FINANCIAL STATEMENTS

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Directors' Report

for the year ended 31 December 2017

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

Principal activities

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(144,891)	456,234
Non-controlling interests	(8,291)	-
	(153,182)	456,234

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements.

Dividend-in-specie

On 9 August 2017, the Company declared a dividend-in-specie to distribute up to 292,229,202 of Perdana Petroleum Berhad ("Perdana") shares representing approximately 37.5% equity interest in Perdana for RM1.55 each, which amounted to RM453 million, to the owners of the Company. The dividend-in-specie was distributed on 23 November 2017 and 8 December 2017.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Ali Bin Adai
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin *
Datuk Ling Suk Kiong *
Joe Ling Siew Loung @ Lin Shou Long *
Gordon Kab @ Gudan Bin Kab *
Jeanita Anak Gamang *
Wong Ping Eng *
Azlan Shah Bin Jaffril
Koh Ek Chong

* These Directors are also directors of the Company's subsidiaries.

Directors of the subsidiaries

The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned above) in office during the year and up to the date of this report:

Alias bin Mat Lazin
Bailey Kho Chung Siang
Chin Chee Kong
Dato' Gerald Hans Isaac
Datuk Dr. Abd Hapiz Bin Abdullah
Datuk Mohd Jafni Bin Mohd Alias
Datuk Selva Kumar A/L Mookiah
Choi Meng Yee
Fahim Bin Rosley
Teo Swee Hong *(retired on 31 May 2017)*
Baharudin Bin Bahari *(resigned on 30 September 2017)*
Syed Mudzafar Razin Bin Tuan Long *(resigned on 15 January 2018)*

Directors' interest in shares

The interests and deemed interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company, in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Direct interests in the Company				
Ali Bin Adai				
- own	-	1,000	-	1,000
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin				
- own	65,917,675	-	-	65,917,675
Datuk Ling Suk Kiong				
- own	77,279,130	-	-	77,279,130
- others	44,500	-	-	44,500
Joe Ling Siew Loung @ Lin Shou Long				
- own	41,463,825	-	-	41,463,825
Gordon Kab @ Gudan Bin Kab				
- own	4,500	-	-	4,500

Directors' interest in shares (cont'd)

	Number of ordinary shares			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Deemed interests in the Company				
Datuk Ling Suk Kiong				
- own	61,218,187	-	-	61,218,187
Joe Ling Siew Loung @ Lin Shou Long				
- own	61,218,187	-	-	61,218,187

	Number of ordinary shares			
	At 01.01.2017	Alloted	Sold	At 31.12.2017
Interests in Perdana Petroleum Berhad:				
Ali Bin Adai				
- own	-	303	-	303
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin				
- own	-	19,906,835	-	19,906,835
Datuk Ling Suk Kiong				
- own	-	23,338,297	-	22,338,297
- others	-	13,439	-	13,439
Joe Ling Siew Loung @ Lin Shou Long				
- own	-	12,522,074	-	12,522,074
Gordon Kab @ Gudan Bin Kab				
- own	-	1,367	-	1,367

By virtue of their interest in the shares of the Company, Ali Bin Adai, Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin, Datuk Ling Suk Kiong, Joe Ling Siew Loung @ Lin Shou Long and Gordon Kab @ Gudan Bin Kab are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that Dayang Enterprise Holdings Bhd. has an interest.

The other Directors had no interests in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and of its subsidiaries) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which let/rented premises to certain companies in the Group in the ordinary course of business (see Note 31 to the financial statements).

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

On 27 April 2017, the Company issued 87,709,900 new ordinary shares at an issue price of RM1.016 per share.

There were no other changes in the issued and paid up capitals of the Company, nor issuance of debentures by the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Indemnity and insurance costs

There were neither indemnity given to nor insurance effected for the Directors of the Company whilst the total amount of insurance effected for directors of a subsidiary is amounted to RM20,000,000 (sum insured) and RM35,000 (premium paid) respectively.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debt have been written off and adequate provision made for doubtful debt; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company in adequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (cont'd)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the effect of the impairment loss on property, plant and equipment as disclosed on Note 3 to the financial statements, the financial performance of the Group and of the Company for the year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that year and the date of this report.

Significant events

Significant events are disclosed in Note 32 to the financial statements.

Auditors

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………………

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin
Director

……………………………………………………………………

Datuk Ling Suk Kiong
Director

Miri,

Date: 11 April 2018

Statements of Financial Position

as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	1,510,658	1,801,610	3	4
Prepaid lease payments	4	9,755	10,123	-	-
Intangible asset	5	12,490	25,763	-	-
Investment in subsidiaries	6	-	-	1,212,807	1,170,052
Deposits	7	45,291	48,810	-	-
Goodwill	8	653,627	653,627	-	-
Deferred tax asset	9	23,236	15,220	-	-
Derivative asset	10	233	190	-	-
Total non-current assets		2,255,290	2,555,343	1,212,810	1,170,056
Inventories	11	6,056	5,025	-	-
Trade and other receivables	12	198,312	244,798	23,105	22,995
Other investments	13	1,543	1,495	1,543	1,495
Deposits and prepayments	14	13,627	15,987	2,873	3,883
Current tax assets		7,485	7,997	-	111
Cash and cash equivalents	15	222,307	292,373	26,855	56,984
Total current assets		449,330	567,675	54,376	85,468
Total assets		2,704,620	3,123,018	1,267,186	1,255,524
Equity					
Share capital	16	672,988	438,550	672,988	438,550
Share premium	16	-	146,686	-	146,686
Retained earnings/ (Accumulated losses)	16	233,005	570,924	(36,342)	(39,621)
Other reserve	16	53,847	114,270	-	-
Total equity attributable to owners of the Company		959,840	1,270,430	636,646	545,615
Non-controlling interest	6	190,087	7,763	-	-
Total equity		1,149,927	1,278,193	636,646	545,615

Statements of Financial Position

as at 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Liabilities					
Loans and borrowings	17	149,474	1,289,952	-	549,391
Deferred tax liabilities	9	70,935	19,170	-	-
Total non-current liabilities		220,409	1,309,122	-	549,391
Loans and borrowings	17	1,131,274	348,263	267,291	80,000
Trade and other payables	18	195,448	182,177	362,890	80,518
Current tax liabilities		7,562	5,263	359	-
Total current liabilities		1,334,284	535,703	630,540	160,518
Total liabilities		1,554,693	1,844,825	630,540	709,909
Total equity and liabilities		2,704,620	3,123,018	1,267,186	1,255,524

The notes on pages 79 to 151 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	19	694,989	708,238	499,910	4,200
Cost of services		(482,607)	(452,692)	(1,235)	(2,556)
Gross profit		212,382	255,546	498,675	1,644
Other income	20	1,404	79,560	49	47
Administrative expenses		(108,755)	(121,088)	(6,018)	(1,876)
Other expenses	20	(87,208)	(36,043)	-	-
Results from operating activities	21	17,823	177,975	492,706	(185)
Other non-operating income		-	27	-	-
Finance income	22	8,377	8,210	1,454	916
Finance costs	22	(92,702)	(107,528)	(36,985)	(39,213)
Net finance costs		(84,325)	(99,318)	(35,531)	(38,297)
(Loss)/Profit before tax		(66,502)	78,684	457,175	(38,482)
Income tax expense	23	(86,680)	(24,704)	(941)	(549)
(Loss)/Profit for the year		(153,182)	53,980	456,234	(39,031)

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		(62,879)	27,312	-	-
Cash flow hedge		43	267	-	-
Other comprehensive (expense)/income for the year		(62,836)	27,579	-	-
Total comprehensive (expense)/income for the year		(216,018)	81,559	456,234	(39,031)
(Loss)/Profit for the year attributable to:					
Owners of the Company		(144,891)	54,543	456,234	(39,031)
Non-controlling interest	6	(8,291)	(563)	-	-
(Loss)/Profit for the year		(153,182)	53,980	456,234	(39,031)
Total comprehensive (expense)/income for the year attributable to:					
Owners of the Company		(205,314)	81,574	456,234	(39,031)
Non-controlling interest		(10,704)	(15)	-	-
Total comprehensive (expense)/income for the year		(216,018)	81,559	456,234	(39,031)
Basic and diluted (loss)/earnings per share (sen)	25	(15.46)	6.22		

The notes on pages 79 to 151 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

		[---Attributable to owners of the Company			---]		
		[---Non-distributable	---]		Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Subtotal RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2016		438,550	146,686	87,239	516,381	1,188,856	7,778	1,196,634
Profit for the year		-	-	-	54,543	54,543	(563)	53,980
Foreign currency translation differences for foreign operations		-	-	26,769	-	26,769	543	27,312
Cash flow hedge		-	-	262	-	262	5	267
Total comprehensive income for the year		-	-	27,031	54,543	81,574	(15)	81,559
At 31 December 2016/1 January 2017		438,550	146,686	114,270	570,924	1,270,430	7,763	1,278,193
Loss for the year		-	-	-	(144,891)	(144,891)	(8,291)	(153,182)
Foreign currency Translation differences for foreign operations		-	-	(60,461)	-	(60,461)	(2,418)	(62,879)
Cash flow hedge		-	-	38	-	38	5	43
Total comprehensive expense for the year		-	-	(60,423)	(144,891)	(205,314)	(10,704)	(216,018)
Issuance of ordinary shares under private placement		89,113	-	-	-	89,113	-	89,113
Share issue expense		(1,361)	-	-	-	(1,361)	-	(1,361)
Transfer in accordance with Section 618(2) of the Companies Act 2016		146,686	(146,686)	-	-	-	-	-
Dividend-in-specie to owners of the Company (Note 6)		-	-	-	(452,955)	(452,955)	-	(452,955)
Changes in ownership interest in a subsidiary		-	-	-	259,927	259,927	193,028	452,955
At 31 December 2017		672,988	-	53,847	233,005	959,840	190,087	1,149,927
		(Note 16)	(Note 16)	(Note 16)				

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017 (cont'd)

Company	[--Non-distributable--] Share capital RM'000	Share premium RM'000	*Distributable* Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
At 1 January 2016	438,550	146,686	(590)	584,646
(Loss)/Total comprehensive expense for the year	-	-	(39,031)	(39,031)
At 31 December 2016/1 January 2017	438,550	146,686	(39,621)	545,615
Profit/Total comprehensive income for the year	-	-	456,234	456,234
Issuance of ordinary shares under private placements	89,113	-	-	89,113
Share issue expense	(1,361)	-	-	(1,361)
Transfer in accordance with Section 618(2) of the Companies Act 2016	146,686	(146,686)	-	-
Dividend-in-specie to owners of the Company (Note 6)	-	-	(452,955)	(452,955)
At 31 December 2017	672,988	-	(36,342)	636,646
	(Note 16)	(Note 16)		

Statements of Cash Flows

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(66,502)	78,684	457,175	(38,482)
Adjustments for:					
Amortisation of prepaid lease payments	4	368	368	-	-
Amortisation of intangible assets	5	13,273	17,183	-	-
Bad debts written off		-	39	-	-
Change in fair value of other investments		(48)	(48)	(48)	(48)
Depreciation of property, plant and equipment	3	125,162	124,492	1	2
Impairment loss on property, plant and equipment	3	32,960	3,639	-	-
Impairment loss on receivables		1,443	-	-	-
Dividend income		-	-	(495,710)	-
(Gain)/Loss on disposal of property, plant and equipment		(517)	71	-	-
Gain on settlement of refundable deposits	-	-	(1,065)	-	-
Finance costs	22	92,702	107,528	36,985	39,213
Finance income	22	(8,377)	(8,210)	(1,454)	(916)
Property, plant and equipment written off		1,745	-	-	-
Unrealised foreign exchange losses/(gain)	21	51,903	(75,615)	-	-
Operating profit/(loss) before changes in working capital		244,112	247,066	(3,051)	(231)
Changes in working capital:					
Inventories		(1,031)	1,861	-	-
Trade and other payables		(36,804)	89,522	(1,657)	(2,665)
Trade and other receivables, deposits and prepayments		47,926	28,621	899	52,176
Cash generated from/(used in) operations		254,203	367,070	(3,809)	49,280
Income tax paid		(39,993)	(46,491)	(471)	(798)
Interest received		7,231	8,210	1,454	626
Net cash from/(used in) operating activities		221,441	328,789	(2,826)	49,108

Statements of Cash Flows

for the year ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		(14,333)	(12,131)	-	-
Refundable deposits refunded		-	25,653	-	-
Proceeds from disposal of property, plant and equipment		12,960	330	-	-
Placement of fixed deposits pledged		2,233	(37,982)	-	-
Net cash from/(used in) investing activities		860	(24,130)	-	-
Cash flows from financing activities					
Drawdown of sukuk		-	635,000	-	-
Advances from a subsidiary		-	-	284,030	72,925
Gross proceeds from private placement		89,113	-	89,113	-
Share issue expense		(1,361)	-	(1,361)	-
Net repayment of borrowings		(344,131)	(808,456)	(362,100)	(45,000)
Term loan interest paid		(53,322)	(77,111)	(36,985)	(38,327)
Sukuk coupon paid		(27,967)	(14,883)	-	-
Net cash used in financing activities		(337,668)	(265,450)	(27,303)	(10,402)
Net (decrease)/increase in cash and cash equivalents		(115,367)	39,209	(30,129)	38,706
Effect of exchange rate movements		45,824	(23,079)	-	-
Cash and cash equivalents at 1 January		234,445	218,315	56,984	18,278
Cash and cash equivalents at 31 December	(i)	164,902	234,445	26,855	56,984

Statements of Cash Flows

for the year ended 31 December 2017 (cont'd)

Note (i) - Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	15	183,729	193,224	23,982	25,019
Cash in hand and at banks	15	38,578	99,149	2,873	31,965
Overdraft	17	(1,710)	-	-	-
Sub-total		220,597	292,373	26,855	56,984
Less: Deposits pledged as security		(55,695)	(57,928)	-	-
Cash and cash equivalents		164,902	234,445	26,855	56,984

The notes on pages 79 to 151 are an integral part of these financial statements.

Notes to the Financial Statements

Dayang Enterprise Holdings Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office as well as the principal place of business of the Company is Sublot 5-10, Lot 46, Block 10, Jalan Taman Raja, Miri Concession Land District, 98000 Miri, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "group entities").

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 11 April 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are the accounting standards, amendments and interpretations of the MRFSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS/ Amendments/ Interpretations	Effective date
MFRS 9, *Financial Instruments (2014)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share-based payment-Classification and Measurement of Share-based Payment Transaction*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts-Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019

Notes to the Financial Statements

(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRS/ Amendments/ Interpretations (cont'd)	Effective date
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2018, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are assessed as presently not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128, which are assessed as presently not applicable to the Group and the Company.

The Group and the Company does not plan to apply MFRS 17 Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers and Clarifications to MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue Barter Transactions Involving Advertising Services.

Based on current assessment, the Group and the Company do not expect the adoption of MFRS 15 and Clarifications to MFRS 15 to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(ii) MFRS 9, *Financial Instruments (cont'd)*

Based on current assessment, the Group and the Company do not expect the adoption of MFRS 9 to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group incurred net losses of RM153 million for the financial year and current liabilities exceeded their current assets by RM885 million and RM576 million respectively as at the end of the financial year. In addition, the Group and the Company have significant borrowings amounted to RM1,281 million and RM267 million respectively as at the end of the reporting period, with an estimated scheduled repayment amounting to RM448 million (or potentially RM1,130 million) due in the next financial year (see Note 17 to the financial statements). This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period.

The Group is in the process of carrying out its action plans in order to address the net current liabilities position, amongst which,

i) Increase profitability by achieving higher marine vessels utilisation rates, which include securring more contracts with major oil gas players;
ii) Negotiate with the respective lenders to rectify the breaches of loan covenants, which is evidenced by waiver letters obtained from certain lenders subsequent to the financial year end (see note 17.4); and
iii) Corporate excercises to raise funds via private placements for both the Company and its subsidiary, Perdana Petroleum Berhad ("PPB"). The re-listing of PPB in December 2017 has provided further avenue for PPB to tap into capital markets for fund raising.

As at the end of the reporting period and as at the date these financial statements were authorised for issue, the Directors believe that there is no material uncertainty exists over the ability of the Group and the Company to continue on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3.4 - impairment testing of property, plant and equipment;
- Note 5.3 - impairment testing of intangible assets;
- Note 8 - impairment testing of goodwill; and
- Note 9 - recognition of deferred tax assets.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has right, to variable returns from its involvement with entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as (cont'd):

- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

2. Significant accounting policies (cont'd)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(i)(i)].

Financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss, are subsequently measured at amortised cost.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

Cash flow hedge (cont'd)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

(vi) Derecognition

A financial asset or a part thereof is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part thereof is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs [see Note 2(l)].

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "administrative expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of the other assets for the current and comparative periods are as follows:

Buildings	20 years
Marine vessels	25 years
Onboard equipment	10 years
Dry docking expenditures	5 years
Containers	10 years
Offshore equipment	5 years
Furniture and fittings	10 years
Office equipment	2.5 - 10 years
Motor vehicles	5 years
Cabin, field and workshop equipment	5 – 10 years
Others	2 – 10 years

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

The policy for dry docking expenditures included in the marine vessels are stated in Note 2(n).

Notes to the Financial Statements

(cont'd)

2. Significant accounting policies (cont'd)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income of or capital appriciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets

2. Significant accounting policies (cont'd)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is measured based on the first in first out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group or the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (cont'd)

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Revenue and other income

(i) Services

Revenue from provision of continuing services under the services contracts are recognised in profit or loss as the services are rendered when there is no significant uncertainty over its collection.

(ii) Chartered vessel

Vessel chartering income is recognised in profit or loss as it accrues, at contracted rates.

(iii) Catering income

Revenue from catering of food and beverages is recognised in profit or loss upon the delivery of the food and beverages.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Management fees

Management fees are charged monthly by the Company to its subsidiaries based on services rendered and recognised in profit or loss when charged.

(vi) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method, except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

Notes to the Financial Statements

(cont'd)

2. Significant accounting policies (cont'd)

(l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(n) Repairs and maintenance

Repairs and maintenance costs are recognised in the statement of profit or loss in the period they are incurred. Dry docking expenditures are capitalised and depreciated over a period of 5 years.

2. Significant accounting policies (cont'd)

(o) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(r) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

2. Significant accounting policies (cont'd)

(r) Equity instruments (cont'd)

(iii) Repurchase, disposal and reissue of share capital (treasury shares) (cont'd)

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the cost value of the assets to be distributed.

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment

Group	Long-term leasehold land (unexpired term more than 50 years) RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Cost							
At 1 January 2016	17,234	26,397	1,915,217	17,011	119,353	15,470	2,110,682
Additions	-	3,944	1,758	-	1,354	703	7,759
Disposals	-	-	-	-	(3,235)	(1)	(3,236)
Transfers	-	14,932	-	-	-	-	14,932
Effect of movements in exchange rate	-	-	68,400	-	-	-	68,400
At 31 December 2016/1 January 2017	17,234	45,273	1,985,375	17,011	117,472	16,172	2,198,537
Additions	-	-	12,641	-	1,412	165	14,218
Disposals	-	(2,638)	(45,822)	-	-	(2)	(48,462)
Write off	-	(1,716)	-	-	(148)	(4)	(1,868)
Effect of movements in exchange rate	-	-	(166,639)	-	-	-	(166,639)
At 31 December 2017	17,234	40,919	1,785,555	17,011	118,736	16,331	1,995,786

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Subtotal RM'000	Office equipment RM'000	Motor vehicles RM'000	Cabin field and workshop equipment RM'000	Others RM'000	Building under construction RM'000	Total RM'000
Cost							
At 1 January 2016	2,110,682	6,448	10,807	15	767	12,800	2,141,519
Additions	7,759	246	118	-	287	3,721	12,131
Disposals	(3,236)	(158)	(59)	-	-	-	(3,453)
Transfers	14,932	-	-	-	-	(14,932)	-
Effect of movements in exchange rate	68,400	-	-	-	-	-	68,400
At 31 December 2016/1 January 2017	2,198,537	6,536	10,866	15	1,054	1,589	2,218,597
Additions	14,218	35	-	-	80	-	14,333
Disposals	(48,462)	-	(795)	-	(49)	-	(49,306)
Write off	(1,868)	(56)	-	-	-	-	(1,924)
Effect of movements in exchange rate	(166,639)	-	-	-	-	-	(166,639)
At 31 December 2017	1,995,786	6,515	10,071	15	1,085	1,589	2,015,061

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Long-term leasehold land (unexpired term more than 50 years) RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Depreciation and impairment loss							
At 1 January 2016							
Accumulated depreciation	57	2,343	193,590	4,877	65,651	6,333	272,851
Accumulated impairment loss	-	-	4,000	-	-	-	4,000
	57	2,343	197,590	4,877	65,651	6,333	276,851
Depreciation for the year (Note 21)	21	1,796	97,895	1,494	19,672	1,439	122,317
Impairment loss (Note 21)	-	-	3,639	-	-	-	3,639
Disposals	-	-	-	-	(2,839)	(1)	(2,840)
Effect of movements in exchange rate	-	-	4,122	-	-	-	4,122
At 31 December 2016							
Accumulated depreciation	78	4,139	295,607	6,371	82,484	7,771	396,450
Accumulated impairment loss	-	-	7,639	-	-	-	7,639
	78	4,139	303,246	6,371	82,484	7,771	404,089

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Long-term leasehold land (unexpired term more than 50 years) RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Depreciation and impairment loss (cont'd)							
At 1 January 2017							
Accumulated depreciation	78	4,139	295,607	6,371	82,484	7,771	396,450
Accumulated impairment loss	-	-	7,639	-	-	-	7,639
	78	4,139	303,246	6,371	82,484	7,771	404,089
Depreciation for the year (Note 21)	21	2,064	99,155	1,494	18,612	1,430	122,776
Impairment loss (Note 21)	-	-	32,960	-	-	-	32,960
Disposals	-	(71)	(35,966)	-	-	(15)	(36,052)
Write off	-	-	-	-	(121)	(3)	(124)
Effect of movements in exchange rate	-	-	(33,664)	-	-	-	(33,664)
At 31 December 2017							
Accumulated depreciation	99	6,132	358,092	7,865	100,975	9,183	482,346
Accumulated impairment loss	-	-	7,639	-	-	-	7,639
	99	6,132	365,731	7,865	100,975	9,183	489,985

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Subtotal RM'000	Office equipment RM'000	Motor vehicles RM'000	Cabin field and workshop equipment RM'000	Others RM'000	Building under construction RM'000	Total RM'000
Depreciation and impairment loss (cont'd)							
At 1 January 2016							
Accumulated depreciation	272,851	4,429	6,315	2	189	-	283,786
Accumulated impairment loss	4,000	-	-	-	-	-	4,000
	276,851	4,429	6,315	2	189	-	287,786
Depreciation for the year (Note 21)	122,317	544	1,292	5	334	-	124,492
Impairment loss (Note 21)	3,639	-	-	-	-	-	3,639
Disposals	(2,840)	(153)	(59)	-	-	-	(3,052)
Effect of movements in-exchange rate	4,122	-	-	-	-	-	4,122
At 31 December 2016							
Accumulated depreciation	396,450	4,820	7,548	7	523	-	409,348
Accumulated impairment loss	7,639	-	-	-	-	-	7,639
	404,089	4,820	7,548	7	523	-	416,987

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Subtotal RM'000	Office equipment RM'000	Motor vehicles RM'000	Cabin field and workshop equipment RM'000	Others RM'000	Building under construction RM'000	Total RM'000
Depreciation and impairment loss (cont'd)							
At 1 January 2017							
Accumulated depreciation	396,450	4,820	7,548	7	523	-	409,348
Accumulated impairment loss	7,639	-	-	-	-	-	7,639
	404,089	4,820	7,548	7	523	-	416,987
Depreciation for the year (Note 21)	122,776	769	1,311	5	301	-	125,162
Impairment loss (Note 21)	32,960	-	-	-	-	-	32,960
Disposals	(36,052)	-	(795)	-	(16)	-	(36,863)
Write off	(124)	(55)	-	-	-	-	(179)
Effect of movements in-exchange rate	(33,664)	-	-	-	-	-	(33,664)
At 31 December 2017							
Accumulated depreciation	482,346	5,534	8,064	12	808	-	496,764
Accumulated impairment loss	7,639	-	-	-	-	-	7,639
	489,985	5,534	8,064	12	808	-	504,403

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Long-term leasehold land (unexpired term more than 50 years) RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Carrying amount							
At 31 December 2016	17,156	41,134	1,682,129	10,640	34,988	8,401	1,794,448
At 31 December 2017	17,135	34,787	1,419,824	9,146	17,761	7,148	1,505,801

Notes to the Financial Statements

(cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Subtotal RM'000	Office equipment RM'000	Motor vehicles RM'000	Cabin field and workshop equipment RM'000	Others RM'000	Building under construction RM'000	Total RM'000
Carrying amount							
At 31 December 2016	1,794,448	1,716	3,318	8	531	1,589	1,801,610
At 31 December 2017	1,505,801	981	2,007	3	277	1,589	1,510,658

3. Property, plant and equipment (cont'd)

Company	Note	Furniture and fittings RM'000
Cost		
At 1 January 2016, 31 December 2016/ 1 January 2017 and 31 December 2017		19
Accumulated depreciation		
At 1 January 2016		13
Depreciation for the year	21	2
At 31 December 2016/1 January 2017		15
Depreciation for the year	21	1
At 31 December 2017		16
Carrying amount		
At 31 December 2016		4
At 31 December 2017		3

3.1 Leasehold land

The lease term of both leasehold land will expire on 2 April 2851 and 30 June 2824 respectively.

3.2 Carrying amount of property, plant and equipment under finance lease liabilities

Two (2016: Two) marine vessels with a total carrying amount of RM144 million (2016: RM172 million) are under finance lease liabilities.

3.3 Security

Twenty-two (2016: Twenty-four) marine vessels with a total carrying amount of RM1,213 million (2016: RM1,504 million) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Notes 17.1(c) and 17.3).

3.4 Impairment testing of property, plant and equipment

In the current financial year, the Group has evaluated whether the property, plant and equipment, i.e. vessels and dry docking used in the operations are stated in excess of their recoverable amounts. The Group has applied the value-in-use approach on the basis that those assets will continue to be in use up to the expected useful lives and based on similar key assumptions disclosed in Note 8.

The values assigned to the key assumptions are based on historical data from both eternal sources and internal sources as well as management's assessment of future trends in the industry.

Following the assessment, the Group recognised impairment losses of RM33.0 (2016: RM3.6 million) (see Note 20) on one (2016: two) vessel in the profit or loss, as the estimated recoverable amounts of the vessel is lower than its carrying amounts.

3. Property, plant and equipment (cont'd)

3.4 Impairment testing of property, plant and equipment (cont'd)

Impairment loss sensitivity analysis

This analysis is based on utilisation rate and discount rate variances that the Group considered to be reasonably possible at the end of the reporting period.

The value-in-use estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM4.0 million (2016: RM0.6 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM7.0 million (2016: RM3.3 million).

3.5 An amount of RM36.1 million, comprising accumulated depreciation of RM3.1 million and allowance for impairment loss of RM33.0 million, was reversed from the marine vessels category upon disposal of an asset during the year.

4. Prepaid lease payments - Group

	Note	Leasehold land (unexpired term less than 50 years) RM'000
Cost		
At 1 January 2016, 31 December 2016/ 1 January 2017 and 31 December 2017		11,779
Amortisation		
At 1 January 2016		1,288
Amortisation for the year	21	368
At 31 December 2016/1 January 2017		1,656
Amortisation for the year	21	368
At 31 December 2017		2,024
Carrying amount		
At 31 December 2016		10,123
At 31 December 2017		9,755

The lease term of the leasehold land is expiring in 2043.

5. Intangible asset - Group

	Note	Charter contracts RM'000
Cost		
At 1 January 2016, 31 December 2016/1 January 2017 and 31 December 2017		50,105
Amortisation		
At 1 January 2016		7,159
Amortisation for the year	21	17,183
At 31 December 2016/1 January 2017		24,342
Amortisation for the year	21	13,273
At 31 December 2017		37,615
Carrying amount		
At 31 December 2016		25,763
At 31 December 2017		12,490

5.1 The intangible asset arose from the existing charter contracts between Perdana Petroleum Berhad and its customers, which are expiring in 2018.

5.2 Amortisation

The amortisation of charter contracts is recognised in profit or loss throughout the existing charter contracts period as mentioned in Note 5.1.

5.3 Impairment testing of intangible asset

The recoverable amount for intangible asset are estimated using value-in-use calculations based on key assumptions disclosed in Note 8.

6. Investment in subsidiaries - Company

	Note	2017 RM'000	2016 RM'000
At 1 January		1,170,052	1,170,052
Subscription of shares	6.1	495,710	-
Dividend-in-specie	6.2	(452,955)	-
		1,212,807	1,170,052

6.1 Subscription of shares

On 7 August 2017, the Company subscribed to the following shares (see Note 19):

i. 7,807,018 new ordinary shares of RM25.08 each issued by wholly owned subsidiary, DESB Marine Services Sdn. Bhd. for a consideration of RM195.8 million.

6. Investment in subsidiaries - Company (cont'd)

6.1 Subscription of shares (cont'd)

On 7 August 2017, the Company subscribed to following shares (see Note 19) (cont'd):

ii. 2,360,009 new ordinary shares of RM127.08 each issued by wholly owned subsidiary, Dayang Enterprise Sdn. Bhd. for a consideration of RM299.9 million.

6.2 Dividend-in-specie

On 9 August 2017, the Company declared a dividend-in-specie to distribute up to 292,229,202 shares in PPB representing approximately 37.5% equity interest in PPB for RM1.55 each, which amounted RM453 million to the owners of the Company. The dividend-in-specie was distributed on 23 November 2017 and 8 December 2017.

Dividend recognised by the Company during the year:

	RM per share	Total RM'000	Date of payment
2017			
Dividend-in-specie by way of distribution of 292,229,202 ordinary shares in PPB, on the basis of approximately 0.30 PPB shares for each share held in the Company	1.55	452,955	23 November 2017 and 8 December 2017

The net assets of the Perdana at the date of completion of distribution of dividend-in-specie:

	RM'000
Net assets	514,329

Details of the subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Direct subsidiaries				
Dayang Enterprise Sdn. Bhd. ("DESB")	Provision of offshore topside maintenance services, minor fabrication works and offshore hook-up and commissioning services	Malaysia	100	100
DESB Marine Services Sdn. Bhd. ("DMSSB")	Chartering of marine vessels and catering of food and beverage	Malaysia	100	100
Fortune Triumph Sdn. Bhd. ("FTSB")	Equipment hire	Malaysia	100	100

6. Investment in subsidiaries - Company (cont'd)

Name of company	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
Direct subsidiaries (cont'd)				
Perdana Petroleum Berhad ("PPB")	Investment holding	Malaysia	60.48	98.01
Subsidiaries of PPB				
Intra Oil Services Berhad	Provision of marine support services for the oil and gas industry	Malaysia	100	100
Ampangship Marine Sdn. Bhd.	Provision of marine support services for the oil and gas industry	Malaysia	100	100
Perdana Nautika Sdn. Bhd.	Provision of marine support services for the oil and gas industry	Malaysia	100	100
Perdana Mars Limited	Provision of leasing in business activities	Federal Territory of Labuan, Malaysia	100	100
Petra Offshore Limited *	Dormant	Federal Territory of Labuan, Malaysia	100	100
Perdana Jupiter Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	100	100
Perdana Neptune Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	100	100
Perdana Pluto Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	100	100
Perdana Saturn Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	100	100
Perdana Earth Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	100	100
Perdana Marine Offshore Pte. Ltd.^^	Dormant	The Republic of Singapore	100	100

Notes to the Financial Statements

(cont'd)

6. Investment in subsidiaries - Company (cont'd)

Name of company	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Subsidiaries of PPB (cont'd)				
Perdana Mercury Limited ^^	Dormant	The Republic of the Marshall Island	100	100
Perdana Venus Limted ^^	Dormant	The Republic of the Marshall Island	100	100
Perdana Uranus Limited	Dormant	Federal Territory of Labuan, Malaysia	100	100
Odin Explorer Navigation Limited ^^	Dormant	The British Virgin Island	100	100
Geoseas Technologies Limited ^^	Dormant	The British Virgin Island	51	51

^^ *Not audited by member firms of KPMG International.*

* *The subsidiary is principally engaged in the provision of leasing business activities in Labuan and subsequently has ceased trading and became dormant during the financial year.*

Non-controlling interest in a subsidiary

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2017	Perdana Petroleum Berhad RM'000
NCI percentage of ownership interest and voting interest	39.52%
Carrying amount of NCI	190,087
Loss allocated to NCI	8,291

6. Investment in subsidiaries - Company (cont'd)

Summarised financial information before intra-group elimination

	2017 Perdana Petroleum Berhad RM'000
As at 31 December	
Non-current assets	1,315,380
Current assets	108,676
Non-current liabilities	(116,857)
Current liabilities	(812,580)
Net assets	494,619
Year ended 31 December	
Revenue	147,787
Loss for the year	(186,106)
Total comprehensive expense	(248,944)
Cash flows from operating activities	17,521
Cash flows used in investing activities	15,976
Cash flows used in financing activities	(74,367)
Net decrease in cash and cash equivalents	(40,870)

2016	Perdana Petroleum Berhad RM'000
NCI percentage of ownership interest and voting interest	1.99%
Carrying amount of NCI	7,763
Loss allocated to NCI	563

6. Investment in subsidiaries - Company (cont'd)

Non-controlling interest in a subsidiary (cont'd)

Summarised financial information before intra-group elimination

	2016 Perdana Petroleum Berhad RM'000
As at 31 December	
Non-current assets	1,604,101
Current assets	111,841
Non-current liabilities	(696,291)
Current liabilities	(276,088)
Net assets	743,563
Year ended 31 December	
Revenue	191,711
Loss for the year	(28,046)
Total comprehensive expense	(980)
Cash flows from operating activities	163,797
Cash flows used in investing activities	(10,478)
Cash flows used in financing activities	(140,624)
Net increase in cash and cash equivalents	12,695

7. Deposits

		Group	
	Note	2017 RM'000	2016 RM'000
Refundable deposits	(a)	44,072	47,463
Deposits in retention account	(b)	1,219	1,347
		45,291	48,810

(a) Refundable deposits are deposits held by lessor of marine vessels of a subsidiary which is refundable to the Group upon expiry of the respective leases.

(b) Deposits in retention account represents a cash amount of USD300,000 per vessel placed with a financier and will be released upon the settlement of the respective loans owed to the financier.

8. Goodwill – Group

Goodwill acquired through business combinations has been allocated to cash generating units (CGU) for the purpose of impairment testing. The CGU represent the lowest level within the Group at which associated goodwill is monitored for management purposes and is not bigger than the segments determined in accordance with MFRS 8 Operating Segments. Significant under-performance in any of the Group's major CGU may give rise to a material write-down of goodwill which would have a substantial impact on the Group's income and equity. For the purpose of impairment testing, the goodwill is allocated to one CGU, which is the marine offshore support services segment, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The carrying amount of goodwill and CGU is analysed below:

		Group	
	Note	2017 RM'000	2016 RM'000
Marine offshore support services			
At 1 January		653,627	755,250
Adjustment	(a)	-	(101,623)
At 31 December		653,627	653,627

(a) In accordance with MFRS 3, Business Combination, an entity shall have a measurement period of not exceeding one year from the acquisition date to adjust the provisional amount (including goodwill) recognised for a business combination. Pursuant to that, the Group had adjusted the goodwill by RM101.6 million subsequent to the completion of settlement of contingent liability related to tax provision for tax audit conducted by Inland Revenue Board in previous years of the subsidiary acquired, which had been concluded and settled in last financial year at RM10.3 million.

Impairment testing for cash-generating units containing goodwill

The Group performs the impairment testing on an annual basis or more frequently if there is an indication that the goodwill may be impaired. An impairment testing may be performed at any time within an annual reporting period provided the test is performed at the same time annually. This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGU to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experiences and are consistent with relevant external sources of information.

Value in use calculations

Value in use is used to assess the recoverable amount of the CGU. The calculations uses pre-tax cash flow projections based on financial budgets and projections covering the remaining useful lives of the existing vessels as well as projected new vessels, with periods ranging from 12 years to 25 years. Cash flows was based on the following key assumptions:

- Average marine vessels utilisation rate ranging from 25% - 100% (2016: 4% - 100%);
- Average daily charter rate ranging from RM6,300 to RM82,400 (2016: RM5,000 to RM90,000);
- Daily operating costs ranging from RM2,900 to RM14,500 (2016: RM3,000 to RM15,000);
- Growth rate of 5% (2016: 5%) in both daily charter rate and costs for every five years;

8. Goodwill – Group (cont'd)

Value in use calculations (cont'd)

Cash flows was based on the following key assumptions (cont'd):

- Salvage value based on market value of scrap steel plates @ USD550 (2016: USD550) per tonne multiplied by the lightweight of the vessels;
- Pre-tax discount rate of 10% (2016: 10%); and
- New capital expenditures based on financial budgets using similar key assumptions as stated above.

The key assumptions used for the value in use computations are that the markets will grow in accordance with publicly available data, the Group will maintain its current market share, gross margins will be maintained at current levels and overheads will increase in line with expected levels of inflation. The cash flow forecasts assume appropriate levels of capital expenditure and investment in working capital to support the growth in the CGU.

The recoverable amount estimated for the 25 (2016: 26) marine vessels (dry docking expenditure included) owned was based on its value in use, determined by future cash flows to be generated. The carrying amount of the assets was determined to be lower than its recoverable amount by RM0.1 billion (2016: RM2.6 billion), hence no impairment was provided.

Impairment loss sensitivity analysis

The Group has conducted a sensitivity analysis on the CGU in the following area:

- An increase of 1 percentage point in the discount rate used would have resulted in a potential impairment loss by RM40,451,000.
- Reduction in the utilisation rates of each individual asset by 5% to 30% would have resulted in a reduction in recoverable amount by RM122,461,000, without any impairment.

9. Deferred Taxation

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:-

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	95	112	(74,537)	(16,939)	(74,442)	(16,827)
Capital allowances carried forward	17,927	13,663	-	-	17,927	13,663
Tax losses carried forward	10,583	3,329	-	-	10,583	3,329
Other provisions	2,813	2,068	-	-	2,813	2,068
Intangible assets	-	-	(4,580)	(6,183)	(4,580)	(6,183)
Tax assets/(liabilities)	31,418	19,172	(79,117)	(23,122)	(47,699)	(3,950)
Set-off of tax	(8,182)	(3,952)	8,182	3,952	-	-
Net tax assets/(liabilities)	23,236	15,220	(70,935)	(19,170)	(47,699)	(3,950)

Notes to the Financial Statements

(cont'd)

9. Deferred Taxation (cont'd)

Recognised deferred tax assets/(liabilities) (cont'd)

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1.1.2016 RM'000	Recognised in profit or loss RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017 RM'000
Property, plant and equipment	(27,433)	10,606	(16,827)	(57,615)	(74,442)
Capital allowances carried forward	28,069	(14,406)	13,663	4,264	17,927
Tax losses carried forward	506	2,823	3,329	7,254	10,583
Others	70	1,998	2,068	745	2,813
Intangible assets	(10,307)	4,124	(6,183)	1,603	(4,580)
	(9,095)	5,145	(3,950)	(43,749)	(47,699)
		(Note 23)		(Note 23)	

9. Deferred taxation (cont'd)

In the current financial year, a subsidiary of the Group has recognised additional deferred tax assets of RM8.1 million (2016: RM15.1 million), and cumulatively RM23.2 million (2016: RM15.2 million), as management considered it probable that future taxable profits will be available against which the deferred tax assets can be utilised.

The estimation of future taxable profits requires management to make judgments, estimates and assumptions about future events that are inherently uncertain. Accordingly, the deferred tax assets recognised are subject to estimation uncertainties and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2017 RM'000	2016 RM'000
Unabsorbed capital allowances	345	262
Unutilised tax losses	7,435	7,435
	7,780	7,697

The remaining deferred tax assets available to the Group of RM1.8 million (2016: RM1.8 million) have not been recognised in respect of the above temporary differences because it is not certain if sufficient future taxable profits will be available against which the affected group entities can utilise the benefits therefrom.

Unabsorbed capital allowances carried forward and unutilised tax losses carried forward of group entities incorporated in Malaysia do not expire under the current Malaysian tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

10. Derivative asset - Group

	Contractual/ Notional amount		Assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Derivative used for hedging				
Interest rate swap	32,512	53,850	233	190

On 21 October 2014, a subsidiary of the Group had entered into an interest rate swap to hedge the variability in cash flows arising from interest rate risks in relation to the floating interest rate of a term loan. The interest rate swap has been designated as the hedging instrument of a cash flow hedge.

The swap entitles the subsidiary of the Group to receive a floating interest equal to 3 month USD-LIBOR + 3.10% per annum and pays a fixed rate of 4.18% per annum (if LIBOR is less than or equals to 2.00%) or a 3 months USD-LIBOR + 2.35% per annum (if LIBOR is more than 2.00%).

The swap has the same maturity date as that of the term loan.

Notes to the Financial Statements

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11. Inventories - Group

	2017 RM'000	2016 RM'000
Materials and consumables - at cost	6,056	5,025
Recognised in profit or loss:		
Inventories recognised as part of cost of services	17,271	15,772

12. Trade and other receivables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade receivables		96,583	112,968	-	-
Accrued revenue		96,112	123,365	-	-
		192,695	236,333	-	-
Non-trade					
Amount due from subsidiaries	12.1	-	-	22,988	22,988
Other receivables		7,060	8,465	117	7
Allowance for impairment losses	21	(1,443)	-	-	-
		5,617	8,465	117	7
		5,617	8,465	23,105	22,995
Total		198,312	244,798	23,105	22,995

12.1 Amount due from subsidiaries is unsecured, interest free and repayable on demand.

13. Other investments - Group and Company

	Unit Trust in Malaysia RM'000
2017	
Financial assets at fair value through profit or loss	1,543
2016	
Financial assets at fair value through profit or loss	1,495

14. Deposits and prepayments

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits	14.1	4,155	3,722	184	184
Prepayments	14.2	9,472	12,265	2,689	3,699
		13,627	15,987	2,873	3,883

14.1 Included in the Group's deposits is placement of fund of USD507,000 (2016: USD297,000) in a Sinking Fund Account. This Sinking Fund Account was established with a financial institution by a subsidiary during the tenure of a loan as security deposits.

14.2 Included in prepayments in last financial year was amount prepaid for upgrading of property, plant and equipment amounted to RM4,021,000.

15. Cash and cash equivalents

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits placed with licensed banks	183,729	193,224	23,982	25,019
Cash on hand and at banks	38,578	99,149	2,873	31,965
	222,307	292,373	26,855	56,984

Included in the deposits placed with licensed banks of the Group is RM55.7 million (2016: RM57.9 million) of deposits pledged for loans granted to certain subsidiaries. The Group may withdraw the pledged deposits upon settlement of the respective loans.

16. Capital and reserves

16.1 Share capital

	Group and Company 2017 Amount RM'000	Group and Company 2017 Number of shares	Group and Company 2016 Amount RM'000	Group and Company 2016 Number of shares
Ordinary shares of				
Issued and fully paid:				
Opening balances	438,550	877,099,935	438,550	877,099,935
Transfer from share premium in accordance with Section 618(2) of the Companies Act [Note (i)]	146,686	-	-	-

Notes to the Financial Statements

(cont'd)

16. Capital and reserves (cont'd)

16.1 Share capital (cont'd)

	Group and Company			
	2017		2016	
	Amount RM'000	Number of shares	Amount RM'000	Number of shares
Issued and fully paid (cont'd):				
Issued for cash under private placement [Note (iii)]	89,113	87,709,900	-	-
Share issue expense	(1,361)	-	-	-
	672,988	964,809,835	438,550	877,099,935
	[Note (ii)]			

Note

(i) In accordance with Section 618 of the Companies Act 2016, balance standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

(ii) Included in share capital is share premium amounting to RM147 million for the Group and the Company respectively, that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of transition.

(iii) On 27 April 2017, the Company has issued 87,709,900 new ordinary shares at an issue price of RM1.016 per placement share.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable:-				
Share premium [Note 16.1(i)]	-	146,686	-	146,686
Other reserves [Note 16.2]	53,847	114,270	-	-
	53,847	260,956	-	146,686
Distributable:-				
Retained earnings/ (Accumulated losses)	233,005	570,924	(36,342)	(39,621)
	286,852	831,880	(36,342)	107,065

16. Capital and reserves (cont'd)

16.2 Other reserves

Other reserves comprises translation reserve and cash flow reserve. The foreign currency translation reserve arose from the translation of the financial statements of foreign subsidiaries whose presentation currency differs from the presentation currency of the Group's financial statements, of which is RM, whilst cash flow hedge reserve comprises the effective portion of the gains and losses on the hedging instrument deemed effective in a cash flow hedge.

17. Loans and borrowings

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Sukuk	17.1	-	518,797	-	-
Term loans		35,948	631,317	-	549,391
Finance lease liabilities	17.5	113,526	139,838	-	-
		149,474	1,289,952	-	549,391
Current					
Sukuk	17.1	518,797	78,587	-	-
Term loans		351,643	188,167	257,291	80,000
Finance lease liabilities	17.5	13,124	13,509	-	-
Overdraft		1,710	-	-	-
Revolving credits		246,000	68,000	10,000	-
		1,131,274	348,263	267,291	80,000
Total		1,280,748	1,638,215	267,291	629,391

Changes in liabilities arising from financing activities are as follows:

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	[---Non-cash changes---] Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2017 RM'000
Group					
Sukuk	597,384	(90,000)	-	11,413	518,797
Secured term loans	819,484	(419,888)	(12,005)	-	387,591
Finance lease liabilities	153,347	(12,243)	-	(14,454)	126,650
Revolving credits	68,000	178,000	-	-	246,000
Total liabilities from financing activities	1,638,215	(344,131)	(12,005)	(3,041)	1,279,038

Notes to the Financial Statements

(cont'd)

17. Loans and borrowings (cont'd)

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	[---Non-cash changes---] Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2017 RM'000
Company					
Term loan	629,391	(372,100)	-	-	257,291
Revolving credits	-	10,000	-	-	10,000
Advances from a subsidiary (Note 18)	72,925	284,030	-	-	356,955
	702,316	(78,070)	-	-	624,246

17.1 Sukuk Murabahah

Sukuk Murabahah of RM635 million was issued by a subsidiary of the Group on 28 April 2016, and is constituted by a Trust Deed dated 8 April 2016 entered into by the said subsidiary and the Trustee for the holders of the Sukuk Murabahah. The tenure of the Sukuk Murabahah Programme shall be twelve (12) years from the date of the first issuance of the Sukuk Murabahah. The first tranche was issued for a period of five (5) years with a claim period of thirty (30) days thereafter from the date of issuance.

In relation thereto, Danajamin has granted and made available an Al-Kafalah Facility of up to the aggregate amount of the nominal value of the Sukuk Murabahah of RM635 million ("Danajamin Facility") and such amount equivalent to one (1) profit payment thereof and United Overseas Bank ("UOB") has agreed to indemnify and counter guarantee the Danajamin Facility for the nominal value of the Sukuk Murabahah of up to RM317.5 million and one (1) profit payment thereof to guarantee the said subsidiary's payment obligations to the holders of the Sukuk Murabahah.

In connection therewith, Danajamin, UOB and the said subsidiary have entered into an Al-Kafalah Facility Agreement dated 13 April 2016 and Danajamin has issued a Kafalah policy dated 25 April 2016 in favour of the Trustee for the holders of the Sukuk Murabahah to guarantee the payment obligations of the said subsidiary under the Sukuk Murabahah for up to the nominal value of the Sukuk Murabahah of RM635 million and one (1) profit payment thereof. The Sukuk Murabahah is:

(i) transferable and tradable;
(ii) not listed;
(iii) not underwritten; and
(iv) rated AAA by RAM Rating Services Berhad.

a) Primary bonds' repayment terms under the Sukuk Murabahah contract

Pursuant to the Islamic financing documents in relation to the Sukuk Murabahah, the said subsidiary shall be liable to pay the Deferred Sale Price (being the aggregate of (i) the nominal value of the Sukuk Murabahah and (ii) the profit margin of the relevant Sukuk Murabahah, payable on a deferred payment basis). The Sukuk Murabahah issued by the said subsidiary shall evidence, amongst others, the entitlement of the holders of the Sukuk Murabahah to receive the Deferred Sale Price. The said subsidiary shall repay the nominal value of the relevant Sukuk Murabahah for respective tenures based on the maturity dates as follows:

17. Loans and borrowings (cont'd)

17.1 Sukuk Murabahah (cont'd)

a) Primary bonds' repayment terms under the Sukuk Murabahah contract (cont'd)

Tranche	Nominal Value (RM)	Maturity Date
1	90,000,000	28 April 2017
2	90,000,000	27 April 2018
3	90,000,000	26 April 2019
4	90,000,000	28 April 2020
5	275,000,000	28 April 2021
Total	**635,000,000**	

Any non payment of the nominal value on the maturity date would constitute a default under the Trust Deed.

b) Secondary bonds/profit payment terms under the Sukuk Murabahah contract

The secondary bonds/profit payment is the amount calculated on the relevant outstanding Sukuk Murabahah based on the profit rates as follows:

Tranche	Profit rate per annum (%)
1	4.30
2	4.45
3	4.60
4	4.75
5	4.90

In relation to each tranche of the Sukuk Murabahah, the date for payment of the periodic profit payments, shall be each date falling at the end of consecutive six (6) months' period commencing from the issue date until the maturity date of that tranche of Sukuk Murabahah.

Any non payment would constitute a default under the Trust Deed.

c) Securities

The payment of the said subsidiary for up to the nominal value of the Sukuk Murabahah of RM635 million and one (1) profit payment thereof, in respect of the first issuance of the Sukuk Murabahah, is guaranteed by the Kafalah policy dated 25 April 2016 issued by Danajamin in favour of the Trustee.

The Al-Kafalah Facility Agreement granted by Danajamin is secured by:

(i) a charge over the Securities Accounts;
(ii) a charge over mortgages of the eleven (11) (2016: twelve (12)) vessels via the third (3rd) party first (1st) priority statutory mortgage of the subsidiaries of the Company;
(iii) a charge over all money, revenue, receipts, proceeds or income in relation to the eleven (11) (2016: twelve (12)) vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) (2016: twelve (12)) vessels; and
(v) a charge over the eleven (11) (2016: twelve (12)) vessels of a third (3rd) party deeds of covenant prescribed by the Trustee and executed by the vessel owners and the relevant corresponding mortgages as security for the payment and repayment of the Sukuk Murabahah.

17. Loans and borrowings (cont'd)

17.1 Sukuk Murabahah (cont'd)

d) Guarantee fee

Guarantee fee shall be payable to Danajamin at the rate of 1.55% per annum calculated on the guaranteed amount commencing the date of first (1st) issuance of the Sukuk Murabahah, paid annually in advance.

17.2 Commodity Murabahah Financing - I

On 8 October 2014, a subsidiary of the Group had accepted a term loan facility denominated in United States Dollar (USD) with a nominal value of USD20,000,000 (equivalent to RM70,030,000).

This term loan is subject to floating interest rate and is being hedged via an interest rate swap as disclosed in Note 10 to the financial statements.

17.3 Term loans

The term loans are secured by:

(i) fixed charge over all subsidiary's unencumbered shares and warrants acquired;
(ii) first legal charge and assignment over all present and future rights of the Company on Designated Accounts and all monies standing to the credit of the Designated Accounts;
(iii) fixed charge over certain vessels of the Group (see Note 3);
(iv) fixed charge over the shares of a subsidiary;
(v) assignment and charges over insurance proceeds and revenue of certain vessels of the Group; and
(vi) security deposits placed in Retention Accounts (see Note 7).

17.4 Significant covenants on loans and borrowings

In addition to loan covenants mentioned in 17.1, the Group is also subject to the following significant loan covenants on loans and borrowings:

(i) gearing ratio not exceeding 1.75 times;
(ii) debt service coverage ratio of at least 1.2 times;
(iii) gross debt to Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") not exceeding 5 times (2016: 6.5 times); and
(iv) Security cover ratio of not below 1.50 times

As at the reporting date, the Group has breached certain covenants of four (2016: two) term loans and sukuk with total carrying amount of RM858 million (2016: RM78.5 million). As a result, the non-current portions of these term loans of RM243.4 million (2016: RM57.0 million) and sukuk of RM438.5 million (2016: Nil) have been reclassified to current liabilities as at the reporting date. The actual estimated repayment due in the next financial year according to loan repayment schedules of the respective borrowings is amounted to RM448 million.

The Group has obtained waiver letters from Danajamin for the breach of Sukuk's covenant and from Caterpillar Financial Services Asia Pte Ltd for the breach of a term loan, dated 18 January 2018 and 29 March 2018 respectively. The carrying amount of Sukuk and the related term loan are RM518.8 million and RM31.2 million respectively as at the end of the financial year. Other than the breach of covenant, the Group has not defaulted in any scheduled repayments of the Group's borrowings.

17. Loans and borrowings (cont'd)

17.5 Finance lease liabilities

	2017			2016		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	22,343	9,219	13,124	24,669	11,160	13,509
Between one and five years	119,927	6,401	113,526	157,085	17,247	139,838
	142,270	15,620	126,650	181,754	28,407	153,347

18. Trade and other payables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables		103,690	83,753	-	-
Non-trade					
Other payables		4,856	12,502	323	92
Accrued expenses		86,902	85,922	5,612	7,501
Amount due to a subsidiary	18.1	-	-	356,955	72,925
		91,758	98,424	362,890	80,518
Total		195,448	182,177	362,890	80,518

18.1 Amount due to a subsidiary is unsecured, subject to interest at 5.66% (2016: 5% p.a.) per annum.

19. Revenue

	Note	2017 RM'000	2016 RM'000
Group			
Income from maintenance services rendered		597,454	586,326
Chartered vessel income		95,226	121,716
Catering income		2,309	196
		694,989	708,238

19. Revenue (cont'd)

	Note	2017 RM'000	2016 RM'000
Company			
Dividend income from subsidiaries	19.1	495,710	-
Management fees		4,200	4,200
		499,910	4,200

19.1 Dividend income from its subsidiaries received in the form of ordinary shares distributed during the year. See Note 6.

20. Other income/(expenses)

Included in other income in last financial year was gain on unrealised foreign exchange of RM75.6 million.

Included in the other expenses is impairment losses on property, plant and equipment of RM33.0 million (2016: RM3.6 million) (see Note 3.4 and loss on foreign exchange of RM51.9 million (2016: RM19.3 million). Included in other expenses subsisting 31 December 2016 was breakfund cost of RM11.3 million.

21. Results from operating activities

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Results from operating activities is arrived at after charging					
Amortisation of intangible assets	5	13,273	17,183	-	-
Amortisation of prepaid lease payments	4	368	368	-	-
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		443	443	85	85
- others		6	30	-	-
- Non-audit fees					
- KPMG PLT		65	37	50	22
- Affiliates of KPMG PLT		174	678	10	204
Bad debt written off		-	39	-	-
Depreciation of property, plant and equipment	3	125,162	124,492	1	2
Impairment loss on property, plant and equipment	3	32,960	3,639	-	-
Impairment loss on receivables	12	1,443	-	-	-
Loss on disposal of property, plant and equipment		-	71	-	-
Net loss on foreign exchange					
- realised		138	19,232	-	-
- unrealised		51,903	-	-	4,211

21. Results from operating activities (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Results from operating activities is arrived at after charging (cont'd)					
Personnel expenses (including key management personnel):					
- contributions to the Employees Provident Fund		10,551	9,841	81	89
- wages, salaries and others		188,964	177,495	693	755
Property, plant and equipment written off		1,745	-	-	-
Rental of premises		3,182	4,158	-	-
Rental of equipment and marine vessels		40,944	21,534	-	-
and after crediting:					
Dividend income from subsidiaries		-	-	495,710	-
Gain on disposal of property, plant and equipment		517	-	-	-
Investment income from unit trusts		48	48	48	48
Net gain on foreign exchange:					
- unrealised		-	75,615	-	-

22. Finance (costs)/income

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Recognised in profit or loss				
Interest expense of financial liabilities:				
- loans	(53,967)	(79,390)	(28,249)	(38,327)
- amount due to a subsidiary	-	-	(8,736)	(886)
Islamic bond:				
- profit payments arising from sukuk	(38,735)	(28,138)	-	-
	(92,702)	(107,528)	(36,985)	(39,213)
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	8,377	8,210	1,454	626
- amount due from a subsidiary	-	-	-	290
	8,377	8,210	1,454	916

Notes to the Financial Statements

(cont'd)

22. Finance (costs)/income (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net finance costs recognised in profit or loss	(84,325)	(99,318)	(35,531)	(38,297)

23. Income tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian - current year	40,495	29,298	1,350	549
- prior year	2,436	551	(409)	-
	42,931	29,849	941	549
Deferred taxation (Note 9)				
- current year	(8,768)	(18,002)	-	-
- prior year	52,517	12,857	-	-
	43,749	(5,145)	-	-
Total income tax expense	86,680	24,704	941	549

Reconciliation of income tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit for the year	(153,182)	53,980	456,234	(39,031)
Total income tax expense	86,680	24,704	941	549
(Loss)/Profit excluding tax	(66,502)	78,684	457,175	(38,482)
Tax calculated using Malaysian tax rate of 24% (2016: 24%)	(15,960)	18,884	109,722	(9,236)
Non-deductible expenses	85,156	55,088	10,604	9,796
Non taxable income	(37,469)	(59,588)	(118,976)	(11)
Movement of tax exempt assets	-	(3,088)	-	-
	31,727	11,296	1,350	549
Under/(Over) provision in prior years	54,953	13,408	(409)	-
Total income tax expense	86,680	24,704	941	549

24. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
- Fees	2,086	2,293	1,628	1,835
- Remuneration	4,804	8,696	23	41
	6,890	10,989	1,651	1,876
Other key management personnel:				
- Short term employee benefits	2,079	2,236	36	38
	8,969	13,225	1,687	1,914

Other key management personnel comprise persons other than the Directors of group entities, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

25. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
(Loss)/Profit attributable to ordinary shareholders	(144,891)	54,543
Weighted average number of ordinary shares	936,934,908	877,099,935
Basic/Diluted earnings per share (sen)	(15.46)	6.22

The Group has no dilution in its earnings per ordinary shares at 31 December 2017 and 31 December 2016.

Notes to the Financial Statements

(cont'd)

26. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director (the chief operating decision maker) in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their services provided. The strategic business units offer different services, and are managed separately. For each of the strategic business units, the Managing Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

i) Topside maintenance services

Provision of offshore topside maintenance services, minor fabrication works and offshore hook-up and commissioning services for oil and gas companies.

ii) Marine offshore support services

Chartering of marine vessels and provision of related support services, as well as catering of food and beverage.

Other non-reportable segments comprise investment holding and equipment hire. None of these segments met the quantitative thresholds for reporting segments in 2017 and 2016.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no disclosure is made on segment liability.

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. All segment revenues are derived from Malaysia in current and last year.

Notes to the Financial Statements

(cont'd)

26. Operating segments (cont'd)

	Topside maintenance services		Marine offshore support services		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Segment profit/(loss)	138,834	99,611	(152,431)	30,651	(13,597)	130,262
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	597,454	586,326	97,535	121,912	694,989	708,238
Inter-segment revenue	-	-	103,902	155,835	103,902	155,835
Depreciation and amortisation	(11,351)	(11,639)	(100,057)	(98,874)	(111,408)	(110,513)
Finance costs	(5,665)	(1,479)	(63,194)	(67,126)	(68,859)	(68,605)
Finance income	16,789	4,852	3,120	2,488	19,909	7,340
Impairment of property, plant and equipment	-	-	(32,960)	(3,639)	(32,960)	(3,639)
Unrealised foreign exchange (loss)/gain	-	-	(51,903)	75,615	(51,903)	75,615
Segment assets	863,001	549,337	549,097	867,290	1,412,098	1,416,627

Reconciliation of reportable segment revenues, profit or loss, assets and other material items

	2017 RM'000	2016 RM'000
(Loss)/Profit		
Total (loss)/profit for reportable segments	(13,597)	130,262
Other non-reportable segments	456,078	(34,395)
Elimination of inter-segment transactions	(495,710)	-
Amortisation of intangible assets	(13,273)	(17,183)
Consolidated (loss)/profit before tax	(66,502)	78,684

Notes to the Financial Statements

(cont'd)

26. Operating segments (cont'd)

	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000
2017					
Total reportable segments	694,989	(111,408)	(68,859)	19,909	1,412,098
Other non-reportable segments	-	(14,122)	(36,983)	1,608	1,197,343
Goodwill	-	-	-	-	653,627
Intangible assets	-	-	-	-	12,490
Elimination of inter-segment transactions or balances	-	-	13,140	(13,140)	(570,938)
Consolidated total	694,989	(125,530)	(92,702)	8,377	2,704,620
2016					
Total reportable segments	708,238	(110,513)	(68,605)	7,340	1,416,627
Other non-reportable segments	-	(14,347)	(39,213)	1,160	1,187,221
Goodwill	-	-	-	-	653,627
Intangible assets	-	-	-	-	25,763
Elimination of inter-segment transactions or balances	-	-	290	(290)	(160,220)
Consolidated total	708,238	(124,860)	(107,528)	8,210	3,123,018

26. Operating segments (cont'd)

Major customers

The following are the major customers individually accounting for 10% or more of the group revenue:

	Revenue 2017 RM'000	Revenue 2016 RM'000	Segment
Companies under common control of:			
- Customer A	446,848	478,170	Topside maintenance services and marine offshore support services
- Customer B	158,817	144,892	Topside maintenance services and marine offshore support services

27. Financial instruments

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2017				
Financial assets				
Group				
Deposits	7,14	49,446	49,446	-
Derivative asset	10	233	-	233
Trade and other receivables	12	198,312	198,312	-
Other investments	13	1,543	-	1,543
Cash and cash equivalents	15	222,307	222,307	-

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.1 Categories of financial instruments (cont'd)

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2017 (cont'd)				
Financial assets (cont'd)				
Company				
Trade and other receivables	12	23,105	23,105	-
Other investments	13	1,543	-	1,543
Deposits	14	184	184	-
Cash and cash equivalents	15	26,855	26,855	-
Financial liabilities				
Group				
Loans and borrowings	17	(1,280,748)	(1,280,748)	-
Trade and other payables	18	(195,448)	(195,448)	-
Company				
Loans and borrowings	17	(267,291)	(267,291)	-
Trade and other payables	18	(362,890)	(362,890)	-

27. Financial instruments (cont'd)

27.1 Categories of financial instruments (cont'd)

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2016				
Financial assets				
Group				
Deposits	7,14	52,532	52,532	-
Derivative asset	10	190	-	190
Trade and other receivables	12	244,798	244,798	-
Other investments	13	1,495	-	1,495
Cash and cash equivalents	15	292,373	292,373	-
Company				
Trade and other receivables	12	22,995	22,995	-
Other investments	13	1,495	-	1,495
Deposits	14	184	184	-
Cash and cash equivalents	15	56,984	56,984	-
Financial liabilities				
Group				
Loans and borrowings	17	(1,638,215)	(1,638,215)	-
Trade and other payables	18	(182,177)	(182,177)	-
Company				
Loans and borrowings	17	(629,391)	(629,391)	-
Trade and other payables	18	(80,518)	(80,518)	-

27. Financial instruments (cont'd)

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) arising on:				
Financial assets at fair value through profit or loss				
- held for trading	48	48	48	48
Loans and receivables	8,949	83,825	1,454	916
Financial liabilities measured at amortised cost	(145,315)	(126,760)	(36,985)	(39,213)
	(136,318)	(42,887)	(35,483)	(38,249)

27.3 Financial risk management

The Group and the Company are exposed to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables from external parties

Risk management objectives, policies and processes for managing the risk

The principal customers of the Group are major oil and gas companies based in Malaysia. Management reviews the credit worthiness of all major counterparties prior to entering into any contract or transaction with them, to ensure the Group is not exposed to undue credit risk.

Deposits and cash and cash equivalents are placed with licensed banks and financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by their carrying amounts in the statement of financial position. Cash and cash equivalents are only placed with licensed banks/institutions.

There are no significant concentrations of credit risk as at the end of the reporting period other than trade receivable due from three (2016: three) counterparties of RM78,454,000 (2016: RM98,244,000).

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(a) Credit risk

Receivables from external parties (cont'd)

Ageing analysis

The ageing of trade receivables (exclude accrued revenue) as at the end of reporting period is as follows:

	Group	
Age of debts	**2017 RM'000**	**2016 RM'000**
Not past due	77,220	96,592
Past due more 0-30 days	4,644	739
Past due more 31-90 days	4,203	2,222
Past due more 91-120 days	10,516	13,415
	96,583	112,968

Management does not expect any external counterparty to fail to meet its obligations due to the strong credit standing of the counterparties. There is no impairment loss recognised for trade receivables as at the end of the reporting period.

Other investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Other investments of the Group (see Note 13) are categorised as fair value through profit or loss. The Group does not have overdue investments that have not been impaired.

The investments are unsecured.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries and monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables from external parties (cont'd)

Inter-company balances (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

Credit risk of the Company as at the end of the reporting period arose solely from the amount due from two (2016: two) subsidiaries of RM22,988,000 (2016: RM22,988,000).

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable in full and as such no impairment loss has been recognised.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made thereby to ensure that they are able to meet their obligations as they fall due.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM1,280,748,000 (2016: RM1,638,214,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings as well as financial guarantees given to banks for credit facilities granted to subsidiaries.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as for as possible, that it will have sufficient liquidity to meet its liabilities as they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

	Note	Carrying amount RM'000	Contractual interest/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group							
2017							
Sukuk	27.3(b)(i)	518,797	4.32 – 4.90	624,569	624,569	-	-
Secured term loans	27.3(b)(i)	387,591	4.40 – 5.70	448,543	409,095	39,448	-
Finance lease liabilities		126,650	2.30 – 5.54	142,270	22,343	119,927	-
Overdraft		1,710		1,710	1,710	-	-
Revolving credits		246,000	4.92 – 5.72	248,527	248,527	-	-
Trade and other payables		195,448	-	195,448	195,448	-	-
		1,476,196		1,661,067	1,501,692	159,375	-
2016							
Sukuk		597,384	4.32 - 4.90	753,611	126,585	627,026	-
Secured term loans		819,484	3.75 – 6.85	946,042	232,974	619,520	93,548
Finance lease liabilities		153,347	2.30 – 5.54	181,754	24,669	157,085	-
Revolving credits		68,000	4.94 – 6.14	68,228	68,228	-	-
Trade and other payables		182,177	-	182,177	182,177	-	-
		1,820,392		2,131,812	634,633	1,403,631	93,548

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Note	Carrying amount RM'000	Contractual interest/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Company							
2017							
Secured term loans	27.3(b)(i)	257,291	5.52 – 5.70	307,626	307,626	-	-
Revolving credit		10,000	5.22	10,079	10,079	-	-
Trade and other payables		5,935	-	5,935	5,935	-	-
Amount due to a subsidiary		356,955	5.66	377,159	377,159	-	-
		630,181		700,799	700,799	-	-
2016							
Secured term loans		629,391	5.59 - 6.08	737,088	113,949	532,997	90,142
Trade and other payables		7,593	-	7,593	7,593	-	-
Amount due to a subsidiary		72,925	5.00	76,571	76,571	-	-
		709,909		821,252	198,113	532,997	90,142

27.3 (b)(i) Included in under 1 year of contractual cash flows are non-current portions of borrowings which have been reclassified to current liabilities as a result of breach of certain covenants of these borrowings. Notwithstanding which, the actual estimated repayment due in the next financial year according to loan repayment schedule of the respective borrowings amounted to RM448 million. See Note 17.4.

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD) and Ringgit Malaysia (RM).

Exposure to foreign currency risk

The Group's exposure to foreign currency risk attributable to currencies other than the functional currencies of group entities, based on the carrying amounts as at the end of the reporting period was:

		Denominated in	
Group	**USD RM'000**	**SGD RM'000**	**RM RM'000**
2017			
Financial assets			
Trade and other receivables	594	323	2
Cash and cash equivalents	267	72	-
Intra-group balances	69,775	7,817	365
	70,636	8,213	367
Financial liabilities			
Trade and other payables	(369)	(1,300)	(18)
Intra-group balances	(184,115)	(41,921)	(247,753)
	(184,484)	(43,221)	(247,771)
Net currency exposure	(113,848)	(35,008)	(247,404)

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

Group	USD RM'000	Denominated in SGD RM'000	RM RM'000
2016			
Financial assets			
Trade and other receivables	594	324	2
Cash and cash equivalents	544	74	46
Intra-group balances	61,509	7,977	41,607
	62,647	8,375	41,655
Financial liabilities			
Trade and other payables	(1,159)	(1,258)	(8)
Intra-group balances	(124,783)	(44,668)	(628,670)
	(125,942)	(45,926)	(628,678)
Net currency exposure	(63,295)	(37,551)	(587,023)

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of the RM against the following currencies at the end of the reporting period. The analysis assumes that all other variable, in particular interest rates, remained constant.

Group	2017 Equity RM'000	2017 Profit or loss RM'000	2016 Equity RM'000	2016 Profit or loss RM'000
USD	11,385	11,385	6,330	6,330
SGD	3,501	3,501	3,755	3,755
RM	24,740	24,740	58,702	58,702

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk

The Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term other investments and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and process for managing the risk

The Group monitors its exposure to changes in interest rates on a regular basis.

Borrowings are negotiated with a view to securing the best possible terms, including interest rates, to the Group.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on the carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	183,729	193,224	23,982	25,019
Financial liabilities				
- finance lease liabilities	(126,650)	(153,347)	-	-
- sukuk	(518,797)	(597,384)	-	-
	(461,718)	(557,507)	23,982	25,019
Floating rate instruments				
Financial liabilities				
- amount due to a subsidiary	-	-	(356,955)	(72,925)
- overdraft	(1,710)	-	-	-
- term loans	(387,591)	(819,484)	(257,291)	(629,391)
-revolving credits	(246,000)	(68,000)	(10,000)	-
	(635,301)	(887,484)	(624,246)	(702,316)

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2017 Profit or loss		2016 Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
Group				
Floating rate instruments	6,353	(6,353)	8,875	(8,875)
Company				
Floating rate instruments	6,242	(6,242)	7,023	(7,023)

(iii) Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

There is no sensitivity analysis performed as any change will be insignificant to the Group.

27.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term deposits and borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The fair value of other investments is disclosed in Note 13, which is based on their quoted closing market prices and the net asset value of the unit trust at the reporting date.

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.4 Fair value information (cont'd)

2017	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Other investments	-	1,543	-	1,543	-	-	-	-	1,543	1,543
Deposits	-	-	-	-	-	-	45,291	45,291	45,291	45,291
Derivative asset	-	233	-	233	-	-	-	-	233	233
Financial liabilities										
Term loans (non-current)	-	-	-	-	-	-	(32,054)	(32,054)	(32,054)	(35,948)
Finance lease liabilities (non-current)	-	-	-	-	-	-	(107,100)	(107,100)	(107,100)	(113,526)
Company financial assets										
Other investments	-	1,543	-	1,543	-	-	-	-	1,543	1,543
Term loan (non-current)	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements

(cont'd)

27. Financial instruments (cont'd)

27.4 Fair value information (cont'd)

2016	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Other investments	-	1,495	-	1,495	-	-	-	-	1,495	1,495
Deposits	-	-	-	-	-	-	48,810	48,810	48,810	48,810
Derivative asset	-	190	-	190	-	-	-	-	190	190
Financial liabilities										
Sukuk	-	-	-	-	-	-	(518,797)	(518,797)	(518,797)	(518,797)
Term loans (non-current)	-	-	-	-	-	-	(541,410)	(541,410)	(541,410)	(631,317)
Finance lease liabilities (non-current)	-	-	-	-	-	-	(125,229)	(125,229)	(125,229)	(139,838)
Company financial assets										
Other investments	-	1,495	-	1,495	-	-	-	-	1,495	1,495
Term loan (non-current)	-	-	-	-	-	-	(468,091)	(468,091)	(468,091)	(549,391)

27. Financial instruments (cont'd)

27.4 Fair value information (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of interest rate swap is estimated by discounting the net cash flows between the floating interest payable and the fixed interest receivable over the tenure of the swap using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Fair values of financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans	Discounted cash flows using an interest rate of 5.60% (2016: 5.77%) at the reporting date
Finance lease liabilities	Discounted cash flows using an interest rate of 6.00% (2016: 6.00%) at the reporting date
Sukuk	Discounted cash flows using an interest rate of 6.00% (2016: 6.00%) at the reporting date
Company	
Term loans	Discounted cash flows using an interest rate of 5.60% (2016: 5.85%) at the reporting date

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and other stakeholders in the Group and to sustain the future development of its businesses.

There were no changes in the Group's approach to capital management during the financial year.

29. Capital expenditure commitments

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment		
Authorised and contracted for	530	5,166

30. Contingent liabilities

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees as it is not probable as at the end of the reporting period that a future sacrifice of economic benefits will be required.

In the previous financial years, a tax audit was conducted on the subsidiary of the Group. The audit was concluded during the year and an agreement was reached with the Inland Revenue Board ("IRB") for additional tax payable (including tax penalty) of RM10.3 million for the years of assessment covered by the said tax audit. This had been recognised upon acquisitions of PPB in the financial statements for the year ended 31 December 2016. Further to the conclusion of the tax audit, the IRB has requested the subsidiary of the Group to revise its tax computations for YA 2011 and subsequent years. The subsidiary of the Group has engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2016, the subsidiary of the Group responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds. The Group may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2011 and subsequent years, the outcome of which cannot be ascertained at this present stage.

31. Related parties

Identity of related parties

For the purposes of these financial statements, a party is considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Significant related party transactions, other than compensations to key management personnel (see Note 24) and those disclosed elsewhere in the financial statement, are as follows:

31. Related parties (cont'd)

Identity of related parties (cont'd)

	Company	
	2017 RM'000	2016 RM'000
Dividend income	(495,710)	-
Interest income	-	(290)
Interest expense	8,736	886
Management fees	(4,200)	(4,200)

Transactions with certain Directors and company in which certain Directors and close members of their families have or are deemed to have substantial interests.

	Group	
	2017 RM'000	2016 RM'000
Rental of premises paid	2,513	2,618

Significant party balances related to the above transactions are disclosed in the statement of financial position as well as Notes 12 and 18 to the financial statements.

Related party transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to settle in cash.

32. Significant events

32.1 On 22 June 2011, PPB, a subsidiary of the Group filed a suit in the High Court against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng, Tiong Young Kong, Lee Mee Jiong, TA Securities Holdings Berhad ("TASB"), Yap Hock Heng and TA First Credit Sdn Bhd ("TAFC") to claim for losses and damages suffered by PPB in respect of, inter alia, the divestment of 10,500,000 ordinary shares of RM0.50 each in Petra Energy Berhad ("PEB") by PPB to the Parties on 10 September 2009 and the divestment of 48,800,000 ordinary shares of RM0.50 each in PEB by PPB as conducted by TA Securities Holdings Berhad and Yap Hock Heng on 11 December 2009.

This suit was mounted on several causes of action, including breaches of fiduciary and statutory duties, accessory liability and conspiracy and PPB is seeking from the High Court, various declaratory reliefs, damages (general and/or fiduciary and/or aggravated) to be assessed, interest, account and disgorgement and costs.

On 7 September 2012, PPB filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against PPB in relation to a claim of approximately RM2.796 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, PPB had reversed the provisions made earlier.

The trial at the High Court ended on 26 April 2013 and oral submissions by respective counsels were made on 21 November 2013 and 28 November 2013. On 21 March 2014, PPB announced that the High Court gave its decision that PPB was unsuccessful in the Suit. On 17 April 2014, PPB filed a Notice of Appeal to the Court of Appeal on the decision of the Suit.

32. Significant events (cont'd)

32.1 On 9 September 2014, the High Court made a decision on costs and ordered PPB to pay the Defendant Parties, a total cost of RM841,731. The High Court also ordered Tengku Dato' Ibrahim Petra bin Tengku Indra Petra to pay PPB the sum of RM192,780 with post judgement interest calculated at 5% per annum starting from 22 March 2014 ("Judgement Sum"). The earnings of the subsidiary of the Group for the year ended 31 December 2014 was reduced by the differential sum of the total cost payable and the judgement sum receivable.

On 2 December 2014, the Court of Appeal fixed the hearing of the Appeal. This was subsequently adjourned and fixed to be heard on 11 March 2015.

The Appeal was heard on 11 March 2015 and 25 March 2015.

On 25 August 2015, PPB announced that the Court of Appeal had made the following judgements:

(a) PPB's appeal was allowed with costs against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;

(b) PPB's appeal was dismissed with costs against Lee Mee Jiong; and

(c) Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's cross appeal was dismissed with costs.

On 23 September 2015, PPB received the Notices of Motion from the solicitors of Tengku Dato' Ibrahim bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong respectively, to apply for leave to appeal to the Federal Court against the decision of the Court of Appeal on 25 August 2015.

The Federal Court, had on 1 March 2017 allowed the leave applications by the Applicants and the Applicants proceeded with the filing of the appeal papers for Case Management.

On 10 October 2016, Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's, Wong Fook Heng's and Tiong Young Kong's appeals against PPB were partially weard by the Federal Court. The Federal Court fixed 18 October 2017 for the continued hearing which however did not take place on the said date. The Federal Court subsequently fixed 16 November 2016 as the continued hearing date.

However, on 8 November 2016, the Federal Court via a letter informed all the parties that the continued hearing schedule on 16 November 2016 was converted to a Case Management and the new continued hearing date is fixed on 2 February 2017.

On 2 February 2017, the Federal Court had heard all of the parties for the continued hearing and deferred the decision to a later date which is yet to be determined.

On 14 December 2017, the Federal Court had unanimously allowed both of Tengku Dato' Ibrahim bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong's appeals ("the Appellants"), with costs in the amount of RM60,000,00 subject to 4% allocator for each appeal, to be paid by the Company to the Appellants. The Federal Court also held that the Court of Appeal's order dated 25 August 2015 to be set aside and that the High Court Judgement dated 21 March 2014 to be reinstated.

Subsequent to the financial year ended 31 December 2017, the Group received a letter from the Appellants' solicitors instructing them to pay a sum of approximately RM459,000 and the Group had fully settled the sum accordingly.

32.2 PPB, a subsidiary of the Group had entered into two separate memorandums of agreement ("MOA") with a third party ("Seller") in June 2014 to purchase two units of work barges, identified as Vessel Hull No. SK316 and SK317 amounting to USD42 million each. Pursuant to the terms of the MOA, the said subsidiary of the Group had paid 20% of the purchase price of each work barge amounting to USD16.8 million as upfront deposits.

32. Significant events (cont'd)

32.2 On 28 March 2016, the subsidiary of the Group formally informed the Seller that it had terminated the MOA for Vessel Hull No. SK316 that was due for delivery on 28 February 2016. Pursuant to the terms of the MOA, the Seller had a right of forfeiture of the upfront deposit paid.

The Group received a notification dated 5 April 2016 from the Seller viewing the termination of the contract by the Group as wrongful and to forfeit the deposits paid, in addition to reserving all its rights under the MOA.

The Group has not become aware of any formal legal proceedings in relation to Vessel Hull No. SK316 by the Seller.

The second unit of work barge was due for delivery on 31 July 2016. On 1 December 2016, the Group sent a notification to the Seller of the cancellation of the MOA on the purchase of Vessel Hull No. SK317 ("Vessel") as the Seller had not fulfilled the conditions of delivery for the Vessel in accordance with the terms and conditions of the MOA. Accordingly, the Group had sought for the immediate return of the deposits paid of USD8.4 million ("Deposit").

On 5 December 2016, the Group received a letter from the Seller stating that the Group had no right to cancel the MOA and in view thereof had breached the terms of the MOA. The Seller had consequently treated the MOA as terminated and had forfeited the Deposit. Notwithstanding the claims by the Seller, the Group had on 9 December 2016 through its solicitors issued a letter of demand to the Seller for the return of the Deposit.

On 22 December 2016, the Group received from the solicitors of the Seller a Notice of Arbitration dated 22 December 2016 that the Seller had filed with the Kuala Lumpur Regional Centre for Arbitrations as Claimant against the Group as the Respondent in respect of disputes arising out of the MOA for the sale and purchase of one unit 500-men accommodation work barge (Hull No. SK317) dated 23 June 2014 as amended by the Addendum No. 1 dated 27 May 2015.

The Seller is seeking, inter alia, the relief that the Group's purported termination of the MOA on 1 December 2017 was wrongful and unwarranted and the forfeiture of the 20% deposit amounting to USD8.4 million together with damages arising from failure and/or refusal and/or neglect of the Group to take delivery of the Vessel.

On 18 January 2017, the Group had via its solicitors issued a Response to Notice of Arbitration to the Seller. The Group's Response to Notice of Arbitration counterclaimed that the Seller's claim against the Group was misconceived and erroneous as the Vessel was not in every respect physically ready for delivery and therefore the relief or remedy sought by the Seller did not arise and the cancellation of the MOA by the Group was valid. Hence, the Group continues to seek the immediate return of the Deposit paid.

On 18 July 2017, the Seller had submitted its Claimant's Statement of Claim to the Kuala Lumpur Regional Centre for Arbitration. The subsidiary of the Group subsequently file its Respondent's Statement of Defence and Counterclaim on 17 August 2017.

As at the date of these financial statements, the arbitrators have yet fixed the hearing date.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 70 to 151 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin
Director

…………………………………………………………

Datuk Ling Suk Kiong
Director

Miri,

Date: 11 April 2018

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Datuk Ling Suk Kiong**, the Director primarily responsible for the financial management of Dayang Enterprise Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 70 to 151 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Datuk Ling Suk Kiong, at Miri in the State of Sarawak

on 11 April 2018.

……………………………….
Datuk Ling Suk Kiong

Before me:

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dayang Enterprise Holdings Bhd., which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 151.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Completeness of revenue from topside maintenance services
   Refer to Note 2(k) (accounting policy) and Note 19 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
Dayang Group generates its revenue from provision of maintenance services, fabrication operations, hook-up and commissioning, charter of marine vessels, and equipment rental. Income from maintenance services continued to be the major contributions followed by marine charter. Revenue recognition from topside maintenance services segment, which is approximately RM597.5 million, representing 86% of total revenues. Contracts of topside maintenance services varies, each with different terms. This leads to complexity around the calculation and recognition of revenue and any accrued and deferred revenue.	Our audit procedures included, amongst others: i) We evaluated the design and implementation of controls related to revenue recognition process. ii) We inspected contracts with key customers to determine whether, based on the contract terms and billing schedule as well as overall performance of services, the Group appropriately accounted for the contracts in accordance with the accounting policy.

Key Audit Matters (cont'd)

1. Completeness of revenue from topside maintenance services (cont'd)
Refer to Note 2(k) (accounting policy) and Note 19 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
Currently, the revenue from the maintenance service is tracked manually on the point of service and, where necessary, estimates of fair values for the service provided that involve a significant degree of management judgment. Hence, revenue recognition has been considered as the key audit matter.	iii) We checked completeness, existence and accuracy of revenue by inspecting to progress/milestone report, job completion tickets and other relevant documents (for example, timesheets, vessel daily reports, daily status report, equipment movement notice, etc.) whether the associated revenue was recognised in the correct period. iv) We checked billed invoices against the job completion tickets and/or proforma invoices, and vessel status reports. v) We verified journal entries for revenue and revenue related accounts based on specific high risk criteria set to ascertain whether there are any unusual, unauthorised or unsupported entries made against the revenue of year 2017. vi) We confirmed trade receivables balances and performed alternative test on non-replies by sighting to underlying service orders, work completion forms and other underlying source documents.

2. Impairment testing of goodwill, intangible asset and marine vessels
Refer to Notes 2(d) and 2(f) (accounting policy) and Notes 3.4, 5.3 and 8 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
The Group has goodwill and intangible assets of RM653.6 million and RM12.5 million respectively as at 31 December 2017 relating to the acquisition of Perdana Petroleum Berhad ("Perdana") in 2015. Perdana incurred consecutive losses for the financial years 2015 to 2017, hence, increased the risk that the carrying amount of goodwill, intangible assets and other assets (in this case marine vessels) may be impaired. The amount of goodwill, intangible asset and marine vessels (being 77% of total assets) is material to the financial statements.	Our audit procedures included, amongst others: i) We tested the design and implementation of the controls over the preparation of the valuation model used to assess recoverable amount of the CGU. ii) We challenged and evaluated the key assumptions used by management by considering the accuracy of the Group's past forecasts, including any long term hires already contracted by the Group.

Independent Auditors' Report

(cont'd)

Key Audit Matters (cont'd)

2. Impairment testing of goodwill, intangible asset and marine vessels (cont'd)
Refer to Notes 2(d) and 2(f) (accounting policy) and Notes 3.4, 5.3 and 8 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
Also, it requires us to exercise a significant level of judgement in evaluating management's impairment assessment. As disclosed in Note 8 to the financial statements, the estimation of recoverable amount involved forecasting and discounting the future cash flows of the cash generating unit attached to the goodwill. The conclusion is dependent upon significant management judgment and estimate, in respect of the estimated utilisation rate, daily charter hire rate, growth rate, daily operating costs, salvage value, new capital expenditure and discount rate following: • estimated utilisation rate; • estimated daily charter hire rate; • estimated growth rate; • estimated daily operating costs; • estimated salvage value; • estimated discount rate applied to future cash flows; and • estimated new capital expenditures We focused on this area as a key audit matter due to the degree of management judgement involved and assumptions of future events that are inherently uncertain. Changes in judgements and the related estimates throughout the projection years could result in material adjustments to the estimated recoverable amount, hence, affect the carrying amount of goodwill.	Our audit procedures included, amongst others (cont'd): iii) We tested the sensitivity of the impairment calculation to changes in the key assumptions used by the Directors. iv) We challenged and evaluated the key assumptions used by management by considering the accuracy of the Group's past forecasts, including any long term hires already contracted by the Group. v) We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 03102/03/2020 J
Chartered Accountant

Kuching,

Date: 11 April 2018

Analysis of Shareholdings

Total number of Issued Shares	:	964,809,835 ordinary shares
Voting Rights	:	One vote per ordinary share

1. DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No of Holders	%	No of Shares	%
1 – 99	134	2.12	5,632	0.00
100 – 1,000	633	10.03	483,319	0.05
1001 – 10,000	3,391	53.71	17,871,249	1.85
10,001 – 100,000	1,825	28.91	58,839,069	6.10
100,001 – 43,854,995 (*)	325	5.15	420,818,039	43.62
43,854,996 and above (**)	5	0.08	466,792,527	48.38
TOTAL	6,313	100.00	964,809,835	100.00

Remark: (*) – Less than 5% of Issued Shares
(**) – 5% and above of Issued Shares

2. DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of Dayang Enterprise Holdings Bhd based on the Register of Directors' Shareholdings maintained by the Company are as follows:-

No	Direct	%	Indirect		%
1.	Ali Bin Adai	1,000	0.00	-	-
2.	Datuk Ling Suk Kiong	73,249,130	7.59	102,726,512[a]	10.65
3.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	65,916,675	6.83	-	-
4.	Joe Ling Siew Loung @ Lin Shou Long	41,463,825	4.30	134,511,817[c]	13.93
5.	Jeanita Anak Gamang	-	-	-	-
6.	Wong Ping Eng	-	-	-	-
7.	Gordon Kab @ Gudan Bin Kab	4,500	0.00	-	-
8.	Koh Ek Chong	-		-	-
9.	Azlan Shah Bin Jaffril	-		-	-

Analysis of Shareholdings

(cont'd)

3. LIST OF SUBSTANTIAL SHAREHOLDERS

The Substantial Shareholders of Dayang Enterprise Holdings Bhd based on the Register of Substantial Shareholders of the Company are as follows:-

		No of Ordinary Shares Held			
No.	Name	Direct	%	Indirect	%
1.	Naim Holdings Bhd	254,921,952	26.42	0	0
2.	Datuk Ling Suk Kiong	73,249,130	7.59	102,,726,512[a]	10.65
3.	Kumpulan Wang Persaraan (Diperbadankan) (KWAP)	110,532,600	11.46	12,507,500[b]	1.30
4.	Lembaga Tabung Haji	78,999,100	8.18	0	0
5.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	65,916,675	6.83	0	0
6.	Vogue Empire Sdn Bhd	61,218,187	6.35	0	0
7.	Joe Ling Siew Loung @ Lin Shou Long	41,463,825	4.30	134,511,817[c]	13.93
8.	Datuk Hasmi Bin Hasnan	960,937	0.10	254,921,952[d]	26.42
9.	Datin Wong Siew Hong	44,500	0.00	175,931,142[e]	18.24

Notes:
- (a) Deemed interest by virtue of the interest of his spouse and children in the Company pursuant to Section 8 and Section 197 of the Act.
- (b) Deemed interest by virtue of shares held by Fund Managers of KWAP.
- (c) Deemed interest by virtue of 197 of the Act, held through parents.
- (d) Deemed interest by virtue of Section 8 of the Act, held through Naim Holdings Berhad.
- (e) Deemed interest by virtue of Section 8 of the Act, held through Vogue Empire Sdn Bhd, spouse and child.

4. TOP THIRTY SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same Registered Holder)

No	Name	No of shares held	%
1.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Naim Holdings Berhad (PB)	131,921,952	13.67
2.	Kumpulan Wang Persaraan (Diperbadankan)	110,086,300	11.41
3.	Naim Holdings Berhad	82,500,000	8.55
4.	Lembaga Tabung Haji	76,367,600	7.92
5.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	65,916,675	6.83
6.	Datuk Ling Suk Kiong	44,349,130	4.60
7.	Naim Holdings Berhad	40,500,000	4.20
8.	Vogue Empire Sdn Bhd	32,718,187	3.39
9.	Kenanga Nominees (Tempatan) Sdn Bhd Datuk Ling Suk Kiong	28,900,000	2.99
10.	Vogue Empire Sdn Bhd	28,500,000	2.95
11.	Kenanga Nominees (Tempatan) Sdn Bhd Joe Ling Siew Loung @ Lin Shou Long	21,073,200	2.18
12.	Joe Ling Siew Loung @ Lin Shou Long	17,812,500	1.85
13.	Lembaga Tabung Angkatan Tentera	13,192,250	1.37
14.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	10,754,300	1.12
15.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	9,400,000	0.97

Analysis of Shareholdings

(cont'd)

4. TOP THIRTY SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same Registered Holder)

No	Name	No of shares held	%
16	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	9,084,000	0.94
17.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progress Fund	6,092,000	0.63
18.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (I-VACP)	5,747,300	0.60
19.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	4,012,200	0.42
20.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (AFFIN HWANG SM CF)	3,484,700	0.36
21.	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt An For Petroliam Nasional Berhad (AFFIN)	3,391,300	0.35
22.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Tan Boon Ping (M51034)	3,300,000	0.34
23.	Maybank Nominees (Tempatan) Sdn Bhd Exempt An For Maybank Islamic Asset Management Sdn Bhd (Resident) (475391)	3,169,100	0.33
24.	Burhanuddin Bin Md Radzi	3,095,280	0.32
25.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	3,036,500	0.31
26.	Cheng Ah Teck @ Cheng Yik Lai	3,000,000	0.31
27.	Amanahraya Trustees Berhad (AFFIN Hwang Growth Fund)	2,964,300	0.31
28.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for RHB Capital Fund (200189)	2, 870,000	0.30
29.	Joe Ling Siew Loung @ Lin Shou Long	2,578,125	0.27
30.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Amundi SC EQ)	2,500,000	0.26

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting of the Company will be held at Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Thursday, 24th May 2018 at 11.00 a.m. to transact the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st December 2017 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note A)**

2. To re-elect the following directors who retire in accordance with Article 86(c) of the Company's Constitution and being eligible, have offered themselves for re-election:-

   Joe Ling Siew Loung @ Lin Shou Long **Ordinary Resolution 1**
   Jeanita Anak Gamang **Ordinary Resolution 2**
   Gordon Kab @ Gudan Bin Kab **Ordinary Resolution 3**

3. To approve the payment of Directors' Fees and Remuneration from the conclusion of this meeting up to the conclusion of the next Annual General Meeting of the Company to be held in 2019. **Ordinary Resolution 4**

4. To re-appoint Messrs. KPMG PLT as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

5. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "**THAT**, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a Revenue or Trading Nature which is necessary for the day to day operations with the related parties as set out in Section 1.5 of the Circular to Shareholders dated 25 April 2018 provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

   AND THAT such approval shall continue to be in force until:-

   i. the conclusion of the next Annual General Meeting ("AGM") at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM;

   ii. the expiration of the period within the next AGM of the Company to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

   iii. revoked or varied by resolution passed by the shareholders in a general meeting;

   whichever is the earlier;

AND THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." **Ordinary Resolution 6**

6. **Proposed Renewal of Authority To Purchase Its Own Shares**

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and are hereby authorized to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company provided THAT:-

(1) the aggregate number of shares to be purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(2) the amount of fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements of the Company at the time of the purchase; and

(3) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

THAT the authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this ordinary resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase." **Ordinary Resolution 7**

Notice of Annual General Meeting

(cont'd)

7. **Authority to Issue Shares**

   "THAT pursuant to Section 75 and 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 8**

8. **To transact any other ordinary business of which due notice shall have been given.**

BY ORDER OF THE BOARD
BAILEY KHO CHUNG SIANG (LS0000578)
BONG SIU LIAN (MAICSA 7002221)
Company Secretaries

Miri, Sarawak
Dated this 25 April 2018

Notes:-
1. Only members registered in the Record of Depositors as at 15 May 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
2. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. To be valid, the Proxy form, duly completed must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
7. Please take note that interested directors, interested major shareholders or interested persons connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed Shareholders' Mandate.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

EXPLANATORY NOTES

A. **Agenda 1**

   The Audited Financial Statements is meant for discussion only as an approval from the shareholders is not required pursuant to the provisions of Section 340(1)(a) of the Companies Act, 2016. Hence, this Agenda is not put forward for voting.

EXPLANATORY NOTES (cont'd)

B. **Ordinary Resolution 1-3**

Joe Ling Siew Loung @ Lin Shou Long, Jeanita Anak Gamang and Gordon Kab @ Gudan Bin Kab are standing for re-election as Directors of the Company. The Joint Remuneration & Nomination Committee and the Board of Directors ("the Board") have considered the assessment of the three Directors and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The profiles of the three Directors are set out on pages 9 to 13 of the Company's Annual Report for financial year ended 31 December 2017.

C. **Ordinary Resolution 4**

Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits payable to the Directors of the Company and its subsidiaries shall be approved by the shareholders at a general meeting. Ordinary Resolution 4 seeks approval for the payment of remuneration to Non-Executive Directors' from May 2018 until the conclusion of the next Annual General Meeting of the Company as below:

No.	Directors	Company Monthly Director's Fee (RM)	Company Meeting Allowance (per meeting) (RM)	Subsidiary Monthly Director's Fee (RM)	Subsidiary Meeting Allowance (per meeting) (RM)
1	Chairman	10,000	500	-	-
2	Non-Independent Director	6,000	500	6,000	500
3	Independent Director 1	7,166	500	-	-
4	Independent Director 2	6,000	500	-	-
5	Independent Director 3	6,000	500	-	-

D. **Ordinary Resolution 5**

The Audit Committee and the Board have considered the re-appointment of KPMG PLT as Auditors of the Company and collectively agree that KPMG PLT meets the criteria of the adequacy of experience and resources of the firm and the audit team assigned to the audit as prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXPLANATORY NOTES (cont'd)

E. Ordinary Resolution 6 – Proposed Shareholders' Mandate

The proposed Resolution 6, if passed, will empower the Company and its subsidiaries to enter into recurrent related party transactions involving the interest of Related Parties which are of a revenue or trading in nature and necessary for the Company's day to day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company. The authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

Please refer to the Circular to Shareholders dated 25 April 2018 for further information.

F. Ordinary Resolution 7 – Proposed Renewal of Authority to Purchase Own Shares

This proposed ordinary resolution, if passed, will empower the Directors of the Company to purchase up to ten percent (10%) of the total number of issued shares of the Company from the date of this Annual General Meeting. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

Please refer to the Statement on Share Buy-Back dated 25 April 2018 for further information.

G. Ordinary Resolution 8 – Authority to Issue Shares

This ordinary resolution, if passed, will empower the Directors of the Company from the date of this Annual General Meeting, authority to issue and allot Ordinary Shares from the unissued capital of the Company up to an aggregate of ten percent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider in their absolute discretion to be in the interest of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by shareholders on 24 May 2017. The purpose of the renewal of the general mandate is to provide flexibility to the Company for any possible fund-raising exercises, including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Dayang Enterprise Holdings Bhd

(Company No. 712243-U)
(Incorporated in Malaysia)

CDS Account No.	No. of shares held

PROXY FORM

I/We ....
IC No/ID No/Company no..
of ....
being a member of/members of the above-named Company hereby appoint *the Chairman of the Meeting or..of..or failing him,
....of...
as my/our proxy/proxies to vote for me/us on my/our behalf at the 12th Annual General Meeting of the Company to be held at Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on Thursday, 24 May 2018 at 11.00 a.m. or any adjournment thereof, in the manner indicated below:-

Item	Agenda			
1	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.			
		Resolution	**For**	**Against**
2	Re-election of Directors pursuant to Article 86 of the Company's Constitution: Joe Ling Siew Loung @ Lin Shou Long. Jeanita Anak Gamang. Gordon Kab @ Gudan Bin Kab.	 1 2 3		
3	Approval of Directors' Fees and Remuneration for the period from May 18 until the next AGM of the Company.	4		
4	Reappointment of Auditors: Messrs KPMG as Auditors authorising the Directors to fix their remuneration.	5		
	Special Business			
5	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.	6		
6	Proposed Renewal of authority to purchase own shares.	7		
7	Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965.	8		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy/proxies will vote or abstain from voting as he/she/they think(s) fit.)

Dated this .... day of 2018

....
Signature of Shareholder(s)/Common Seal

Notes:-
1. Only members registered in the Record of Depositors as at 15 May 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
2. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. 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.
6. To be valid, the Proxy form, duly completed must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
7. Please take note that interested directors, interested major shareholders or interested persons connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed Shareholders' Mandate.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

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AFFIX
STAMP

The Share Registrar
Tricor Investors & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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