

THIS CIRCULAR TO SHAREHOLDERS OF COASTAL CONTRACTS BHD. (“COASTAL” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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COASTAL CONTRACTS BHD.

(Registration No.: 200001015043 (517649-A))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO COASTOIL DYNAMIC S.A. DE C.V.
 (“PROPOSED PROVISION OF FINANCIAL ASSISTANCE”)**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No.: 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting (“**EGM**”) of the Company in relation to the Proposed Provision of Financial Assistance will be held at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Thursday, 10 March 2022 at 10.00 a.m., or any adjournment thereof.

The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the Form of Proxy must be lodged at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah. In the case of electronic appointment, the Form of Proxy must be submitted to the electronic address at ir@coastalcontracts.com.

All Forms of Proxy submitted must be received by the Company not less than forty-eight (48) hours before the appointed time for the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you subsequently wish to do so. The last date and time for lodging the Form of Proxy is on Tuesday, 8 March 2022 at 10.00 a.m.

Last date and time for lodging the Form of Proxy : Tuesday, 8 March 2022 at 10.00 a.m.

Date and time of the EGM : Thursday, 10 March 2022 at 10.00 a.m., or any adjournment thereof

This Circular is dated 23 February 2022

DEFINITIONS

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

“Act”	:	The Companies Act 2016, as amended from time to time and any re-enactment thereof
“Additional Shares Subscription”	:	The additional subscription of 25,000 Coastoil Dynamic Shares each at a subscription amount of MXN60.00 million (equivalent to approximately RM12.16 million) by CMPL and Alfair
“Alfair” or the “JV Partner”	:	Grupo Empresarial Alfair S.A.P.I. De C.V. (Registration No.: 3982)
“Board”	:	The Board of Directors of Coastal
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
“Circular”	:	This circular to shareholders of Coastal dated 23 February 2022
“CMPL”	:	Coastal Marine Pte. Ltd. (Registration No.: 200608933M), a wholly-owned subsidiary of Coastal
“Coastal” or the “Company”	:	Coastal Contracts Bhd. (Registration No.: 200001015043 (517649-A))
“Coastal Group” or the “Group”	:	Coastal, its subsidiaries and joint controlled entities, collectively
“Coastoil Dynamic” or the “Joint Venture Company”	:	Coastoil Dynamic S.A. De C.V. (Registration No.: 27340), a wholly-owned subsidiary of Coastal as at the LPD and has been identified to be the joint venture company undertaking the Joint Venture. For the avoidance of doubt, after the completion of the Shares Acquisitions, Coastoil Dynamic would be a joint arrangement in accordance with the Malaysian Financial Reporting Standard 11
“Coastoil Dynamic Share(s)”	:	Ordinary share(s) in Coastoil Dynamic
“COVID-19”	:	Coronavirus disease 2019
“Debt Participation”	:	Project Funding to be provided by CMPL to Coastoil Dynamic through the Shareholder’s Loan pursuant to the Proposed Provision of Financial Assistance
“Director(s)”	:	The director(s) of Coastal having the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EGM”	:	Extraordinary General Meeting
“Equity Participation”	:	Project Funding to be provided by CMPL to Coastoil Dynamic through the subscription of Coastoil Dynamic Shares by CMPL pursuant to the Proposed Provision of Financial Assistance
“FYE”	:	Financial year ended/ending, as the case may be

DEFINITIONS (Cont'd)

“GDP”	: Gross domestic product
“Ixachi Field”	: An onshore oil and gas field owned by Pemex, which is located in Veracruz, Mexico
“Joint Venture”	: The joint venture between Coastal and Alfair to undertake the Perdiz Plant Project, and expand its business in the oil and gas industry
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time
“LPD”	: 8 February 2022, being the latest practicable date prior to the printing and despatch of this Circular
“NA”	: Net assets
“NTA”	: Net tangible assets
“Nuvoil”	: Nuvoil S.A. De C.V. (Registration No.: 8969)
“Nuvoil Group”	: Nuvoil group of companies
“OECD”	: Organisation for Economic Co-operation and Development
“OPEC”	: Organisation of the Petroleum Exporting Countries
“Papan Plant Project”	: The construction and operations of the second onshore gas conditioning plant project with a capacity of 300 mmscfd in Tierra Blanca, Veracruz, Mexico. The plant carry out the treatment and recovery processes to the untreated gas from the Ixachi Field to produce commercial natural gas, liquefied petroleum gas, stabilised condensates and naphtha for Pemex Group
“Pemex”	: Petroleos Mexicanos, a Mexican state-owned petroleum company
“Pemex Contract”	: The contract dated 8 January 2021 entered into between PEP, SIC and Nuvoil
“Pemex Group”	: Pemex group of companies
“PEP”	: Pemex Exploracion and Produccion, a subsidiary of Pemex
“Perdiz Plant Project”	: The construction and operations of the first onshore gas sweetening plant project in Veracruz, Mexico for Pemex
“Project Funding”	: Project funding of up to USD220.00 million (equivalent to approximately RM920.66 million) to be provided by CMPL and the JV Partner to Coastoil Dynamic after the completion of the Shares Acquisition, to fund the construction of the Papan Plant Project and working capital for the initial operations of the plant, in the event of any shortfall in funding for the payment of construction costs

DEFINITIONS (Cont'd)

“Proposed Provision of Financial Assistance” : The proposed provision of Project Funding by CMPL to Coastoil Dynamic in the following form of combinations:-

- (a) Debt Participation;
- (b) Equity Participation; and/or
- (c) other available forms of guarantees or funding deemed expedient by our Board, including but not limited to standby letters of credit and/or letters of credit

The Proposed Provision of Financial Assistance is undertaken pursuant to Paragraph 8.23(1)(b)(iii) of the Listing Requirements

“Redeemable Share(s)” : Redeemable convertible preferred share(s) in Coastoil Dynamic

“SA” : The shareholders’ agreement dated 17 February 2021 entered into between CMPL, Alfair and Coastoil Dynamic, concurrently with the SPA, to demarcate and set out the rights and obligations of CMPL and the JV Partner under the Joint Venture

“Service Agreement” : The service agreement dated 24 December 2021 entered into between Coastoil Dynamic, SIC, Nuvoil and PEP

“Shareholder’s Loan” : Shareholder’s loan to be granted by CMPL to Coastoil Dynamic pursuant to the Proposed Provision of Financial Assistance, further details of which are set out in **Section 2** of this Circular

“Shares Acquisition” : The acquisition of 25,000 Coastoil Dynamic Shares by the JV Partner from Coastal, representing 50% equity interest in Coastoil Dynamic at MXN1.00 per Coastoil Dynamic Share, which is envisaged to be completed by the first quarter of 2022

“SIC” : Sistemas Integrales De Compression S.A. De C.V. (Registration No.: 44691)

“SPA” : The share purchase agreement dated 17 February 2021 entered into between Coastal, the JV Partner and Coastoil Dynamic for the Shares Acquisition

“UOBKH” or the “Adviser” : UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))

“US” : United States of America

Currencies

“MXN” : Mexican Peso

“RM” and “sen” : Ringgit Malaysia and sen

“USD” : United States Dollar

DEFINITIONS (Cont'd)

Units of measurement

“kb/d”	:	Thousand barrels per day
“mb”	:	Millions of barrels
“mb/d”	:	Millions of barrels per day
“mmscfd”	:	Million standard cubic feet per day

All references to “we”, “us”, “our” and “ourselves” are to Coastal or Coastal Group. All references to “you” in this Circular are to the shareholders of Coastal.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Unless otherwise stated, the exchange rates as extracted from Bloomberg as at 8 February 2022, being the LPD are used throughout this Circular:-

<i>USD1.00</i>	:	<i>RM4.1848</i>
<i>MXN1.00</i>	:	<i>RM0.2027</i>

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COASTAL CONTRACTS BHD.

(Registration No.: 200001015043 (517649-A))
(Incorporated in Malaysia)

Registered Office

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

23 February 2022

Board of Directors

Ng Chin Heng	(Executive Chairman)
Ng Chin Shin	(Executive Director)
Ng Chin Keuan	(Executive Director)
Jacob O Pang Su Yin	(Independent Non-Executive Director)
Loh Thian Sang @ Lo Thian Siang	(Independent Non-Executive Director)
Tuan Hj. Ir Intizam Bin Ayub	(Independent Non-Executive Director)

To: The shareholders of Coastal

Dear Sir/Madam,

PROPOSED PROVISION OF FINANCIAL ASSISTANCE

1. INTRODUCTION

On 19 January 2022, UOBKH had, on behalf of our Board, announced that CMPL (a wholly-owned subsidiary of our Company) is proposing to provide the Project Funding of up to USD220.00 million (equivalent to approximately RM920.66 million) to Coastoil Dynamic⁽¹⁾ after the completion of the Shares Acquisition in stages and subject to the funding requirements of Coastoil Dynamic.

Note:-

(1) *Brief details of Coastoil Dynamic:-*

Coastoil Dynamic, an existing wholly-owned subsidiary of Coastal, has been identified by our Company to facilitate the Joint Venture following the signing of the SPA on 17 February 2021. Coastal via CMPL, will continue to hold the balance 50% equity interest in Coastoil Dynamic post completion of the Shares Acquisition.

Our JV Partner, Alfair was incorporated on 24 July 2019 in Mexico under the Mexican General Corporation Law. As at the LPD, Alfair has an issued share capital of MXN80,000 (equivalent to approximately RM16,216), comprising 80,000 ordinary shares. Alfair is affiliated to the Nuvoil Group, an established Mexican group of companies with expertise and strong track record in the management, administration and execution of Engineering, Procurement, Construction, Installation and Commissioning (EPCIC), operations and maintenance for the management of onshore and offshore projects.

The directors of Alfair and their shareholdings in Alfair as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Angel Joab Hernandez Gardezabal	20,000	25.00	-	-
Azael Hernandez Gardezabal	20,000	25.00	-	-
Mariano Adonai Hernandez Gardezabal	20,000	25.00	-	-

The shareholders of Alfair and their shareholdings in Alfair as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Azael Hernandez Gardezabal	20,000	25.00	-	-
Mariano Adonai Hernandez Gardezabal	20,000	25.00	-	-
Angel Joab Hernandez Gardezabal	20,000	25.00	-	-
Jose Edel Alvarez Delong	20,000	25.00	-	-

The Joint Venture was established by both parties with the intention to undertake the Perdiz Plant Project, and expand its business in the oil and gas industry. In conjunction with the Joint Venture, CMPL, Alfair and Coastoil Dynamic had also entered into the SA concurrently with the SPA.

The Joint Venture was subject to the fulfilment of the conditions precedent of the SPA and SA set out in **Appendix I** and **Appendix II** of this Circular, all of which have been fulfilled on 30 December 2021. Pursuant thereto, Coastal is hence required to effect the Shares Acquisition, which is expected to be completed by the first quarter of 2022.

The Proposed Provision of Financial Assistance pursuant to Paragraph 8.23(1)(b)(iii) of the Listing Requirements is undertaken by our Group to provide funding to Coastoil Dynamic (which would be a joint arrangement after the completion of the Shares Acquisition) following the award of a new project (i.e. the Papan Plant Project) by the Pemex Group. For information purposes, Coastoil Dynamic, SIC⁽¹⁾, Nuvoil⁽²⁾ and PEP had, on 24 December 2021, entered into the Service Agreement for the Papan Plant Project. The parties are required to undertake the following key functions for the Papan Plant Project:-

- Coastal Group and Alfair shall provide funding to Coastoil Dynamic via the Additional Shares Subscription and Shareholder's Loan for the Papan Plant Project;
- SIC shall provide the required technical support to Coastoil Dynamic during the engineering, procurement and construction stages ("**EPC Stages**") as well as throughout the operations and maintenance tenure of 10 years ("**O&M Tenure**");
- Coastal Group shall provide project management and technical support to Coastoil Dynamic, as and when required, during the EPC Stages and O&M Tenure; and
- Nuvoil shall provide project administrative support services to Coastoil Dynamic during the EPC Stages and O&M Tenure.

Further details on the key responsibilities of the parties and other salient terms of the Service Agreement are set out in **Appendix III** of this Circular.

Notes:-

- Brief details of SIC:-

SIC was incorporated on 26 June 2003 in Mexico under the Mexican General Corporation Law. As at the LPD, SIC has an issued share capital of MXN405,933,000 (equivalent to approximately RM82,282,619), comprising 813,866 ordinary shares. SIC is primarily involved in the services of conditioning and compression of natural gas and the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) of onshore and offshore plants.

The directors of SIC and their shareholdings in SIC as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Mariano Hernandez Palmeros	379,996	47.00	-	-
Azael Hernandez Gardezabal	150,804	18.00	-	-
Roberto Jair Gonzalez Duarte	-	-	-	-
Mariano Adonai Hernandez Gardezabal	111,342	14.00	-	-
Angel Joab Hernandez Gardezabal	171,724	21.00	-	-

The shareholders of SIC and their shareholdings in SIC as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Azael Hernandez Gardezabal	150,804	18.00	-	-
Mariano Adonai Hernandez Gardezabal	111,342	14.00	-	-
Angel Joab Hernandez Gardezabal	171,724	21.00	-	-
Mariano Hernandez Palmeros	379,996	47.00	-	-

(2) Brief details of Nuvoil:-

Nuvoil was incorporated on 4 November 2011 in Mexico under the Mexican General Corporation Law. As at the LPD, Nuvoil has an issued share capital of MXN2,500,000 (equivalent to approximately RM506,750), comprising 100 ordinary shares. Nuvoil is primarily involved in the management and administration of the conditioning and compression projects of natural gas.

The directors of Nuvoil and their shareholdings in Nuvoil as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Mariano Hernandez Palmeros	70	70.00	-	-
Azael Hernandez Gardezabal	10	10.00	-	-
Mariano Adonai Hernandez Gardezabal	10	10.00	-	-
Angel Joab Hernandez Gardezabal	10	10.00	-	-

The shareholders of Nuvoil and their shareholdings in Nuvoil as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Mariano Hernandez Palmeros	70	70.00	-	-
Azael Hernandez Gardezabal	10	10.00	-	-
Mariano Adonai Hernandez Gardezabal	10	10.00	-	-
Angel Joab Hernandez Gardezabal	10	10.00	-	-

In addition, having considered that the Proposed Provision of Financial Assistance is to the Joint Venture Company (which would be a joint arrangement after the completion of the Shares Acquisition) and that the quantum of the Proposed Provision of Financial Assistance is more than 5% of the NTA of our Group based on our latest audited consolidated financial statements for the FYE 30 June 2021, our Company is therefore required to issue a circular to our shareholders and seek your approval at the forthcoming EGM pursuant to Paragraph 8.23(2)(c) of the Listing Requirements.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

Following the award of the Papan Plant Project to Coastoil Dynamic, shareholders of Coastal should note that Pemex Group is required to make progress payments to Coastoil Dynamic for its engineering, procurement and construction services in relation to the primary permanent infrastructure for Papan Plant Project (such as civil works for the plant site, gas pipelines, control system) based on the pre-determined milestones set out in the Service Agreement. Coastoil Dynamic intends to utilise the progress payments to be received from Pemex Group to partially fund the construction costs of the Papan Plant Project. The total construction costs of the plant (including the primary permanent infrastructure of the plant) is estimated to be approximately USD327.00 million (including value-added tax) (equivalent to approximately RM1,368.43 million). The construction costs will be funded via the progress payments to be received from Pemex Group and/or the Project Funding.

In view of the above, the potential gaps in terms of timing and quantum of funding for the construction costs ("**Potential Funding Gaps**") shall arise in the event of, amongst others, the following circumstances:-

- (a) delays in the receipt or default⁽¹⁾ in the progress payments by Pemex Group, resulting in Coastoil Dynamic having insufficient funds to finance the construction of the Papan Plant Project; or
- (b) due to unexpected construction cost overruns, the progress payments made by Pemex under the Service Agreement during the construction period is insufficient to fully finance the total construction costs of the Papan Plant Project.

Note:-

- (1) *In the event of any default in payments of the progress billings by Pemex Group, Pemex Group will be deemed to have breached its obligations under the Service Agreement if such default is not remedied within 30 days and Coastoil Dynamic will therefore have the right to fully terminate the Service Agreement and seek legal recourse against PEP in accordance with the terms of the Service Agreement.*

Premised thereto, our Board envisages that Coastoil Dynamic (which would be a joint arrangement after the completion of the Shares Acquisition) will potentially require funding from CMPL and the JV Partner of up to USD220.00 million (equivalent to approximately RM920.66 million) to finance the Potential Funding Gaps, in particular, the immediate anticipated funding gap of approximately USD175.00 million (equivalent to approximately RM732.34 million) to arise in mid April 2022 as:-

- (a) Coastoil Dynamic is expected to incur approximately USD186.00 million (equivalent to approximately RM778.37 million) of construction costs in mid April 2022; whilst
- (b) Coastoil Dynamic is expected to only potentially receive progress payments of approximately USD11.0 million (equivalent to approximately RM46.03 million) in the said period.

The Project Funding of up to USD220.00 million (equivalent to approximately RM920.66 million) shall be financed by CMPL and the JV Partner according to their respective shareholdings proportions in the Joint Venture Company. In the event that either party fails to inject the required portion of funding for the Joint Venture Company ("**Shortfall Funding Portion**"), the other party shall have the option to fund the remaining portion required in the Joint Venture Company. Such funding may be in the form of Debt Participation, where the debt shall be interest-bearing at a rate to be determined and mutually agreed by the parties. Our management is of the view that such approach is in the best interest of Coastal Group as:-

- (a) in view of our Group's strategy to leverage on our track record for the Papan Plant Project to further expand our presence in Mexico and other international markets, the Debt Participation would hence mitigate the risks of Coastoil Dynamic from defaulting its obligations under the Service Agreement and consequently tarnishing or impacting our Group's reputation and future plans as set out in **Section 5.3** of this Circular;
- (b) our Group will also enjoy a steady stream of interest income throughout the tenure of the Debt Participation; and
- (c) the financing of the Shortfall Funding Portion by way of Debt Participation will not result in any changes to the agreed shareholdings of Coastal and the JV Partner in the Joint Venture Company.

Our management wishes to further highlight that the quantum of the Equity Participation to finance the Shortfall Funding Portion, if required to be undertaken, will be minimal in view that the JV Partner is our strategic partner and our Group does not intend to dilute their equity interest in Coastoil Dynamic.

In anticipation of extending the funding to Coastoil Dynamic, our Company intends to seek the approval of our shareholders to grant the Proposed Provision of Financial Assistance to Coastoil Dynamic, in stages and depending on the funding assessment made by our management. The Proposed Provision of Financial Assistance will entail the following combinations:-

- (a) Debt Participation through the Shareholder's Loan to be granted by CMPL to Coastoil Dynamic at an interest rate to be determined and mutually agreed by the parties.

The indicative salient terms of the Shareholder's Loan are envisaged to be as follows:-

- (i) the term of the Shareholder's Loan shall be 3 to 5 years;
- (ii) the Shareholder's Loan granted to Coastoil Dynamic shall be subject to an indicative interest at the rate of 10% per annum;
- (iii) subject to the limitations under applicable laws, the Shareholder's Loan shall be secured by, amongst others, the following securities:-
 - a first priority pledge over the Coastoil Dynamic Shares held by Alfair from time to time;
 - Shareholder's Loan provided by CMPL will also require the following from Coastoil Dynamic:-
 - a first priority mortgage over all equipment relating to the Papan Plant Project owned by Coastoil Dynamic from time to time;
 - a first priority pledge over the earnings account and debt service retention account of Coastoil Dynamic from time to time;
 - an assignment of all relevant insurances for the Papan Plant Project from time to time;
 - a promissory note issued by Coastoil Dynamic and evidencing all its present and future, actual and contingent, liabilities and obligations at any time due, owing or incurred, and guaranteed by Nuvoil, Inmobiliaria y Proyectos de Construcción, S.A. De C.V. (a company affiliated to Nuvoil Group) and all the shareholders therein in favour of CMPL, as deemed appropriate by the local legal counsels of CMPL; and

- other securities as may be required by CMPL or its financiers.
- (iv) the key events of default are set out below:-
- non-payment of any amount payable by Coastoil Dynamic and Alfair (being the security provider and an obligor of the Shareholder's Loan) on the payment due date unless its failure to pay is caused by administrative or technical error and the payment is made within 3 business days from the payment due date; and
 - Coastoil Dynamic and Alfair do not comply with any provisions of the financing documents.

For information purposes, CMPL and the JV Partner had previously explored the avenue of providing the Project Funding via the subscription of the Redeemable Shares to be issued by Coastoil Dynamic upon the terms of the SA. However, following the recent deliberations between CMPL and the JV Partner, CMPL and the JV Partner had resolved that the debt participation shall solely be undertaken by way of the Shareholder's Loan.

- (b) Equity Participation through the subscription of Coastoil Dynamic Shares by CMPL. For the avoidance of doubt, in the event of any Equity Participation, both CMPL and the JV Partner will endeavour to subscribe for Coastoil Dynamic Shares on an equitable basis to ensure that there are no changes to the equity interests of both parties in the Joint Venture; and/or
- (c) other available forms of guarantees or funding deemed expedient by our Board, including but not limited to standby letters of credit and/or letters of credit.

The exact funding combinations and quantum of the Debt Participation and Equity Participation cannot be determined at this juncture as the amount will primarily depend on, amongst others, the Potential Funding Gaps, after taking into consideration, the timing and quantum of the progress payments to be received from Pemex Group as well as other contingencies.

The Project Funding shall be provided to Coastoil Dynamic in stages in tandem with the construction stages of the Papan Plant Project up until the completion of the plant.

For the avoidance of doubt, save for the Proposed Provision of Financial Assistance, there is no other form of cash advances and financial commitments required to be extended by our Group pursuant to the Proposed Provision of Financial Assistance. At this juncture, our management estimates that the financial commitment to be incurred by our Group in relation to the Papan Plant Project is approximately USD220.00 million (equivalent to approximately RM920.66 million), which is equivalent to the quantum envisaged for the Proposed Provision of Financial Assistance. Further details on the basis of the quantum of the Proposed Provision of Financial Assistance/financial commitment are set out in **Section 2.1** below. Details on the source of funding for the Project Funding are set out in **Section 2.2** of this Circular.

Given that the quantum of the Proposed Provision of Financial Assistance is more than 5% of the NTA of our Group based on our latest audited consolidated financial statements for the FYE 30 June 2021, our Company is required to issue a circular to our shareholders and seek your approval at the forthcoming EGM.

For the avoidance of doubt, any additional Project Funding to be provided by our Group in excess of the quantum specified under the Proposed Provision of Financial Assistance will be subject to a separate approval from our shareholders, as and when required.

2.1 Basis of arriving at the Proposed Provision of Financial Assistance

The Proposed Provision of Financial Assistance of up to USD220.00 million (equivalent to approximately RM920.66 million) was arrived after taking into consideration the management estimates on the Project Funding and progress payments from Pemex Group to Coastoil Dynamic according to the pre-determined construction milestones/stages. The breakdown of the Proposed Provision of Financial Assistance is envisaged to be as follows:-

	Estimated allocation of the Project Funding		
	USD'000	Equivalent RM'000	%
(i) Construction cost ⁽¹⁾	175,000	732,340	79.5
(ii) Contingencies and working capital ⁽²⁾	45,000	188,316	20.5
Total	220,000	920,656	100.0

Notes:-

- (1) Coastoil Dynamic has indicatively earmarked up to USD175.00 million (equivalent to approximately RM732.34 million) of the Project Funding for the construction cost of the Papan Plant Project to be incurred in mid April 2022, the details of the indicative breakdown of the construction cost are set out below:-

	USD'000	Equivalent RM'000
Purchase of plants, equipment and consumables	114,000	477,067
Payment to sub-contractors and purchase of construction materials	64,000	267,827
Project management and engineering	8,000	33,479
	186,000	778,373
Less: Progress payments to be received from Pemex in mid April 2022	(11,000)	(46,033)
Total	175,000	732,340

The earmarked funds under the Proposed Provision of Financial Assistance will be primarily used for, amongst others, purchases of plants, equipment and consumables, payment to sub-contractors and purchase of construction materials, as well as the project management and engineering.

- (2) The balance from the Project Funding amounting to USD45.00 million (equivalent to approximately RM188.32 million) is indicatively earmarked for contingency purposes in the event of deficit in the budgeted construction costs and/or as and when additional funds are required to support the construction and initial operations of the Papan Plant Project.

2.2 Source of funding

The Proposed Provision of Financial Assistance is envisaged to be funded via our Group's internally generated funds, bank borrowings, issuance of bonds and/or project financing, the proportion of which will be determined later after taking into consideration, amongst others, gearing level, interest costs and internal cash requirements of our Group.

For information purposes, the total cash and bank balances and short-term investments of our Group stood at approximately RM187.95 million and RM111.42 million respectively, as at 30 September 2021.

2.3 Liabilities to be assumed

Save for the potential borrowings to be secured by our Group as disclosed in **Section 2.2** above as well as the obligations and liabilities arising therefrom, there are no other liabilities, including contingent liabilities and/or guarantees to be assumed by Coastal pursuant to the Joint Venture.

3. INFORMATION ON COASTOIL DYNAMIC

Coastoil Dynamic was incorporated on 22 February 2019 as a company limited by shares in Mexico under the Mexican General Corporation Law. As at the LPD, Coastoil Dynamic is a wholly-owned subsidiary of Coastal with an issued share capital of MXN50,000.00 (equivalent to approximately RM10,135.00), comprising 50,000 Coastoil Dynamic Shares.

The issued and paid-up share capital of Coastoil Dynamic shall increase by 50,000 Coastoil Dynamic Shares of MXN2,400.00 (equivalent to approximately RM486.48) each through the Additional Shares Subscription, which is expected to be completed by the first quarter of 2022.

The enlarged issued share capital of Coastoil Dynamic after the completion of the Additional Shares Subscription will be MXN120.05 million (equivalent to approximately RM24.33 million) comprising 100,000 Coastoil Dynamic Shares.

Coastoil Dynamic is primarily involved in the leasing and subleasing of all kinds of offshore assets related to the oil and gas industry as well as provision of drilling and engineering and other ancillary services to the oil and gas industry.

The directors of Coastoil Dynamic as at the LPD and after the completion of the Shares Acquisition are as follows:-

Name	No. of Coastoil Dynamic Shares	%
<u>Board Composition of Coastoil Dynamic as at the LPD</u>		
Ng Chin Shin	-	-
Liow Ming Yew	-	-
Alice Ng	-	-
<u>Proposed Board Composition of Coastoil Dynamic upon completion of the Shares Acquisition</u>		
Ng Chin Heng	-	-
Alice Ng	-	-
Mariano Hernandez Palmeros	-	-
Jose Edel Alvarez Delong	-	-

The shareholders of Coastoil Dynamic and their shareholdings in Coastoil Dynamic as at the LPD and after the completion of the Shares Acquisition and Additional Shares Subscription are as follows:-

Name	As at the LPD		After the completion of the Shares Acquisition and Additional Shares Subscription	
	No. of Coastoil Dynamic Shares	%	No. of Coastoil Dynamic Shares	%
Coastal Group	50,000	100.0	50,000	50.0
Alfair	(1)	(1)	50,000	50.0
Total	50,000	100.0	(2)100,000	100.0

Notes:-

- (1) The Shares Acquisition is expected to be completed by the first quarter of 2022.
- (2) The issued share capital of Coastoil Dynamic will be increased to 100,000 Coastoil Dynamic Shares upon the completion of the Shares Acquisition and Additional Shares Subscription.

As at the LPD, Coastoil Dynamic does not have any subsidiary or associate company.

A summary of the key financial information of Coastoil Dynamic for the past 2 financial years up to the FYE 31 December 2020 is set out below:-

	FYE 31 December 2019		FYE 31 December 2020	
	MXN'000	*Equivalent RM'000	MXN'000	*Equivalent RM'000
Revenue	-	-	-	-
Loss before tax	(37)	(8)	(48)	(10)
Loss after tax	(37)	(8)	(48)	(10)
Shareholders' equity/NTA	13	3	(35)	(7)
Total borrowings	-	-	-	-
Cash and cash equivalents	-	-	66	13
No. of shares in issued	50,000	50,000	50,000	50,000
NA per share (MXN/RM)	0.26	0.06	(0.69)	(0.14)
Gearing ratio (times)	-		-	
Current ratio (times)	1.30		N/A	

Note:-

* The MXN amount as per the above audited financial statements of Coastoil Dynamic has been translated into RM based on the following rates as extracted from Bloomberg on the respective end dates for each financial year under review, as follows:-

FYE 31 December 2019 MXN1.00 : RM0.2161

FYE 31 December 2020 MXN1.00 : RM0.2021

4. RATIONALE FOR THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

The Proposed Provision of Financial Assistance will provide Coastoil Dynamic with the required funds in an expedient manner to finance the Papan Plant Project in the event of the Potential Funding Gaps. The plant is expected to contribute positively to Coastoil Dynamic and provide a steady income stream to our Group. The availability of expedient funding by our Group would allay unnecessary delays throughout the construction period of the Papan Plant Project and to ensure the timely completion of the plant.

Premised on the above, our Board believes that the Proposed Provision of Financial Assistance augurs well with our Group's long-term objective to achieve sustainable growth and value creation for the shareholders of Coastal.

5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Mexican economy

The economy is projected to expand by 3.3% in 2022 and by 2.5% in 2023, after growing by 5.9% in 2021. Exports will continue to benefit from the strong recovery in the US. Consumption will be supported by the gradual improvement in the labour market and the increasing share of the population who are vaccinated. Investment will benefit from planned infrastructure projects. Inflation will edge down, after the significant increase in 2021. If the recovery falters or the pandemic resurges, spending on social protection and public investment should increase further and the planned gradual reduction of the fiscal deficit be delayed. Monetary policy should gradually tighten further if inflation does not converge to the 3% target. Improving business regulations at sub-national level, by lowering administrative burdens and monetary costs for starting and formalising companies, would help to raise private investment and formal job creation.

Activity has trended up in agriculture, industry and services. The latter displays some heterogeneity, with the recovery in high-contact sectors, such as leisure and hospitality, lagging behind while activity in some other sectors is above pre-pandemic levels. Tourism, an important source of jobs and revenues for several regions, is 27% below pre-pandemic levels. Consumption is 3% below its pre-pandemic level while investment is recovering more slowly, remaining 7% below its pre-pandemic level. The vaccination campaign is progressing steadily, but with significant heterogeneity across regions. As of mid-November, 58% of the population had received at least one dose and 49% are fully vaccinated. Inflation has increased significantly. Given Mexico's high integration in global value chains, global inflation and supply-chain cost disruptions are exerting significant pressure on both headline and core inflation. Domestic factors, such as the recovery in the demand for some services, and additional upward pressures on some food and energy prices are fuelling inflation. The labour market is gradually recovering. The standard unemployment rate, at 4.2%, is 0.8 percentage point above the level of late 2019. The rate jumps to 27% when considering also the population that remains outside the labour force and would accept a job and those who would like to work more hours.

The fiscal stance, while remaining cautious, is less restrictive than foreseen in the 2021 budget, mildly supporting the ongoing recovery. The budget deficit is expected to increase to 3.4% of GDP in 2021 (from 2.9% of GDP in 2020), remain broadly unchanged in 2022 and decrease thereafter. The official measure of public debt is expected to stabilise around 51% of GDP. Mexico's tax-to-GDP ratio is the lowest in the OECD and lower than that of regional peers. Responding to increasing spending needs in education, health or social protection, while maintaining the commitment to debt sustainability, would require increasing tax revenues. This could be achieved by broadening tax bases, phasing out inefficient and regressive exemptions, and strengthening the property tax, once the recovery is well-established.

The Central Bank of Mexico reduced policy rates by 325 basis points after February 2020 to support the recovery and provided large liquidity and credit facilities. As inflation significantly increased, the central bank appropriately raised policy rates by 25 basis points in its June, August, September and November meetings, bringing the policy rate to 5%. It is assumed that the rate will increase further to 5.25% by end-2021. If price pressures continue and inflation does not converge gradually to the 3% target, additional interest rate increases would be warranted.

(Source: OECD Economic Outlook, Volume 2021 Issue 2: Preliminary Version)

5.2 Overview and outlook of the global oil and gas industry

The surge in new COVID-19 cases is expected to temporarily slow, but not upend, the recovery in oil demand that is underway. Global oil demand is forecast to grow by 5.4 mb/d in 2021 and a further 3.3 mb/d next year, when it rebounds to pre-COVID 19 levels at 99.5 mb/d. New containment measures put in place to halt the spread of the virus are likely to have a more muted impact on the economy versus previous COVID-19 waves, not least because of widespread vaccination campaigns. As a result, we expect demand for road transport fuels and petrochemical feedstocks to continue to post healthy growth. However, due to new restrictions on international travel, we have revised down our global oil demand forecast for 2021 and 2022 by 100 kb/d on average, primarily to account for reduced jet fuel use.

At the same time, oil supplies are on the rise with world oil output up by a further 970 kb/d in November. For a second month running, the biggest single increase came from the US, where drilling activity is picking up. Organisation of the Petroleum Exporting Countries Plus ("OPEC+") production rose by 450 kb/d. As the upward supply trend extends into 2022, the US, Canada and Brazil are set to pump at their highest ever annual levels, lifting output from non-OPEC+ by 1.8 mb/d in 2022 overall. Saudi Arabia and Russia could also set records, if remaining OPEC+ cuts are fully unwound. In that case, global supply would soar by 6.4 mb/d next year compared with a 1.5 mb/d rise in 2021.

In the near term, additional barrels could come from strategic petroleum reserves (“**SPR**”). The US announced on 23 November a release of up to 50 mb of oil from its SPR, with parallel actions by China, India, South Korea, Japan and the United Kingdom, in an effort to ease energy prices. While details on volumes and timings are still sparse, the combined SPR releases could potentially amount to as much as 70 mb. Those volumes, if taken up by the market, could help replenish depleted industry inventories. OECD industry stocks fell by 21 mb in October to 2,737 mb, some 240 mb below the most recent five-year average. Preliminary data point to another 23 mb decline in November.

The steady rise in supply combined with easing demand has considerably loosened our balances for 1Q22 compared to last month’s Report. Assuming OPEC+ continues to unwind its cuts, a surplus of 1.7 mb/d could materialise in 1Q22 and 2 mb/d in 2Q22. If that were to happen, 2022 could indeed shape up to be more comfortable.

(Source: Oil Market Report December 2021, International Energy Agency)

5.3 Prospects of Coastoil Dynamic

We had embarked our journey to venture into the onshore gas conditioning plant business in Mexico via the Joint Venture. Our JV Partner, Alfair is affiliated to the Nuvoil Group, a well-established Mexican group of companies with strong track record in the industry by virtue of its 23 years of experience in the engineering, procurement, construction and the operation and maintenance of onshore gas plants in Mexico.

The Perdiz Plant Project, being Coastoil Dynamic’s first project following the signing of the SA, has a production capacity of 180 mmscfd and has commenced its operations in July 2021. The Perdiz Plant Project is currently operating at optimal level of its production capacity. Upon completion of the Papan Plant Project, Coastoil Dynamic would potentially have a combined gas conditioning plant capacity of 480 mmscfd working at Ixachi Field. The Papan Plant Project with the plant capacity of 300 mmscfd is capable of providing gas sweetening, dehydration, dew point control and extraction of liquefied petroleum gas services for Ixachi Field. The Papan Plant Project, which is a part of Ixachi Field, is considered to be a strategic project for both Pemex and the Mexico government. It is the aspiration of the government of Mexico to provide gas to every household in Mexico. For Pemex, the Papan Plant Project is deemed attractive due to its proximity to existing gas collection, separation and measuring infrastructure.

Our Board believes that the established track record of Coastoil Dynamic above will provide a strong platform for our Group to further expand its market presence in Mexico, as well as other international markets.

6. RISK FACTORS

Our Group is familiar with the risks inherent in the oil and gas industry as our Group primarily serves the industry via its principal business of shipbuilding, ship repair, vessel chartering and trading of marine support vessels. Notwithstanding the above, the risk factors relating to the Proposed Provision of Financial Assistance include, but not limited to, the following:-

6.1 Failure to service the Shareholder’s Loan by Coastoil Dynamic

The ability of Coastoil Dynamic to service the interest payment of the Shareholder’s Loan as well as the repayment of the Shareholder’s Loan will depend on inter-alia, the earnings and cash flows generated from the Papan Plant Project by Coastoil Dynamic upon completion of the construction and commencement of its plant operations. There can be no guarantee that the earnings and cash flows generated by Coastoil Dynamic in the future are sufficient to service the interest payment of the Shareholder’s Loan as well as repay the Shareholder’s Loan.

In mitigating such risk, CMPL will procure the securities set out in **Section 2** of this Circular prior to providing the Shareholder's Loan. In the event Coastoil Dynamic fails to service the interest payment or to repay the Shareholder's Loan, CMPL shall be entitled to enforce such securities with the aim to recover the loan in full or in part, subject always to the then recoverable value of the securities.

6.2 Operation risk of the Papan Plant Project

The timely construction of a gas conditioning plant is dependent on many external factors which may be beyond the control of our Group, such as shortage of workers and construction materials, environmental factors (such as weather conditions), war, terrorism, political actions, social condition (such as the COVID-19 pandemic) and satisfactory and timely performance of contractors and sub-contractors appointed for the plant construction.

Any significant delay is likely to have an adverse effect on the Papan Plant Project, which may in turn affect our Group's financial performance and reputation. In the event that there is delay to the respective completion dates for the Papan Plant Project, Coastoil Dynamic is expected to incur monetary penalties as set out in the Service Agreement, which in turn could result in material adverse impacts on the cash flow of Coastoil Dynamic, depending on the duration of such delays.

Further, the processing of natural gas involved multiple complex operations in various stages and natural gas and related products are hazardous and highly flammable in nature. The occurrence of any disruptions and/or accidents in one or more of the stages is likely to significantly affect the operations of the Papan Plant Project and/or incur additional costs to rectify. Hence, there can be no guarantee that the earnings and cash flows generated of Coastoil Dynamic would not be materially affected by such disruptions.

Although there are no delays and/or disruptions to the construction of the Papan Plant Project at this juncture, our Board will take proactive measures to mitigate these risks by amongst others, detailed planning, timely implementation and appointment of project managers to closely monitor the project schedule of the Papan Plant Project. Our Board expects the Papan Plant Project to commence operation by the third quarter of 2022.

6.3 Political, economic and regulatory risk

Our Group's financial and business prospects may be materially affected by any changes in the economic, political and regulatory environment in Malaysia, Singapore and Mexico. Such risks include, but are not limited to, changes in political leadership, expropriation, nationalisation, war, riots, economic uncertainties, adverse changes in tax laws and controls of foreign ownership, repatriation of profits and dividends and foreign exchange regulations.

There can be no certainty that any adverse developments in the economic, political and regulatory requirement of Malaysia, Singapore and/or Mexico will not have a material adverse effect on the consolidated financial results of our Group. While acknowledging that our Company may not be able to prevent some of the abovementioned events from occurring, our Group has adopted and will continue to adopt a proactive approach to monitor the political, economic and regulatory developments of Malaysia, Singapore and Mexico.

6.4 Financing risk

The Proposed Provision of Financial Assistance is expected to be funded by a combination of our Group's internally generated funds, bank borrowings, issuance of bonds and/or project financing. Our Group's ability to raise funds and the costs of such fund raising options are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, stakeholders' confidence in our Group or any restrictions imposed by the Malaysian government as well as the political, social and economic conditions in Malaysia. There can be no assurance that the necessary fund raising will be available in the amounts or on the terms acceptable to our Group.

In mitigating such risk, our Group will continuously monitor the developments and adjust the fund raising strategies in response to changes in economic conditions and market demand and will ensure that the Proposed Provision of Financial Assistance is carried out with due care and proper judgement.

6.5 Foreign exchange

Our Group is, to a certain extent, exposed to foreign exchange risk on the construction cost of the Papan Plant Project as:-

- (a) the progress payments to be received from Pemex Group and the Project Funding are denominated in USD; and
- (b) although most of the costs are denominated in USD, certain substantial construction costs of the Papan Plant Project are denominated in MXN.

However, such risk may be mitigated by hedging instruments which our Group may enter into from time to time.

Further, our Group is also subject to translation risk as the consolidated financial statements of our Group are denominated in RM while the financial statements of Coastoil Dynamic is prepared in MXN. In the preparation of the consolidated financial statements of our Group, the financial statements of Coastoil Dynamic is translated from its functional currency (i.e. MXN) based on the prevailing exchange rates and subsequently, at exchange rates prevailing on the balance sheet date. Any significant appreciation of RM against MXN would adversely affect our Group's operating results.

7. EFFECTS OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

7.1 Issued share capital and shareholdings of substantial shareholders

The Proposed Provision of Financial Assistance will not have any effect on the issued share capital of Coastal and the substantial shareholders' shareholdings in Coastal, as the Proposed Provision of Financial Assistance does not involve any issuance of new ordinary shares in Coastal.

7.2 NA per share and gearing

The Proposed Provision of Financial Assistance will not have any effect on the NA per share of Coastal.

The future gearing of our Group is expected to increase and will depend on, amongst others, the eventual manner and amount of funding for the Project Funding by our Group (which will only be determined at a later stage). The gearing of our Group will increase accordingly pursuant to the Proposed Provision of Financial Assistance on the assumption that our Group will have to obtain bank borrowings, issuance of bonds and/or project financing to fund the Project Funding of up to USD220.00 million (equivalent to approximately RM920.66 million).

For illustration purposes only, assuming that the Project Funding are fully funded through bank borrowings, the pro forma effects of the Proposed Provision of Financial Assistance on the NA per share and gearing of our Group based on our latest audited consolidated financial statements as at 30 June 2021 are set out below:-

	Audited as at 30 June 2021 (RM'000)	⁽³⁾Subsequent adjustment up to the LPD (RM'000)	Proforma I After the Proposed Provision of Financial Assistance (RM'000)
Share capital	307,050	307,963	307,963
Treasury shares	(12,700)	(12,700)	(12,700)
Other reserves	266,143	265,963	265,963
Retained earnings	543,241	543,241	⁽⁴⁾ 543,121
Shareholders' equity/NA	1,103,734	1,104,467	1,104,347
Non-controlling interests	1,055	1,055	1,055
Total equity	1,104,789	1,105,522	1,105,402
No. of shares in issued ⁽¹⁾ ('000)	522,548	523,289	523,289
NA per share (RM)	2.11	2.11	2.11
Total borrowings (RM'000)	92,282	92,282	⁽⁵⁾ 1,012,938
Cash and bank balances ⁽²⁾ (RM'000)	274,741	275,475	⁽⁴⁾ 275,355
Net borrowings (RM'000)	(182,459)	(183,193)	737,583
Net gearing ratio (times)	-	-	0.67

Notes:-

- (1) Excluding 12,801,500 treasury shares.
- (2) Including short-term investments amounting to approximately RM111.04 million.
- (3) After adjusting for the 740,811 Coastal Shares allotted on 19 January 2022 pursuant to the exercise of options under Employees' Share Option Scheme.
- (4) After deducting the estimated expenses of approximately RM0.12 million in relation to the Proposed Provision of Financial Assistance.
- (5) Assuming that the Project Funding of up to USD220.00 million (equivalent to approximately RM920.66 million) are fully funded through bank borrowings.

7.3 Earnings and earnings per share

The Proposed Provision of Financial Assistance is expected to contribute positively to the future earnings of our Group upon realisation of the expected profits to be derived from the Papan Plant Project as and when commenced.

Notwithstanding the above, in the event Coastoil Dynamic fails to repay the Shareholder's Loan to its shareholders, our Group (via CMPL) may be required to make the necessary provisions or write-offs for bad debts following the Proposed Provision of Financial Assistance.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Provision of Financial Assistance pursuant to Paragraph 10.02(g) of the Listing Requirements is 83.41%, computed based on the quantum of the Proposed Provision of Financial Assistance over the consolidated NTA of our Group based on our latest audited consolidated financial statements for the FYE 30 June 2021.

9. APPROVALS REQUIRED/OBTAINED

The Proposed Provision of Financial Assistance is subject to the approval of our shareholders being obtained at the forthcoming EGM of our Company.

The Proposed Provision of Financial Assistance is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of Coastal and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Provision of Financial Assistance.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approval of the shareholders of Coastal being obtained at the forthcoming EGM of our Company, our Board expects the Proposed Provision of Financial Assistance will be effected after the approval of our shareholders being obtained and will be implemented from time to time in accordance with the requirements of the Papan Plant Project.

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Provision of Financial Assistance (being the subject matter of this Circular), there are no other corporate exercises that have been announced but not yet completed as at the LPD.

13. DIRECTORS' RECOMMENDATION

Our Board, after having considered and deliberated on the Proposed Provision of Financial Assistance including but not limited to the rationale and effects of the Proposed Provision of Financial Assistance, is of the opinion that the Proposed Provision of Financial Assistance is fair and reasonable to the Company and not detrimental to the Company and its shareholders. Accordingly, our Board recommends that you vote in favour for the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at the registered office of our Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Thursday, 10 March 2022 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the resolution so as to give effect to the Proposed Provision of Financial Assistance.

If you are unable to attend and vote in person at the EGM and wish to appoint a proxy instead, you should complete and return the Form of Proxy in accordance with the instructions provided therein. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the Form of Proxy must be lodged at the registered office of our Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah. In the case of electronic appointment, the Form of Proxy must be submitted to the electronic address at ir@coastalcontracts.com.

15. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
COASTAL CONTRACTS BHD.

NG CHIN HENG
Executive Chairman

SALIENT TERMS OF THE SPA

The salient terms of the SPA include, amongst others, the following:-

1. SALE AND PURCHASE

Coastal shall sell 25,000 Coastoil Dynamic Shares with a par value of MXN1.00 each, in the minimum fixed capital of Coastoil Dynamic ("**Sale Shares**") to Alfair free of any lien, burden, liability or limitation and up-to-date in all their payments, taxes and fees, including all the corporate and economic rights and any other right vested into them under applicable law.

2. CONSIDERATION

The consideration for the purchase of the Sale Shares is MXN25,000.00.

3. CONDITION PRECEDENT

The sale and purchase of the Sale Shares is conditional upon SIC and Nuvoil causing PEP to approve the inclusion of Coastoil Dynamic in the Pemex Contract as one of the consortium members ("**Pemex Approval**"). SIC and Nuvoil shall obtain the approval from PEP and a date to execute the amendment to the Pemex Contract to evidence such inclusion.

Alfair shall notify Coastal and Dentons Mexico of the Pemex Approval in writing no later than 1 April 2021 (the "**Trigger Date**"). If the Pemex Approval has not been obtained by the Trigger Date, the parties shall discuss in good faith with a view to agree on an extension to the Trigger Date.

4. CLOSING

The closing of the sale and purchase of the Sale Shares ("**Closing**") shall take place within 3 business days following the notification by Alfair of the fulfilment of the Pemex Approval.

5. GOVERNING LAW

The SPA shall be governed by and construed in accordance with the laws of Singapore.

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SALIENT TERMS OF THE SA

The salient terms of the SA include, amongst others, the following:

1. CONDITIONAL AGREEMENT

The SA shall become effective upon Coastoil Dynamic being included as one of the consortium members in the Pemex Contract, which shall be evidenced by the approval from PEP and the execution of the amendment to the Pemex Contract (the “**Condition Precedent**”) by 1 April 2021, or such later date as may be determined by CMPL.

If the Condition Precedent is not satisfied by 1 April 2021 or such later date as determined (if any), the SA shall be deemed to be automatically terminated and be rendered null and void.

2. PURPOSE, BUSINESS AND THE PROJECT

The purpose of the SA is to establish certain terms and conditions in connection with the relationship of the shareholders of Coastoil Dynamic (“**Shareholder(s)**”).

The principal business of Coastoil Dynamic shall, unless the Shareholders of Coastoil Dynamic otherwise agree in writing in accordance with the terms of the SA, be as follows:

- (a) to undertake the project described in the Pemex Contract (“**Project**”) and any other projects similar in nature to the Project; and
- (b) generally to perform all acts, matters and things as may be consistent with, necessary for and incidental to the attainment of any and all of the foregoing objects.

3. SHARES AND SHARE CAPITAL

- (a) The capital stock of Coastoil Dynamic shall be represented by:
 - (i) Class I common shares, representing the fixed portion of Coastoil Dynamic’s capital.
 - (ii) Class II common shares, representing the variable portion of Coastoil Dynamic’s capital.
 - (iii) Both Class I and Class II shares will be divided into Series “A” and Series “B” shares.
 - (iv) All common shares shall entitle their respective holders to cast 1 vote.
- (b) As at the date of the SA, the number of issued and fully paid up common shares held by CMPL and Alfair and their respective shareholding percentages in Coastoil Dynamic (“**Agreed Proportion**”), are as follows:

SALIENT TERMS OF THE SA (Cont'd)

		Number of common shares	Aggregate Subscription Price in Mexican Pesos (at MXN1.00 per common share)	Aggregate Share Premium in Mexican Pesos (at MXN2,399.00 per common share)	Shareholding Percentage
Fixed Capital Class I common shares					
CMPL	:	25,000	25,000	Nil	50%
Alfair	:	25,000	25,000	Nil	50%
Total	:	50,000	50,000	Nil	100%
Variable Capital Class II common shares					
CMPL	:	25,000	25,000	59,975,000	50%
Alfair	:	25,000	25,000	59,975,000	50%
Total	:	50,000	50,000	119,950,000	100%

Save as provided otherwise in the SA, the relative percentages of the shareholding as reflected by the Agreed Proportion shall not be varied, unless by the unanimous prior written consent of the Shareholders.

- (c) Coastoil Dynamic shall be converted to a stock corporation of investment promotion (*sociedad anonima promotora de inversion*).

4. DIRECTORS

The board of directors of Coastoil Dynamic (“**Coastoil Board**”) shall comprise 4 directors (excluding alternate directors). CMPL and Alfair shall, for so long as it remains a Shareholder, each be entitled to nominate 2 directors and their alternates.

5. TRANSFER AND ISSUANCE OF COASTOIL DYNAMIC SHARES AND PREEMPTIVE RIGHTS

- (a) Transfer to existing Shareholders and their affiliates

A Shareholder may transfer all or any part of Coastoil Dynamic Shares held by it to any other Shareholder(s) or its affiliates.

- (b) Transfer to third parties

(i) Any Shareholder (“**Offeror**”) wishing to transfer or sell all or part its common shares to a third party shall first obtain written consents of all the other Shareholders.

(ii) If the consents of all the other Shareholders have been obtained, the Offeror must make an offer (“**Offer**”) to the other Shareholders (“**Offeree(s)**”) by giving notice in writing to sell the number of common shares specified for sale (“**Offer Shares**”) at a price (“**Offer Price**”).

(iii) The Offer shall be subject to the following terms:

- (A) the Offer Shares are sold free from encumbrances whatsoever; and

SALIENT TERMS OF THE SA (Cont'd)

- (B) if the Offer Shares form all of the common shares of the Offeror, the Offeree(s) and the Shareholders other than the Offeror, shall use all reasonable endeavours (but without involving any financial obligation on their part) to procure the release of any guarantees or indemnities given by the Offeror to or in respect of Coastoil Dynamic.
- (iv) Upon receipt of the Offer, any of the Offerees may, before the expiry of 30 days after the date on which the Offer is received ("**Offer Period**"):
- (A) by giving notice to the Offeror, accept the Offer to purchase from the Offeror all of the Offer Shares; at the Offer Price;
- (B) by giving notice to the Offeror, indicate its interest in purchasing the Offer Shares whilst rejecting the Offer Price; or
- (C) by giving notice to the Offeror, reject the Offer.

Unless either of the notices referred to in paragraphs (A) and (B) above are given before the expiry of the Offer Period, the Offeree(s) shall be deemed to have rejected the Offer, even where no notice(s) pursuant to paragraph (C) above is given.

- (v) Where 1 or more Offeree gives the notice referred to in paragraph 5(b)(iv)(B) above, within 7 days of such notice, the Offeror and Offeree(s) shall jointly appoint a valuer to perform a valuation of the Offer Shares. If the abovementioned parties are unable to agree on the appointment of the valuer, a valuer shall each be appointed by the Offeror and Offeree(s) to each perform a valuation of the Offer Shares.
- (vi) The Offeree(s) may, within 7 days after the date on which the valuation report prepared by the valuer appointed by the Offeror and/or the Offeree(s) is presented:
- (A) by giving notice to the Offeror, accept the Offer to purchase from the Offeror all of the Offer Shares, at a price equal to the valuation provided by the Valuer (if 1 valuer is appointed) or equal to the average of the 2 valuations provided (if 2 valuers are appointed); or
- (B) by giving notice to the Offeror, reject the Offer,
- failing which the Offeree(s) shall be deemed to have rejected the Offer.
- (vii) In the event that an Offer is accepted by the Offeree(s), completion of the sale and purchase of the Offer Shares shall take place not later than 60 days after the date of acceptance of the Offer.
- (viii) In the event that an Offer is or is deemed to have been rejected by the Offeree(s), the Offeror may within 60 days from the date of the deemed rejection of the Offer, sell all the Offer Shares to any third party on terms no more favourable than those offered to the Offeree. Such sale shall be upon the same terms and conditions (including price) as such Offer Shares were offered to be sold pursuant to the Offer and thereupon such other party shall be treated as a shareholder for the purposes of the SA.

SALIENT TERMS OF THE SA (Cont'd)

(c) Issuance of shares

Coastoil Dynamic shall not (a) issue any shares; (b) effect any capital increase; or (c) effect any capital reduction, unless the abovementioned has been approved at a Shareholders' meeting, pursuant to the terms and conditions of the SA and the by-laws of Coastoil Dynamic.

The share capital of Coastoil Dynamic may be increased through (a) additional contributions of the Shareholders; (b) admission of new Shareholders; (c) the capitalisation of liabilities; or (d) the capitalisation of retained profits in accordance with the provisions of the General Law of Business Organisations (*Ley General de Sociedades Mercantiles*) of Mexico.

(d) Pre-emptive Rights

(i) In the event of a capital increase, the Shareholders shall have pre-emptive rights to subscribe and pay such capital increase on a pro-rata basis, in proportion to the Agreed Proportion at the time of such capital increase or pursuant to a payment schedule agreed by the Shareholders, and all such shares subscribed by each Shareholder shall be of the same series of shares which such Shareholder holds at the time of the capital increase.

(ii) Coastoil Dynamic shall give written notice ("**Issuance Notice**") of any proposed capital increase described above to the Shareholders within 5 business days following any Shareholders' meeting at which such capital increase is approved. The Shareholders may exercise their pre-emptive rights within the next 15 business days following the receipt of an Issuance Notice.

(iii) In the event that any Shareholder (i) expressly waives its pre-emptive right to subscribe its pro rata portion of a capital increase, or (ii) does not provide to Coastoil Dynamic notice in writing of its irrevocable commitment to subscribe its proportional share of the relevant capital increase, within the 15 business days period mentioned above, then, the exercise of such Shareholders' pre-emptive right shall be deemed to have been waived by such Shareholder with respect to such particular capital increase and therefore, the capital increase may be subscribed by the other Shareholders, in proportion to their respective common shares, or by a third party, with the corresponding dilution to the other Shareholders.

6. DEFAULT

(a) In the event that any Shareholder ("**Defaulting Shareholder**") pursuant to the SA, any other Shareholder ("**Non-Defaulting Shareholder(s)**") shall be entitled to give a notice (a "**Default Notice**") to the Defaulting Shareholder, specifying the breach or default, and where applicable, requiring the Defaulting Shareholder to rectify such breach or default within a period of 14 days from the date of the Default Notice, and such notice shall also be circulated to the other Non-Defaulting Shareholders.

(b) Subject to the SA, if the Defaulting Shareholder fails to comply with the Default Notice, any Non-Defaulting Shareholder shall, without prejudice to any other rights and remedies such Non-Defaulting Shareholders may have, be entitled (but not obliged) to give written notice ("**Default Sale Notice**") to the Defaulting Shareholder requiring the Defaulting Shareholder to transfer all but not part of its common shares in Coastoil Dynamic, free from all encumbrances, to the Non-Defaulting Shareholders or such other shareholder as the Non-Defaulting Shareholders may direct, and on the giving of a Default Sale Notice, the Defaulting Shareholder shall be deemed to have offered all its common shares for transfer to the Non-Defaulting Shareholders or such other Shareholder as it may direct.

SALIENT TERMS OF THE SA (Cont'd)

- (c) The consideration for such transfer and assignment shall be, in the case of the common shares, 80% of their Fair Value as at the date of the Default Sale Notice ("**Default Sale Notice**"), provided always that no Default Sale Notice may be given until and after the expiration of the period stated in the Default Notice, where applicable. In this context, "**Fair Value**" shall mean the price as determined by a valuer, being a recognised and reputable investment bank or business appraisal firm or other professional familiar with Coastoil Dynamic's business, appointed solely by the Non-Defaulting Shareholders.
- (d) The completion of the sale and purchase of the common shares shall take place within 30 days from the date of the Default Sale Notice.
- (e) If more than 1 Non-Defaulting Shareholder gives a Default Notice to the Defaulting Shareholder before the expiry of the aforementioned 30-days period, such Non-Defaulting Shareholders shall mutually agree on the number of common shares that each Non-Defaulting Shareholder shall be entitled to be transferred, and proportion of the consideration to be paid by each Non-Defaulting Shareholder. Where such Non-Defaulting Shareholders are unable to reach any mutual agreement, the common shares and consideration shall be apportioned in accordance with their pro-rata share.

7. EXCLUSIVITY

CMPL and Alfair agree to work with each other exclusively in pursuing all projects relating to sour gas compression and gas sweetening anywhere in the world, whether offshore or onshore.

8. GOVERNING LAW

The SA shall be governed by and construed in accordance with the laws of Singapore.

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SALIENT TERMS OF THE SERVICE AGREEMENT

The salient terms of the Service Agreement include, amongst others, the following:

1. PROVISION OF SERVICES

The Service Agreement was entered into between PEP and SIC, Nuvoil and Coastoil Dynamic (collectively, the “**Supplier**”) for the provision of services which consist of “Integral Service of Conditioning of Sour Wet Gas of the Ixachi Field in the EMC Papan of the Veracruz Production Asset” (the “**Services**”) by the Supplier to PEP.

2. TERM

The term of the Service Agreement shall be 3,902 calendar days, commencing from 24 December 2021 until 29 August 2032 (“**Term**”).

3. CONSIDERATION

Subject to appropriate price adjustment in accordance with the provisions of the Service Agreement, the consideration shall be for:

- (a) a maximum amount of USD1,062,190,974.51, exclusive of value added tax; or
- (b) a minimum amount of USD424,876,389.80, exclusive of value added tax.

4. OBLIGATIONS OF THE PARTIES

(a) Obligations of PEP

PEP shall meet its payment obligations and ensure that all permits, licenses or authorisations required for the purpose of the execution of the Services that are in charge of PEP have been obtained in accordance with the applicable laws and regulations.

(b) Obligations of the Supplier

The Supplier’s obligations include:

- (i) to execute the Services in accordance with the Service Agreement and the exhibits contained therein;
- (ii) to attend to the rectification and/or replacement requested or ordered by PEP, without being entitled to any additional remuneration under the Service Agreement or to extend the Term;
- (iii) to maintain the requisite authorisation;
- (iv) to comply with and provide the Services in strict compliance with all laws and regulations pertaining to safety, ecological protection, environmental law, safety and hygiene regulations;
- (v) to maintain during the Term, the financial, experience, technical and execution conditions that were established in the hiring bases and accredited by the Supplier. PEP may request the Supplier, when deemed necessary, to demonstrate and present during the execution of the Service Agreement the documentation that proves that the Supplier has sufficient financial resources to provide the Services; and
- (vi) to notify PEP within a period of no more than 30 calendar days from the date of the Service Agreement, the list of suppliers, subcontractors, manufacturers and distributors of supplies, equipment, goods, services, etc. relevant to the provision of the Services.

SALIENT TERMS OF THE SERVICE AGREEMENT (Cont'd)

(c) Obligations of the Parties

- (i) The Supplier shall be solely responsible for the execution of the Services in accordance with the Service Agreement and the exhibits contained therein. The Supplier shall not be permitted to claim for the payment for the Services rendered if the value of such claim is higher than the agreed amount under the Service Agreement and without obtaining the written authorisations of the project manager and producing the corresponding change order for the change in value of the Services.
- (ii) The parties acknowledge that the limit of liability for the breach of their contractual obligations will be up to the amount of the breached obligation, without prejudice to the application of the conventional penalties set out in the Service Agreement.
- (iii) Damages caused by either party to the other or to third parties shall be borne by the party causing such damages in accordance with the terms of the Service Agreement. Under no circumstances will the parties be liable to each other for indirect damages of any nature, loss of profits, punitive or non-immediate consequences.
- (iv) When any of the parties causes damage to a third party and the latter demands the repair thereof from a party that is not responsible for such damage, the responsible party shall indemnify and reimburse the other party all costs and expenses incurred (including but not limited to taxes, attorney's fees and court costs).

5. GUARANTEES

Prior to the execution of the Service Agreement, PEP requires a performance bond in the form of a Standby Letter of Credit issued by an authorised banking institution in Mexico, for 12.5% of the total revenue for the installation of permanent primary infrastructure (approximately USD27.50 million, equivalent to RM115.08 million). The performance bond shall remain valid from the date of execution of the Service Agreement until the commissioning of the plant.

Upon commissioning of the plant, Pemex requires warranty on latent defects bond in the form of Surety Bond issued by a bonding institution legally constituted in Mexico, for 10% of the total revenue for the installation of permanent primary infrastructure (approximately USD22.00 million, equivalent to RM92.07 million). The surety bond shall remain valid for a term of 1 year from the date of commissioning of the plant together with an additional period of 90 days.

Upon commencement of the operations of the plant and throughout the 10-year operation and maintenance contract period, Pemex requires another performance bond in the form of a Standby Letter of Credit issued by an authorised banking institution in Mexico, for 12.5% of the total annual revenue for the operation and maintenance (approximately USD10.53 million, equivalent to RM44.07 million) per annum. The performance bond shall be furnished in favour of Pemex on an annual basis.

6. EARLY TERMINATION**(a) Early termination by either party**

The Service Agreement may be early terminated in the following circumstances:

- (i) force majeure event;
- (ii) if the parties are unable to determine the temporality of the suspension; or

SALIENT TERMS OF THE SERVICE AGREEMENT (Cont'd)

- (iii) when there are justified causes that prevent the execution of the Service Agreement.

In such event of termination, the terminating party (being PEP or the Supplier) ("**Terminating Party**") shall serve a notice to the other party ("**Receiving Party**") notifying its intention to terminate the Service Agreement. The notice shall contain the reason for termination, of which shall be founded and justified.

The Receiving Party shall within 30 business days from the date of receipt of the notice, indicate its acceptance or rejection of the request of early termination. In the event that:-

- (A) both parties agree to the early termination of the Service Agreement, the Supplier shall be entitled to receive from PEP the payment as verified by PEP for Services performed; or
- (B) either party does not agree to the early termination of the Service Agreement, the Terminating Party shall obtain a declaration from the relevant judicial authority to effect the early termination.

(b) Early termination by PEP

The Service Agreement may be early terminated by PEP in any of the following circumstances:

- (i) if it determines that by continuing with the execution of the Services, losses or inconvenient costs may be incurred according to the strategies of the business plan of Pemex;
- (ii) by revocation of the assignment, and
- (iii) by judicial or administrative resolution that declares the nullity of the acts that gave rise to the Service Agreement.

In such event of termination, PEP shall serve a notice to the Supplier notifying its intention to terminate the Service Agreement. The notice shall contain the reason for termination, of which shall be founded and justified.

In such event of termination, the Supplier shall have the right to receive from PEP the payment as verified by PEP for the Services performed.

7. TERMINATION FOR DEFAULT

(a) Termination for Non-Compliance by the Supplier

PEP shall have the right to terminate the Service Agreement with prior notice in any event of default by the Supplier pursuant to the Service Agreement. In such event:-

- (i) if the breach is capable of remedy, PEP shall serve a 30 days' notice to the Supplier to rectify the breach. If the Supplier is unable to rectify the breach within the 30 days' period or such other further period as stipulated, PEP shall have the right to terminate the Service Agreement. In the event that the breach is not capable of remedy, PEP shall have the right to terminate the Service Agreement at any time;
- (ii) PEP may deduct / set off the amounts owed to the Supplier for the work done prior to the date of the notice of termination from the money payable to PEP by the Supplier following the termination of the Service Agreement;

SALIENT TERMS OF THE SERVICE AGREEMENT (Cont'd)

- (iii) in the event that PEP is required to make payments to third parties in order to carry out necessary activities for the benefit of the Service Agreement and in order to avoid possible damages for PEP, the Supplier agrees that the cost overruns of said payments or activities carried out shall be compensated with the payments owed to the Supplier pursuant to the Service Agreement or with other current agreements with PEP;
 - (iv) all the guarantees provided by the Supplier shall continue in force until the full satisfaction of all the Supplier's obligations under the Service Agreement;
 - (v) the Supplier agrees that in the event that it is in default of the agreed deviation margin more particularly stipulated in the Service Agreement and, consequently, PEP proceeds to terminate the Service Agreement and make the letter of credit provided by the Supplier effective or in the event of a significant delay that puts the program at risk, PEP shall have the irrevocable right to contact suppliers, subcontractors, manufacturers and distributors of supplies, equipment, goods, services and with any other natural or legal person, to negotiate and/or commence any action or legal or commercial act tending to fulfill the objective of the Service Agreement, without the need to obtain authorisation from the Supplier. In addition, PEP shall have the right to enforce the guarantees provided; and
 - (vi) the Supplier agrees that PEP shall be entitled to immediately enforce the guarantees provided by the Supplier.
- (b) Termination for breach of PEP

The Supplier shall have the right to terminate the Service Agreement with prior notice in any event of default by PEP pursuant to the Service Agreement. In such event:-

- (i) if the event of default is rectifiable, the Supplier shall serve a 30 days' notice requiring PEP to rectify such breach. If PEP is unable to rectify the breach within the 30 days' period or such other further period as stipulated, the Supplier shall have the right to terminate the Service Agreement; or
- (ii) if the event of default is not capable of remedy, the Supplier shall have the right to terminate the Service Agreement at any time.

Such termination will take effect from the date on which PEP receives a notice of termination stipulating the applicable breach(es). In such event of termination, the Supplier shall have the right to receive from PEP the payment as verified by PEP for the Services performed.

8. GOVERNING LAW

The Service Agreement shall be governed by and construed in accordance with the applicable laws in the United Mexican States.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTERESTS

UOBKH, being the Adviser for the Proposed Provision of Financial Assistance, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Coastal for the Proposed Provision of Financial Assistance.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

4. MATERIAL COMMITMENTS

As at the LPD, saved as disclosed below, there are no material commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results or position of our Group:-

	RM'000
Capital expenditure:-	
Property, plant and equipment	(1)325,112

Note:-

(1) *Includes the material commitment of the Joint Venture Company after the completion of the Shares Acquisition.*

5. CONTINGENT LIABILITIES

As at the LPD, save for the Proposed Provision of Financial Assistance and as disclosed below, there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results or position of our Group:-

	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to our Group	242,455

FURTHER INFORMATION (Cont'd)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah during normal business hours (except public holidays) from the date of this Circular up to the time stipulated for the holding of the forthcoming EGM:-

- i. the Constitution of Coastal;
- ii. the SPA;
- iii. the SA;
- iv. the Service Agreement;
- v. audited consolidated financial statements of Coastal Group for the past 2 FYEs 30 June 2020 and 30 June 2021 and the latest unaudited quarterly report of Coastal for the 3-month financial period ended 30 September 2021; and
- vi. the letter of consent and declaration of conflict of interests referred to in **Section 2 of Appendix I** of this Circular.

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COASTAL CONTRACTS BHD.

(Registration No.: 200001015043 (517649-A))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of Coastal Contracts Bhd. (“**Coastal**” or “**Company**”) will be held at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Thursday, 10 March 2022 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following ordinary resolution:-

ORDINARY RESOLUTION

PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO COASTOIL DYNAMIC S.A. DE C.V. (“COASTOIL DYNAMIC” OR THE “JOINT VENTURE COMPANY”) (“PROPOSED PROVISION OF FINANCIAL ASSISTANCE”)

“**THAT**, subject to and conditional upon the approvals of all relevant regulatory authorities and/or third parties being obtained, approval be and is hereby given to Coastal, its subsidiaries and joint controlled entities (“**Coastal Group**” or the “**Group**”) to provide financial assistance of up to USD220.00 million (equivalent to approximately RM920.66 million as at 8 February 2022) to Coastoil Dynamic in the following form of combinations for the funding purposes as set out in **Section 2.1** of the circular to shareholders dated 23 February 2022:-

- (a) debt participation through shareholder’s loan to be granted by Coastal Marine Pte. Ltd. (“**CMPL**”) to Coastoil Dynamic at an interest rate to be determined and mutually agreed by the parties;
- (b) equity participation through the subscription of ordinary shares in Coastoil Dynamic by CMPL; and/or
- (c) other available forms of guarantees or funding deemed expedient by the Board of Directors of Coastal (“**Board**”), including but not limited to standby letters of credit and/or letters of credit.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the aforesaid Proposed Provision of Financial Assistance with full power to assent to and to adopt any conditions, variations, modifications and/or amendments in any manner as may be required or as the Board may deem necessary or expedient and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as they may deem fit or necessary or expedient to vary, implement, finalise and give full effect and complete the Proposed Provision of Financial Assistance in the best interest of the Company.”

BY ORDER OF THE BOARD
COASTAL CONTRACTS BHD.

DOROTHY LUK WEI KAM (SSM PC No. 202008001484) (MAICSA 7000414)
HO LING LING (SSM PC No. 202008000066) (MAICSA 7012567)
Company Secretaries
Kota Kinabalu, Sabah

23 February 2022

Notes:-

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him and that a proxy need not be a member of the Company.
- (b) For the purpose of determining member's eligibility to attend this meeting, only member whose name appears in the Record of Depositors as at 4 March 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- (c) A member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint not more than 2 proxies to attend and vote in his stead at the meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which, the appointment shall be invalid.
- (d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if the appointor is a corporation under the seal, and the person so appointed may attend and vote at this meeting at which the appointor is entitled to vote.
- (f) The instrument appointing a proxy shall be lodged at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, or received at the electronic address at ir@coastalcontracts.com, at least 48 hours before the time appointed for holding the meeting or adjourned meeting at which it is to be used, and in default shall not be treated as valid.
- (g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolution set out in this Notice will be put to a vote by way of a poll.
- (h) The Board wishes to highlight this EGM may be re-scheduled and/or postponed and/or change the arrangement at short notice in view of the COVID-19 Outbreak and the Malaysian Government's announcements or guidelines made from time to time. Rest assured, all members/proxies including attendees shall be kept informed of any unexpected changes. You are therefore requested to check and refer the website of the Bursa Malaysia Securities Berhad or the Company at <http://www.coastalcontracts.com> for the latest updates on the status of the said meeting.

Administrative Guide:-

The health and safety of our Members and Proxies ("**Attendees**") who will attend the EGM are the top priority of the Company. Hence, the following precautionary measures shall be implemented during the conduct of the EGM:-

- a. With Sabah having moved into Phase 4 of the National Recovery Plan on 8th November 2021, the updated Standard Operating Procedures issued by the National Security Council ("**NSC**") allows for physical meetings with 50% capacity of the meeting room, attended only by fully vaccinated individuals. Due to the limitations imposed, Attendees attending the EGM shall only be allowed entry to the EGM on first come, first served basis.
- b. Attendees are required to show their fully vaccinated status through their MySejahtera application and would need to go through temperature screening at the entrance of the meeting room. All Attendees are required to sanitise their hands prior to entering the meeting room and must adhere to the social distancing rules of at least one (1) metre between each Attendees. Face mask must be worn at all times.
- c. Attendees are encouraged to abide by the regulations in place and enforced by the Ministry of Health and the Government of Malaysia at the time deciding on whether to attend or not to attend the EGM.
- d. Members are encouraged to appoint the Chairman of the meeting (or any other person) to act as proxy to attend and vote at the EGM on their behalf by submitting the Form of Proxy with predetermined voting instruction.
- e. In the interest of the public health including the well-being of the Attendees, Attendees must adhere to the precautionary measures put in place by the Company should they wish to attend the EGM in person.
- f. No lunch shall be provided to the Attendees.
- g. The above guidelines shall be subject to further changes, if applicable.



COASTAL CONTRACTS BHD.
 (Registration No.: 200001015043 (517649-A))
 (Incorporated in Malaysia)

CDS Account No.

FORM OF PROXY

I/We,.....NRIC/Company No.
 of.....
 being a member/members of COASTAL CONTRACTS BHD., do hereby appoint
 NRIC/Passport No.....of or
 failing him/her.....NRIC/Passport No.....
 of.....or failing him/her,
 the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at
 the Extraordinary General Meeting of the Company to be held at the registered office of the Company
 at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah on Thursday, 10 March 2022 at 10.00 a.m.,
 or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

Ordinary Resolution	For	Against
PROPOSED PROVISION OF FINANCIAL ASSISTANCE		

Please indicate with an "X" in the space provided for the resolution above. Unless voting instructions are indicated in the space above, the proxy will vote or abstain as he/she thinks fit and if no name is inserted in the space for the name of proxy, the Chairman of the Meeting will act as proxy.

Signed this.....day of.....2022

No. of ordinary shares held

Percentage of shareholdings to be represented by proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		100%

Signature/Common Seal of Member(s)



Notes:-

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him and that a proxy need not be a member of the Company.
- (b) For the purpose of determining member's eligibility to attend this meeting, only member whose name appears in the Record of Depositors as at 4 March 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- (c) A member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint not more than 2 proxies to attend and vote in his stead at the meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which, the appointment shall be invalid.
- (d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if the appointor is a corporation under the seal, and the person so appointed may attend and vote at this meeting at which the appointor is entitled to vote.
- (f) The instrument appointing a proxy shall be lodged at the registered office of the Company at Block G, Lot 3B, Bandar Leila, 90000 Sandakan, Sabah, or received at the electronic address at ir@coastalcontracts.com, at least 48 hours before the time appointed for holding the meeting or adjourned meeting at which it is to be used, and in default shall not be treated as valid.
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- d. Members are encouraged to appoint the Chairman of the meeting (or any other person) to act as proxy to attend and vote at the EGM on their behalf by submitting the Form of Proxy with predetermined voting instruction.
- e. In the interest of the public health including the well-being of the Attendees, Attendees must adhere to the precautionary measures put in place by the Company should they wish to attend the EGM in person.
- f. No lunch shall be provided to the Attendees.
- g. The above guidelines shall be subject to further changes, if applicable.

Fold this flap for sealing

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AFFIX
STAMP



COASTAL CONTRACTS BHD.
(Registration No.: 200001015043 (517649-A))

Block G, Lot 3B, Bandar Leila
90000 Sandakan, Sabah

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