of repairing and maintenance services for boats, ships and other small and medium-sized vessels, tugboat and barge chartering and property letting.

The history of the Coastal Group dates back to the early 1990s when the principal founder Ng Chin Heng ventured and expanded into vessel manufacturing and repair from its chartering business. Today, the Group operates from its shipyard in Seguntor, Sandakan carrying out vessel manufacturing and repair works. Coastal's clientele includes local as well as international customers, mainly from Indonesia.

The Group, through its wholly owned subsidiaries SM and BSR, are members of the Association of Marine Industries of Malaysia (*formerly known as the Association of Shipbuilders and Repairers of Malaysia*). The membership reflects the good track record and reputation of the Group in the marine engineering industry in Malaysia. In fact, SM and BSR were selected, based on their good management and financial performance, as one of *Andersen Consulting Top 50 Enterprises* in Malaysia for the year 2000 and 2002 respectively. This reflects the strong foundation of the Group, which places them favourably for further growth.

The Coastal Group has 6 subsidiaries of which 5 are wholly owned. A graphical presentation of the Group structure is illustrated below:-



Further information on the above companies are disclosed in section 5 page 29 "Business and Operational Overview" and "Other Group Information" in section 8 page 61 of this Prospectus.

2.2 Ownership and Management

Based on the Register of Members of Coastal as at 17 June 2003, being the last practicable date prior to the printing of this Prospectus, the direct and indirect interest of the substantial shareholders, directors and promoters in the issued share capital of the Company before and after the Public Issue/Offer for Sale are as follows:-

	Before the Public Issue/ Offer for Sale				After the Public Issue/Offer for Sale*			
	Direct ('000)	%	Indirect ('000)	%	Direct ('000)	%	Indirect ('000)	%
Directors								
Ng Chin Heng ^(b)	1,823	3.4	51,677 ^(c)	96.6	1,610	2.4	48,290 ^(c)	72.3
Ng Chin Kok ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Shin ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Keuan ^(a)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Hong ^(b)	-	-	28,462 ^(e)	53.2	-	-	27,790 ^(e)	41.6
Kwan Cheong Kaw @ Kuan Yeek Chieu	-	-	-	-	-	-	-	-
Loh Thian Sang @ Lo Thian Siang	-	-	-	-	-	-	-	-
Substantial shareholders								
Ivory Asia ^(a)	22,712	42.5	-	-	22,712	34.0	-	-
Ng Chin Heng ^(b)	1,823	3.4	51,677 ^(c)	96.6	1,610	2.4	48,290 ^(c)	72.3
Ng Chin Shin ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Kok ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Keuan ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Pang Fong Thau ^(d)	25,038	46.8	24,535 ^(f)	45.9	22,111	33.1	24,322 ^(f)	36.4
Promoters								
Pang Fong Thau ^(d)	25,038	46.8	24,535 ^(f)	45.9	22,111	33.1	24,322 ^(f)	36.4
Ng Chin Heng ^(b)	1,823	3.4	51,677 ^(c)	96.6	1,610	2.4	48,290 ^(c)	72.3
Ng Chin Shin ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Kok ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Ng Chin Keuan ^(b)	1,309	2.4	27,153 ^(e)	50.7	1,156	1.7	26,634 ^(e)	39.9
Key Management								
Pang Fong Thau ^(d)	25,038	46.8	24,535 ^(f)	45.9	22,111	33.1	24,322 ^(f)	36.4
Ng Chui Lai ^(a) (Human Resource and Purchasing Manager)	-	-	28,462 ^(e)	53.2	-	-	27,790 ^(e)	41.6
Yap Kim Teck (Shipping Operational Manager)	-	-	-	-	-	-	-	-
Ng Soon Hong (Group Accountant/Company Secretary)	-	-	-	-	-	-	-	-
Lai Kan Keong (Operation Manager)	-	-	-	-	-	-	-	-
Hu Yi Fu (Naval Engineer)	-	-	-	-	-	-	-	-
Denis C. Deray (Operation Manager cum Port Engineer)	-	-	-	-	-	-	-	-
Ng Lay Kee (Human Resource and Purchasing Manager)	-	-	28,462 ^(e)	53.2	-	-	27,790 ^(e)	41.6
Bali Wutung (Assistant Operation Manager)	-	-	-	-	-	-	-	-

Notes:

- * The above table excludes Pink Form allocation.
- a) 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, being 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 will be transferred to Mdm Pang Fong Thau and Ivory Asia, an investment holding company prior to the listing of the Company on the Main Board of the KLSE.
- b) Ng Chin Heng, Ng Chin Shin, Ng Chin Kok, Ng Chin Keuan, Ng Chin Hong, Ng Lay Kee and Ng Chui Lai are siblings.
- c) Deemed interested by virtue of the substantial shareholdings held by his wife Pang Fong Thau and his other siblings and his holding in Ivory Asia.
- d) Pang Fong Thau is a Director of the subsidiaries of Coastal.
- e) Deemed interested by virtue of the substantial shareholdings held by their other siblings and their holdings in Ivory Asia.
- f) Deemed interested by virtue of the direct and indirect substantial shareholdings held by her husband Ng Chin Heng.

Description of promoters, substantial shareholders, directors and key management, key technical personnel and the direct and indirect shareholdings of the foregoing persons in the Company, are disclosed in section 7 "Shareholders, Directors, Senior Management and Employees", page 50 of this Prospectus.

2.3 Financial Records

The following table has been extracted from the Accountants' Report included in section 14 page 94 of this Prospectus and should be read in conjunction with the notes and assumptions thereto. There were no audit qualifications for the financial years under review.

A summary of the proforma 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 period 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
Gross EPS (sen)*	6.38	20.36	21.08	23.49	22.35
Net EPS (sen)*	5.38	20.48	19.72	22.74	21.92
Gross EPS (sen)**	5.11	16.31	16.89	18.81	17.90
Net EPS (sen)**	4.31	16.41	15.79	18.21	17.55

Notes

- * Computed based on the enlarged ordinary shares in issue of 53,500,000 Shares after the Acquisitions.
- ** 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 Proforma Group have been prepared based on accounting policies consistent with those previously adopted in the preparation of the Proforma 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/period in 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.

A summary of the Proforma Consolidated Balance Sheets is as below. Details on the Proforma Consolidated Balance Sheets are set out in Section 13, page 90 of this Prospectus. There were no audit qualifications in the periods under review.

	I	II
	After Adjustment on Deferred Taxation	After I and Public Issue
	Audited as at 31.12.2002 RM'000	After I and Public Issue 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>	1.26	1.16

Notes:

- i) For Proforma I, 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.
- ii) For Proforma II, adjustments are made for 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 and the utilisation of the gross proceeds arising from the Public Issue amounting to RM21.28 million and the utilisation of the proceeds from the Public Issue. Estimated listing expenses of approximately RM2.0 million will be set-off against the share premium account.
- iii) The Proforma Consolidated Balance Sheets have been prepared on bases consistent with the accounting policies normally adopted in the preparation of the audited financial statements, except for the aforementioned change in accounting policy on deferred taxation.

Detailed financial information and the Proforma Consolidated Balance Sheets and Reporting Accountants' letter of the Group are set out in section 10 "Financial Information" on page 74 onwards and section 13 "Proforma Consolidated Balance Sheets And Reporting Accountant's Letter" on page 90 of this Prospectus.

2.4 Risk Factors

Prospective investors, prior to making an investment in the Company, should carefully consider the following risk factors inherent in and affecting the business of the Company and its subsidiary and this offering. The discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's and the Group's actual results when materialised could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in section 4 "Risk Factors" on page 22 onwards and those discussed throughout this Prospectus.

Business Risk

- i) **Business Risk** – risks that are inherent in vessel manufacturing and repair activities.
- ii) **Achievability of Forecast** – some information in this Prospectus are based on assumptions that are deemed to be reasonable at the time of issuance but nevertheless are subject to uncertainties and contingencies.
- iii) **Sales/Production Cycle** – lengthy sales cycles as manufacturing of marine vessels are considerably longer compared to other manufacturing activities.
- iv) **Security Risk** – the mobility of the Group's products exposes the Group to risks such as hijack and piracy.
- v) **Control by Substantial Shareholders** – effective control over decisions that require shareholders' vote.
- vi) **Labour** – possible interruptions that might arise from labour shortages and dispute.
- vii) **Management of Growth** – largely depends on the Group's ability to manage its expansion plans.
- viii) **Potential Acquisitions and Joint Ventures** – any new undertakings that the Group may assume in the future and thus exposing itself to new risks associated with those activities.
- ix) **Disclosure Regarding Forward Looking-Statements** – forward-looking statements that may deviate from present expectations and may materially affect the Group.
- x) **Risk of fire** - that could potentially cause significant losses and disruption in operations.
- xi) **Loss of Vessels** - mechanical failure, collision and ocean disaster.
- xii) **Late delivery** – of vessel that could potentially lead to breach of contract.
- xiii) **Continuity of Management and Key Personnel** - ability and dedication of the Directors and management team members to manage the corporation.

Industry Risks

- i) **Change of Quality and Safety Standards** – the manufacturing of marine vessels process is inspected at every stage by International Surveyors to ensure a minimum level of quality and safety standards wherein any non compliance could result in non-certification of completed vessels.
- ii) **Competition** - the Group will be competing with well-established players for global market share.

- iii) **Dependence on the Indonesian Market** - shifts in the political and economic climate in Indonesia as well as regulations governing the industry in Indonesia could expose the operations of the Group to adversity.
- iv) **Cyclical Nature of the Vessel Chartering Industry** - the Group's products are subject to seasonal and cyclical variations in line with the industry.

Market Risk

- i) **No Prior Market** – the Group's shares have not traded publicly and the offer price is arbitrary.
- ii) **Political and Economic Risks** - adverse developments in the political, economic and regulatory conditions in markets where the Group operates.
- iii) **Volatility of Share Price** – Shares not subjected to moratorium will be available for immediate sale on the market that could materially affect the price.

Financial Risk

- i) **Need for Future Capital Injection** – the continued availability of trade lines and other credit terms are vital to the long term and smooth operations of the Group.
- ii) **Foreign Exchange Fluctuations** – Coastal is exposed to the elements of foreign exchange fluctuations due to its overseas sales.

Further discussion on the risk factors is included in the "Risk Factors" section commencing on page 22 of this Prospectus.

2.5 Principal Statistics relating to the IPO

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text.

	RM
AUTHORISED SHARE CAPITAL	
500,000,000 ordinary shares of RM1.00 each	500,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL AS AT THE DATE OF THIS PROSPECTUS	
53,500,000 ordinary shares of RM1.00 each	53,500,000
TO BE ISSUED PURSUANT TO THE PUBLIC ISSUE	
13,300,000 new ordinary shares of RM1.00 each	13,300,000
	66,800,000
TO BE OFFERED PURSUANT TO THE OFFER FOR SALE	
3,600,000 ordinary shares of RM1.00 each	3,600,000
IPO PRICE PER SHARE	RM1.60
PROFORMA GROUP NTA*	
Proforma Group NTA as at 31 December 2002 (<i>after taking into account the Public Issue and estimated listing expenses of RM2.0 million</i>)	77.736 million
Proforma Group NTA per share (<i>based on the enlarged share capital of 66,800,000 Shares</i>)	1.16
DIVIDEND FORECAST FOR FINANCIAL YEAR ENDING 31 DECEMBER 2003**	
Gross dividend per share (sen)	8.0
Gross dividend rate (%)	8.0
Gross dividend yield based on the IPO price of RM1.60 per share (%)	5.0
Net dividend cover (times)	3.6

- * The Proforma Consolidated Balance Sheets of Coastal as at 31 December 2002 and Reporting Accountants' Letter thereon are set out in section 13, page 90 of this Prospectus.
- ** Detailed information on the dividend forecast is set out in section 10.9 "Dividend Forecast and Policy" on page 80 of this Prospectus.

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in whole of any surplus in the event of the liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of the Company.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003	Forecast 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
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

* Figures are computed assuming the Group has been in existence throughout the period. The calculation is based on the enlarged ordinary shares in issue of 66,800,000 Shares after taking into account the Public Issue.

2.6 Proceeds of Issue and Proposed Utilisation

The gross proceeds of approximately RM21.28 million receivable by to Coastal from the Public Issue will be utilised as follows:-

Purpose	RM'000
Construction of one (1) additional shielded factory	2,000
Purchase of machinery, heavy vehicles and other shipyard facilities	500
Working capital for manufacturing and chartering of vessel operations	16,780
Payment of estimated listing expenses	2,000
TOTAL	21,280

A more detailed description of the proceeds utilisation is included under section 3.7 "Utilisation of Proceeds from the Public Issue" on page 16 of this Prospectus.

2.7 Material Litigations, Commitments and Contingent Liabilities

As at 17 June 2003, being the last practicable date prior to the printing of this Prospectus, there does not exist any material litigation, capital commitment or contingent liability which may materially affect the Group save as disclosed below. Further details are disclosed in section 10.7 "Working Capital, Borrowings and Material Contingent Liabilities" on page 79.

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

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