www.desb.net

DAYANG ENTERPRISE
HOLDINGS BHD (712243-U)

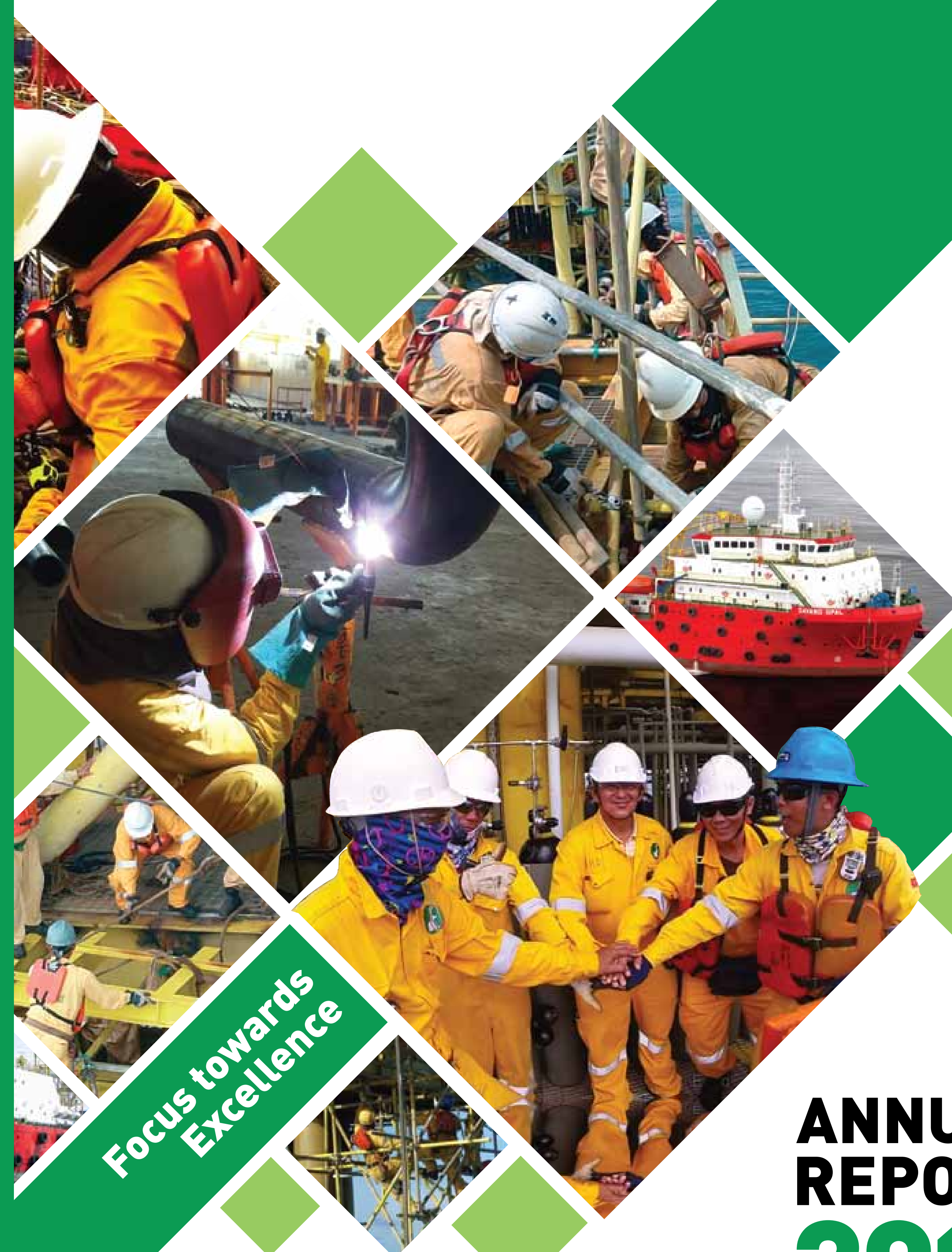
Head Office Sublot 5-10,
Lot 46, Block 10, Jalan Taman Raja,
Miri Concession Land District,
P.O. Box 1134, 98000 Miri,
Sarawak, Malaysia.

Tel : 085-420185
Fax : 085-421654
Email : inquiry@desb.net

Dayang Enterprise Holdings Bhd (712243-U)

ANNUAL REPORT 2018

DAYANG ENTERPRISE
HOLDINGS BHD (712243-U)



Focus towards
Excellence

ANNUAL REPORT 2018

CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains some forward-looking statements in respect to the Dayang Group's financial condition, results of operations and business. These forward-looking statements represent Dayang Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. In this respect readers must therefore not rely solely on these statements in making investment decisions regarding the Dayang Group. The Board and the Dayang Group shall not be responsible for any investment decisions made by the readers in reliance on those forward-looking statements.

Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise in the interim of the publication of this Annual Report and the time of reading this Annual Report.

AT A GLANCE
Financial Performance

Revenue **RM 938.758** **Million**	Total Assets **2,697.142** **Million**
Profit Before Tax **RM 212.138** **Million**	Shareholders' Equity **1,123.558** **Million**
Net Profit Attributable to Owners of the Company **RM 160.150** **Million**	Return On Equity (%) **14.25**
Earnings Per Share (Sen) **16.60**	NTA Per Share (RM) **1.16**

FINANCIAL CALENDER

ANNOUNCEMENT OF QUARTERLY RESULTS AND NOTICE OF AGM

24 MAY 2018

Announcement of the unaudited consolidated results for the **1st quarter**

24 AUG 2018

Announcement of the unaudited consolidated results for the **2nd quarter**

23 NOV 2018

Announcement of the unaudited consolidated results for the **3rd quarter**

22 FEB 2019

Announcement of the unaudited consolidated results for the **4th quarter** and financial year ended **31 December 2018**

23 APR 2019

Notice of 13th Annual General Meeting and issuance of **Annual Report 2018**

13TH ANNUAL GENERAL MEETING

Date : 22 May 2019
Time : 11.00 a.m.
Venue : Danum II, Level 5, Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak

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CORPORATE INFORMATION

BOARD OF DIRECTORS

- **DATUK HASMI BIN HASNAN**
  Executive Chairman
- **DATUK LING SUK KIONG**
  Executive Deputy Chairman
- **TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN**
  Managing Director
- **JOE LING SIEW LOUNG @ LIN SHOU LONG**
  Deputy Managing Director
- **JEANITA ANAK GAMANG**
  Executive Director
- **WONG PING ENG**
  Non-Independent Non-Executive Director
- **ALI BIN ADAI**
  Independent Non-Executive Director
- **GORDON KAB @ GUDAN BIN KAB**
  Independent Non-Executive Director
- **KOH EK CHONG**
  Independent Non-Executive Director
- **AZLAN SHAH BIN JAFFRIL**
  Independent Non-Executive Director

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, Malaysia.
  Tel: 603-27839299
  Fax: 603-27839222

LEGAL ADVISOR
- Messrs. Alvin Chong & Partners Advocates,
  Lot 176 & 177, 2nd Floor,
  Jalan Song Thian Cheok,
  93100 Kuching Sarawak, Malaysia.
  Tel: 082- 410111

STOCK EXCHANGE LISTING
- Main Market, Bursa Malaysia, Securities Berhad.
  Listed on 24 April 2008
  Stock Code: 5141
  Stock Name: Dayang

COMPANY SECRETARIES
- Bailey Kho Chung Siang (LS0000578)
- Bong Siu Lian (MAISCA 7002221)

INCORPORATION
- 10 October 2005
  Under the Companies Act 2016

PRINCIPAL BANKERS
- Malayan Banking Berhad
- United Overseas Bank (Malaysia) Bhd
- RHB Bank Berhad

REGISTERED OFFICE AND HEAD OFFICE
- Sublot 5 – 10, Lot 46, Block 10,
  Jalan Taman Raja, MCLD,
  98000 Miri Sarawak,
  Malaysia.
  Tel: 085-420185
  Fax: 085-421654

AUDITORS
- KPMG PLT

GROUP OPERATION

HEAD OFFICE
- Sublot 5 – 10, Lot 46, Block 10, Jalan Taman Raja, MCLD, 98000 Miri, Sarawak, Malaysia.

BRANCH OFFICE
- Unit 2-16-01, Tower 2, VSQ @ PJCC, Jalan Utara, 46200 Petaling Jaya, Selangor, Malaysia.

PROJECT TEAM OFFICE
- Lot 1785, Block 5, MCLD, Jalan Persatuan, Lorong 9, Krokop, 98000 Miri, Sarawak, Malaysia.

MIRI WAREHOUSE
- Lot 1973, Jalan Maigold, Desa Senadin Industrial Park, P.O Box 2033, 98008 Miri, Sarawak, Malaysia.

LABUAN WAREHOUSE
- Lot No. CL2053118752, Kg Ranca Ranca, District of Labuan, 87000 Labuan Federal Territory, Malaysia.

LABUAN FABRICATION YARD 1
- Lot 3, CL205384407, Off Jalan Patau Patau, 87000 Labuan Federal Territory, Malaysia.

LABUAN FABRICATION YARD 2
- Lot CL 10599, Jalan Ranca-Ranca, Ranca Ranca Industrial Estate, 87000 Labuan Federal Territory, Malaysia.

LABUAN YARD 3
- BDN0621, Kg. Bedaun, 87000 Federal Territory of Labuan, Malaysia.

ADMINISTRATIVE/LOGISTIC OFFICE
- Lot C8, Block C, 1st Floor, Cyber Square, Lorong Cyber Square, Jalan Kepayan, 88250 Kota Kinabalu, Sabah, Malaysia.

BINTULU WAREHOUSE/ FABRICATION YARD
- Lot 3061, Block 26, Kidurong Light Estate, Kemena Land District, 97000 Bintulu, Sarawak, Malaysia.

DESB KEMAMAN YARD
- 04 – 01, KSB Phase 1, Kemaman Supply Base, 24007 Kemaman, Terengganu Darul Iman, Malaysia.

TELONG KALONG YARD
- PT 8229, Kawasan Perindustrian Telok Kalong, 24000 Kemaman, Terengganu Darul Iman, Malaysia.

CORPORATE STRUCTURE

DAYANG ENTERPRISE HOLDINGS BHD
(712243-U)

100%

DAYANG ENTERPRISE SDN BHD (DESB)
- Offshore Topside Maintenance Services
- Minor Fabrication Operations
- Offshore Hook-up and Commissioning

100%

DESB MARINE SERVICES SDN BHD (DMSSB)
- Owner and Charter of Marine Vessels

100%

FORTUNE TRIUMPH SDB BHD (FTSB)
- Provision of Rental Equipment

60.48%

PERDANA PETROLEUM BERHAD (PPB)
- Owner and Charter of Marine Vessels

Dayang Enterprise Sdn Bhd (DESB)

A wholly owned subsidiary of Dayang and licensed by Petronas, DESB commenced operations in October 1980 and is principally involved in the provision of maintenance services for Topside structures, pipes and valves, electrical and instrumentation, fabrication operations, and hook-up and commissioning services for the oil and gas industry.

DESB Marine Services Sdn Bhd (DMSSB)

DMSSB, a subsidiary of Dayang, began operations in May 2005 and is involved in the chartering of marine vessels, including floating accommodation and catering.

Fortune Triumph Sdn Bhd (FTSB)

FTSB, which commenced operations in 1999, provides rental equipment and machinery to support the operations of DESB.

Perdana Petroleum Berhad (PPB)

PPB is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad. PPB owns sixteen (16) vessels and the principal activities of its subsidiaries are provision of marine support services for the oil & gas industry. This synergistic tie-up with PPB provides a strategic access to vessels, thus increases Dayang's marine and vessels capabilities.

CORPORATE KEY ACHIEVEMENTS / MILESTONES / AWARDS 2012-2018

2018

2 AWARDS GIVEN BY SHELL MALAYSIA

- Grand Prize Winner in Best Continous Improvement Category.
- Grand Prize Winner in Best Safety Leadership Initiative Category.

3 FOCUSED RECOGNITION AWARDED BY PETRONAS CARIGALI SDN BHD

- On 17.04.18 assisted to put out a fire on MV Geos & Dayang Zamrud had provided assistance in medical care & given new PPE's and shelter for all 38 rescued crews.
- Provision of Maintenance, Construction & Modification for PCSB, Baronia Rejuvenation - Contributing to the safe and successful delivery of the Project – CP3.
- DESB D35-A Mtce TEAM - High ownership on HSE and openness to accept intervention by client.

AWARD GIVEN BY PETRONAS CARIGALI SDN BHD

- Best Project HSE In appreciation towards outstanding achievement for Offshore Project (28.10.18) – CP3.

2015

CERTIFICATE OF APPRECIATION RECEIVED FROM PETRONAS NASIONAL BERHAD (PETRONAS)

- Appreciation of actively participated in PCSB SKO Monthly Service Provider HSE Liaison for Year 2015.

AWARD GIVEN BY JX NIPPON OIL & GAS EXPLORATION (M) LTD

- Safe Completion of Helang 15S2 Shutdown 2015.

2016

AWARD GIVEN BY JX NIPPON OIL & GAS EXPLORATION (M) LTD

- 2016 HSE Performance Award.

FOCUSED RECOGNITION AWARDED BY PETRONAS CARIGALI

- Being vigilant in close monitoring and complying with HSE plan and its implementation through out the Topside Major Maintenance (TSM) contract duration.

2014

TESTIMONIAL OF ACHIEVEMENT BY SHELL MALAYSIA

- A special commendation to the team for outstanding work in the implementation of the emergency rectification of the B11 Vent Header Rectification from 25th September 2014 to 07th October 2014 which was executed in a Safe and Secure manner with Ahead of Time delivery.

RECOGNITION BY SHELL MALAYSIA

- Safety Partnership & Collaboration Recognition 2014.

AWARD GIVEN BY FORBES ASIA

- Best Under a Billion, The Region's Top 200 Small & Midsize Companies.

AWARD GIVEN BY NATURAL RESOURCES & ENVIRONMENT BOARD,SARAWAK

- Merit Award, Large Industries (Oil & Gas), the 6th Sarawak Chief Minister Environmental Awards.

5 LETTERS OF APPRECIATION RECEIVED FROM PETRONAS CARIGALI

- Appreciation for good performance on job completion without LTI for:
  - i. D35 (September)
  - ii. Betty (October)
  - iii. Bokor (August)
  - iv. Temana (June)
  - v. Baram (June)

NOTES : *SKO : Sarawak Operation* | *PMO : Peninsular Malaysia Operation* | *TRCF : Total recordable injury case*

CORPORATE KEY ACHIEVEMENTS / MILESTONES / AWARDS 2012-2018

2 APPRECIATION LETTERS BY PETRONAS CARIGALI SDN BHD – SKO

- Appreciation Letter for Successful Maintenance Shutdown Campaign at Baram Field.
  Contract No.: CHO/2016/BIE3/1001
- Appreciation Letter for Successful September 2018 D35 Turnaround Campaign.
  Contract No.: CHO/2016/BIE3/1001

4 FOCUSED RECOGNITIONS BY PETRONAS CARIGALI SDN BHD – SKO

- Ensure TA completes within duration and its additional scopes with highest regards on safety.
  Contract No.: CHO/2016/BIE3/1001
- Ensure D35 TA to be completed within stipulated TA's condition.
  Contract No.: CHO/2016/BIE3/1001
- Successful TA Sept 2018 execution wit highest regards to safety.
  Contract No.: CHO/2016/BIE3/1001
- Safely completed Baram Sept 18 TA ahead of schedule (Baram Bravo 3 days ahead and Baram Alpha 1 day ahead) despite of additional scopes given during 2 weeks towards TA.
  Contract No.: CHO/2016/BIE3/1001

2017

AWARD GIVEN BY SHELL MALAYSIA

- Shell Malaysia Safety Award - Silver Award for Upstream Category.

FOCUS RECOGNITION BY PETRONAS CALIGALI

- Successful completion of Campaign No.1 (2016) for Baronia Rejuvenation Project safely and without LTI. This was made possible via good planning, team work, dedication and focues execution by the entire team.

CERTIFICATION OF APPRECIATION BY KPOC

- Certification of Appreciation in recognition of excellent performance for successfully rendered service in KPOC-KBB Turn Around April 2017 Campaign and LTI Free Safety Record for 87 days (194,496 Safety Manhours and 2,643 Care Cards).

2 CERTIFICATES OF RECOGNITION RECEIVED FROM MURPHY OIL & GAS

- In recognition of Dayang Enterprise Sdn Bhd for the contribution towards Excellent HSSE Performance during SK Gas Shut Down in September 2017.
- In recognition of Dayang Enterprise Sdn Bhd towards Murphy Oil & Gas for Excellence HSSE Performance LTI – Free Days With 2,000,000 Safety Manhours from 2013 – 2017.

CERTIFICATE RECEIVED FROM MURPHY SARAWAK OIL CO. LTD

- Appreciation on HSSE contributions towards Murphy Sarawak Oil Co. Ltd's excellent safety record with zero LTI from July 2013 to August 2014.

LETTER OF APPRECIATION RECEIVED FROM JABATAN KESELAMATAN DAN KESIHATAN WILAYAH PERSEKUTUAN LABUAN

- Appreciation for Implementation of program code of practice on the prevention and management of HIV / AIDS in the workplace-2001 and code of practice on the prevention and eradication of drug abuse, alcohol and substance abuse in the workplace-2005.

2013

3 LETTERS OF APPRECIATION RECEIVED FROM PETRONAS CARIGALI

- Appreciation note for the safe and successful Temana 2013 October Turnaround Execution.
- Appreciation note for Southern Turnaround on September 13 (P1 Closure).
- Appreciation note for Temana Turnaround.

2012

CERTIFICATION RECEIVED FROM PETRONAS CARIGALI

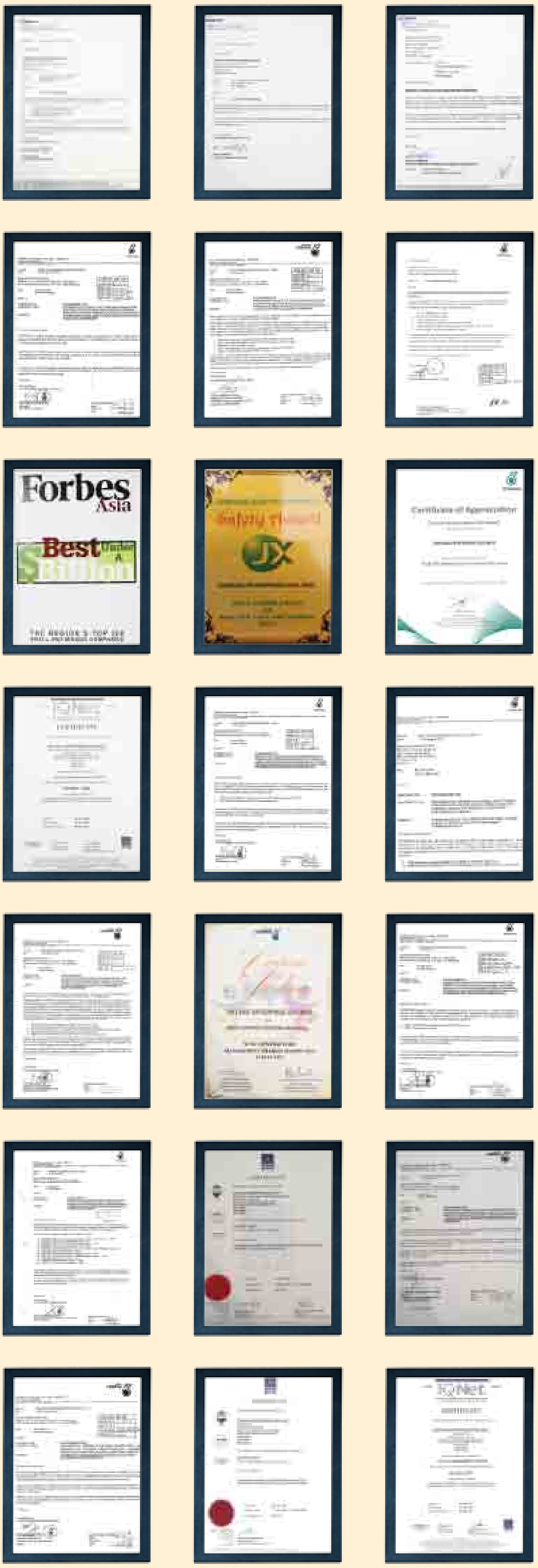
- Certification of Appreciation Dayang Enterprise Sdn Bhd for best Contractor Performance SCM-Contractors Management Sharing session 2012.

APPRECIATION RECEIVED FROM MURPHY OIL & GAS

- MURPHY'S Contractor Engagement Session.

frequency LTI : Loss Time Injury | UAUC : Unsafe Act & Unsafe Condition

CORPORATE KEY ACHIEVEMENTS / MILESTONES / AWARDS 2012-2018



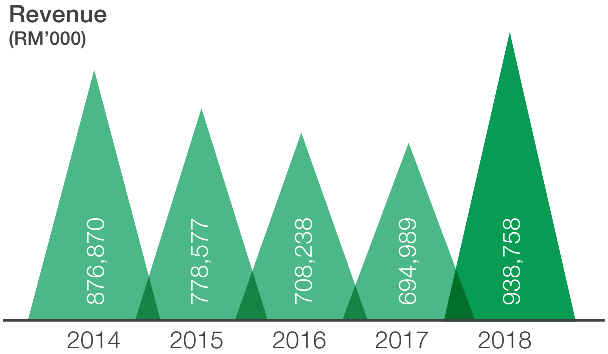
NOTES

SKO	Sarawak Operation
PMO	Peninsular Malaysia Operation

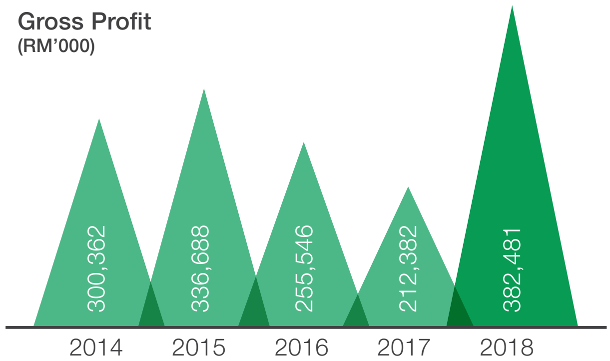
5 YEARS
FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
Revenue (RM'000)	876,870	778,577	708,238	694,989	**938,758**
Gross Profit (RM'000)	300,362	336,688	255,546	212,382	**382,481**
Profit Before Tax (RM'000)	218,606	203,440	78,684	(66,502)	**212,138**
Profit After Tax (RM'000)	181,076	170,677	53,980	(153,182)	**143,983**
Gross Profit Margin	34.3%	43.2%	36.1%	(30.6%)	**40.74%**
Profit Before Tax Margin	24.8%	26.1%	11.1%	(9.6%)	**20.60%**
Return of Equity	18.7%	14.3%	4.2%	(15.1%)	**14.3%**

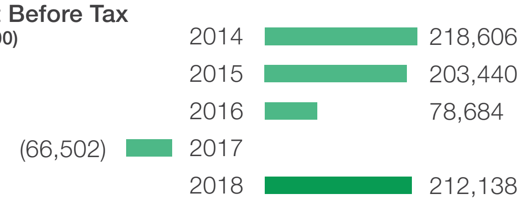
Revenue
(RM'000)



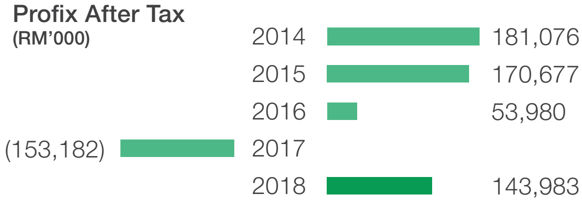
Gross Profit
(RM'000)



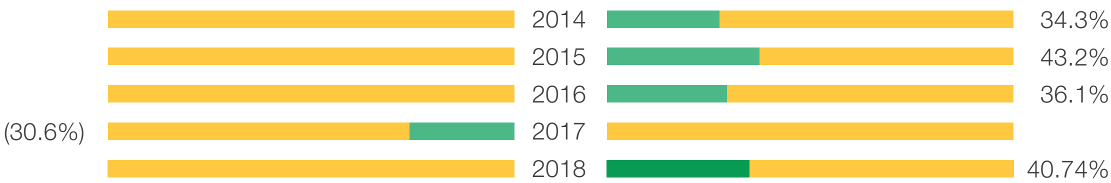
Profit Before Tax
(RM'000)



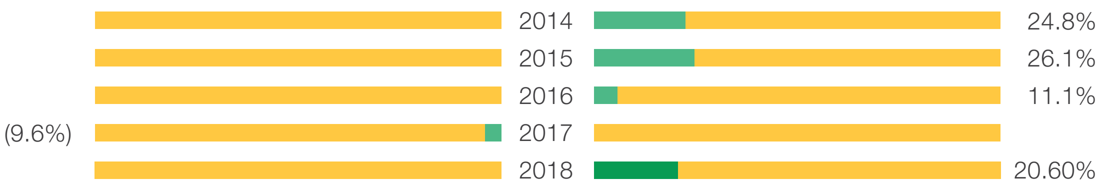
Profix After Tax
(RM'000)



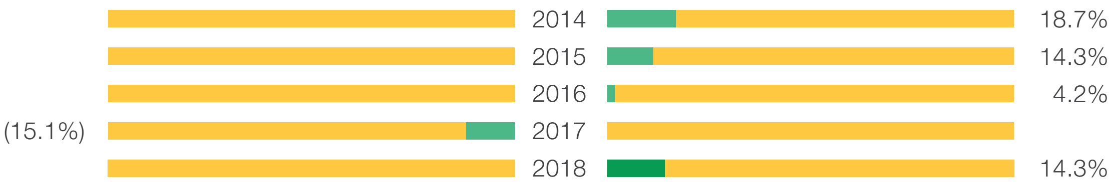
Gross Profit Margin



Profit Before Tax Margin



Return On Equity



BOARD OF DIRECTORS

DATUK HASMI BIN HASNAN
Executive Chairman

DATUK LING SUK KIONG
Executive Deputy Chairman

TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN
Managing Director

JOE LING SIEW LOUNG @ LIN SHOU LONG
Deputy Managing Director

JEANITA ANAK GAMANG
Executive Director

WONG PING ENG
Non-Independent
Non-Executive Director

ALI BIN ADAI
Independent
Non-Executive Director

GORDON KAB @ GUDAN BIN KAB
Independent
Non-Executive Director

KOH EK CHONG
Independent
Non-Executive Director

AZLAN SHAH BIN JAFFRIL
Independent
Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATUK HASMI BIN HASNAN
Executive Chairman

Aged 65, Male, Malaysian

Datuk Hasmi Bin Hasnan was appointed Executive Chairman of Dayang Enterprise Holdings on 29 February 2008 and resigned on 23 December 2015. He was re-appointed Executive Chairman of the Company on 1 September 2018.

He graduated with a BSc in Estate Management from the London South Bank University, UK in 1978. He is a Senior Certified Valuer with International Real Estate Institute, USA and a member of International Real Estate Federation (FIABCI).

He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993, he was appointed the Managing Director of Naim Land Sdn Bhd and in July 2003, he became the Managing Director of Naim Holdings Berhad and has since been the main driving force behind Naim Group's growth and expansion.

He was awarded the Property Man of the Year for 2008 by the International Real Estate Federation (FIABCI) in Kuala Lumpur.

He is a Non-Independent Non-Executive Director in Perdana Petroleum Berhad.

DATUK LING SUK KIONG
Executive Deputy Chairman

Aged 73, Male, Malaysian

Member - Risk Management Committee

Datuk Ling Suk Kiong is the founder of Dayang Group of Companies. He established Dayang Enterprise Sdn Bhd in 1980. He was appointed Executive Deputy Chairman of Dayang Enterprise Holdings Bhd on 29 February 2008. He has been instrumental in the growth and development of the Group. He brings with him more than thirty (30) years of experience in the Oil and Gas Industry and is mainly responsible for the overall strategic business direction of the Group.

Datuk Ling was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad on 12 December 2012 and on 24 August 2015, he assumed the position of Executive Chairman. He is also a director in several private limited companies in Malaysia.

He was awarded the Sarawak State Entrepreneur Of The Year Award 2009 in Kuching representing the Sarawak Chinese Chamber of Commerce and Industry category.

Datuk Ling was conferred the "Outstanding Entrepreneurship Award" for Outstanding and Exemplary Achievements in Entrepreneurship on 13 April 2014 at the Asia Pacific Entrepreneurship Awards 2014 held in Brunei Darusalam.

Datuk Ling Suk Kiong is the father of Mr Joe Ling Siew Loung @ Lin Shou Long.

On 13th September 2014, Datuk Ling was conferred the award of Panglima Gemilang Bintang Kenyalang (P.G.B.K) which carries the title "DATUK" by Tuan Yang Terutama Yang Di-Pertua Negeri Sarawak Tun Pehin Sri Haji Abdul Taib Mahmud in conjunction with His Excellency's 78th Birthday.

TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN
Managing Director

Aged 56, Male, Malaysian

Chairman - Corporate Social Responsibility Committee
Member - Risk Management Committee

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin, was appointed Managing Director of Dayang Enterprise Holdings Bhd on 29 February 2008. He graduated in 1984 from the University of Toledo in the United States of America with a Bachelor of Science Degree majoring in Civil Engineering.

Upon his graduation he joined Modal Bina Sdn Bhd as a Project Engineer. Subsequently in 1988, he took up the position as Sales Engineer with Mobil Oil Malaysia Sdn Bhd. In 1991, he established Hexamas Sdn Bhd.

He was appointed Director of Dayang Enterprise Sdn Bhd in 1993. He also holds directorship in Fortune Triumph Sdn Bhd, DESB Marine Services Sdn Bhd and several other private limited companies in Malaysia.

BOARD OF DIRECTORS' PROFILE

JOE LING SIEW LOUNG @ LIN SHOU LONG

Deputy Managing Director

Aged 46, Male, Malaysian

Member - Risk Management Committee

Mr Joe Ling Siew Loung @ Lin Shou Long, was appointed Deputy Managing Director of Dayang Enterprise Holdings Berhad on 29 February 2008. He graduated from University of Western Australia in 1993 with a Bachelor Degree in Engineering. In 1999, he obtained a Master of Business Administration degree from the same university.

He began his career in 1994 when he joined Sarawak Shell and Sabah Shell as a Trainee Engineer. In 1995, he joined POG EP. Fochi Joint Venture as an Office Engineer. Subsequently in 1995, he joined Daiken Sarawak Sdn Bhd as a Production Engineer.

He joined Dayang Enterprise Sdn Bhd in 1997 as a Project Engineer. In 2004, he was appointed Assistant to the General Manager. In 2008, he was promoted to the role of Deputy Managing Director. He is currently responsible for overseeing and monitoring the management and operations of Dayang Group.

Mr Joe Ling Siew Loung @ Lin Shou Long is the child of Datuk Ling Suk Kiong who is the Deputy Executive Chairman and substantial shareholder of Dayang.

JEANITA ANAK GAMANG

Executive Director

Aged 46, Female, Malaysian

Ms Jeanita Anak Gamang, was appointed Executive Director of Dayang Enterprise Holdings Bhd on 5 January 2012. She obtained a Diploma in Electrical Engineering from Mara Institute of Technology, Shah Alam in 1995.

Ms Jeanita began her career in 1997 as a Trainee Engineer in Dayang Enterprise Sdn Bhd, a subsidiary of Dayang Enterprise Holdings Bhd. From 1999 onwards, she has held the position of Head of Administration responsible for all matters related to administrative and recruitment of office personnel.

She was appointed as a Director of Dayang Enterprise Sdn Bhd in 2006.

WONG PING ENG

Non-Independent Non-Executive Director

Aged 46, Female, Malaysian

Member - Joint Remuneration and Nomination Committee

Ms Wong Ping Eng, was appointed Non-Independent Non-Executive Director of Dayang Enterprise Holdings Bhd on 1 October 2013. She obtained a Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Kuala Lumpur. She is a Certified Accountant with the Malaysian Institute of Accountants and Association of Chartered Certified Accountants (ACCA).

Ms Wong has more than 15 years experience in the financial and accounting field. She started her career as Audit Assistant at KPMG, Kuching from September 1997 until December 2000. In 2004 she moved to Naim Holdings Berhad as Accountant. In July 2004 – 2008, she was appointed the Operations Manager for Naim's Bandar Baru Permyjaya project in Miri where she was responsible for managing the whole Miri Operations.

In July 2008, she was promoted as Vice President – Finance and Accounts to oversee the Group Finance and Accounts Division. She was subsequently promoted as Deputy Director- Finance & IT Division and in August 2012, she was promoted as Senior Director for Naim's Group Support Division comprising Finance & Accounts, Administration, Human Resource and Information Technology.

Ms Wong was appointed as an Executive Director of Naim Holdings Berhad on 29 November 2012 and on 9 January 2013, she was re-designated to Deputy Managing Director. She was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad from 11 September 2015 to 1 September 2018.

ALI BIN ADAI

Independent Non-Executive Director

Aged 63, Male, Malaysian

Chairman - Joint Remuneration and Nomination Committee
Member - Audit Committee (Appointed on 23 November 2018)

Encik Ali Bin Adai was appointed Independent Non-Executive Director of Dayang Enterprise Holdings Bhd on 3 March 2014 and was appointed Chairman of the Board on 25 February 2016. On 1 September 2018, he was re-designated as Independent Non-Executive Director of the Company. He graduated with a Bachelor of Art degree from University of Guelph, Canada.

Encik Ali was employed with CIMB Bank Berhad as the Regional Director for East Malaysia (Sabah and Sarawak) until his retirement on 31 March 2013. He was responsible for managing 29 branches and for developing CIMB's Retail, Commercial and Enterprise Banking businesses in East Malaysia.

He is an Independent Non-Executive Director of Sarawak Plantation Berhad.

BOARD OF DIRECTORS' PROFILE

GORDON KAB @ GUDAN BIN KAB

Independent Non-Executive Director

Aged 63, Male, Malaysian

Chairman - Risk Management Committee
Member - Audit Committee
Member - Corporate Social Responsibility Committee

Gordon Kab @ Gudan Bin Kab was appointed Executive Director of Dayang Enterprise Holdings Bhd on 29 February 2008. He was re-designated as Non-Independent Non-Executive Director on 2 December 2013 and as Independent Non-Executive Director on 3 December 2015. He graduated from Loughborough University of Technology, England United Kingdom, with a B.Sc (Hon.) degree in Civil Engineering.

He has over thirty (30) years of working experience in both Oil and Gas and the Construction industries. He gained extensive experience with Sarawak Shell Berhad for fifteen (15) years and Sime Darby Berhad's Oil and Gas Engineering Division, Esteem Century Sdn Bhd.

In mid May 2000, he was engaged by Cahya Mata Sarawak Berhad as a Senior Project Manager (Central Procurement Unit) and then as Senior Project Manager for PPES Works (Sarawak) Sdn Bhd (Northern Region Operation). He then moved on to PPES Marine Resources Sdn Bhd as an Operations Manager in the Deep Sea Fishing Division in charge of vessels management and support.

He was engaged by Naim Group of Companies from 2006 to 2009 as Senior Head of Construction, in charge of the operation and execution of major infrastructure, engineering projects and building/ institutional complexes and was later appointed as Vice President for the Oil & Gas Division.

KOH EK CHONG

Independent Non-Executive Director

Aged 58, Male, Malaysian

Chairman - Audit Committee
Member - Joint Remuneration and Nomination Committee

Koh Ek Chong was appointed as our Independent Non-Executive Director on 2 December 2013. He is an accountant by profession. Mr Koh joined Hii King Hiong & Co in 1985 and is now one of the practicing partners. He is a Fellow member of the Association of Chartered Certified Accountants (UK), a member of Malaysian Institute of Accountants, associate member of the Chartered Tax Institute of Malaysia and a certified member of the Financial Planner Association of Malaysia.

He is an Independent Non-Executive Director of Shin Yang Shipping Corporation Berhad and is a member of the Board of Directors of Miri Port Authority.

AZLAN SHAH BIN JAFFRIL

Independent Non-Executive Director

Aged 48, Male, Malaysian

Member - Joint Remuneration and Nomination Committee

Azlan Shah Bin Jaffril was appointed Independent Non-Executive Director of Dayang Enterprise Holdings Bhd on 2 December 2013. He graduated in Accounting from University Institute Technology Mara.

Encik Azlan started his career as an Investment Analyst with Seraya Kinta Sdn Bhd from 1993 to 1995. He then joined Ayer Molek Berhad, a plantation based company from 1995 to 1997. He was the Chairman of Youth Chamber of Malaysia of the Malay Chamber of Commerce Malaysia from 2001 to 2003. He was also the Vice President of the Football Association of Selangor (FAS) from 2004 to 2006.

He is currently a director in various private limited companies in Malaysia.

ADDITIONAL INFORMATION

1. Save as disclosed in the Profile of Directors, none of the Directors has:
   (i) Any directorship in public companies and listed issuers;
   (ii) Any family relationship with any director and/or major shareholder of Dayang; and
   (iii) Any conflict of interest with Dayang.
2. None of the Directors has:
   (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
   (ii) been imposed with any public saction or penalty by the relevant regulatory bodies during the financial year.
3. Details of the Directors' attendance at Board Meetings during the financial year are set out in the Corporate Governance Overview Statement on page 49.

KEY SENIOR MANAGEMENT

ALIAS BIN MAT LAZIN
Senior Project Manager

Aged 50, Male, Malaysian

EDUCATION:

- Bachelor Degree in Mechanical Engineering From Hanyang University of South Korea.
- Master in Project Management from Universiti Teknologi Malaysia
- Member of Board of Engineers Malaysia.

EXPERIENCES:

He began his career with Hyundai Engineering and Construction Co. Ltd. in Kerteh and was responsible for the Company's business development of the plant division project. In 1996, he joined Projass Enecorp Sdn Bhd as Project Engineer. He was later re-designated as Quantity Surveyor cum Project Coordinator. In 2001, he joined OGP Technical Services Sdn Bhd as Project Field Engineer and in 2002, he joined Haven Engineering Sdn Bhds as Workpack Team Leader cum Assistant Project Manager. He later joined Ramunia Fabricators Sdn Bhd as Project Manager where he served from 2004 to 2008. He is currently the Senior Project Manager of Dayang Enterprise Sdn Bhd overseeing all operational activities in the upstream and downstream contracts for Peninsular Malaysia Operations.

Encik Alias is currently an Executive Director of Perdana Petroleum Berhad. He does not have any family relationships with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MOHAMMAD BIN MORSHIDI
Fleet Manager

Aged 59, Male, Malaysian

EDUCATION:

- Master of Science in Transportation Planning from Universiti Teknologi Malaysia (UTM), Skudai, Johor.
- Chartered member of the Chartered Institute of Logistic and Transport,International, UK.

EXPERIENCES:

Encik Mohammad was the Health, Safety and Environment (HSE) Manager with a local shipping company in Miri, Sarawak overlooking the overall company's activities on HSE management system from 1995 to 2006. He then joined Dayang Enterprise Sdn Bhd in 2006 as the HSE Manager and thereafter joined Yayasan Sabah Shipping as the Operations Manager in 2008 overlooking the overall company's vessels operations.

Encik Mohammad was appointed the Fleet Manager of DESB Marine Services Sdn Bhd on 2 January 2010. His responsibilities include marketing of the Company's vessels as well as managing all aspects of the operations of the Company.

Encik Mohammad does not have any family relationships with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT

BAILEY KHO CHUNG SIANG
Head of Corporate Affairs, Joint Company Secretary

Aged 58, Male, Malaysian

EDUCATION:
- Bachelor of Commerce from University of Canterbury, New Zealand.

EXPERIENCES:
He began his career in 1985 when he joined Hanafiah Roslan Mohammad as an Audit Semi-Senior Officer. Subsequently in 1986, he took up the position as manager with Tan Jin Kok & Co. (now known as Crowe Malaysia) and was appointed as Director with TJK Taxation and Management Services Sdn Bhd in 1989.

In 1991, he joined Bumi Armada Navigation Sdn Bhd as Finance Manager and as Company Secretary of Bumi Armada Berhad. In 1997, he left and joined Oleander Enterprise Sdn Bhd as Personal Assistant to the Chairman. In 1999, he left and took up the position of Associate Consultant with TJK Taxation and Management Services Sdn Bhd before joining Dayang Enterprise Sdn Bhd as the Financial Controller in 2000.

He brings with him many years of experience in the field of finance and accounting. He is currently the Head of Corporate Affairs and Joint Company Secretary of Dayang and its subsidiaries, having assumed this position in 2008 and is responsible for overseeing the financial and secretarial aspects of Dayang Group.

Mr Bailey Kho is also an Executive Director of Perdana Petroleum Berhad and does not have any family relationships with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

THAM FUN JEE
Senior Project Manager

Aged 64, Male, Malaysian

EDUCATION:
- Bachelor of Science in Aeronautical Engineering Science from University of Salford, United Kingdom.

EXPERIENCES:
Mr Tham joined Dayang Enterprise Sdn Bhd in 1991 as a Project Manager and was appointed Contract Service Manager in 2010. He was appointed the Senior Project Manager in 2015 to coordinate and supervise the overall operation and performance of the various projects for East Malaysia.

Mr Tham does not have any family relationships with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, it is with great pleasure that we present to you the Annual Report for Dayang Enterprise Holdings Berhad for the financial year ended 31 December 2018.

We are proud to achieve the remarkable turnaround in 2018 after going through the turbulence and turmoil over the past few years. Well, how did we do it? It was truly "Dayang at its Best" and it was truly "Teamwork at its Finest". We have endured the most challenging period in our history in 2017 as a listed company with losses in our annual results, but we have bounced back with more vigour and strength in 2018 with not only much improved earnings but also the highest ever revenue recorded by the Group. This is in sharp contrast to our competitors in the oil and gas industry, of which a number of established players continued to be mired in financial difficulties.

CHAIRMAN'S STATEMENT

Notwithstanding the challenging operating environment in the oil and gas industry due to volatile crude oil prices as well as external macro headwinds due to the US-China trade tension, Dayang continues to focus on delivering the work orders entrusted by our esteemed customers through thick and thin. Our unwavering pursuit for better operational excellence in delivering the hook-up commissioning and topside maintenance services remains as the cornerstone of our business as our strong execution track record speaks for itself.

In 2018, our dedicated efforts over the past few years to streamline our business operation via various cost optimisation measures coupled with the ramp-up in business activities in the second half of 2018, the Group has finally reaped the desired outcome as proven by the outstanding financial results. We would like to emphasise that this would not be possible without the strong team effort of our loyal and dedicated employees who have remained with the group despite the challenges faced over the past few years.

Meanwhile, our vessel-chartering subsidiaries, DESB Marine Services and Perdana Petroleum has also seen improvement in 2018 with better vessel utilisation despite the challenging environment for the offshore supply vessels (OSVs) market. Nevertheless, we are particularly delighted that the synergistic collaboration between Dayang and Perdana Petroleum has indeed worked out as what we have envisaged to be a leading integrated maintenance, construction and modification player in the industry with a strong value proposition.

At this juncture, we would like to take this opportunity to express our heartfelt appreciation to all our dedicated Board of Directors, management team and employees who continue to place their faith with the company. Dayang continues to keep the interest of its team members at the top of priority as they are the core of the success of Dayang all these years. Riding on this strong foundation, we are confident that the company will continue to achieve good results going forward. Our strong order book of RM3 billion will provide strong earnings visibility over the next three years, and we are hopeful of steering the Group to greater heights.

Thank you.

Datuk Hasmi Bin Hasnan
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

We herewith provide an overview of the business operations of Dayang, the financial review of 2018 and the Group's expectations on the business going into 2019.

BUSINESS AND OPERATIONS REVIEW

Our business operations in 2018 witnessed a steady improvement throughout the year as business activities picked up substantially in the second half of 2018 as the work orders from Maintenance, Construction and Modifications Contract (MCM) and Pan Hook-up and Commissioning Contract (Pan HUC) came in. Dayang has been focusing on execution and ensuring smooth and timely delivery of its jobs to our key clients as track record is of utmost importance in this competitive industry.

After the slow start during the first quarter of 2018 as inclement weather slowed down work progress resulting in low vessel utilisation, we experienced a more robust work flow in the remaining of 2018. Vessel utilisation of Perdana Petroleum improved from a low of 27% in the first quarter of 2018 to 73% in the fourth quarter of 2018. On a full-year basis, vessel utilisation was stronger at 64% in 2018 as compared to 52% in 2017.

Throughout 2018, we have deployed our resources to support our clients in executing the HUC, EPCC and maintenance works, including the vessels which are sourced from our subsidiaries, namely Perdana Petroleum and DESB Marine. Our diversified portfolio of client profile has helped to offset the impact of a slower first half of 2018 and more work orders started to flow stemming from more maintenance activities in the second half of 2018.

The Group remained steadfast with its existing strategies focusing on its core businesses, operational efficiencies and managing cash flows. The positive results of cost optimisation were also reflected in 2018 as we enjoyed economies of scale which expanded our profitability given our relatively low fixed cost despite much higher revenue.

The synergistic tie-up with Perdana Petroleum has ensured Dayang with access to adequate and reliable vessel supply to position itself to take on engineering and construction projects as the combined expertise of Dayang and Perdana Petroleum will further enhance its competitive advantage. This could also help to set the platform for our future strategic venture into engineering projects, offering integrated offshore services to our valued customers. Based on the current work orders received from the oil majors and the work planning activity programs that are on hand currently, we envisage 2019 to be another good year for us to showcase the much-anticipated synergies between Dayang and Perdana Petroleum.

MANAGEMENT DISCUSSION AND ANALYSIS

A major milestone that Dayang has achieved in 2018 is the multiple Pan MCM contracts secured from a number of production sharing contractors in Malaysia including the likes of Murphy Oil, Nippon Oil and Roc Oil. The five-year MCM jobs, estimated at RM1.5-2.0 billion, clearly illustrated the strong confidence that the customer has on our execution capability and also our competitive edge.

In November 2018, Dayang together with Gujurly Inzener, its local partner in Turkmenistan, via a joint venture company, were awarded a contract for the provision of facilities maintenance support for Petronas Carigali (Turkmenistan) Sdn Bhd. The value of this contract is estimated to be around USD100 million which covers a three-year period effective from 1 January 2019 to 2020 with an option to extend for another year.

FINANCIAL REVIEW

For the financial year 2018, Dayang Group registered one of the best earnings in our long history as a leading oil and gas player in Malaysia. Our net profit after tax came in at RM160 million, compared to a net loss of RM145 million in the financial year 2017. What makes the strong financial results more remarkable is the fact that we achieved the stellar performance under an environment of a relatively more subdued oil price. Also, this has taken into account the losses at Perdana Petroleum which recorded a net loss attributable to shareholders of RM41 million, underlying the solid financial performance from Dayang's core operating business unit.

MANAGEMENT DISCUSSION AND ANALYSIS

Our financial year 2018 revenue grew by 35% year-on-year to a record high of RM938 million from RM695 million, reflecting the robust work orders from our key customers as well as improved vessel utilisation rate. We are particularly delighted that there is a vast improvement in our gross margin which grew to 41% in the financial year 2018 as compared to 31% in during the financial year 2017. This clearly demonstrates the economies of scale of our operation within Dayang Group.

In tandem with our earnings recovery, Dayang's balance sheet also strengthened further as our net gearing level improved to 0.90 times in 2018 from 1.16 times in 2017, thanks to the strong operating cash flow which helped to pare down our borrowings significantly. Cash flow generated from operating activities came in at RM310 million which was higher than preceding year's RM221 million. In terms of shareholders' fund, it has increased to RM1.12 billion from RM960 million in the preceding year, reflecting our improved financial performance in 2018. We are optimistic that the group will continue to register strong earnings going forward.

CORPORATE EXERCISE

There was no cash dividend proposed for the financial year 2018 as we remained focus on maintaining a sustainable balance sheet via careful cashflow management.

As at 31 March 2019, Dayang's share price stood at RM1.39, gaining 71.6% over the last 12 months. Our market capitalisation has staged a strong rally since the beginning of 2019 as investors began to appreciate the turnaround in our financial performance. We would like to highlight that we will continue to have shareholders' value at the top of priority by working conscientiously to deliver the best possible results.

For Perdana Petroleum, it has received approval from the Corporate Debt Restructuring Committee (CDRC) of Bank Negara Malaysia for our application for the assistance to mediate between the company and its financiers/creditors. We are now focusing on finalising the proposed debt restructuring scheme which together with a comprehensive corporate exercise to be undertaken at Dayang Group, will now be fast-tracked to be completed within the next 12 months.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Fellow shareholders, we believe that Dayang will continue to deliver a commendable performance in 2019 after the turnaround in 2018. We are looking forward to finalising the restructuring scheme for Perdana Petroleum which has always been a strategic holding for our long-term vision of being a regional champion. We are hopeful that Dayang will return to its glorious days in the not-so-distant future as we carefully execute our long-term business plans.

We still have call-out contracts estimated at RM3 billion which is expected to last until 2023. In addition, we are awaiting the results of some tenders for contracts with oil majors that are still under evaluation. We are hopeful of a favourable outcome for the tenders as Dayang could leverage on its strong outstanding track record to offer value-added services to its customers.

ACKNOWLEDGMENTS

On behalf of our Board of Directors, we wish to express our sincere thanks to all our stakeholders who have played critical roles in helping us to achieve our strong performance during the financial year 2018. The strong confidence from our valued clients and business associates helps us to go from strength to strength and the quality delivery from our vendors and supplies ensure our impeccable track record remains intact. To our bankers, financiers and investors, we thank you for your continued support and trust in Dayang Group.

Last but not least, to our management and employees, thank you very much for your hard work that helped us "Focus Towards Excellence"! Your loyalty with the Group during these difficult times will not go unnoticed and we strive to steer towards greater heights in the future for us to reward all of you.

Thank you.

Tengku Dato' Yusof
Bin Tengku Ahmad Shahruddin
Managing Director

SUSTAINABILITY REPORT

ABOUT THIS REPORT

FOCUS TOWARDS EXCELLENCE

Our theme "Focus Towards Excellence" highlights our efforts to continuously progress towards a sustainable future. With the on going material and technology advancements in the industry, we provide engineering and value-added design as a key component to our services and sustainability progress.

At Dayang, sustainability is the way we manage and operate our business to best serve our customers, care for the environment, secure profits and drive long term prosperity. Sustainability is a business method that ensures safety, efficiency and responsibility in a manner that protects Dayang employees, communities, shareholders and the environment, now and in the future. Our daily operations align business performance with a commitment to environmental, social and community stewardship encompassing three elements:

Reduce the environmental footprint of our operations.

- Transport materials in a manner that minimizes community and environmental impacts.
- Reduce fuel, energy, water and other resources needed to move each ton-mile of freight.
- Increase recycling and reuse efforts through waste minimization.
- Strive to manage the Dayang supply chain in consideration of environmental effects and good governance.

Engage openly on sustainability issues.

- Communicate regularly with customers, employees and external stakeholders on sustainability issues, goals and efforts.
- Provide opportunities to customers, suppliers, employees and communities to actively participate in sustainability programs.
- Increase transparency and disclosure of our sustainability performance through our annual Corporate Social Responsibility Report and related sustainability disclosures.

Support sustainable development.

- Collaborate with customers and communities to grow sustainably, considering social, economic and environmental effects.
- Build innovative infrastructure to support operations and minimize resource use.

SUSTAINABILITY REPORT

Our Sustainability Report ("SR") focuses on Dayang's sustainability practices in which we focus and highlight more on the economic, environmental, and social ("EES") impacts of our activities and initiatives. We are reporting in accordance with the Global Reporting Initiative (GRI) Standards for sustainability reporting, prioritizing our focus on reviewing our material issues and mapping out our route forward to embed sustainability throughout our business operations.

Also, throughout this statement, we demonstrate our full commitment to integrating sustainability practices and preparing this statement on pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Sustainability Reporting Guide issued by the Exchange and guided with guidelines issued by the Global Reporting Initiative (GRI).

REPORTING STANDARDS

We have based our reporting approach on the framework and guidance provided by GRI. This report has been prepared in accordance with the "core" option of the GRI Standards. This includes adhering to the GRI Principles for defining report content:

- Stakeholder Inclusiveness – Being responsive to stakeholder expectations and interest.
- Sustainability Context – presenting performance in the wider sustainability context.
- Materiality – focusing on issues where we can have the greatest impact and that are most important to our business stakeholders.
- Completeness – including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Company's performance.

SUSTAINABILITY REPORT

REPORTING SCOPE AND BOUNDARIES

Dayang's SR 2018 has been prepared in accordance with the GRI Standards. This SR covers the reporting period from 1 January 2018 to 31 December 2018. This year reporting focuses on our material sustainability topics that covers economic, environmental and social. The content of this report is based on the material topics that we have identified. Our scope and boundaries cover all our entities and operations in Malaysia. The Group is advised by an external consultant to assist on the sustainability reporting enhancement and to support comprehensive sustainability efforts across the Group moving forward.

ABOUT DAYANG

Vision

To be a profitable leader in providing value-added services in a timely manner through an efficient and integrated approach.

Mission

- To create and develop critical path resources of the Group to achieve our objectives
- To maximize shareholders value
- To be a responsible corporate citizen

Our Core Values

Dayang's Codes of Ethics for Directors and employees govern the standards of conduct and performance expected. Dayang's Board commits itself and its Directors to ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

WHO WE ARE

Dayang Enterprise Holdings Berhad (Dayang) is an investment holding company that has three wholly owned subsidiaries under its wing Dayang Enterprise Sdn Bhd (DESB), DESB Marine Services Sdn Bhd (DMSSB) and Fortune Triumph Sdn Bhd (FTSB).

Dayang acquired 94.8% of the issued and paid-up share capital of Perdana Petroleum Berhad (PPB), a company listed on the Main Board of Bursa Malaysia Securities Berhad after the completion of a takeover in August 2015. As at 31 December 2018, Dayang owned 60.48% controlling stake in PPB. The principal activity of PPB is the provision of marine support services for the Oil and Gas industry.

The company's operations commenced with DESB in 1980 whose initial business was the trading of hardware materials and supply of manpower for the offshore oil and gas industry. This was however expanded to include provisioning of maintenance services, fabrication operations, hook-up and commissioning and charter of marine vessels.

Since its inception, the company has been awarded with numerous contracts including those by Petronas Carigali Sdn Bhd, Sarawak Shell Berhad / Sabah Petroleum Company Limited, Exxon Mobil Malaysia, Murphy Sarawak Oil Co. Ltd and JX Nippon Oil & Gas Exploration (Malaysia) Limited, Repsol Oil & Gas Malaysia Limited (RML), Sapura, Sea Hibiscus and ROC Oil.

In line with its emphasis on quality, DESB was accredited with an MS ISO 9001:2015-Quality Management System certified by SIRIM QAS International Sdn Bhd in June 2017.

Dayang also received the Grand Award from Exxon Mobil and Petronas Carigali, in recognition of safety excellence in 2004. Since 2002, Dayang has been the annual recipient of Petronas Carigali Certificate of Appreciation.

Dayang, who has to date over 2,000 employees and recorded total group revenue of RM938.76 million for the financial year ended 31 December 2018, is widely recognised as a reputable provider of maintenance and support services within the oil and gas industry.

WHAT WE DO

There are four (4) core business of Dayang which comprises of the following:

- Provision of Maintenance Services
- Fabrication Operations
- Hook Up & Commissioning
- Charter of Marine Vessels

Provision of Maintenance Services

Dayang's subsidiary, Dayang Enterprise Sdn Bhd (DESB) undertakes the overall provision of maintenance services, which focuses on the following areas:

- Maintenance of Topside structure
- Maintenance of pipes and valves and
- Electrical and instrumentation

The maintenance services are provided either on a routine or scheduled basis or during a breakdown or emergency, in which case maintenance works are undertaken due to fault or failure.

Fabrication Operations

Fabrication generally refers to the valued-added process of constructing structures out of various raw materials, primarily metal. Dayang undertakes engineering and fabrication services to meet the needs of its customers including onshore fabrication for products such as pipe and valve systems, skids and other steel structures such as hand rails and helideck extensions. Dayang currently have five (5) fabrication yards cum warehouses located in Labuan and Kemaman, Terengganu.

Hook-up & Commissioning

Dayang also undertakes the provision of hook-up and commissioning for steel structures and electrical and instrumentation services as part of its supporting products and services to the oil and gas industry.

Some of the tasks related to hook-up and commissioning of electrical and instrumentation includes electrical engineering; system design; equipment and system procurement; wiring including laying of new wires and cables; panel installation and wiring; and testing and commissioning.

Charter of Marine Vessels

At present, Dayang possesses nine (9) marine vessels which are used to provide offshore accommodation for its personnel as well as work area and equipment to facilitate the provision of its supporting products and services.

Perdana Petroleum Berhad (PPB), a 60.48% subsidiary of Dayang, owns sixteen (16) vessels consisting of eight (8) Anchor Handling Tug Supply Vessel (AHTS), six (6) accommodation work barges (AWB), and two (2) workboats (WB). Its core business encompasses the provision of offshore marine support services for the upstream oil and gas industry.

Location of Headquarters & Registered Office

Sublot 5 – 10, Lot 46, Block 10,
Jalan Taman Raja, MCLD,
98000 Miri Sarawak, Malaysia.

REVIEW OF OPERATIONS

Dayang Group has always been proud to be able to maintain its impeccable track record of achieving record earnings, growing from strength to strength ever since our IPO in 2008 until 2015. After going through the turbulence and turmoil over the last two years, our business operations in 2018 witnessed a steady improvement throughout the year under an environment of a relatively more subdued oil price. Our business activities picked up substantially in the second half of 2018 with work orders received from the Maintenance, Construction and Modifications Contract (MCM) and Pan Hook-up and Commissioning Contract (Pan HUC).

SUSTAINABILITY REPORT

BUSINESS AND OPERATIONS REVIEW

Please refer to our Management Discussion & Analysis for further illustrations. Key Highlights For 2018

Key Highlights For 2018

Market	Market Capitalization : RM 521.0 Million	
Business	Revenue	RM938.758 Million
	Profit Before Tax	RM212.138 Million
	Profit after tax (PAT)	RM143.983 Million
	Basic Earnings Per Share	16.60 sen
	Net Tangible Assets per share	RM1.16

OUR APPROACH TO DRIVING SUSTAINBILITY

Our approach to sustainability is based on our core values of excellence, united we achieve, integrity, humility and building relationship, supported by policies and procedures at Group level. We consistently embed sustainability into the core of our business. The following value-added sustainability framework forms the basis of Dayang's steps to strengthen our approach to sustainability. We aim to work with contractors and suppliers that perform in an economically, environmentally and socially responsible way, as set out in our Business Principles. Dayang's Supplier Principles cover our requirements for suppliers in business integrity, health and safety, social performance and labour and human rights.

SUSTAINABILITY STRATEGY

1. As a Public Listed Company

- As a public listed company we are pre-emptive of the sustainability matters mainly on the Economic value creation for the shareholder and stakeholder
- We plan to elevate sustainability in company governance, through engaging in direct board oversight and accountability over environmental and social issues, more diversity and special expertise on boards, and linking executive and other employee compensation to sustainability goals;
- We want to robust regular dialogues with key company stakeholders on sustainability challenges, including employees, investors, suppliers and consumers;
- We are in progress to open reporting on sustainability strategies, goals and accomplishments;
- We are in progress to develop systematic performance improvements to achieve environmental neutrality and other sustainability goals across the entire value chain, including operations, supply chains and products.

2. As a service provider

- We always provide quality service to all of the clients as they are part of our valued stakeholders.

GOVERNANCE OF THE SUSTAINABILITY

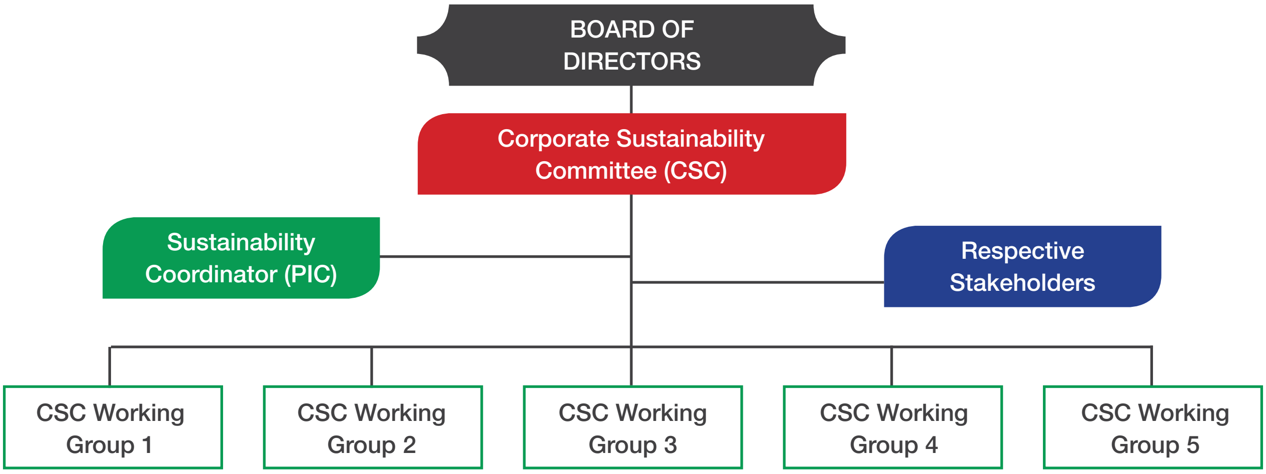
Being a Public Listed Company, Dayang complies with the high standards of corporate governance (CG) practices and being closely monitored under the leadership of our Board of Directors, as guided by the Malaysian Code on CG 2017.

In line with sustainability, The Board has the ultimate responsibility to ensure that the sustainability efforts are embedded in the strategic direction of the company. We have established a Corporate Sustainability Committee (CSC), to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies. The CSC is also supported by various working groups responsible for implementing the initiatives within the organization. The Managing Director will provide the Board on regular update relating to all key EES risks and opportunities (sustainability matters).

The governance of our sustainability agenda is a process that is important to the Company as it enables the business to effectively embed sustainability. Good governance structures also ensure that we are consistently aligned to our principles and standards. Demonstrating its commitment from the top, the Company's sustainability agenda is governed by a CSC.

SUSTAINABILITY REPORT

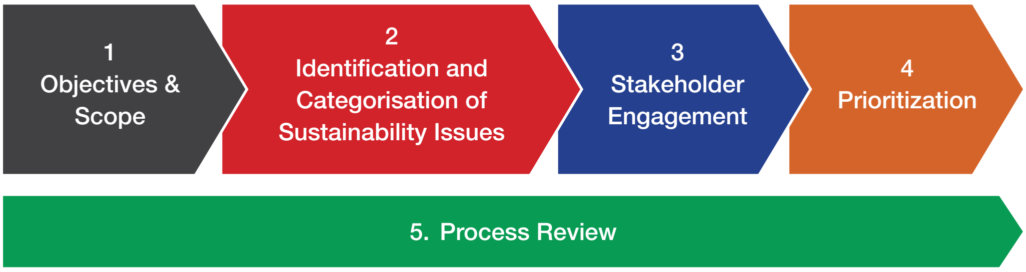
ORGANISATION STRUCTURE FOR SUSTAINBAILITY



STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, Dayang continues to practice prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Group is fully committed to uphold responsible financing which is reflected through its prudent infrastructure transformation as well as sustainability in its supply chain.

OUR MATERIALITY ASSESSMENT PROCESS



1. Objectives & Scope

Dayang undertook a materiality study within the top management and middle management to determine the objectives and scope of the sustainability reporting. Our scope and boundaries covers all our entities and operations in Malaysia.

2. Identification of Relevant Sustainability Matters

The process initiated with sustainability issues relevant to Dayang Enterprise Holdings Berhad and its stakeholders. In generating the list, the Group assesses the operating environment and emerging trends affecting our sector and conducted study across a broad range of references to identify the relevant sustainability issues. The references include Bursa Malaysia's Sustainability Reporting Guide and Toolkits, and international standards such as the Global Reporting Initiative Standards.

Moving forward in 2019, we would intensify our effort to undertake a review of material factors and sustainability matters in order to ensure that our understanding of both the current and future risks and opportunities facing our markets is adequately addressed, as well as to gather stakeholder perspectives and ensure we are responding to their needs. As we update our material factors, we will continue to evolve our management approach to ensure that we are addressing them in a holistic and integrated manner. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators as well as to establish a proper mechanism to capture, analyse and report sustainability data and information.

SUSTAINABILITY REPORT

OUR MATERIAL FACTORS

As we monitor, manage and report on a wide variety of issues, key to our approach is focusing our resources on material sustainability risks and opportunities that are associated with each material factor. Understanding our key priorities allows us to set our time, resources and investment to the best use.

The materiality process involved several steps including:

- Identification of potential material topics by reviewing GRI aspects, benchmarking against key corporate peers and analyzing past reports, which reflects the feedback from customers, community representatives and employees generally.
- Inventory of aspects and topics most important to external stakeholders, customers and their supply chain vendors, based upon requests, surveys and ongoing engagement during the reporting period.

The materiality factors are based on the priority of the organisation.

A) Business - Key Materiality

Material Factors & Description	What are the RIsk	What are the Opportunities
COMPETITION Dayang is exposed to competition within the industry	Lesser chance to secure contracts will impact the Company's business and performance	• Innovative products and eco- friendly system could be offered to the clients as to improve on our core value • Regional partnerships and collaborations
MARKET STABILITY A well-facilitated business, supported together with an effective and balanced regulatory framework that provides adequate levels of client's protection while facilitating business efficiency and innovation, is imperative for the continued growth and development of our business.	Any event – such as breaches in regulation, lack of effective corporate governance (CG) practices – that undermines integrity or stability will influence stakeholder confidence, and possibly participation, in the market	• Having a robust approach to ensure the integrity and stability of the market serves to engender trust and confidence, which in turn encourages participation and growth • Fostering a strong CG and sustainability culture will also drive long-term value, both in the market and within Bursa Malaysia

Combining the views from stakeholders and Dayang's Management from the preliminary materiality process, the materiality table has been derived to show the different levels of importance of the sustainability matters. The below factors will be further enhanced in the coming years.

OUR MATERIAL FACTORS (cont'd)

B) Significance - Material Factors

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Optimization/ Resources	To help the company become efficient and effective.	Taking the necessary measures that all our staffs and resources are being optimised.
		Market Condition	Market condition affects all businesses in every industry.	Our business very much depends on the market condition where we conduct market study prior engaging in any projects.
		Compliance	Compliance with laws and regulations is one of our main requirements.	We provide adequate training and resources to ensure we meet compliance obligations.
		Capital Injection - Funds	To take the business further.	Lookout for potential partners, joint venture and funding to expand our business.
		Safety	Impact on safety of workforce to avoid workplace injuries and customers to ensure safety of products.	We support the ongoing training of operational teams to ensure understanding in recognising and improving as well as maintaining safe working conditions.
		Quality	It is part of our core business value to satisfy all of our customers.	By obtaining prompt stakeholders' feedback to gauge our quality.
		Customer Satisfaction	It is important for us to benchmark ourselves and to collaborate closely with customers to achieve mutual success.	We conduct customer satisfaction surveys to obtain customer's feedbacks.
		Reputation	To get a more realistic picture of how the business is actually perceived by others.	We take initiatives to enhance our being reputation by providing balance reporting.
		Procurement	It ensures the stable, sustainable procurement and supply of resources.	We always lookout for best quality and good pricing to be competitive
		Corporate Governance	To ensure that the company protects the members, officers and management.	Governance is conducted according to various regulations and sub committees. The board oversees the governance based on quarterly review of management reporting.
		Customer Privacy	It is important to build customer trust and loyalty.	We take necessary measures to protect the customer's privacy by having our staff trained on this matter.
		Business Model	Business model plays a vital role in challenging market condition of the	We engaged high level review on the business model with the directors. market and business.
		Networking - Stakeholder	It is important to have new opportunities and positive influence.	Our nature of business requires networking with all parties in order to reconcile the process.
		Product Mix	To have a variety of products that will fit each customer's needs.	In order to be highly competitive we take the initiatives to create a variety of segments.
		Business Ethics/Code	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to the employees.
		Anti-Corruption	This reduces risks of economic imbalance and compliance with laws, international charters and conventions.	On-going monitoring, briefing and review of compliance throughout the Group is carried out to make sure that the company's policies and procedures as well as system of internal controls are being properly implemented.

SUSTAINABILITY REPORT

OUR MATERIAL FACTORS (cont'd)

B) Significance - Material Factors (cont'd)

		Factors	Why Material	Managing Materiality
MATERIALITY	Important	Social Media	The use of social media boosts visibility among potential customers and improves awareness about our brand.	We engage social media to promote our service and product.
		Local Environment impact	It safeguards the environment Impact.	We monitor and review the environmental compliance strategy and performance.
		Business Mix	Diversification is part of our business model to stay sustainable.	We always lookout for synergy businesses which creates a better value to our core business.
		Industrial Building	It helps the growth of the business.	This helps the project management in System terms of revenue and costing.
		Political Stability	It has a wide impact on the economy.	We always work with the government of the day.
		Climate Change	Climate change would have a significant impact on business.	We managed this by creating a good project management team which looks in to all the scenarios.

3. Our Stakeholders Engagement

Our interaction involves a large number of different stakeholder groups and this kind of engagement is important to ensure we can identify, prioritize and address material matters and be adopted in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. All issues raised by stakeholders are brought to the attention of the Management Committee or Management Meetings by the respective business and functional units. Ongoing engagements where applicable are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

Our key stakeholders are outlines on the below table, along with the forms of engagement and key topics of interest that we seek to address.

Stakeholder Group	Engagement Approach	Engagement Focus & Objectives
Customers	1. Interval Meetings 2. System Audit – Tendering Audit HSE / Operation / Tendering Audit	• A brief feedback will be obtained from the end user & customer • To correspond with the operation & safety • Discussion on back logs and improvement • Verification on the present Operation – system and SOPs
Employees	Town hall meeting with the management & employees – both office & marine crew – employees will raised issues	Sharing & bonding with the management & employee (Informal)
	a. Cost Optimization - Meeting and discussion	Cost efficiency
	b. Brand Value - Meeting and KPI's	Minimize downtime and improve turnaround time
	c. Energy Usage - Meetings, record and monitoring	Utilities consumption and comply to MARPOL requirement

3. Our Stakeholders Engagement (cont'd)

Stakeholder Group	Engagement Approach	Engagement Focus & Objectives
Employees (cont'd)	d. Water usage - Meeting, record and monitoring	Maintenance management
	e. Sound measurement - Meetings and briefings	Awareness training on Personnel Protective Equipment (PPE) and comply to industry requirement
	f. Accident Rate - Meeting and engagement	ZERO accident tolerances
Suppliers / Subcontractors & Business Partners	1. Code of Ethics 2. Request for Proposal 3. Supplier Evaluations 4. Quarterly review 5. Review new purchases 6. Site visit 7. Establish price agreement / Contracts for cost optimization	• Sound payment practices and vendor performance • Maintaining good relationship with supplier. • Audited/evaluate main contractor to ensure compliance. • Supplier assessment review and performance
Regulators	Compliance with local authorities' requirements	Comply with all the requirements
Community	1. Community development programs 2. Update the neighbourhood	Social requirements and specific feedback on programs
Media	1. Press releases 2. Advertising 3. Interviews	New developments for public knowledge/promotion

4. Prioritization of Material Sustainability Matters

Dayang has undertaken a stakeholder prioritization and engagement process to engage with its stakeholders. These include ongoing efforts to engage with stakeholders in the usual course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback. The outcome of these engagements was considered in the course of the Group's materiality assessment.

As part of the process in conducting the materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence and dependence on the Group.
- To gain an insight into these key stakeholders' concerns, interests and expectations, the Group conducted discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified.
- Where applicable, Dayang also took into account feedbacks from other stakeholder groups, gathered through various channels and through the ongoing engagements during the course of conducting its business operation.

5. Process Review

The materiality process is undertaken as a key component of Dayang's journey towards identifying the material sustainability matters. The CSC has reviewed and approved the processes and outcome of the materiality process including the Group's materiality which guides the Group in addressing and managing its material sustainability matters in its business operations.

SUSTAINABILITY REPORT

ECONOMICS

Economic scenario remains as our core glitches based on the market condition of the global influence. The company has taken a great level of measures to identify the critical risk which influence the strategy of the company. By taking necessary steps with the senior management and with board input we foresee to mitigate the risk elements.

The following policies and procedures have been illustrated in the company website.

WHISTLE-BLOWER POLICY AND PROCEDURES

The Company has adopted a Whistle Blowing Policy to encourage employees and members of the public to bring to the attention of the Board any improper conduct committed or about to be committed within the Group. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

CODE OF CONDUCT AND ETHICS

The Code of Ethics which forms part of the Board Charter sets out the broad standards of conduct and basic principles to guide the Board in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.

The Ethics Conduct provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

The Group has in place a Code of Ethics for its employees which encompass all aspects of its day to day business operations. Directors and employees of the Group are expected to observe high standards of integrity and ensure compliance with applicable laws, rules and regulations to which the Group is bound to observe in the performance of its duties.

CORPORATE GOVERNANCE AND COMPLIANCE

Dayang, guided by the Malaysian Code on Corporate Governance, has been proactive in promoting good corporate governance and ensures that the principles and best practices of good governance are applied throughout the Group. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Report available in Bursa Malaysia Securities Berhad's website.

RISK MANAGEMENT

An integral part of good corporate governance, a comprehensive Risk Management framework enables Dayang to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessment. Fraud and corruption risk have been identified as material to ensure sustainability.

OUR SUPPLY CHAIN

Sustainability in supply chain has been increasingly recognized as an important aspect in corporate responsibility. In making responsible sourcing decisions, Dayang has started to explore putting in place an appropriate approach to consider suppliers' economic, environmental and social ("EES") credentials in the lifecycle of supply chain.

In the emplacement of new suppliers, the Group has begun to incorporate sustainability – related criteria in assessing the suppliers' business practices such as workplace relations and, occupational health and safety. For existing vendors and suppliers, the Group in the process of sending out surveys to selected suppliers for them to share and affirm their commitment towards EES.

Dayang is cognizant that there is still much to improve on managing sustainability in supply chain, and will continue to collaborate with its suppliers and vendors to work towards enhanced sustainability practices with respect to EES matters.

COMMITMENT TO QUALITY

Dayang has the policies, procedures and best practices in place to deliver products and services of outstanding quality. Furthermore, regular reviews, process improvements and quality control assessments are ensuring that our processes remain in compliance and are continually enhanced. Most Group divisions are now securing compliance with ISO 9001-2015 for a better quality.

ECONOMICS (cont'd)

CUSTOMER SATISFACTION

Customer satisfaction and engagement was identified as one of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly what customers expect from us improves our bottom line and strengthens our brands and reputation in the long term. We conduct half yearly customer satisfaction surveys. The feedback generated provides insights into customer expectations that enable us to develop and deliver better products and services

BUSINESS CONDUCT

We strive to be environmentally responsible and encourage all our stakeholders to do the same. Consequently, they need to use sustainable materials whenever they are cost-effective.

SAFETY AND HEALTH

It is one of our key priorities to maintain a safe and healthy work environment for our workforce. Our Safety and Health Policy goes beyond the requirements of the Occupational Safety and Health Act 1994 to ensure that our talent work under safe conditions. Our operations are governed by an internally established occupational safety, health and environmental management system, which is compliant with the international standards of ISO14001. We also believe in providing a comfortable and conducive working environment for our employees.

In 2018, we only have one medical treatment case (MTC) and 9,385 Hazard Hunt/UAUC/ACT.

ENVIRONMENTAL

Towards a Greater Planet

We are mindful of the environmental impact of our activities and maintain full compliance with all the environmental regulation. We take responsibility to managing our environmental impacts seriously. Dayang will continue to develop effective environment initiatives to protect the environment.

The industry we are in have extensive direct and indirect impacts on the environment and aligning ourselves with the goals of sustainable of sustainable development.

VESSEL EMMISSION

Vessel and machine emissions are a key material issue in our industry. Dayang ensures that the air quality is protected and continues to explore strategies to improve this aspect. As a whole, all the Vessel and machines are emphasized to undergo scheduled maintenance, testing and repair works on a periodic basis.

WATER MANAGEMENT & CONSUMPTION

We promote the water saving practices among employees and adopting water-efficient technologies and equipment wherever possible. The water consumed at our head office is obtained from the municipal water supply. We have taken small steps to control the water usage to be in line with the sustainability efforts, namely:

- Slow the flow. Adjusting water pressure/outflow for toilets, wash basins, pantry, throughout our head office building.
- Seek the Leak. Conducting checks and fixing leaks immediately, where possible.

ENERGY MANAGEMENT

We understand that the energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Our electricity supply is from the local supply namely Sarawak Energy, and we aim to minimize the energy usage in our head office by implementing the following efforts:

- A lighting schedule across key areas in our head office to switch off lights during certain hours of least use.
- Maintenance and replacement of electrical equipment and light fittings to maximize energy efficiency
- Campaign to remind all staff to switch off the lighting, water dispenser, air conditioning, or
- Other electrical appliances in office and pantry when they are not required.

Energy Consumption	2016	2017	2018
Diesel Consumption (Vessel's fuel consumption) (RM)	1,324,880	1,260,399	1,255,282

SUSTAINABILITY REPORT

ENVIRONMENTAL (cont'd)

WASTE MANAGEMENT

Dayang acknowledges that the environmental impact of paper usage is significant. The Group's approach to waste management is to avoid unnecessary paper consumption and waste generation, where possible and appropriate, in order to reduce the wastage. Dayang has always looked at ways to reduce paper usage, so that less waste. Generally the group practises the following on the paper management:

- Reducing paper – by encouraging avoiding printing and photocopying and emphasising on paperless and electronic mode. In addition to this, practise double sided printing or reduce the size to have the best economical usage of papers.
- Reusing – by printing on the other side of the printed papers
- Recycle – recycle the papers by having proper recycling bins

Waste Management	2016	2017	2018
Scheduled Waste Disposed (Plant)	38,000 kg	61,015 kg	40,100 kg

STORAGE AND COLLECTION OF RECYCLABLES

Dayang also has come out with initiative for storage and collection of wastages and recyclables. This initiative objective includes:

- To provide dedicated area and storage for collection of non-hazardous material for recycling
- To facilitate the reduction of scheduled waste generated that is hauled and disposed to licensed disposal companies
- To designate a dedicated area where on-site sorted waste materials can be stored in separate skids for collection facilities.

The graphic below shows the types of items recycle/reused/disposal at site.

SOCIAL

The Importance of Community

The Group is committed to promote Corporate Social Responsibilities (CSR) as an integral part of the Group whilst pursuing business growth to enhance shareholders and stakeholders value. Management recognises that for long term sustainability, its strategic orientation will need to cater beyond the financial parameters.

As we look back on 2018, we are proud of these values for safety, quality, integrity, diversity, innovation and sustainability have shaped our ongoing commitment to Corporate Social Responsibility. It has challenged us to reach even greater height to ensure we are a responsible corporate citizen, employer of choice, good partner and neighbour, and a positive contributor to the economy during economic downpour.

A strong commitment to Corporate Social Responsibility programme can protect and enhance a company's brand. The company's good works, will help create a positive working environment and attract desirable employee with a strong commitment to Corporate Social Responsibility programme. Everyone can benefit when company's focus on social responsibilities.

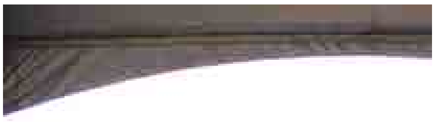
The Group manage to organise several activities to sustain its CSR responsibilities to the environment, employees and community. Among the main programmes initiated were Quality, Health, Safety, Security and Environmental (QHSSE) campaign, QHSSE Away Day, Sport and Recreational activities and welfare events.

SOCIAL (cont'd)

OUR APPROACH

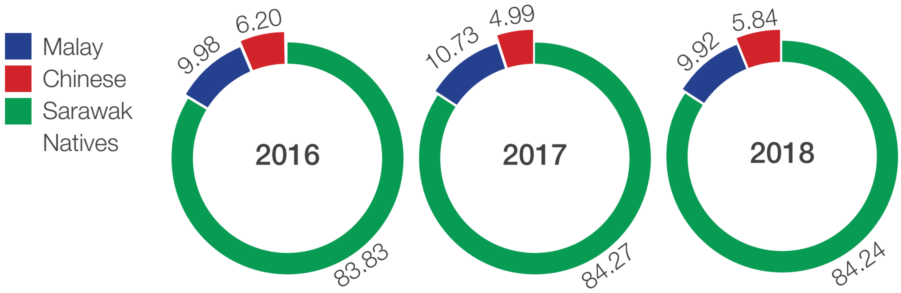
Our initiatives in the community are centred on:

1. Workplace
    (a) Education and Individual Development
    (b) Sports and Recreational Activities
    (c) Management QHSSE Away Day cum Budget session 2018;
2. Community;
3. Awards & Recognition;
4. Safe and Healthy Workplace Practices;
5. Leadership & Commitment;
6. Management Review for HSSE Policies & Procedures.

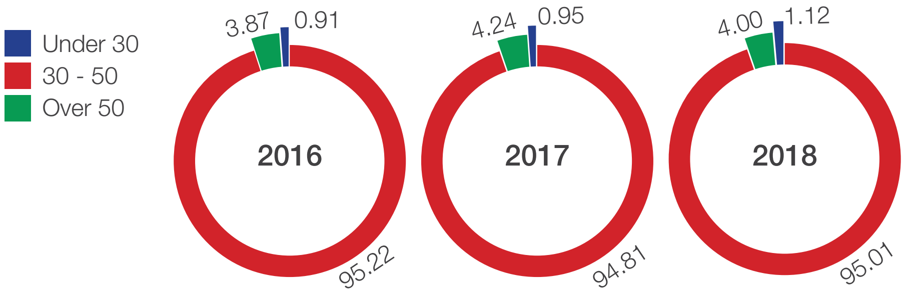


The following graphs are illustrated based on the social segment in the organisation.

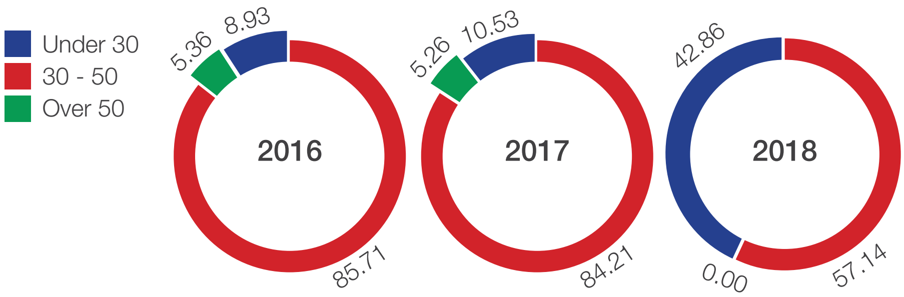
Employment Diversity in Terms of Race (%)



Employment Diversity in Terms of Age (%)



New Hires in Terms of Age (%)



SOCIAL (cont'd)

OUR APPROACH (cont'd)

1. Workplace

(a) Education and Individual Development

Dayang is committed to provide a safe work environment and ensuring team members are properly trained in all aspects of their work. Therefore, the company's, Health, Safety, Security and Environmental programme is designed to integrate HSSE initiatives into all aspects of business operations. The programme encompasses key components are as follows:

HSSE is also responsible for interpreting and acting upon applicable federal, state and local regulations and/or proposed legislation relevant to the Occupational Safety & Health Safety Administration, Department of Environmental (DOE), and Department of Occupational Safety and Health (DOSH). Our HSSE programme infrastructure is designed to have tangible links from Dayang headquarters (Miri) to all locations including offshore operations with local expertise and resources allocated to support implementation. This commitment comes to life in a number of ways, including our commitment to Workplace Safety, and through our dedication to the people who make Dayang's a safer place to work with.

HSSE Performance, HSSE Culture and Partnerships place to flourish Team Member, well-being Inclusion and Diversity;

- Leadership provided through partnership with Operations and HSSE Teams;
- Policy Guidelines outlining company and regulatory requirements;
- Education and Awareness which is disseminated throughout Dayang's Operations;
- Goals and Measurements defined as Key Performance Indicators; and
- Monitoring and Recognition to evaluate progress intermittently throughout the year and recognise achievements.

The Group continuously provides its employees with skills development and training programmes that encourage progression and self-enrichment. Throughout the year under review, Dayang conducted several in- house trainings to motivate employees and to upgrade their skills and knowledge. Employees have also enrolled in continuous courses/ seminars/workshops including PTW training to keep abreast of current issues and updates related to their course of work.

SOCIAL (cont'd)

OUR APPROACH (cont'd)

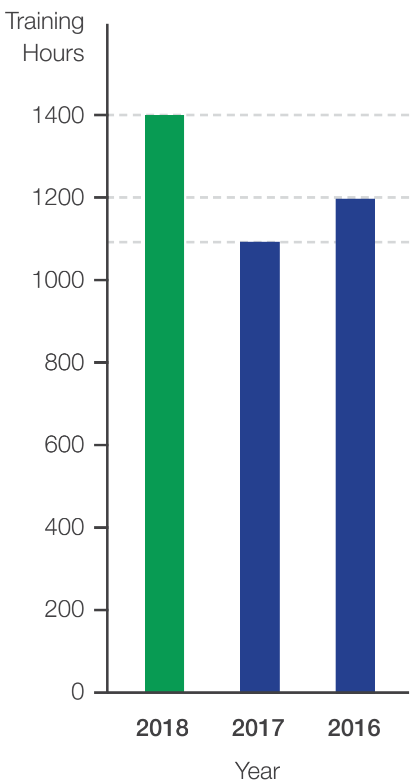
1. Workplace

(a) Education and Individual Development (cont'd)

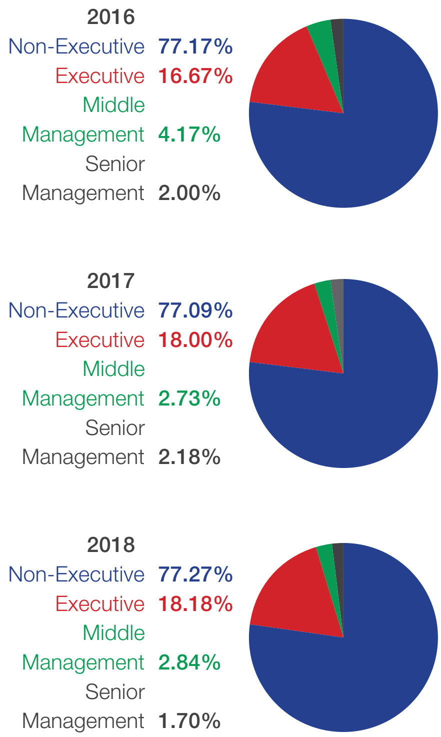
The company also conducts and sends personnel for the following courses:

- OSH for Supervisors course
- Driving course
- Defensive First Aider courses
- Effective Incident Reporting and Analysis Technique course
- Hearing and Loss Prevention course
- Scaffolder Competent training as per DOSH requirements
- PTW applicant for Petronas course
- Working at Height course
- OSH Management System – Moving Ahead with ISO 45001 : 2018
- CEP courses and training for SHO (Safety and Health Officer)
- OGSP (Oil & Gas Safety Passport) Course
- Basic Rigging and Slinging course
- Banksman course

Total Training Hours of Employees

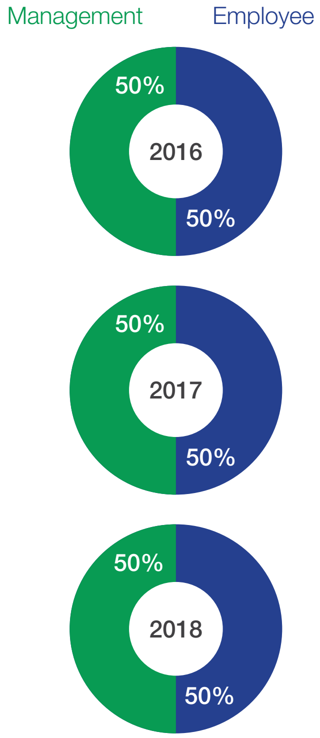


Training Hours in Terms of Employee Category



(b) Sports and Recreational Activities

Breakdown of Representatives in the OSH Committees



In addition to encouraging continued participation, Dayang prides itself on developing programmed and projects in partnership with the community that promotes a series of benefits beyond the traditional aspirations of improved health and wellbeing.

It's our culture and belief that sport and recreation can be a vehicle for positive social change. By participating in sport can improve the quality of life of individuals and communities, promote social inclusion, improve health, counter anti-social behaviour, raise individual self-esteem and confidence, and widen horizons.

SUSTAINABILITY REPORT

SOCIAL (cont'd)

OUR APPROACH (cont'd)

1. Workplace (cont'd)

(b) Sports and Recreational Activities (cont'd)

It shows that, in partnership with a range of organisations and agencies, sport can assist in the achievement of their policy objectives. In particular, the context of local community planning, it demonstrates the extent to which sport may contribute to:

- Brings people together, providing opportunities for social interaction;
- Empowers, inspires and motivates individuals;
- Keeps kids away from the TV or computer screen;
- Kids who participate learn better and are more likely to enjoy school;
- Improves mental health;
- Eases pressure on the health system;
- Contributes to social capital;
- Healthy workers are more productive and take less sick leaves;
- Creates positive alternatives to youth offending, antisocial behaviour and crime;
- Reduces pollution – promotes use of active modes of transport like walking and cycling;
- Provides a vehicle for inclusion, drawing together people of different races, religions and cultures;
- Creates opportunities for, and promotes, volunteering;
- Contributes to higher levels of self-esteem and self-worth;
- Helps to sustain the environment through protecting open space and natural areas.

(c) Management QHSSE Away Day cum Budget Session 2018

The Company also held a Management QHSSE Away Day cum Budget Session for the year 2018 for members of management on 10th January 2019 at Meritz Hotel, Miri. Senior Management also participated in the programme to ensure their personal commitment and demonstrate visible leadership as well as to promote effective collaboration through the sharing of best practices in maintaining QHSSE besides presenting their 2019 plan.

The main objective is to plan and discuss QHSSE issues, Budget for 2019, current projects and forecast performance as well as the company's direction and way forward for the year 2019 challenges.

SOCIAL (cont'd)

OUR APPROACH (cont'd)

2. Community

Dayang Group is dedicated to support the community by reaching out to the community around us. During the financial year, the Group had made monetary donation amounting to RM 85,400.00 to various organizations like charities, sports activities and religious establishments. These contributions were in line with the Group's commitment to support and keep abreast with society's evolving needs.

In conjunction with the Company's Quality, Health, Safety, Security and Environmental (QHSSE) Campaign, the Company organised various activities such as:

- Blood Donation Drive at its Miri Head Office and MPO office on 4th July, 2018
- Labuan Blood Donation
- Bintulu office – Blood Donation
- Kota Kinabalu office – Blood Donation
- Anti Dadah campaign - 18th July 2018, held during our launching day

A major focus of our community initiatives is in education. Each year we provide internships to deserving Malaysians to take part in the programme. We provide practical training to the undergraduates where opportunities of employment are given to them upon completion of their studies. The training provided them with valuable experiences and knowledge besides the opportunity to fulfil their university requirements.

SUSTAINABILITY REPORT

SOCIAL (cont'd)

OUR APPROACH (cont'd)

3. Awards & Recognition

Dayang Enterprise Sdn Bhd (DESB) has received the following awards and recognitions for Year 2018;

NO	TYPE OF AWARD	AWARDED BY	DESCRIPTION
1	Focused Recognition	PETRONAS Carigali Sdn Bhd – SKO	Safely completed Baram Sept 18 TA ahead of schedule (Baram Bravo 3 days ahead and Baram Alpha 1 day ahead) despite of additional scopes given during 2 weeks towards TA Contract No.: CHO/2016/BIE3/1001
2	Focused Recognition	PETRONAS Carigali Sdn Bhd - SKO	Successful TA Sept 2018 execution wit highest regards to safety. Contract No.: CHO/2016/BIE3/1001
3	Focused Recognition	PETRONAS Carigali Sdn Bhd - SKO	Ensure D35 TA to be completed within stipulated TA's condition Contract No.: CHO/2016/BIE3/1001
4	Focused Recognition	PETRONAS Carigali Sdn Bhd - SKO	Ensure TA completes within duration and its additional scopes with highest regards on safety Contract No.: CHO/2016/BIE3/1001
5	Appreciation Letter	PETRONAS Carigali Sdn Bhd – SKO	Appreciation Letter for Successful September 2018 D35 Turnaround Campaign Contract No.: CHO/2016/BIE3/1001
6	Appreciation Letter	PETRONAS Carigali Sdn Bhd – SKO	Appreciation Letter for Successful Maintenance Shutdown Campaign at Baram Field Contract No.: CHO/2016/BIE3/1001
7	Focused Recognition	Petronas Carigali	DESB D35-A Mtce TEAM - High ownership on HSE and openness to accept intervention by client.

SOCIAL (cont'd)

OUR APPROACH (cont'd)

3. Awards & Recognition (cont'd)

Dayang Enterprise Sdn Bhd (DESB) has received the following awards and recognitions for Year 2018 (cont'd);

NO	TYPE OF AWARD	AWARDED BY	DESCRIPTION
8	Focused Recognition	Petronas Carigali	Provision of Maintenance, Construction & Modification for PCSB, Baronia Rejuvenation - Contributing to the safe and successful delivery of the Project – CP3
9	Award	Petronas Carigali	Best Project HSE In appreciation towards outstanding achievement for Offshore Project (28.10.18) – CP 3
10	Focused Recognition	Petronas Carigali	On 17.04.18 assisted to put out a fire on MV Geos & Dayang Zamrud had provided assistance in medical care & given new PPE's and shelter for all 38 rescued crews.
11	Award	Shell Malaysia	Grand Prize Winner in Best Safety Leadership Initiative Category
12	Award	Shell Malaysia	Grand Prize Winner in Best Continous Improvement Category.
13	Award	Murphy	Recognition for Excellent HSSE Performance for 2013 – 2017 for Contract: Murphy S/2003 – 1688 LTI – Free Days with 2.0 million Safety Manhours.
14	Award	Murphy	Contribution towards Excellent HSSE Performance during SK Gas Shut Down in September 2017.

4. Safe and Healthy Workplace Practices

As a responsible corporation, we respect the interests of our stakeholders, shareholders, employees, customers, suppliers, teaming partners, and the wider community and we actively seek out opportunities both to improve the environment and to contribute to the well-being of the communities in which we do business.

We are committed to deliver a better world class service provider, "As we look to the future, we will continue to work with our customers to make sustainability a vital part of the solutions we deliver for our customers." Our 2018 CSR report describes our ongoing efforts to conduct our operations in concert with the pillars of sustainability.

Dayang is committed to provide its employees with safe and healthy conditions of workplace. We have effective and efficient management arrangements in place to ensure the wellbeing of staff and others who may be affected by our activities to minimize the adverse impacts to individuals and business from ill health and injury. We take a precautionary approach by applying the requirements defined by our Health, Safety, Security and Environmental (HSSE) standards being set at the beginning of each year. In our own HSSE management practices, we comply with all HSSE policies and procedures and as well as our clients' requirements. We are committed to take responsibility for our own safety and the safety of others. We believe that all incidents and accidents can be prevented. We always emphasize on our high HSSE standards of conduct when dealing with clients, suppliers and other stakeholders.

SUSTAINABILITY REPORT

SOCIAL (cont'd)

OUR APPROACH (cont'd)

4. Safe and Healthy Workplace Practices (cont'd)

We are constantly improving our HSSE performance with the substantial increase in the size of our workforce. This is a good indication that we are managing our business effectively, efficiency and responsibly. However, Dayang aims to continually improve its system thus safeguarding against complacency. We will continue to set ourselves ever more ambitious targets. To fulfil our HSSE policy, we:

- Require good HSSE behaviour and follow the rules and instructions that we have set in all our daily activities;
- Continuously improve our practices and work environment;
- Design our solutions and services to help our clients improve their HSSE performance;
- Strive for efficient and sustainable use of energy, resources and materials in all our operations;
- Conduct regular water sampling at all our locations/vessels to ensure that potable water is fit for human consumption according to WHO guideline.

As we value the health of all our employees, we are continuously monitoring conditions at the work sites to ensure that employees and contractors are not subjected to conditions that could lead to adverse health effects.

Throughout the year we have conducted a number of HSSE trainings and courses for various groups at different levels of personnel to improve awareness, skills and knowledge throughout the organisation.

SOCIAL (cont'd)

OUR APPROACH (cont'd)

4. Safe and Healthy Workplace Practices (cont'd)

The Company organised its yearly QHSSE Week Campaign with effect from 18th July, 2018 with the following theme:

"Enhance Quality and HSSE as Our Culture"

The soft launching for the QHSSE 2018 campaign was conducted in Miri:

- Date : 18th July 2018 (Wednesday)
- Venue : Eastwood Valley Golf & Country Club, Miri

The objectives of the campaign are as stated below:

- To reinforce the management team's commitment to provide quality services under a safe, healthy and environmental friendly working environment;
- Reduce accidents on sites in our facilities;
- Increase awareness of the importance of being committed to safety & health every day;
- Inspiring all of us to share best practices and to work together to strengthen our industry's safety culture;
- Celebrating the safety achievements to date;
- To ensure effective communication between management team with various worksites team;
- To ensure all work processes comply with DESB's policy;
- To warrant, and continue to improve quality products and services, with employee's safety and eco- friendly being the top priorities.

SUSTAINABILITY REPORT

SOCIAL (cont'd)

OUR APPROACH (cont'd)

4. Safe and Healthy Workplace Practices (cont'd)

To ensure the safety and health of our employees, we continue with various HSSE programmes and campaigns 2018 such as:

1. Auditors Training for ISO 14001:2015 & ISO 45001: 2018
2. Conducted Noise monitoring
3. HSSE Training (both in-house and external)
4. Conduct Pre-mob Briefing prior to Mobilisation of Crew to Offshore
5. Organised Management Inspection Visit (MIV) or Management Site Visit (MSV)
6. Management HSSE Visit (MHSEV)/ Inspection by PCSB & DESB Team
7. Conducted Monthly OSH Committee Meeting and LOCHSEC Meeting
8. Quarterly Senior Management HSSE Engagement Session with Clients
9. Monthly HSSE Liaison Engagement Session with various Client
10. Audit by Client
11. Conducted Random Drug & Alcohol Test for Personnel
12. Anti Dadah Programme
13. Health Monitoring for BMI and Blood Pressure for Personnel
14. Timely disposal of Scheduled Waste
15. Attending Client HSSE Forum & Seminar, etc.
16. Safe Handling of Chemical
17. Conducted UDAT (Urine, Drug & Alcohol Test)

The Group will continue to identify and undertake more related events to fulfil its Corporate Social Responsibility in any way and would contribute to preserving the values of Society.

Note: Safety Manhours without LTI as at 31.12.2018: 12,824,941 manhours

5. Leadership & Commitment

Top management must ensure that the requirements of HSSE management system, including the policies and objectives, are in line with the strategy of our organisation.

Additional resources and HSSE Management System are being progressively introduced. Dayang has achieved two International Standard of Certifications on Safety and Health Management System, i.e. ISO 45001:2018 and Environmental Management System ISO 14001:2015. Dayang has upgraded its ISO 9001:2015 to 2015 version.

The programme will help Dayang to reduce the burden by providing a framework to improve employee safety, reduce workplace risks and create better, safer working conditions.

The two certifications are part of the company's integrated effort towards achieving enhancement and continuous excellence in Health, Safety, Security and Environmental (HSSE). The implementation of the two systems are targeted to reduce accidents and risk of losing workers through injuries, thus ensuring that disruption caused by accidents is being kept low. The ISO 14001:2015 Environmental Management System (EMS) is a tool to enable us to identify and control the environmental impact of our activities and products or services besides improving environmental performance continually.

In addition to enhancing the Company's reputation and brand, the ISO certification also demonstrates that the organisation adheres to high standards with regards to Occupational Safety and Health. The Company will continue with its unwavering commitment to safety through continuous education and learning process across the board.

We continue to strive to adhere to stringent occupational safety and health practices, providing a safer working environment for our workforce.

- Preliminary Assessment for ISO 45001 & MS ISO 14001:2015

SOCIAL (cont'd)

OUR APPROACH (cont'd)

6. Management Review for HSSE Policies & Procedures

The Management Review process requires that the HSSE policies and procedures and other documents are reviewed by Management at planned intervals to ensure continued system effectiveness and efficiency.

The details of amendments were made accordingly. The current policies, procedures, guidelines and other documents are as follows:

I. HSSE Policies

1. Management Health, Safety and Security Policy Statement
2. Sustainable Development Policy
3. HIV/AIDS Workplace Policy
4. Stop Work Policy
5. Scheduled Waste Management Policy
6. Drug & Alcohol Policy
7. No Smoking Policy
8. Personal Protective Equipment Policy
9. Management Environmental Policy Statement. This is a new policy being tabled, debated and finally accepted during the Management Review.

II. HSSE Procedures

1. Incident/Accident Investigation Procedure
2. Emergency Response Procedure
3. Lifting Procedure
4. Blasting and Painting Procedure
5. Permit to Work System Procedure
6. Job Hazard Analysis Procedure
7. Scheduled Waste Disposal/ Storage Procedure
8. Confined Space Procedure
9. Office Safety & Evacuation Procedure
10. "New Comer" Helmet Scheme Procedure
11. Water Bunkering to Workboat Procedure
12. Fuel Bunkering to Workboat Procedure
13. Lifting, Rigging/Installing & Retrieving of Workboat Gangway at Offshore Platform Procedure
14. Medical Emergency Evacuation Procedure
15. Flushing Procedure
16. Cold Cutting Procedure
17. Health, Safety & Environmental Audit System Procedure
18. Welding & Cutting Procedure
19. Competency Assurance Procedure
20. Management of Change Procedure
21. Unscheduled Waste Management Procedure
22. Handling of Store & Flammable Items Procedure
23. Chemical Management Procedure
24. Forklift Handling Procedure
25. Occupational Safety & Health Committee Term of Reference (TOR)
26. Environmental Aspect and Impacts Procedure
27. Legal and Other Requirements Procedure
28. Working at Height Procedure
29. Communication Procedure
30. Hazard Identification, Risk Assessment and Determination of Control Procedure
31. Performance Monitoring Procedure
32. Security Guideline & Procedure
33. Suppliers and Contractors Health, Safety, Security and Environmental Management Procedure
34. Abrasive Blasting Operation Procedure
35. Alcohol and Illicit Drugs Procedure

SOCIAL (cont'd)

OUR APPROACH (cont'd)

6. Management Review for HSSE Policies & Procedures (cont'd)

III. HSSE Guidelines

1. Guideline on Channel of Communication
2. Guideline on Baggage & Body search
3. Guideline for Hearing Conservation and Noise Control Programme
4. Land Transport Safe Journey Management Guideline

IV. HSSE Management System

The contents of HSSE-MS were rearranged to align with Petronas' HSSE-MS which uses the following eight elements:

1. Leadership and Commitment
2. Policy and Strategic Objectives
3. Organisation, Responsibilities, Resources, Standards and Documents
4. Hazards and Effects Management Process
5. Planning and Procedures
6. Implementation and Monitoring
7. Assurance
8. Management Review

V. Corporate HSSE Strategic Plan (5 Year Plan)

The Corporate HSSE Strategic Plan with effect from Y2019 to 2023 was presented to the Committee for comment and subsequently approval during the process of Management Review.

MOVING FORWARD

Dayang aspires and committed to the sustainability journey as a business partner, an employer, environmental curator and a value creator for shareholders. By rational and acting sustainably, we will deliver good quality and better customer service and enhances the financial results and position of the company for a strong future.

This is Dayang's second Sustainability Statement, and although we have made some development towards formalising sustainability within our business, we recognise that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure. As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

Moving forward, we will enhance the materiality factors and metrics and targets to measure issues that are material to our business and move towards benchmarking our progress against international standards of reporting.

As we look to the future, it is our hope that we will continue to introduce new and exciting quality for our customers, enrich our local communities, create value for our stakeholders, and be an organisation that people will be proud to associate.

This Statement has been approved by the Board and is current as at 10 April 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Dayang Enterprise Holdings Bhd recognizes corporate governance as being essential for the long term sustainability of the Group's businesses and performance. The Board believes that a sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to enhance long term shareholders' value, increase in investors' confidence and protect stakeholders' interests.

This Corporate Governance Overview Statement ("CG Overview Statement") is prepared pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and takes guidance from the key Corporate Governance ("CG") principles as set out in the Malaysian Code of Corporate Governance ("MCCG") issued by the Securities Commission Malaysia.

This CG Overview Statement provides an overview of the corporate governance practices of the Group for the financial year ended 31 December 2018. It is to be read in conjunction with the Corporate Governance Report ("CG Report") which is available on the corporate website at www.desb.net. The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

The Board recognizes that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of the Group. Thus, the Board remains focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively.

The Board plays an active role in reviewing and adopting the strategic business plans of the Group, ensuring that the strategies proposed by the Management are discussed at length, supervising management, reviewing performance and determining business risks parameters.

The Board practices a clear division of responsibilities between the Chairman, Managing Director, Executive Directors and Independent Non-Executive Directors. The position of the Chairman and the Managing Director are held by two different individuals in line with the CG Code's recommendation.

The Chairman is primarily responsible for the orderly conduct of the Board meetings and to ensure effectiveness of the Board.

The Managing Director and the Executive Directors are responsible for the day to day operations of the Group whereby operational issues and problems are discussed and matters relating to the Group are reviewed and operational strategies are formulated. Independent Directors are involved in various committees and contribute in areas such as performance monitoring and providing independent view for enhancement of corporate governance and controls.

The role of the management is to manage the Company in accordance with the direction of and delegation by the Board. The Board plays the strategic role in overseeing that the management carries out the delegated duties to achieve the Group's corporate objectives with long term strategic plans of the business.

In order to ensure orderly and effective discharge of its functions and responsibilities, the Board has established four Board Committees, namely:

i) Audit Committee (AC)
ii) Joint Remuneration & Nomination Committee (JRNC)
iii) Risk Management Committee (RMC) and
iv) Corporate Social Responsibility Committee (CSRC)

Each committee has been given clear terms of reference that have been approved by the Board. Issues were deliberated by the respective committees before putting up for recommendation to the Board. The Board retains full responsibility for approval of these recommendations. The respective Board Chairman will report to the Board on any significant development and deliberations conducted at the Board Committee level.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1. BOARD RESPONSIBILITIES (cont'd)

Qualified and Competent Company Secretaries

The Board has full access to the two (2) Company Secretaries who provide advisory services particularly on matters relating to the constitution of the Company, facilitating compliance with the listing requirements and the relevant legislation.

The Company Secretaries provide support in the execution of corporate proposals. In addition to their statutory duties, the Company Secretaries also facilitate communication between the Board and Management. In accordance with the Board's procedures, deliberations and conclusions in Board meetings are recorded by the Company Secretaries, who ensure that accurate and proper records of the proceedings of the Board meetings and resolutions passed are recorded and kept in the minutes book at the registered office of the Company.

Access to Information and Advice

All Directors have direct access to the advice and services of the Company Secretaries on compliance issues and ensure that the Company's policies and procedures are followed. The Directors are also empowered to seek independent professional advice at the expense of the Company, should they consider necessary in their course of duties.

The Board meets on a quarterly basis and additionally as and when required. The annual meeting calendar is prepared and circulated to the Directors in advance of each year. The calendar provides Directors with tentative dates for Board meetings, Annual General Meeting as well as the closed periods for dealings in securities by Directors according to targeted dates of the Group's quarterly results announcements.

Prior to Board Meetings, all Directors are provided with an agenda together with appropriate board papers containing information on major financial, operational and corporate matters of the Group, normally five (5) days prior to the Board meetings to enable the directors sufficient time to review the papers in preparation for the meeting and to obtain further explanations, where necessary and also to give the directors time to deliberate on the issues to be raised at the meeting.

All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the Board meeting. These minutes are circulated to all Directors for their perusal and confirmation and any Director can request for further clarification on the minutes prior to their confirmation.

Board Charter

The Board has adopted a Board Charter which outlines the roles, composition and responsibilities of the Board. The Board conducts regular review of the Charter when necessary to ensure the continuous relevance of the Charter in line with changes in the expectations of the investors and stakeholders of the Company in general and the guidelines issued by the regulatory authorities from time to time. The Board Charter is published on the Company's website at www.desb.net.

Code of Ethics and Conduct

The Code of Ethics which forms part of the Board Charter, sets out the broad standards of conduct and basic principles to guide the Board in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.

The Ethics Conduct provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

The Group has in place a Code of Ethics for its employees which encompass all aspects of its day to day business operations. Directors and employees of the Group are expected to observe high standards of integrity and ensure compliance with applicable laws, rules and regulations to which the Group is bound to observe in the performance of its duties.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1. BOARD RESPONSIBILITIES (cont'd)

Whistle Blowing Policy

The Company has adopted a Whistle Blowing Policy to encourage employees and members of the public to bring to the attention of the Board any improper conduct committed or about to be committed within the Group. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

Details of the Policy are available on the Company's website at www.desb.net.

Strategies Promoting Sustainability

The Board views the commitment to sustainability, environmental, social and governance performance as part of its broader responsibility to clients, shareholders, employees and communities in which it operates. The Group's approach to sustainability for the financial year under review is set out in the Sustainability Report on pages 20 to 44 of this Annual Report.

2. BOARD COMPOSITION

Board Balance

The current board composition is as follows:

Designation	Number of Directors	Percentage (%)
Executive Directors	5	50.00
Non-Independent Non-Executive Director	1	10.00
Independent Directors	4	40.00
Total	10	100.00

The Board recognizes the benefits of having a diverse Board to ensure that the appropriate mix of skills and profiles of the Board members in terms of age, gender, skills and professional background provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.

The Independent Directors do not participate in the day to day management of the Group and do not engage in any business dealing with the Group in order to ensure that they remain truly capable of exercising independent judgment and act in the best interests of the Group and its shareholders.

Tenure of Independent Director

The tenure of the independent director shall not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as a non-independent director.

Board and Senior Management Diversity

The Board continually evaluates its requirements as to the appropriate mix of skills and experience required to ensure that its composition remains optimal for the effective discharge of its responsibilities. Their expertise and know-how have been gained through their years of involvement as players in their respective fields. The profiles of the Directors and Senior Management are provided on pages 9 to 13 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Board and Senior Management Diversity (cont'd)

The appointment of key senior management was also made with due regard for diversity in skills, experience, age, and cultural background.

Board Gender Diversity

The Board acknowledges the recommendation of the MCCG on the establishment of boardroom gender diversity policy. The Company currently has two (2) female members on the Board. However, the Board has no immediate plans to implement a gender diversity policy or target, as it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities regardless of gender.

Board Appointment

The Board is responsible for the appointment of new candidates to the Board or Board Committee upon the recommendation of the Joint Remuneration & Nomination Committee. The Joint Remuneration & Nomination Committee generally relies mainly on the recommendations from existing Board members or major shareholders. In the election for Board appointment, the Board believes in and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender, ethnicity and age. The Board would consider sourcing new directors via independent sources in future.

Appointment and Retirement of Directors

The process adopted by Dayang for Board appointments is as follows:

PROCESS OF APPOINTMENT OF DIRECTOR

Nomination of a new director

▼

Evaluation & assessment of the candidate by Joint Remuneration & Nomination Committee

▼

Meeting the candidate, if necessary

▼

If suitable, Joint Remuneration & Nomination Committee recommends the appointment of the candidate to the Board

▼

Board shall appoint the candidate as director, if deemed fit

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Appointment and Retirement of Directors (cont'd)

In accordance with Article 86 of the Company's Constitution, at least one-third (1/3) of the Directors for the time being, or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting.

All Directors of the Company are subject to retirement by rotation at least once every three (3) years. The directors to retire shall be those longest in service since their last appointment. The Directors due to retire at the forthcoming AGM are shown in the Notice of Meeting (Ordinary Resolution 1 to 3).

Board Effectiveness

The Board is expected to commit sufficient time as and when required to carry out their responsibilities, besides attending meetings of the Board and Board Committees. All directors shall not hold more than five (5) directorships each in public listed companies.

The existing directors are obliged to notify the Board before accepting any new directorship in other listed issuers. The notification is to ensure the Directors have sufficient time to discharge their duties to the Board and other Board Committees on which they serve.

The Board meets at least four (4) times a year at quarterly intervals with the meetings scheduled in advance before the end of the preceding year to facilitate the Directors in managing their meeting plans. Additional meetings are convened to deliberate on matters requiring immediate attention that need to be made between scheduled meetings.

In the event Directors are unable to attend Board meetings physically, the Company's Constitution allow for such meetings to be conducted via telephone, video conferencing or any other form of electronic or instantaneous communication.

During these meetings, the Board reviews the Group's financial performance, business operations, reports of the various Board Committees and results are deliberated and considered. Management and performance of the Group and any other strategic issues that affect or may affect the Group's businesses are also deliberated.

The Board has met six (6) times during the financial year ended 31 December 2018 where it deliberated and considered a variety of matters affecting the Group's operations including the Group's financial results, business plan and the direction of the Group. All proceedings of the Board meetings are duly minuted by the Company Secretaries and signed by the Chairman of the Meeting.

The details of attendance of the directors held during the financial year were as follows:-

Name of Director	No of Meetings Attended
Datuk Hasmi Bin Hasnan (Appointed on 01.09.2018)	1/2
Datuk Ling Suk Kiong	5/6
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	4/6
Joe Ling Siew Loung @ Lin Shou Long	6/6
Gordon Kab @ Gudan Bin Kab	6/6
Jeanita Anak Gamang	5/6
Wong Ping Eng	6/6
Ali Bin Adai	6/6
Koh Ek Chong	6/6
Azlan Shah Bin Jaffril	4/6

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Joint Remuneration & Nomination Committee ("JRNC")

The JRNC comprises of 3 Non-Executive Directors.

The JRNC meets as and when required and at least once a year. During the year under review the JRNC met twice to carry out its responsibilities and the attendance of the members for the meetings held are as follows:-

The members of the Joint Remuneration & Nomination Committee are as follows:

Name of Director	No of meetings Attended
Ali Bin Adai (Chairman)	2/2
Koh Ek Chong	2/2
Wong Ping Eng	2/2

The JRNC assesses annually the independence of the Group's independent directors based on the criteria set out in the Listing Requirements.

In accordance to the Main Listing Requirements, an Independent Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgment and should be willing to express his opinion freely at the Board.

The JRNC and the Board are of the view that all four (4) Independent Non-Executive Directors continue to remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board.

The Committee would conduct an annual review of the composition of the Board and makes recommendations to the Board accordingly with a view of the meeting current and future requirements of the Group. Among other evaluation criteria are the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The Terms of Reference of the Joint Remuneration & Nomination Committee is available on the corporate website at www.desb.net.

A summary of the activities under taken by the Joint Remuneration & Nomination Committee in the discharge of its duties for the financial year ended 31 December 2018 is as follows:
- Reviewed the Directors who were due for re-election and retirement by rotation at the AGM;
- Annual Board Assessment;
- Annual Audit Committee Self-Assessment;
- Annual Independent Directors Assessment and
- Recommend to the Board the remunerations of the Executive Directors.

The Joint Remuneration & Nomination Committee and the Board had performed annual assessment on all individual directors via self and peer assessment. The performance of the Board as a whole is assessed annually via assessment questionnaires which are guided by the Corporate Governance Guide issued by Bursa Malaysia.

The Board is satisfied with the level of time commitment given by the Directors fulfilling their roles and responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Corporate Social Responsibility Committee

The CSR Committee assists the Board on matters relating to implementation of a framework for susainable development that delivers economic, social and environmental benefits to all stakeholders.

The members of the Corporate Social Responsibility Committee are as follows:

Name	Position
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	Chairman
Gordon Kab @ Gudan Bin Kab	Member

The activities of Corporate Social Responsibility are included in the Sustainability Report on page 32 of the Annual Report.

Directors' Training

The Board acknowledges that continuous education is vital for the Board members to gain insight into the state of the economy, latest regulatory developments and management strategies. Therefore, the Directors are encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars and briefings that would enhance their knowledge to enable the Directors to discharge their responsibilities more effectively.

All members of the Board have completed their Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad.

For the year under review, the Directors have individually or collectively attended the following courses/seminars:

Seminar/Workshop	Organiser	Date
Common Offences & Pitfalls To avoid Under the Companies Act 2016	Bursatra Sdn Bhd	20/12/18
The Annual Report OF Tomorrow – Guide To Forward – Looking Information	Bursatra Sdn Bhd	27/11/18
Corporate Reporting (Financial, Non-Financial & Sustainability Reporting) By Listed Issuers – How To Avoid Reprimands and/or Fines by The Regulators	KSK Corporate Services Sdn Bhd	15/11/18
Malaysia Institute of Accountants Members' Gathering 2018: A New Year With the President	Malaysia Institute of Accountants	5/01/18
Non-Financials: Does It Matter?	Bursa Malaysia Securities Berhad	5/12/18
Corporate Governance Guide 3rd Edition – "Moving From Aspiration to Actualization	Malaysian Institute of Corporate Governance (MICG)	25/1/18
MBRS for Preparers – Financial Statements	Suruhanjaya Syarikat Malaysia	9/08/18 & 10/08/18
2019 Budget Seminar – Restoring Public Finances, Sustaining Growth, Enhancing Wellbeing	Malaysian Institute of Accountants	14/12/18
Post GE14 - Malaysia Capital Market Outlook and Direction	CHK Consultancy Sdn Bhd	07/12/18

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

3. REMUNERATION

The JRNC Committee is also responsible to recommend the remuneration packages for the Executive Directors of the Company to the Board. The Board recommends the remuneration of the Non-Executive Directors to the shareholders for approval. Directors shall abstain from deliberation and decisions made in respect of their own remuneration.

The Executive Directors' remuneration is linked to experience, scope of responsibilities, service seniority as well as performance. The Non-Executive Directors are paid Directors' fee and meeting allowance.

Disclosure of each Director's remuneration is set out under Practice 7.1 in the Corporate Governance Report.

The Board shall continue with the practice of ensuring confidentially of the remuneration of its employees to avoid adverse implication including dissatisfaction and animosity among the staff.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE (AC)

The composition of the Audit Committee meets the Main Market Listing Requirement where all the members of the Committee are Non-Executive Directors. The members of the Audit Committee comprise:

Name	Position
Koh Ek Chong	Chairman
Azlan Shah Bin Jaffril	Member
Gordon Kab @ Gudan Bin Kab	Member
Ali Bin Adai (Appointed on 23.11.18)	Member

The role of the Audit Committee and the number of meetings held during the year as well as the attendance record of each member are spelt out in the Audit Committee Report in this Annual Report.

The Board strives to provide a balanced, clear and timely assessment of the Group's financial performance and prospects by ensuring quality financial reporting through the annual audited statements and quarterly financial results to the stakeholders, in particular, shareholders, investors and the regulatory authorities.

The Audit Committee assists the Board in the review of the financial statements of the Group and the Company to ensure that they are prepared in compliance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Act in Malaysia

The AC reviewed the Company's quarterly financial reports and audited financial statements of the Group in the presence of external auditors prior to recommending them for approval by the Board.

The Audit Committee oversees and appraises the quality of the audits conducted by the external auditors. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the Main Market Listing Requirements.

During the year, the Audit Committee met with the external auditors three times to discuss their audit plans, audit findings and their reviews of the Group's financial results/statutory statement of accounts. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has established an effective risk management and internal control framework for managing risks affecting its business and operations as set out in the Statement on Risk Management and Internal Control (SORMIC). A structured process has been set up to identify and assess risks arising from the Group's operations through the use of risk impact and risk matrix as a guide for actions to be taken for each type of risk.

The Risk Management Committee has been tasked to identify and communicate the existing and potential critical risks areas faced by the Group and the management action plans to mitigate such risks by working with the Internal Auditors in providing periodic reports and updates to the Board.

The Risk Management Committee shall have authority and access to all information, records and reports relevant to the Group's activities in order to perform its duties. The Committee shall invite any Director and/or employees as it may deem appropriate, to attend a Committee meeting and assist in the discussion and consideration of matters relating to the business and operating risks

During the financial year under review, the Risk Management Committee met twice with the respective Head of departments/ Units and the Head of Internal Auditor to identify and discuss the existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee.

The members of the Risk Management Committee are as follows:

Name	Position
Gordon Kab @ Gudan Bin Kab	Chairman
Datuk Ling Suk Kiong	Member
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	Member
Joe Ling Siew Loung @ Lin Shou Long	Member

The internal audit function is carried out by an in-house Internal Audit Department (IAD). The IAD function reports directly to the Audit Committee and is independent of the activities it audits.

The internal audit function also performed a follow-up to assess the status of Management–agreed action plans on recommendations raised in preceding cycles of internal audit. The outcome thereof was summarized in a follow-up report to the Audit Committee highlighting those issues that had yet to be fully addressed by Management including specific timeliness for those outstanding matters to be resolved.

All internal audits carried out are guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc, a globally recognized professional body for internal auditors. The internal audit function of the Company whose scope of work covered during the financial year under review is provided in the Audit Committee Report as set out on pages 57 to 59 of this Annual Report.

The Group's Statement on Risk Management and Internal Control which has been reviewed by the external auditors, is set out on pages 60 to 62 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Company is guided by the corporate disclosure guide for directors issued by Bursa Securities to promote timely and quality disclosure of material information to the public. The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Annual General Meeting is the principal forum for dialogues with shareholders. General Meetings are important platforms for Directors to engage shareholders to facilitate greater understanding of the Company's governance, performance and address their concerns.

The Group's investor relationship is helmed by the Group Managing Director and the Head of Corporate Affairs who will attend to the needs of the investment community, shareholders, fund managers and analysts.

The Group maintains a website at www.desb.net for shareholders and the public to access information in respect of the Group's background and business, Board and Management, corporate governance, terms of reference and financial performance for easy reference.

As there may be instances where investors and shareholders may prefer to express their concerns to an Independent Director, Mr Koh Ek Chong continues to play his role as the Independent Director of the Board to whom concerns may be conveyed. Mr Koh is also the Chairman of the Audit Committee of the Board and a member of the Joint Remuneration and Nomination Committee.

His email contact is kohekchong@hotmail.com.

2. CONDUCT OF GENERAL MEETINGS

The Company's Annual General Meeting (AGM) is especially important for individual shareholders as it is the principal forum for dialogue and interaction with the Board whereby they are given the opportunity to present their views or seek clarification on the progress, performance and major developments of the Company. Where it is not possible to provide immediate answers to shareholders' queries, the Board will undertake to provide the answers after the AGM.

The Notice of AGM and a Circular to Shareholders in relation to the renewal of the Company's share buy-back and recurrent related party transactions mandates, if applicable, are sent to the shareholders at least 28 days prior to the AGM in accordance to the Code, which also meets the criteria of the Listing Requirements and Companies Act 2016, which require the Notice of AGM to be sent 21 days prior to the AGM. This provides shareholders with sufficient time to fully evaluate new resolutions being proposed to make informed voting decisions at the AGM.

At the 12th AGM of the Company, to ensure transparency, the Board also shared with the shareholders the Board's responses to questions submitted in advance by the Minority Shareholder Watchdog Group. The External Auditors of the Company are also invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditor's Report.

In line with the revised Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings. Decision for each resolution and the name of the independent scrutineer will be announced to Bursa Securities on the same day.

COMPLIANCE STATEMENT

The Board is of the view that the group has in all material aspects applied with the principles and recommendations of the Code where the Board deems appropriate, in its efforts to observe high standard of transparency, accountability and integrity.

This Corporate Governance Overview Statement and CG Report were approved by the Board of Directors on 10 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required by the Companies Act 2016 (Act) to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2018, the directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- ensured that all applicable accounting standards have been followed;
- made judgments and estimates that are prudent and reasonable; and
- ensured the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Act.

In addition, the Directors have overall responsibility for taking such steps as to safeguard the assets of the Company and the Group by taking reasonable steps to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 10 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

AS AT 31 DECEMBER 2018

1. Utilization of Proceeds from Corporate Proposal

There were no proceeds raised from any corporate proposals during the financial year.

2. Audit and Non-Audit Fees

The audit and non-audit fee paid or payable to the external auditors, KPMG and its affiliates by the Company and the Group for the financial year ended 31 December 2018 are as follows:

	Group (RM'000)	Company (RM'000)
Audit fees	481.0	88.0
Non-Audit fees:		
Tax fee	71.0	10.0
Other Advisory fee	25.0	-
Others	32.0	15.0
	128.0	25.0
Total	609.0	113.0

3. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 31 December 2018 which involves the interests of the Directors and major shareholders.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

The details of RRPTs undertaken by the Group during the financial year under review are disclosed in Note 32 to the financial statements on pages 146 to 147.

AUDIT COMMITTEE REPORT

COMPOSITION AND TERMS OF REFERENCE

The Terms of Reference of the Audit Committee ("Terms of Reference") outlines and incorporates the roles and responsibilities of the Audit Committee (as prescribed under the Listing Requirement ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Malaysia Code on Corporate Governance ("the Code").

The Audit Committee ("AC" or "the Committee") comprises at least three members, all of whom are independent directors, of the Board of Directors. The members choose their chair from the Independent composition of the Committee.

The Committee members are appointed by the Board of Directors, which in its opinion would exercise independent judgment based on the structure and composition of the Committee.

The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountant or alternatively a person who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations specified in Part II of the said Schedule.

The Secretary to the Board of Directors shall also be secretary of this Committee.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee has four (4) members, all of whom are Independent and Non-Executive Directors. This is in line with the requirements of paragraphs 15.09 of the main Market Listing requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). Among the members, two (2) members of the Committee fulfil the financial expertise requirement of the Listing Requirements. All members are financially literate with sufficient financial experience and ability to assist in discharging the Board's fiduciary duties and responsibilities.

The members of the Audit Committee are as follows:

Koh Ek Chong	Chairman(Independent Non-Executive Director)
Gordon Kab @ Gudan Bin Kab	Member(Independent Non-Executive Director)
Azlan Shah Bin Jaffril	Member(Independent Non-Executive Director)
Ali Bin Adai (appointed on 23.11.18)	Member(Independent Non-Executive Director)

REPORTING LINE OF THE AUDIT COMMITTEE

The Audit Committee reports directly to the Board of Directors.

THE RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for the following:

- To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- To examine and review the adequacy and effectiveness of management and operations;
- To review the statutory accounts, quarterly results and yearend financial statements and other published information, prior to the approval by the Board of Directors, focusing particularly on-
  i. Any changes in or implementation of major accounting policies;
  ii. Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed; and
  iii. Compliance with accounting standards and other legal requirements;
- To consider the adequacy of experience, resources and any issue regarding re-appointment, resignation or dismissal of the external auditors;

AUDIT COMMITTEE REPORT

THE RESPONSIBILITIES OF THE AUDIT COMMITTEE (cont'd)

The Audit Committee is responsible for the following (cont'd):
- To monitor relationship with external auditors, to ensure that there are no restrictions on the scope of the statutory audit;
- To review the activities, findings, conclusions and recommendations of the external auditors;
- To review and monitor suitability and independence of external auditors;
- To review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- To review the internal audit plan and audit results, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;
- To consider the major findings of internal audit and the management's response;
- To approve any appointment or termination of Internal Auditor;
- To assist the internal auditors if they encounter any difficulties in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- To review arrangements established by management for compliance with regulatory and financial reporting requirements;
- To review any related party transactions and conflict of interest situations that may arise within the company or Group including any transactions, procedures or courses of conduct that may raise questions of management integrity;
- To undertake such additional assignments as may be appropriate to assist the Board in carrying out its duties;
- To review the Statement of Risk Management and Internal Control, and Audit Committee Report for publication in the Company's Annual Report; and
- To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified.

MEETINGS OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR 2018 ("FY2018")

A total of eight (8) meetings were held during FY2018 with three (3) private meetings with the external auditors, to give opportunity to the external auditors to raise any matters without the presence of the executive board members and management.

A quorum, ascertained by the presence of a majority of Independent Directors was always fulfilled. The Group Financial Officer, Group Accountant and the Head of Group Internal Audit were invited to the AC meetings to provide information in terms of financial and internal controls.

The details of attendance of each member are as follows:

Name of Directors	Attendance
Koh Ek Chong	8 / 8
Gordon Kab @ Gudan Bin Kab	8 / 8
Azlan Shah Bin Jaffril	7 / 8
Ali Bin Adai	N/A

The minutes of each AC meeting were recorded and tabled to the AC for adoption at the following quarterly AC meeting. Subsequently, all the minutes of meetings are presented to the Board for notation.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were performed by the Audit Committee during the FY2018:

Financial Reporting
- Reviewed the unaudited quarterly reports and annual financial statements of the Group and its subsidiaries with management and external auditor to ensure compliance with the generally accepted accounting principles and Financial Reporting Standards.
- Reviewed the Group's unaudited quarterly financial results and annual audited financial statements of the Company including the announcements pertaining thereto before recommending to the Board for approval and release to Bursa Securities.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

The following activities were performed by the Audit Committee during the FY2018 (cont'd):

Related Party Transactions

- Reviewed related party transactions on a quarterly basis where commercial relationship existed between each director, major shareholders and persons connected to Dayang Group and its subsidiaries, the Audit Committee and the Board would ensure that such transactions were on normal commercial terms that were not more favorable to the related parties than those generally available to the public.

Internal Audit

- Reviewed and approved the 2019 Internal Audit Plan to ensure adequate scope and coverage.
- Reviewed and monitored on the internal audit reports tabled during the year, audit recommendations made and Management's response to the issues tabled.
- Monitored the implementation of the actions suggested by the Management on outstanding issues to ensure all high and significant risk issues highlighted are properly addressed.

External Audit

- Reviewed the external auditors' scope of work and their audit plan, as well as the audit procedures to be utilized.
- Reviewed with the external auditors the results of their audit, the audit report and recommendations in respect of improvements in internal control procedures noted in the course of their audit.
- Conducted private meetings with the external auditors to raise any matters without the presence of Executive Directors and Management or employees of the company.
- Reviewed the external auditors' fees and services.

Risk Management and Internal Control

- Reviewed the Audit Committee Report and the Statement of Risk Management and Internal Control for inclusion in the Annual Report prior to Board's approval.

INTERNAL AUDIT FUNCTION

The Group has an independent in-house Internal Audit Department which reports directly to the Audit Committee. The Committee shall oversee all internal audit functions and is authorized to commission investigations to be conducted by internal audit as it deems fit. All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

During the FY2018, Group Internal Audit carried out the following activities:

- Prepared and presented the 2019 Audit Plan for review and approval by the Audit Committee;
- Conducted 8 internal audit reviews covering operational, financial and compliance audit;
- Identified and recommended process improvements to existing system of internal control in the Company;
- Prepared audit reports and requested for Management's responses on issues raised and incorporated the updates into the final reports which were then circulated to the Audit Committee;
- Presented audit reports during Audit Committee meetings;
- Followed up on findings highlighted and updated the status to the Audit Committee;
- Ascertained the extent to which the Group's assets are accounted for and safeguarded from losses; and
- Prepared the annual Statement of Risk Management and Internal Control and the Audit Committee Report before submitting to Audit Committee for approval.

The total cost incurred for the Group Internal Audit function in respect of the financial year ended 31 December 2018 amounted to approximately RM217, 500.00 comprising mainly salaries and travelling expenses.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance ("Code") sets out the principle that the Board of Directors ("Board") of a listed company should establish a sound risk management framework and internal control system to safeguard shareholders' investment and assets of the Group.

The Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26(b) of the Listing Requirement of Bursa Malaysia Securities Berhad and in accordance with the Principles and Recommendations relating to risk management and internal control provided in the Code.

BOARD RESPONSIBILITY

The Board is responsible and accountable for the Group's risk management framework and system of internal control. This responsibility and accountability includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organizational, operational and compliance controls.

The Management reports to the Risk Management Committee ("RMC") on the risk areas faced by the Group. On quarterly basis, the Group Internal Audit ('GIA") reports the findings identified from the internal audit reviews as well as the actions taken by the Management to address on those audit findings to the Audit Committee ("AC"). Minutes of the meetings of the RMC and AC were presented to the Board.

Due to the limitations inherent in any system of internal controls, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement, loss or fraud.

RISK MANAGEMENT FRAMEWORK

The RMC is charged with the responsibility to ensure the implementation of a proper and appropriate system to manage the principle risks identified by the Management. The Group has in place a Risk Management Framework to promote effective risk management and to enhance the corporate governance assurance process. The framework provides an integrated risk management structure with the establishment of the respective risk workgroups to ensure major areas of risks are controlled and coordinated.

This risk management process is applied to all levels of activity in the Group, with the objective of establishing accountability and ensuring mitigation at the source of the risk.

Types of Major Risks

Strategic risk	Operational risk	Financial risk	Information Technology risk	Human Resources risk	Compliance risk

The following risk management approach has been adopted and applied to facilitate the identification, assessment, responding, monitoring and reporting of risks within the Group:-

i. The risk workgroups which made up of Senior Managers from the major operating units established the risk profiles of the Group during the risk assessment sessions.
ii. The level of risk tolerance of the Group highlighted in the risk profiles is tabled through the use of a risk impact and likelihood matrix.
iii. Once the risk level is determined, the risk owner is required to deal with the relevant risks by adhering to the Group's risk treatment guidance on the actions to be taken and establish risk action plans to detail out activities to be carried out to mitigate the risks.
iv. Meetings were held by the risk owners to ensure the risk action plans were carried out in order to manage the risks identified.
v. The progress was reported to the RMC.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROLS SYSTEM

The key elements of the Group's internal controls system are described as below:

Clear Organisation Structure

The Group has a well-defined organizational structure that is aligned to its business and operational requirements and each strategic operating function is headed by a responsible Departmental Head. Clear lines of accountability and responsibility, approval, authorization and control procedures have been laid down and communicated throughout the Group.

Internal Audit

The role of internal audit is to validate the adequacy and effectiveness of internal controls, and to provide an independent and objective assurance to add value and improve the internal controls of the Group. The Internal Auditor assists both the Board and AC by conducting on-going reviews of risks and internal controls to ensure that key financial, operational, system and compliance controls established by the Board and Management are operating effectively. To ensure independence from Management, the Internal Auditor reports directly to the AC.

The annual audit plan is approved by the AC. The AC also monitors major internal audit issues to ensure they are promptly addressed and resolved. Significant findings and recommendations for improvements are highlighted to Management and AC. Regular follow-up audits are conducted to monitor continued compliance. For FY2018, the GIA has conducted 8 audits on operational processes according to audit plan. The results of the internal audit assessments are reported quarterly to the AC.

Strategic Business Planning, Budgeting and Reporting

The Group undertakes a comprehensive business planning and budgeting process each year, to establish goals and targets against which performance is monitored on an on-going basis. Detailed operating and capital expenditure are presented to the Board for approval prior to the commencement of a new financial year. The Group also monitors the performance of each project through periodic review of the actual project costs incurred against the respective project budgets. The performance is reported to Senior Management to ensure effective management of project costs in order to achieve the desired project profitability.

Tender Committee

The Tender Committee comprised of cross functional representatives is established to review all incoming enquiries and provide the oversight function on tendering matters prior to submission of tender proposals and approval by the relevant Approving Authorities as set out by the Letter of Award (LOA).

Policies, Procedures and Limits of Authority

Well-defined limits of authority on all financial commitments for each level of management within the Group and clearly documented internal policies, standards and procedures are in place to ensure compliance with internal controls, Regulations and Requirements and regularly updated to reflect changing risks or resolve operational deficiencies. Regular reviews are performed to ensure that documentation remains current and relevant. All policies and standards are approved by the Board and cases of non-compliance are reported to the Board by exception.

Quality Management System

Quality Management System which complies with ISO 9001:2015 Quality Management Systems Requirements is implemented in one of the Companies in the Group. Quality Assurance and Quality Control (QAQC) Department is tasked to audit the operating units to ensure compliance to the ISO standards.

Quality, Health, Safety, Security and Environment ("QHSSE")

The Corporate QHSSE Department is responsible for setting the overall direction on QHSSE implementation within the Group. It also monitors performance to ensure QHSSE risks are managed to as low as reasonably practicable.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Quality, Health, Safety, Security and Environment ("QHSSE") (cont'd)

Yearly QHSSE meeting was organized by the QHSSE Department at the beginning of year 2018, attended by key personnel represented from each operation units to communicate the FY2018 QHSSE plan. QHSSE Campaign for FY2018 with the theme "Enhance Quality, Health, Safety, Security and Environment as Our Culture" was conducted in the month of July 2018 to create the QHSSE awareness among the employees in the Company.

Information and Communication

Timely communication of relevant information such as the Group's achievement and changes with regard to corporate and organizational structure and policies and procedures, enabling the employees to focus on and perform their responsibilities effectively. Respective Heads of operating entities within the Group also participate in business dialogue programs with Senior Management to discuss on strategies and challenges faced towards achieving the business goals and objectives.

REVIEW BY THE BOARD

The Board's review the effectiveness of risk management and internal controls system based on information from:
- Senior Management within the organization responsible for the development and maintenance of the risk management framework and internal controls system; and
- The work by the internal audit function which submit reports to the Audit Committee together with the assessment of the internal controls system relating to key risks and recommendations for improvement.

The Board is satisfied that during the FY2018, the existing risk management framework and internal controls system are sound and adequate to safeguard the Group's assets at the existing level of operation of the Group. The Board recognizes that the development of risk management framework and internal controls system is an ongoing process. Therefore, in striving for continuous improvement the Board will continue to take appropriate action plans to further enhance the Group's system of risk management and internal controls system.

ASSURANCE TO THE BOARD

The Board received assurance from the Managing Director and Financial Officer that the Group's risk management and internal controls system are operating adequately and effectively, in all material aspects based on the risk management framework and internal controls system of the Group. During the financial year, the Board was not aware of any issues which would result in any material losses, deficiencies or errors arising from any inadequacy or failure of the internal controls system that would require disclosure in the Company's Annual Report. The Management will continue to take measures to strengthen the internal control environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2018, and reported to the Board of Directors that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:
(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement is made in accordance with a resolution of the Board of Directors dated 10 April 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. 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
Profit/(Loss) for the year attributable to:		
Owners of the Company	160,150	(35,582)
Non-controlling interests	(16,167)	-
	143,983	(35,582)

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.

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
Datuk Hasmi Bin Hasnan* (appointed on 1 September 2018)

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

DIRECTORS' REPORT
for the year ended 31 December 2018

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

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 01.01.2018/Date of appointment	Bought	Sold	At 31.12.2018
Interests in the Company				
Ali Bin Adai - own	1,000	-	-	1,000
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin - own	65,917,675	-	-	65,916,675
Datuk Ling Suk Kiong - own	77,279,130	1,968,600	(5,993,400)	73,254,330
- 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
Datuk Hasmi Bin Hasnan	960,937	-	-	960,937
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
Datuk Hasmi Bin Hasnan	254,921,952	-	-	254,921,952
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	-	-	23,338,297
- 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
Datuk Hasmi Bin Hasnan	290,202	-	-	290,202
Deemed interest in Perdana Petroleum Berhad:				
Datuk Hasmi Bin Hasnan	76,986,429	-	-	76,986,429

DIRECTORS' REPORT

for the year ended 31 December 2018

DIRECTORS' INTEREST IN SHARES (cont'd)

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 32 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

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.

DIRECTORS' REPORT
for the year ended 31 December 2018

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, the financial performance of the Group and of the Company for the year ended 31 December 2018 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 33 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 22 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: 10 April 2019

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	1,442,096	1,510,658	2	3
Prepaid lease payments	4	9,386	9,755	-	-
Intangible asset	5	-	12,490	-	-
Investment in subsidiaries	6	-	-	1,212,807	1,212,807
Deposits	7	46,043	45,291	-	-
Goodwill	8	653,627	653,627	-	-
Deferred tax asset	9	25,559	23,236	-	-
Derivative asset	10	78	233	-	-
Total non-current assets		2,176,789	2,255,290	1,212,809	1,212,810
Inventories	11	7,285	6,056	-	-
Contract assets	12	150,008	96,111	-	-
Trade and other receivables	13	124,606	102,201	13,062	23,105
Other investments	14	1,490	1,543	1,490	1,543
Deposits and prepayments	15	10,810	13,627	4,075	2,873
Current tax assets		4,375	7,485	195	-
Cash and cash equivalents	16	221,779	222,307	17,955	26,855
Total current assets		520,353	449,330	36,777	54,376
Total assets		2,697,142	2,704,620	1,249,586	1,267,186
Equity					
Share capital	17	672,988	672,988	672,988	672,988
Retained earnings/(Accumulated losses)	17	393,155	233,005	(71,924)	(36,342)
Other reserve	17	57,415	53,847	-	-
Total equity attributable to owners of the Company		1,123,558	959,840	601,064	636,646
Non-controlling interest	6	176,251	190,087	-	-
Total equity		1,299,809	1,149,927	601,064	636,646
Liabilities					
Loans and borrowings	18	24,428	149,474	-	-
Deferred tax liabilities	9	73,776	70,935	-	-
Total non-current liabilities		98,204	220,409	-	-
Loans and borrowings	18	1,064,752	1,131,274	218,891	267,291
Trade and other payables	19	205,514	195,448	429,631	362,890
Current tax liabilities		28,863	7,562	-	359
Total current liabilities		1,299,129	1,334,284	648,522	630,540
Total liabilities		1,397,333	1,554,693	648,522	630,540
Total equity and liabilities		2,697,142	2,704,620	1,249,586	1,267,186

The notes on pages 74 to 154 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	20	938,758	694,989	4,200	499,910
Cost of services		(556,277)	(482,607)	(1,388)	(1,235)
Gross profit		382,481	212,382	2,812	498,675
Other income	21	22,464	1,404	53	49
Administrative expenses		(99,217)	(95,482)	(2,834)	(6,018)
Other expenses	21	(20,867)	(100,481)	-	-
Results from operating activities	22	284,861	17,823	31	492,706
Finance income	23	4,917	8,377	506	1,454
Finance costs	23	(77,640)	(92,702)	(35,631)	(36,985)
Net finance costs		(72,723)	(84,325)	(35,125)	(35,531)
Profit/(Loss) before tax		212,138	(66,502)	(35,094)	457,175
Taxation	24	(68,155)	(86,680)	(488)	(941)
Profit/(Loss) for the year		143,983	(153,182)	(35,582)	456,234
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		6,054	(62,879)	-	-
Cash flow hedge		(155)	43	-	-
Other comprehensive income/(expense) for the year		5,899	(62,836)	-	-
Total comprehensive income/(expense) for the year		149,882	(216,018)	(35,582)	456,234
Profit/(Loss) for the year attributable to:					
Owners of the Company		160,150	(144,891)	(35,582)	456,234
Non-controlling interest	6	(16,167)	(8,291)	-	-
Profit/(Loss) for the year		143,983	(153,182)	(35,582)	456,234
Total comprehensive income/(expense) for the year attributable to:					
Owners of the Company		163,718	(205,314)	(35,582)	456,234
Non-controlling interest		(13,836)	(10,704)	-	-
Total comprehensive income/(expense) for the year		149,882	(216,018)	(35,582)	456,234
Basic and diluted earnings/(loss) per share (sen)	26	16.60	(15.46)		

The notes on pages 74 to 154 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Group	Attributable to owners of the Company						
	Non-distributable			Distributable			
	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 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 2017	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
At 1 January 2018	672,988	-	53,847	233,005	959,840	190,087	1,149,927
Profit for the year	-	-	-	160,150	160,150	(16,167)	143,983
Foreign currency translation differences for foreign operations	-	-	3,662	-	3,662	2,392	6,054
Cash flow hedge	-	-	(94)	-	(94)	(61)	(155)
Total comprehensive income for the year	-	-	3,568	160,150	163,718	(13,836)	149,882
At 31 December 2018	672,988	-	57,415	393,155	1,123,558	176,251	1,299,809
	(Note 17)	(Note 17)	(Note 17)				

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Company	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
At 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 2017/1 January 2018	672,988	-	(36,342)	636,646
Loss/Total comprehensive expense for the year	-	-	(35,582)	(35,582)
At 31 December 2018	672,988	-	(71,924)	601,064
	(Note 17)	(Note 17)		

The notes on pages 74 to 154 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		212,138	(66,502)	(35,094)	457,175
Adjustments for:					
Amortisation of prepaid lease payments	4	369	368	-	-
Amortisation of intangible asset	5	12,490	13,273	-	-
Change in fair value of other investments		53	(48)	(53)	(48)
Depreciation of property, plant and equipment	3	112,966	125,162	1	1
Impairment loss on property, plant and equipment	3	1,660	32,960	-	-
Impairment loss on receivables		297	1,443	-	-
Dividend income		-	-	-	(495,710)
Gain on disposal of property, plant and equipment		-	(517)	-	-
Finance costs	23	77,640	92,702	35,631	36,985
Finance income	23	(4,917)	(8,377)	(506)	(1,454)
Property, plant and equipment written off		42	1,745	-	-
Property, plant and equipment expensed off		1,590	-	-	-
Unrealised foreign exchange losses	22	5,828	51,903	-	-
Operating profit/(loss) before changes in working capital		420,156	244,112	(21)	(3,051)
Changes in working capital:					
Inventories		(1,229)	(1,031)	-	-
Contract assets		(53,896)	27,254	-	-
Trade and other payables		1,647	(36,803)	(3,364)	(1,657)
Trade and other receivables deposits and prepayments		(18,533)	20,671	8,841	899
Cash generated from/(used in) operations		348,145	254,203	5,456	(3,809)
Income tax paid		(42,983)	(39,993)	(1,042)	(471)
Interest received		4,917	7,231	506	1,454
Net cash from/(used in) operating activities		310,079	221,441	4,920	(2,826)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(26,758)	(14,333)	-	-
Proceeds from disposal of property, plant and equipment		-	12,960	-	-
Proceed from disposal of other investment		-	-	106	-
Upliftment of pledged fixed deposits		49,612	2,233	-	-
Net cash from investing activities		22,854	860	106	-

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Cash flows from financing activities					
Advances from a subsidiary		-	-	70,105	284,030
Gross proceeds from private placement		-	89,113	-	89,113
Share issue expenses		-	(1,361)	-	(1,361)
Net repayment of borrowings	18	(224,644)	(344,131)	(48,400)	(362,100)
Term loan interest paid		(50,785)	(53,322)	(35,631)	(36,985)
Profit payments arising from sukuk		(23,824)	(27,967)	-	-
Net cash used in financing activities		(299,253)	(337,668)	(13,926)	(27,303)
Net increase/(decrease) in cash and cash equivalents		33,680	(115,367)	(8,900)	(30,129)
Effect of exchange rate movements		(3,975)	45,824	-	-
Cash and cash equivalents at 1 January		164,902	234,445	26,855	56,984
Cash and cash equivalents at 31 December	(i)	194,607	164,902	17,955	26,855

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:

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits placed with licensed banks	16	185,367	183,729	16,371	23,982
Cash in hand and at banks	16	36,412	38,578	1,584	2,873
Overdraft	18	(21,089)	(1,710)	-	-
Sub-total		200,690	220,597	17,955	26,855
Less: Deposits pledged as security		(6,083)	(55,695)	-	-
Cash and cash equivalents		194,607	164,902	17,955	26,855

The notes on pages 74 to 154 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 2018 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 10 April 2019.

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 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 2015-2018 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2018 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2018 Cycle)*	1 January 2019
Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2018 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
Definition of a Business (Amendments to MFRS 3 *Business Combinations*)	1 January 2020
Definition of Material (Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates And Errors*)	1 January 2020
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

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The Group and the Company plan to apply:

- 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.
- from the annual period beginning on 1 January 2020, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do 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 above 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:

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*.

MFRS 16 introduces a single, on balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance and operating 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 current liabilities of the Group and the Company exceeded their current assets by RM778,775,757 and RM611,745,253 respectively as at the end of the financial year. In addition, the Group and the Company have significant borrowings amounted to RM1,089,179,952 and RM218,891,000 respectively as at the end of the reporting period (see Note 18 to the financial statements). This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations as and when they fall due.

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

On 2 July 2018, Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia has granted approval on the subsidiary of the Group's application for assistance to mediate between the said subsidiary and some of its subsidiaries ("Applicant Companies") and their lenders. This debt restructuring exercise is consistent with the Group's strategy to streamline its operations and optimise its financial resources to focus on and proactively enhance its offshore marine support services segment. It is a follow-on from the Group's previous successful cost rationalisation initiative which has had a positive impact on the Group's financials.

CDRC, which is under the purview of Bank Negara Malaysia, will mediate between the Applicant Companies and their respective lenders to renegotiate their respective financing facilities that can be sustained in the face of this challenging period for the oil and gas industry. As at the date of these financial statements were authorised for issue, the debt restructuring exercise is ongoing and is expected to be completed in the financial year ending 31 December 2019 (see Notes 18.4 and 33.3 to the financial statements).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (cont'd)

(b) Basis of measurement (cont'd)

The Directors are also positive on the development in the oil and gas industry as evident in the turnaround during the year and is confident with the continuing profitability of the Group.

The Group and the Company is planning corporate exercises to raise funds via right issues and private placement.

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.

(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.

Arising from the adoption of MFRS 15, *Revenue from contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 34.

2. Significant accounting policies (cont'd)

(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
- 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(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

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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 policy applicable to the nature of the host contract.

Previous financial year

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Recognition and initial measurement (cont'd)

Previous financial year (cont'd)

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Financial liabilities are subsequently measured at amortised cost.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(k)(i)] where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt instruments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Current financial year (cont'd)

(b) Fair value through other comprehensive income (cont'd)

(i) Debt instruments (cont'd)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(k)(i)] where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment [see Note 2(k)(i)].

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Previous financial year (cont'd)

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows (cont'd):

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

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

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

(b) Held-to-maturity

Held-to-maturity investments category comprised debt instruments that were quoted in active market and the Group or the Company had the positive intention and ability to hold them to maturity.

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

(c) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(d) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

***Financial liabilities* (cont'd)**

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

Financial liabilities categorised as fair value through profit or loss were 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 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iv) Regular way purchase or sale of financial assets (cont'd)

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

Current financial year

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 on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

(a) Fair value hedge (cont'd)

Previous financial year

In the previous financial year, 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 was 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 was 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 was recognised in profit or loss. Fair value hedge accounting was discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge was no longer highly effective or the hedge designation was revoked.

(b) Cash flow hedge

Current financial year

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, 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 accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

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 immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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 hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

(b) Cash flow hedge (cont'd)

Current financial year (cont'd)

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

(c) 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 part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

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(n)]. 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.

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

2. Significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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(p).

(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 or for capital appreciation 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.

2. Significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(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.

(g) Contract asset/Contract liability

A contract asset is recognised when the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* [see Note 2(k)(i)].

A contract liability is stated at cost and represents the obligation of the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) Contract cost

(i) Incremental cost of obtaining a contract

The Company recognises incremental costs of obtaining contracts when the Company expects to recover these costs.

(ii) Costs to fulfil a contract

The Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(i) 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.

2. Significant accounting policies (cont'd)

(j) 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.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was 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.

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 and intangible assets that have indefinite useful lives or that are not yet available for use, 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.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

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 to reduce the carrying amount of the assets in the cash-generating unit (or groups of cash-generating units) on a pro rata basis.

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.

(l) 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.

(m) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. Significant accounting policies (cont'd)

(m) Revenue and other income (cont'd)

(i) Revenue (cont'd)

The Group transfers control of a service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

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

(iii) 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.

(iv) 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.

(n) 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.

(o) 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.

2. Significant accounting policies (cont'd)

(o) Income tax (cont'd)

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 the unutilised tax incentive can be utilised.

(p) 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.

(q) 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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont'd)

(s) 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.

(t) 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.

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.

(u) 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.

2. Significant accounting policies (cont'd)

(u) Fair value measurements (cont'd)

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.

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 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 2017/1 January 2018	17,234	40,919	1,785,555	17,011	118,736	16,331	1,995,786
Additions	-	-	14,540	3,227	7,997	311	26,075
Disposals	-	-	-	-	-	-	-
Write off	-	-	-	(2,074)	(17,790)	(1,416)	(21,280)
Reclassification	-	-	-	-	(106)	106	-
Effect of movements in exchange rate	-	-	29,564	-	-	-	29,564
At 31 December 2018	17,234	40,919	1,829,659	18,164	108,837	15,332	2,030,145

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 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 January 2018	1,995,786	6,515	10,071	15	1,085	1,589	2,015,061
Additions	26,075	333	-	-	82	268	26,758
Expensed off	-	-	-	-	-	(1,590)	(1,590)
Write off	(21,280)	(1,097)	(76)	-	-	-	(22,453)
Reclassification	-	-	-	-	-	-	-
Effect of movements in exchange rate	29,564	-	-	-	-	-	29,564
At 31 December 2018	2,030,145	5,751	9,995	15	1,167	267	2,047,340

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 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 22)	21	2,064	99,155	1,494	18,612	1,430	122,776
Impairment loss (Note 22)	-	-	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
At 1 January 2018							
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
Depreciation for the year (Note 22)	21	2,064	90,193	1,816	15,528	1,418	111,040
Impairment loss	-	-	1,660	-	-	-	1,660
Write off	-	-	-	(2,073)	(17,751)	(1,415)	(21,239)
Reclassification	-	-	-	-	(50)	50	-
Effect of movements in exchange rate	-	-	8,627	-	-	-	8,627
At 31 December 2018							
Accumulated depreciation	120	8,196	456,912	7,608	98,702	9,236	580,774
Accumulated impairment loss	-	-	9,299	-	-	-	9,299
	120	8,196	466,211	7,608	98,702	9,236	590,073

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 22)	122,776	769	1,311	5	301	-	125,162
Impairment loss (Note 22)	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
At 1 January 2018							
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
Depreciation for the year (Note 22)	111,040	568	1,200	3	155	-	112,966
Impairment loss	1,660	-	-	-	-	-	1,660
Write off	(21,239)	(1,097)	(76)	-	-	-	(22,412)
Reclassification	-	-	-	-	-	-	-
Effect of movements in-exchange rate	8,627	-	-	-	-	-	8,627
At 31 December 2018							
Accumulated depreciation	580,774	5,005	9,188	15	963	-	595,945
Accumulated impairment loss	9,299	-	-	-	-	-	9,299
	590,073	5,005	9,188	15	963	-	605,244

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 2017	17,135	34,787	1,419,824	9,146	17,761	7,148	1,505,801
At 31 December 2018	17,114	32,723	1,363,448	10,556	10,135	6,096	1,440,072

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 2017	1,505,801	981	2,007	3	277	1,589	1,510,658
At 31 December 2018	1,440,072	746	807	-	204	267	1,442,096

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

Company	Note	Furniture and fittings RM'000
Cost		
At 1 January 2017, 31 December 2017/1 January 2018 and 31 December 2018		19
Accumulated depreciation		
At 1 January 2017		15
Depreciation for the year	22	1
At 31 December 2017/1 January 2018		16
Depreciation for the year	22	1
At 31 December 2018		17
Carrying amount		
At 31 December 2017		3
At 31 December 2018		2

3.1 Leasehold land

The lease terms 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 (2017: Two) marine vessels with a total carrying amount of RM137 million (2017: RM144 million) are under finance lease liabilities.

3.3 Security

Twenty-two (2017: Twenty-two) marine vessels with a total carrying amount of RM1,154 million (2017: RM1,213 million) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Notes 18.1(c) and 18.3).

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 (including dry docking expenditure) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Following the assessment, the Group recognised impairment losses of RM1.7 million (2017: RM33.0 million) (see Note 21) on one (2017: one) vessel in the profit or loss, as the estimated recoverable amounts of the vessels is lower than its carrying amounts.

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 RM6.0 million (2017: RM4.0 million).
- A 5% decrease in average utilisation rate used would have increased the impairment loss by RM13.6 million (2017: RM7.0 million).

4. Prepaid lease payments - Group

	Note	Leasehold land (unexpired term less than 50 years) RM'000
Cost		
At 1 January 2017, 31 December 2017/1 January 2018 and 31 December 2018		11,779
Amortisation		
At 1 January 2017		1,656
Amortisation for the year	22	368
At 31 December 2017/1 January 2018		2,024
Amortisation for the year	22	369
At 31 December 2018		2,393
Carrying amount		
At 31 December 2017		9,755
At 31 December 2018		9,386

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

5. Intangible asset - Group

	Note	Charter contracts RM'000
Cost		
At 1 January 2017, 31 December 2017/1 January 2018 and 31 December 2018		50,105
Amortisation		
At 1 January 2017		24,342
Amortisation for the year	22	13,273
At 31 December 2017/1 January 2018		37,615
Amortisation for the year	22	12,490
At 31 December 2018		50,105
Carrying amount		
At 31 December 2017		12,490
At 31 December 2018		-

5.1 The intangible asset arose from the existing charter contracts between Perdana Petroleum Berhad and its customers, which are expired 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 is estimated using value-in-use calculations based on key assumptions disclosed in Note 8.

6. Investment in subsidiaries - Company

	Note	2018 RM'000	2017 RM'000
At 1 January		1,212,807	1,170,052
Subscription of shares	6.1	-	495,710
Dividend-in-specie	6.2	-	(452,955)
		1,212,807	1,212,807

NOTES TO THE FINANCIAL STATEMENTS

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

6.1 Subscription of shares

On 7 August 2017, the Company subscribed to the following shares (see Note 20):

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.

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 in previous financial 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 2018 %	2017 %
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

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

Details of the subsidiaries are as follows (cont'd):

Name of company	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Direct subsidiaries (cont'd)				
Fortune Triumph Sdn. Bhd. ("FTSB")	Equipment hire	Malaysia	100	100
Perdana Petroleum Berhad ("PPB")	Investment holding	Malaysia	60.48	60.48
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 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 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 Marine Offshore Pte. Ltd.^^	Dormant	The Republic of Singapore	100	100
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.*

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

Non-controlling interest in a subsidiary

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

2018	Perdana Petroleum Berhad RM'000
NCI percentage of ownership interest and voting interest	39.52%
Carrying amount of NCI	176,251
Loss allocated to NCI	16,167

Summarised financial information before intra-group elimination

2018	Perdana Petroleum Berhad RM'000
As at 31 December	
Non-current assets	1,279,723
Current assets	95,209
Non-current liabilities	(360,028)
Current liabilities	(554,063)
Net assets	460,841
Year ended 31 December	
Revenue	189,653
Loss for the year	(40,910)
Total comprehensive expense	(33,778)
Cash flows from operating activities	76,610
Cash flows from investing activities	36,967
Cash flows used in financing activities	(95,343)
Net increase in cash and cash equivalents	18,234

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)

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

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

Summarised financial information before intra-group elimination (cont'd)

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)

7. Deposits

		Group	
	Note	2018 RM'000	2017 RM'000
Refundable deposits	(a)	46,043	44,072
Deposits in retention account	(b)	-	1,219
		46,043	45,291

(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 subsisting at 31 December 2017 represented a cash amount of USD300,000 placed with a financier and be released upon the settlement of the loan owed to the financier. During the year, the Group received a letter from the financier to set-off the said deposit against part of the outstanding loan.

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018 RM'000	**2017 RM'000**
Marine offshore support services		
At 1 January 2018 and 31 December 2018	653,627	653,627

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 projection was based on the following key assumptions:

- Average marine vessels utilisation rate ranging from 23% to 100% (2017: 25% - 100%);
- Average daily charter rate ranging from RM5,950 to RM82,143 (2017: RM6,300 to RM82,400);
- Daily operating costs ranging from RM800 to RM16,500 (2017: RM2,900 to RM14,500);
- Growth rate of 5% (2017: 5%) in both daily charter rate and costs for every five years;
- Salvage value based on market value of scrap steel plates @ USD550 (2017: USD550) per tonne multiplied by the lightweight of the vessels;
- Pre-tax discount rate of 10% (2017: 10%); and
- New capital expenditures based on financial budgets using similar key assumptions as stated above.

8. Goodwill – Group (cont'd)

Value in use calculations (cont'd)

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 (2017: 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 RM337 million (2017: RM0.1 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 reduction in recoverable amount by RM175,397,753, without any impairment.

- Reduction in the utilisation rates of each individual asset by 5% to 30% would have resulted in a reduction in recoverable amount by RM80,730,464, without any impairment.

9. Deferred taxation

Recognised deferred tax assets/(liabilities)

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

Group	Assets 2018 RM'000	Assets 2017 RM'000	Liabilities 2018 RM'000	Liabilities 2017 RM'000	Net 2018 RM'000	Net 2017 RM'000
Property, plant and equipment	-	95	(76,044)	(74,537)	(76,044)	(74,442)
Capital allowances carried forward	13,844	17,927	-	-	13,844	17,927
Tax losses carried forward	11,370	10,583	-	-	11,370	10,583
Trade and other payables	2,613	2,813	-	-	2,613	2,813
Intangible assets	-	-	-	(4,580)	-	(4,580)
Tax assets/(liabilities)	27,827	31,418	(76,044)	(79,117)	(48,217)	(47,699)
Set-off of tax	(2,268)	(8,182)	2,268	8,182	-	-
Net tax assets/(liabilities)	25,559	23,236	(73,776)	(70,935)	(48,217)	(47,699)

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

Group	At 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018 RM'000
Property, plant and equipment	(16,827)	(57,615)	(74,442)	(1,602)	(76,044)
Capital allowances carried forward	13,663	4,264	17,927	(4,083)	13,844
Tax losses carried forward	3,329	7,254	10,583	787	11,370
Trade and other payables	2,068	745	2,813	(200)	2,613
Intangible assets	(6,183)	1,603	(4,580)	4,580	-
	(3,950)	(43,749)	(47,699)	(518)	(48,217)
		(Note 24)		(Note 24)	

9. Deferred taxation (cont'd)

In the current financial year, a subsidiary of the Group has recognised additional deferred tax assets of RM2.3 million (2017: RM8.1 million), and cumulatively RM25.5 million (2017: RM23.2 million), as future taxable profits will be available against which the deferred tax assets can be utilised. The management has applied the following key assumptions in arriving at the projected future taxable profits:

(i) Revenue based on average utilisation rate ranging from 67% to 80% (2017: average utilisation rate of 76% for year 2018 and increase by 5% in every subsequent years).
(ii) Vessel operating costs for 2019 based on actual costs incurred for 2018 with an increase of 2% in every subsequent year;
(iii) Charter hire costs from other subsidiaries of the Group based actual costs incurred with a decrease of 2% in every subsequent year; and
(iv) Administrative expenses based on actual costs incurred for 2018 (2017: 5% increased annually).

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	
	2018 RM'000	2017 RM'000
Unutilised capital allowances	345	345
Unabsorbed tax losses	7,435	7,435
	7,780	7,780

The remaining deferred tax assets available to the Group of RM1.8 million (2017: 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.

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2019, unabsorbed business losses from a year of assessment can only be carried forward up to 7 consecutive year of assessment. Unutilised capital allowances attributable to group entities incorporated in Malaysia do not expire under the current tax legislation. In the case of a dormant company, such allowances and losses will not be available to the affected group entities if there has been a change of 50% or more in the shareholdings thereof.

10. Derivative asset - Group

	Contractual/ Notional amount		Assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Derivative used for hedging				
Interest rate swap	24,846	32,512	78	233

NOTES TO THE FINANCIAL STATEMENTS

10. Derivative asset - Group (cont'd)

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.

11. Inventories - Group

	2018 RM'000	2017 RM'000
Materials and consumables - at cost	7,285	6,056
Recognised in profit or loss:		
Inventories recognised as part of cost of services	15,091	17,271

12. Contract assets - Group

	2018 RM'000	2017 RM'000 Restated
Contract assets	150,008	96,111

The contract assets primarily related to the Group's rights to consideration for work performed on topside maintenance contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 30 days from invoice date.

12.1 Impairment assessment on contract assets

Credit risks on contract assets arose from topside maintenance projects undertaken by the Group. As at the end of the reporting period, the maximum exposure to credit risk arising from contract assets is represented by the carrying amount in the statements of financial position. Management has taken reasonable steps to ensure the contract assets are not credit impaired.

For topside maintenance contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information and external credit rating, where applicable. All of these customers have low risk of default.

12.2 Significant changes in contract assets during the year are as follows:

	2018 RM'000	2017 RM'000
Contract assets at beginning of the period transferred to trade receivables	94,750	123,365

13. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade receivables		122,494	96,584	-	-
Allowance for impairment losses	22	(297)	-	-	-
		122,197	96,584	-	-
Non-trade					
Amount due from subsidiaries	13.1	-	-	12,984	22,988
Other receivables		3,852	7,060	78	117
Allowance for impairment losses	22	(1,443)	(1,443)	-	-
		2,409	5,617	78	117
		2,409	5,617	13,062	23,105
Total		124,606	102,201	13,062	23,105

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

13.2 Assessment of impairment losses on receivables

The main collectability risk of trade and other receivables is customer insolvencies. Management determines allowance for impairment losses of doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, sales level, financial standing and the age of debts. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

14. Other investments - Group and Company

	Unit Trust in Malaysia RM'000
2018	
Financial assets at fair value through profit or loss	1,490
2017	
Financial assets at fair value through profit or loss	1,543

15. Deposits and prepayments

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits	15.1	3,924	4,155	184	184
Prepayments	15.2	6,886	9,472	3,891	2,689
		10,810	13,627	4,075	2,873

NOTES TO THE FINANCIAL STATEMENTS

15. Deposits and prepayments (cont'd)

15.1 Included in the Group's deposits is placement of fund of USD293,000 (2017: USD507,000) 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.

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

16. Cash and cash equivalents

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	185,367	183,729	16,371	23,982
Cash on hand and at banks	36,412	38,578	1,584	2,873
	221,779	222,307	17,955	26,855

Included in the deposits placed with licensed banks of the Group is RM6.1 million (2017: RM55.7 million) of deposits pledged for loans granted to certain subsidiaries. The Group may withdraw the pledged deposits upon settlement of the respective loans.

17. Capital and reserves

17.1 Share capital

	2018		2017	
Group and Company	**Amount RM'000**	**Number of shares**	**Amount RM'000**	**Number of shares**
Ordinary shares of				
Issued and fully paid:				
Opening balances	672,988	964,809,835	438,550	877,099,935
Transfer from share premium in accordance with Section 618(2) of the Companies Act [Note (i)]	-	-	146,686	-
Issued for cash under privateplacement [Note (iii)]	-	-	89,113	87,709,900
Share issue expense	-	-	(1,361)	-
	-	-	87,752	87,709,900
	672,988	964,809,835	672,988	964,809,835
	[Note (ii)]			

Notes

(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 2017 on or before 30 January 2019 (24 months from commencement of section 74).

(iii) 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.

17. Capital and reserves (cont'd)

17.1 Share capital (cont'd)

Notes (cont'd)

(iv) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable:-				
Other reserves [Note 17.2]	57,415	53,847	-	-
Distributable:-				
Retained earnings/(Accumulated losses)	393,155	233,005	(71,924)	(36,342)
	450,570	286,852	(71,924)	(36,342)

17.2 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.

18. Loans and borrowings

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Term loans		24,428	35,948	-	-
Finance lease liabilities	18.5	-	113,526	-	-
		24,428	149,474	-	-
Current					
Sukuk	18.1	438,528	518,797	-	-
Term loans		288,422	351,643	208,891	257,291
Finance lease liabilities	18.5	124,713	13,124	-	-
Overdraft		21,089	1,710	-	-
Revolving credits		192,000	246,000	10,000	10,000
		1,064,752	1,131,274	218,891	267,291
Total		1,089,180	1,280,748	218,891	267,291

18. Loans and borrowings (cont'd)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2018 RM'000
Sukuk	597,384	(90,000)	-	11,413	518,797	(90,000)	-	9,730	438,527
Secured term loans	819,484	(419,888)	(12,005)	-	387,591	(76,309)	10,664	(9,095)	312,851
Finance lease liabilities	153,347	(12,243)	-	(14,454)	126,650	(4,335)	-	2,398	124,713
Revolving credits	68,000	178,000	-	-	246,000	(54,000)	-	-	192,000
Total liabilities from financing activities	1,638,215	(344,131)	(12,005)	(3,041)	1,279,038	(224,644)	10,664	3,033	1,068,091

Company	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	At 31.12.2018 RM'000
Term loan	629,391	(372,100)	257,291	(48,400)	208,891
Revolving credits	-	10,000	10,000	-	10,000
Advances from a subsidiary (Note 19)	72,925	284,030	356,955	70,105	427,060
	702,316	(78,070)	624,246	21,705	645,951

18.1 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.

18. Loans and borrowings (cont'd)

18.1 Sukuk Murabahah (cont'd)

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:

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.

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and borrowings (cont'd)

18.1 Sukuk Murabahah (cont'd)

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) [2017: eleven (11)] 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) [2017: eleven (11)] vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) [2017: eleven (11)] vessels; and
(v) a charge over the eleven (11) [2017: eleven (11)] 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.

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.

18.2 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.

18. Loans and borrowings (cont'd)

18.3 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).

18.4 Significant covenants on loans and borrowings

In addition to loan covenants mentioned in 18.1, the Group is also subject to the following significant loan covenants on loans and borrowings:
(i) book equity not less than USD40 million;
(ii) debt service coverage ratio of at least 1.25 times;
(iii) debt to net worth ratio of not greater than 3 times;
(iv) tangible net worth equal to or more than RM500 million; and
(v) unencumbered cash not less than USD7 million or the equivalent in any other currency.

As at the reporting date, the Group and the Company have breached certain covenants of three and one (2017: four and one) term loans respectively. As a result, the non-current portions of these term loans of RM179 million and RM160 million (2017: RM243 million and RM209 million) for the Group and the Company respectively have been reclassified to current liabilities as at the reporting date. The Group has not obtained any waiver letters from the lenders for the breach of covenants as at the reporting date. In addition, during the year, the Group received notices of default for breach of covenants and non-payments to a lender of a term loan. As at the end of reporting period, the balance owing to this lender was RM16.8 million and have been classified as current in view that the balance owing is also due for full repayment within 12 months from the end of the reporting period. Notwithstanding which, the lender has been in negotiations with the Group to sell out its loan to a third party. A party interested in taking over the loan has been identified and the principal terms of the take over have been agreed among all parties concerned. The take over of the loan by the third party is expected to be completed by May 2019.

The non-current portion of the Sukuk of RM356 million (2017: RM439 million) has also been reclassified to current liabilities due to breach of certain terms and taking into consideration a potential early redemption of the total outstanding amount stemming from the debt restructuring exercise under CDRC.

Effective 2 July 2018, upon the issuance of the Standstill Letter by CDRC (Note 33.3), the Group has not made any principal and interest repayments that has fallen due up to 31 December 2018, for all loans and borrowings except for Sukuk. However, any interest due but not yet paid, has been accrued for as at the current reporting date.

18.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	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	137,091	12,378	124,713	22,343	9,219	13,124
Between one and five years	-	-	-	119,927	6,401	113,526
	137,091	12,378	124,713	142,270	15,620	126,650

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and other payables

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		116,600	103,690	-	-
Trade accruals		46,398	43,950	-	-
		162,998	147,640	-	-
Non-trade					
Other payables		8,720	4,856	201	323
Accrued expenses		33,796	42,952	2,370	5,612
Amount due to a subsidiary	19.1	-	-	427,060	356,955
		42,516	47,808	429,631	362,890
Total		205,514	195,448	429,631	362,890

19.1 Amount due to a subsidiary is unsecured, subject to interest at 5.66% (2017: 5% p.a.) per annum and repayable on demand.

20. Revenue

	2018 RM'000	2017 RM'000
Group		
Revenue from contracts with customers	938,758	694,989
Company		
Revenue from contracts with customers	4,200	4,200
Dividend income	-	495,710
	4,200	499,910

20. Revenue (cont'd)

20.1 Disaggregation of revenue from contracts with customers

Group	Service lines: Topside maintenance services 2018 RM'000	Topside maintenance services 2017 RM'000	Marine offshore support services 2018 RM'000	Marine offshore support services 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
Type of contracts						
Lump sum	596,043	317,783	-	-	596,043	317,783
Schedule of rates	98,943	113,055	-	-	98,943	113,055
Chartering of vessels	-	60,194	119,191	97,535	119,191	157,729
Rental	56,692	57,758	-	-	56,692	57,758
Cost plus	67,889	48,664	-	-	67,889	48,664
	819,567	597,454	119,191	97,535	938,758	694,989
Geographical market						
Malaysia	819,567	597,454	119,191	97,535	938,758	694,989
Timing and recognition						
At a point in time	67,889	48,634	-	-	67,889	48,634
Over time	751,678	548,820	119,191	97,535	870,869	646,355
	819,567	597,454	119,191	97,535	938,758	694,989

Company	2018 RM'000	2017 RM'000
Major service line		
Provision of management services	4,200	4,200
Geographical market		
Malaysia	4,200	4,200
Timing and recognition		
At a point in time	4,200	4,200
Revenue from contract with customers	4,200	4,200
Other revenue	-	495,710
	4,200	499,910

20. Revenue (cont'd)

20.2 Nature of services

The following information reflects the typical transactions of the Group:

Type of contracts	Timing of recognition or method used to recognise revenue	Significant payment terms
Lump sum	Revenue is recognised overtime using the cost incurred method.	Credit periods of 30 days from invoice date.
Schedule of rates	Revenue is recognised overtime using the cost incurred method.	Credit periods of 30 days from invoice date.
Chartering of vessels	Revenue is recognised overtime as and when the charter hire services are performed using the cost incurred method.	Credit periods of 30 to 45 days from invoice date.
Rental	Revenue is recognised overtime as and when the equipment hiring services are performed using the cost incurred method.	Credit periods of 30 days from invoice date.
Cost plus	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises.	Credit periods of 30 days from invoice date.

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	2019 RM'000	Total RM'000
Topside maintenance services	133,897	133,897

The Group applies exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

21. Other income/(expenses) - Group

	2018 RM'000	2017 RM'000
Other income		
Gain on foreign exchange	17,305	-
Gain on disposal of property, plant and equipment	-	517
Others	5,159	887
	22,464	1,404

21. Other income/(expenses) - Group (cont'd)

	2018 RM'000	2017 RM'000
Other expenses		
Amortisation of intangible assets	12,490	13,273
Loss on foreign exchange	5,828	51,903
Allowance of impairment loss on property, plant and equipment (Note 3.4)	1,660	32,960
Allowance of impairment loss on receivables	297	1,443
Others	592	902
	20,867	100,481

22. Results from operating activities

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Results from operating activities is arrived at after charging:					
Auditors' remuneration:					
Audit fees					
- KPMG PLT		481	443	88	85
- others		5	6	-	-
Non-audit fees					
- KPMG PLT		25	65	-	50
- Affiliates of KPMG PLT		71	174	10	10
Material expenses/(income)					
Amortisation of intangible assets	5	12,490	13,273	-	-
Amortisation of prepaid lease payments	4	369	368	-	-
Depreciation of property, plant and equipment	3	112,966	125,162	1	1
Impairment loss on property, plant and equipment	3	1,660	32,960	-	-
Impairment loss on receivables	13	297	1,443	-	-
Net loss on foreign exchange					
- realised		-	138	-	-
- unrealised		5,828	51,903	-	-
Personnel expenses (including key management personnel):					
- contributions to the Employees Provident Fund		12,038	10,551	106	81
- wages, salaries and others		227,716	188,964	904	693
Property, plant and equipment written off		42	1,745	-	-
Rental of premises		33,781	3,182	-	-
Rental of equipment and marine vessels		48,073	40,944		-
Dividend income from subsidiaries		-	-	-	(495,710)
Gain on disposal of property, plant and equipment		-	(517)	-	-
Net gain on foreign exchange:					
- unrealised		(17,305)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. Finance (costs)/income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recognised in profit or loss				
Interest expense of financial liabilities:				
- loans	(44,783)	(53,967)	(14,096)	(28,249)
- amount due to a subsidiary	-	-	(21,535)	(8,736)
Islamic bond:				
- profit payments arising from sukuk	(32,857)	(38,735)	-	-
	(77,640)	(92,702)	(35,631)	(36,985)
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	4,917	8,377	506	1,454
Net finance costs recognised in profit or loss	(72,723)	(84,325)	(35,125)	(35,531)

24. Taxation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
Malaysian - current year	68,157	40,495	492	1,350
- prior year	(520)	2,436	(4)	(409)
	67,637	42,931	488	941
Deferred tax expense (Note 9)				
- current year	16	(8,768)	-	-
- prior year	502	52,517	-	-
	518	43,749	-	-
Taxation	68,155	86,680	488	941

24. Taxation (cont'd)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reconciliation of income tax expense				
Profit/(Loss) for the year	143,983	(153,182)	(35,582)	456,234
Taxation	68,155	86,680	488	941
Profit/(Loss) excluding tax	212,138	(66,502)	(35,094)	457,175
Tax calculated using Malaysian tax rate of 24% (2017: 24%)	50,913	(15,960)	(8,423)	109,722
Tax effect under Labuan Business Activity Act	1,589	20,339	-	-
Non-deductible expenses	20,963	30,629	8,928	10,604
Non taxable income	(5,292)	(3,281)	(13)	(118,976)
	68,173	31,727	492	1,350
(Over)/Under provision in prior years	(18)	54,953	(4)	(409)
Taxation	68,155	86,680	488	941

25. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors:				
- Fees	2,111	2,086	1,609	1,628
- Remuneration	4,470	4,804	-	23
	6,581	6,890	1,609	1,651
Other key management personnel:				
- Short term employee benefits	2,302	2,079	38	36
	8,883	8,969	1,647	1,687

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Profit/(Loss) attributable to ordinary shareholders	160,150	(144,891)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January/Weighted average number of ordinary shares at 31 December	964,809,835	936,934,908
Basic/Diluted earnings per share (sen)	16.60	(15.46)

The Group has no dilution in its earnings per ordinary shares at 31 December 2018 and 31 December 2017.

27. 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 2018 and 2017.

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.

27. Operating segments (cont'd)

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.

	Topside maintenance services		**Marine offshore support services**		**Total**	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Segment profit/(loss)	270,461	138,834	(18,067)	(152,431)	252,394	(13,597)
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	819,567	597,454	119,191	97,535	938,758	694,989
Inter-segment revenue	-	-	192,942	103,902	192,942	103,902
Depreciation and amortisation	(10,123)	(11,351)	(92,463)	(100,057)	(102,586)	(111,408)
Finance costs	(6,067)	(5,665)	(58,868)	(63,194)	(64,935)	(68,859)
Finance income	24,678	16,789	2,563	3,120	27,241	19,909
Impairment loss of property, plant and equipment	-	-	-	(32,960)	-	(32,960)
Unrealised foreign exchange loss	-	-	(5,828)	(51,903)	(5,828)	(51,903)
Segment assets	1,098,054	863,001	525,540	549,097	1,623,594	1,412,098

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

	2018 RM'000	**2017 RM'000**
Total profit/(loss) for reportable segments	252,394	(13,597)
Other non-reportable segments	(27,766)	456,078
Elimination of inter-segment transactions	-	(495,710)
Amortisation of intangible asset	(12,490)	(13,273)
Consolidated profit/(loss) before tax	212,138	(66,502)

NOTES TO THE FINANCIAL STATEMENTS

27. 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
2018					
Total reportable segments	938,758	(100,976)	(64,936)	27,242	1,623,594
Other non-reportable segments	-	(12,359)	(35,632)	603	1,176,139
Goodwill	-	-	-	-	653,627
Elimination of inter-segment transactions or balances	-	-	22,928	(22,928)	(756,218)
Consolidated total	938,758	(113,335)	(77,640)	4,917	2,697,142
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

Major customers

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

	Revenue 2018 RM'000	Revenue 2017 RM'000	Segment
Companies under common control of:			
- Customer A	615,064	446,848	Topside maintenance services and marine offshore support services
- Customer B	195,502	158,817	Topside maintenance services and marine offshore support services

28. Financial instruments

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost ("AC");
(b) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

2018	Note	Carrying amount RM'000	AC RM'000	Mandatorily at MFRS 9 RM'000
Financial assets				
Group				
Deposits	7,15	49,967	49,967	-
Derivative asset	10	78	-	78
Trade and other receivables	13	124,606	124,606	-
Other investments	14	1,490	-	1,490
Cash and cash equivalents	16	221,779	221,779	-
		397,920	396,352	1,568
Company				
Trade and other receivables	13	13,062	13,062	-
Other investments	14	1,490	1,490	-
Deposits	15	184	184	-
Cash and cash equivalents	16	17,955	17,955	-
		32,691	32,691	-
Financial liabilities				
Group				
Loans and borrowings	18	(1,089,180)	(1,089,180)	-
Trade and other payables	19	(205,514)	(205,514)	-
		(1,294,694)	(1,294,694)	-
Company				
Loans and borrowings	18	(218,891)	(218,891)	-
Trade and other payables	19	(429,631)	(429,631)	-
		(648,522)	(648,522)	-

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

28.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables (L&R);
(b) Financial liabilities measured at amortised cost (FL); and
(c) Available-for-sale financial assets (AFS).

2017	Note	Carrying amount RM Restated	L&R/ (FL) RM	AFS RM
Financial assets				
Group				
Deposits	7,15	49,446	49,446	-
Derivative asset	10	233	-	233
Trade and other receivables	13	102,201	102,201	-
Other investments	14	1,543	-	1,543
Cash and cash equivalents	16	222,307	222,307	-
		375,730	373,954	1,776
Company				
Trade and other receivables	13	23,105	23,105	-
Other investments	14	1,543	-	1,543
Deposits	15	184	184	-
Cash and cash equivalents	16	26,855	26,855	-
		51,687	50,144	1,543
Financial liabilities				
Group				
Loans and borrowings	18	(1,280,748)	(1,280,748)	-
Trade and other payables	19	(195,448)	(195,448)	-
		(1,476,196)	(1,476,196)	-
Company				
Loans and borrowings	18	(267,291)	(267,291)	-
Trade and other payables	19	(362,890)	(362,890)	-
		(630,181)	(630,181)	-

28. Financial instruments (cont'd)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) arising on:				
Financial assets at fair value through profit or loss				
- mandatorily required by MFRS 9	53	-	-	-
- held for trading	-	48	53	48
Loans and receivables	-	8,949	-	1,454
Financial assets measured at amortised cost	7,508	-	507	-
Financial liabilities measured at amortised cost	(86,508)	(145,315)	(35,632)	(36,985)
	(78,947)	(136,318)	(35,072)	(35,483)

28.3 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. There are no significant changes as compared to prior periods.

Trade receivables

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amount of credit impaired trade receivables is written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

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.

There are no significant concentrations of credit risk as at the end of the reporting period other than trade receivable due from two (2017: three) counterparties of RM94,228,170 (2017: RM78,453,892).

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 to 60 days. The Group's debt recovery process is above 180 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the billing team.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 1 year will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature:

Group	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Current (Not past due)	114,469	-	114,469
1-30 days past due	1,225	-	1,225
31-90 days past due	3,852	-	3,852
	119,546	-	119,546
Credit impaired			
More than 90 days past due	2,651	-	2,651
Individually impaired	297	(297)	-
	122,494	(297)	122,197

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment losses (cont'd)

The movement in the allowance for impairment in respect of trade receivables during the year are shown below.

	Credit impaired RM'000	Total RM'000
Balance at 1 January	-	-
Net remeasurement of loss allowance	297	297
Balance at 31 December	297	297

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2017			
Not past due	77,220	-	77,220
Past due more 0-30 days	4,644	-	4,644
Past due more 31-90 days	4,203	-	4,203
Past due more 91-120 days	10,517	-	10,517
	96,584	-	96,584

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.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk represented by their carrying amount in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Other receivables

The Group and the Company monitor the exposure to credit risk on individual basis.

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 and the Group and the Company do not recognise any allowance for impairment losses.

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 14) 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.

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 RM1,089,179,952 (2017: RM1,280,748,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- the subsidiary is unlikely to repay its credit obligation to the bank in full; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Inter-company loans and advances

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.

Credit risk of the Company as at the end of the reporting period arose solely from the amount due from one (2017: two) subsidiaries of RM12,944,108 (2017: RM22,988,000).

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries loans and advances when they are payable, the Company considered the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- the subsidiary is unlikely to repay its loan or advance to the Company in full; or
- the subsidiary's loan or advance is overdue for more than 365 days; or
- the subsidiary is continuously loss making and is having a deficit sharefolders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

Group	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Low credit risk	12,984	-	12,984

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(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.

Maturity analysis

Group	Note	Carrying amount RM'000	Contractual interest/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
2018						
Sukuk	28.3(b)(i)	438,528	4.32 – 4.90	506,106	506,106	-
Secured term loans	28.3(b)(i)	312,850	3.80 – 8.10	346,652	320,525	26,127
Finance lease liabilities		124,713	7.24 – 7.32	137,091	137,091	-
Overdraft		21,089	-	21,089	21,089	-
Revolving credits		192,000	4.95 – 5.72	194,241	194,241	-
Trade and other payables		205,514	-	205,514	205,514	-
		1,294,694		1,410,693	1,384,566	26,127
2017						
Sukuk		518,797	4.32 – 4.90	624,569	624,569	-
Secured term loans		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

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Note	Carrying amount RM'000	Contractual interest/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000
2018					
Secured term loans	28.3(b)(i)	208,891	5.52 – 5.70	235,484	235,484
Revolving credit		10,000	5.22	10,079	10,079
Trade and other payables		2,571	-	2,571	2,571
Amount due to a subsidiary		427,060	5.66	455,714	455,714
Financial guarantee		-	-	1,089,180	1,089,180
		648,522		1,793,028	1,793,028
2017					
Secured term loans		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
Financial guarantee		-	-	1,280,748	1,280,748
		630,181		1,981,547	1,981,547

28.3 (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 and clause as stipulated in the agreement of the term loans and Sukuk respectively. As stated in Note 1(b), the Group is in the midst of a debt restructuring exercise. See Note 33.3 for details.

(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).

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

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		
	USD	SGD	RM
Group	**RM'000**	**RM'000**	**RM'000**
2018			
Financial assets			
Trade and other receivables	594	324	1
Cash and cashequivalents	242	70	-
Intra-group balances	80,355	5,930	44,707
	81,191	6,324	44,708
Financial liabilities			
Trade and other payables	(1,262)	(5,953)	(5)
Intra-group balances	(239,548)	(40,485)	(39,505)
	(240,810)	(46,438)	(39,510)
Net currency exposure	(159,619)	(40,114)	5,198
2017			
Financial assets			
Trade and other receivables	594	324	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)

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency risk sensitivity analysis

A 10% (2017: 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.

	2018		2017	
Group	**Equity RM'000**	**Profit or loss RM'000**	**Equity RM'000**	**Profit or loss RM'000**
USD	15,962	15,962	11,385	11,385
SGD	4,012	4,012	3,501	3,501
RM	(520)	(520)	24,740	24,740

A 10% (2017: 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	185,367	183,729	16,371	23,982
Financial liabilities				
- finance lease liabilities	(124,713)	(126,650)	-	-
- sukuk	(438,527)	(518,797)	-	-
	(377,873)	(461,718)	16,371	23,982
Floating rate instruments				
Financial liabilities				
- amount due to a subsidiary	-	-	(431,302)	(356,955)
- overdraft	(21,089)	(1,710)	-	-
- term loans	(312,851)	(387,591)	(208,891)	(257,291)
- revolving credits	(192,000)	(246,000)	(10,000)	(10,000)
	(525,940)	(635,301)	(650,193)	(624,246)

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.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

	2018 Profit or loss		2017 Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
Group				
Floating rate instruments	5,259	(5,259)	6,353	(6,353)
Company				
Floating rate instruments	6,502	(6,502)	6,242	(6,242)

(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.

28.4 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 14, which is based on their quoted closing market prices and the net asset value of the unit trust at the reporting date.

28. Financial instruments (cont'd)

28.4 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2018										
Group										
Financial assets										
Other investments	-	1,490	-	1,490	-	-	-	-	1,490	1,490
Derivative asset	-	-	78	78	-	-	-	-	78	78
Financial liabilities										
Term loans (non-current)	-	-	-	-	-	-	(22,517)	(22,517)	(22,517)	(24,428)
Company										
Financial asset										
Other investments	-	1,490	-	1,490	-	-	-	-	1,490	1,490
2017										
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 asset										
Other investments	-	1,543	-	1,543	-	-	-	-	1,543	1,543

28. Financial instruments (cont'd)

28.4 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 (2017: 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% (2017: 5.60%) at the reporting date
Finance lease liabilities	Discounted cash flows using an interest rate of 6.00% (2017: 6.00%) at the reporting date
Sukuk	Discounted cash flows using an interest rate of 6.00% (2017: 6.00%) at the reporting date

NOTES TO THE FINANCIAL STATEMENTS

29. 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.

30. Capital expenditure commitments

	Group	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment		
Contracted but not provided for	-	530

31. Contingent liabilities

The Directors are of the opinion that provision is not required in respect of the following contigent liabilities 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. Further to the conclusion of a tax audit conducted for year of assessment ("YA") 2007 to YA2010, the Inland Revenue Board ("IRB") has requested the Group to revise its tax computations for YA 2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagrees 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.

32. 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.

32. Related parties (cont'd)

Identity of related parties (cont'd)

Significant related party transactions, other than compensations to key management personnel (see Note 25) and those disclosed elsewhere in the financial statement, are as follows:

Transactions with subsidiaries

	Company	
	2018 RM'000	**2017 RM'000**
Dividend income	-	(495,710)
Interest expense	12,769	8,736
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	
	2018 RM'000	**2017 RM'000**
Rental of premises paid	2,489	2,513

Significant party balances related to the above transactions are disclosed in the statement of financial position as well as Notes 13 and 19 to the financial statements.

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

33. Significant events

33.1 Perdana Petroleum Berhad ("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 USD42.0 million each. Pursuant to the terms of the MOA, PPB had paid 20% of the purchase price of each work barge amounting to USD16.8 million as upfront deposits.

On 28 March 2016, PPB 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, and accordingly, PPB had written off the deposit of USD8.4 million, equivalent to RM36.1 million (see Note 3) in the financial statements for the year ended 31 December 2015.

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

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

NOTES TO THE FINANCIAL STATEMENTS

33. Significant events (cont'd)

33.1 The second unit of work barge was due for delivery on 31 July 2016. On 1 December 2016, PPB 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, PPB had sought for the immediate return of the deposits paid of USD8.4 million ("Deposit").

On 5 December 2016, PPB received a letter from the Seller stating that PPB 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, PPB 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, PPB 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 PPB 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 PPB's purported termination of the MOA on 1 December 2016 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 PPB to take delivery of the Vessel.

On 18 January 2017, PPB had via its solicitors issued a Response to Notice of Arbitration to the Seller. PPB's Response to Notice of Arbitration counterclaimed that the Seller's claim against PPB 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 PPB was valid. Hence, PPB continues to seek the immediate return of the Deposit paid. Both parties have since nominated their respective arbitrators and paid the deposit for the arbitration.

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

The arbitrators then fixed the hearing date from 27 August 2018 to 30 August 2018.

On 28 August 2018, PPB received an order of termination of the arbitration from the arbitral tribunal as a result of an amicable settlement between PPB and the Seller with regard to each other's claim and counterclaims arising from the termination of MOA.

Both parties have mutually agreed that the Seller and the Group shall have no claims against each other in respect of any or all matters, with both parties bearing their respective legal costs and equally share the costs of the arbitration including AIAC's administrative fees and the Arbitral Tribunal's fees and expenses.

The deposits paid for the acquisition of the two vessels had been written off/ impaired in earlier financial years. The settlement reached with the Seller consequently has no financial impact on PPB.

33.2 On 16 May 2017, PPB made an announcement proposing to undertake a private placement of up to 10% of the total number of issued shares of PPB to improve its public shareholding spread as well as to raise funds for working capital and to partially repay bank borrowings.

On 14 December 2017, Bursa Securities had granted its approval for the listing of and quotation for up to 77,487,094 new shares on the Main Market Listing Requirements ("MMLR"), subject to PPB ensuring full compliance of all the requirements as provided under the MMLR at all times.

33. Significant events (cont'd)

33.3 On 13 June 2018, PPB announced that Bursa Securities had vide their letter dated 12 June 2018 granted PPB an extension of time of six months from 14 June 2018 until 13 December 2018 to complete the implementation of the proposed private placement.

On 13 December 2018, PPB decided not to proceed with the proposed private placement after taking into consideration the ongoing corporate debt restructuring exercise coupled with the prevailing weak market conditions in second half of the financial year.

On 4 July 2018, PPB announced that the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia has granted approval on PPB's application for assistance to mediate between PPB and some of its subsidiaries (the "Applicant Company/Companies") with their financial institutions and Sukukholders (the "Lenders").

This admission to CDRC is consistent with PPB's strategy to streamline its operations and optimise its financial resources to focus on and proactively enhance its offshore marine support services segment. It is a follow-on from PPB's previous successful cost rationalised initiative which has had a positive impact on PPB's financials.

PPB received approval from CDRC on 2 July 2018 ("CDRC Approval Letter") subject to the following conditions:

a) PPB is required to submit a Proposed Debt Restructuring Scheme ("PDRS") within sixty (60) days from the date of the CDRC Approval Letter;

b) PPB's admission is limited to twelve (12) months or upon signing of a debt restructuring agreement, whichever is earlier; and

c) The PDRS must comply with the CDRC's restructuring principles for PPB to continue to remain under the Standstill arrangement with the Lenders.

The Standstill Letter was issued by CDRC to the Lenders of the Applicant Companies on 2 July 2018.

CDRC, which is under the purview of Bank Negara Malaysia, will mediate between Applicant Companies and their respective Financiers to renegotiate their respective financing facilities that can be sustained in the face of this challenging period for the oil and gas industry, in line with the above conditions. This successful mediation would enable the Companies to be better positioned to raise new financing and capital in the future and sustain their operations and underlying viability going forward.

PPB is exploring various options for the PDRS, including but not limited to extension of tenure of borrowings, disposal of assets, special issue or placement of shares and rights issue.

On 30 August 2018, the Company has sought an extension of time of thirty (30) days to submit the PDRS on or before 30 September 2018.

On 10 October 2018, PPB has conducted its first CDRC meeting and presented a draft PDRS to the Lenders. Subsequently on 15 November 2018, a second CDRC meeting has taken place to provide further updates and details of the debt settlement scheme.

On 28 January 2019, a third CDRC meeting is held to provide milestone updates and proposed scheme enhancement to all Lenders.

Barring any unforeseen circumstances, the CDRC program is expected to complete within 18 months from the date of admission, i.e, 2 July 2018.

34. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

34.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 and MFRS 9 on the Group's financial statements.

a) Statement of financial position

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
1 January 2017			
Contract assets	-	123,365	123,365
Trade and other receivables	244,798	(123,365)	121,433
Others	2,878,220	-	2,878,220
Total assets	3,123,018	-	3,123,018
31 December 2017			
Contract assets	-	96,111	96,111
Trade and other receivables	198,312	(96,111)	102,201
Others	2,506,308	-	2,506,308
Total assets	2,704,620	-	2,704,620

b) Statement of cash flows

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Loss before tax	(66,502)	-	(66,502)
Adjustments for:			
Changes in contract assets	-	27,254	27,254
Changes in trade and other receivables	144,038	(27,254)	116,784
Others	143,905	-	143,905
Net cash from operating activities	221,441	-	221,441

34. Significant changes in accounting policies (cont'd)

34.2 Accounting for financial instruments

a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and
- financial liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) If an investment in a debt security had low credit risk at date of initial application of MRS 9, the Group and the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group and the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018		
			Reclassification to new MFRS 9 category	
	31 December 2017 RM	Re-measurement RM	AC RM	FVTPL RM
Category under MFRS 139				
Financial assets				
Group				
Loan and receivables				
Deposits	49,446	-	49,446	-
Trade and other receivables	102,201	-	102,201	-
Other investments	1,543	-	-	1,543
Cash and cash equivalents	222,307	-	222,307	-
	375,497	-	373,954	1,543

NOTES TO THE FINANCIAL STATEMENTS

34. Significant changes in accounting policies (cont'd)

34.2 Accounting for financial instruments (cont'd)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

		1 January 2018		
			Reclassification to new MFRS 9 category	
	31 December 2017 RM	Re-measurement RM	AC RM	FVTPL RM
Category under MFRS 139 (cont'd)				
Financial assets (cont'd)				
Group (cont'd)				
Financial value through profit or loss				
Derivative assets	233	-	-	233
Company				
Loan and receivables				
Deposits	184	-	184	-
Trade and other receivables	23,105	-	23,105	-
Other investments	1,543	-	-	1,543
Cash and cash equivalents	26,855	-	26,855	-
	51,687	-	50,144	1,543
Financial liabilities				
Group				
Loans and borrowings	(1,280,748)	-	(1,280,748)	-
Trade and other payables	(195,448)	-	(195,448)	-
	(1,476,196)	-	(1,476,196)	-
Company				
Loans and borrowings	(267,291)	-	(267,291)	-
Trade and other payables	(263,890)	-	(263,890)	-
	(531,181)	-	(531,181)	-

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. No allowance for impairment was recognised in operating retained earnings of the Group and the Company at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from FVTPL designated upon initial recognition to mandatorily recognition FVTPL

Derivative assets is an interest rate swap the Group entered into to hedge the variability in cash flows arising from interest rate risk in relation to the floating interest rate of a term loan. There is no change in the carrying amount as going forward the derivative asset is mandatorily recognised as FVTPL.

34. Significant changes in accounting policies (cont'd)

34.3 Accounting for revenue

a) Transition

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group does not restate contracts that:
  (i) begin and end within the same annual reporting period; or
  (ii) are completed contracts at the beginning of the earliest period presented.

(b) for contracts that were modified before the beginning of the earliest period presented, the Group does not retrospectively restate the contract for those contract modifications. Instead, the Group reflects the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
  (i) identifying the satisfied and unsatisfied performance obligations;
  (ii) determining the transaction price; and
  (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

  The application of this practical expedient is not expected to have material impact to the Group.

(c) for comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group expects to recognise revenue.

The following are the changes in revenue recognition from the adoption of MFRS 15:

Group

Type of contracts	Previous year's revenue recognition	Current year's revenue recognition
Lump sum	The Group recognised revenue when the topside maintenance services were rendered.	Revenue is recognised sooner under MFRS 15 because it is recognised over time.
Schedule of rates	The Group recognised revenue when the topside maintenance services were rendered.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
Chartering of vessels	The Group recognised revenue when the services were performed based on the daily charter services.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
Rental	The Group recognised revenue when the services were performed based on the equipment hiring services.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
Cost plus	The Group recognised revenue upon delivery of goods or services rendered.	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises.

NOTES TO THE FINANCIAL STATEMENTS

34. Significant changes in accounting policies (cont'd)

34.3 Accounting for revenue (cont'd)

a) Transition (cont'd)

The following are the changes in revenue recognition from the adoption of MFRS 15 (cont'd):

Company

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Management services	Revenue was recognised as the service was provided.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) Presentation of contract assets

When adopting MFRS 15, the Group has changed the presentation of certain amount in the financial position.

In previous year, the Group recognised accrued receivables under trade receivables. Upon adoption of MFRS 15, it requires separate presentation of contract balances in statement of financial position.

Contract assets are mainly the Group's right to consideration for work completed but not billed at the reporting date in respect of topside maintenance services rendered.

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

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

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 68 to 154 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 2018 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: 10 April 2019

STATUTORY DECLARATION

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 68 to 154 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 abovenamed, **Datuk Ling Suk Kiong**, at Miri in the State of Sarawak on 10 April 2019.

………………………………

Datuk Ling Suk Kiong

Before me:

INDEPENDENT AUDITORS' REPORT

To The Members Of Dayang Enterprise Holdings Bhd.

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 2018 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 68 to 154.

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 2018, 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, existence and accuracy of revenue from topside maintenance services
   Refer to Note 2(m) (accounting policy) and Note 20 (revenue).

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.	Our audit procedures included, amongst others: i) We evaluated the design and implementation of controls related to revenue recognition. 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 requirements of MFRS 15, *Revenue from Contract Customers*.

Key Audit Matters (cont'd)

1. Completeness, existence and accuracy of revenue from topside maintenance services (cont'd)
Refer to Note 2(m) (accounting policy) and Note 20 (revenue).

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from topside maintenance services segment, which is approximately RM820 million, representing 87% 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. 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.	Our audit procedures included, amongst others (cont'd): 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 2018. 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. vii) We compared the accounting policies adopted with the requirements of MFRS 15. viii) We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.

2. Impairment testing of goodwill 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 of RM653.6 million as at 31 December 2018 relating to the acquisition of Perdana Petroleum Berhad ("Perdana") in 2015. Perdana incurred consecutive losses for the financial years 2015 to 2018, hence, increased the risk that the carrying amount of goodwill and other assets (in this case marine vessels) may be impaired. The amount of goodwill and marine vessels (being 74% 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. iii) We tested the sensitivity of the impairment calculation to changes in the key assumptions used by the Directors.

INDEPENDENT AUDITORS' REPORT

To The Members Of Dayang Enterprise Holdings Bhd.

Key Audit Matters (cont'd)

2. Impairment testing of goodwill 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): 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.

3. Going concern
Refer to Notes 1(b) (basis of preparation), Note 18 (loans and borrowings) and Note 33 (significant events).

Key audit matter	How our audit addressed the key audit matter
The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group's and the Company's current liabilities exceeded the current assets by RM779 million and RM612 million respectively, as at the end of the current financial year. As disclosed in Note 18 to the financial statements, the Group has breached certain covenants for three term loans, certain terms of the Sukuk and received notices of default from a lender of a term loan. As a result, the non-current portions of these loans amounted to RM179 million and RM160 million for the Group and the Company have been reclassified to current liabilities. The non-current portion of the Sukuk of RM356 million (2017: RM439 million) has also been reclassified to current liabilities due to breach of certain terms. As at reporting date, the Group's and the Company's total borrowings was amounted to RM1,089 million and RM219 million respectively.	Our audit procedures included, amongst others: i) We assessed the appropriateness of key assumptions adopted by the Group in the preparation of the cash flow forecasts, reasonableness of key assumptions used; ii) We challenged the Group's key assumptions based on our knowledge of the business, industry and historical data and considered the impact of possible downside effects to the underlying cash flow forecast;

Key Audit Matters (cont'd)

3. Going concern (cont'd)
Refer to Notes 1(b) (basis of preparation), Note 18 (loans and borrowings) and Note 33 (significant events).

Key audit matter	How our audit addressed the key audit matter
The above condition gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations as and when they fall due. In the preparation of the Group and the Company financial statements, the management has made an assessment on its working capital sufficiency and with the support of a cash flow projection. The management has concluded that the Group and the Company will have sufficient working capital to finance their operations and to meet their financial obligations as and when they fall due. This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.	Our audit procedures included, amongst others (cont'd): iii) We evaluated the availability of funds to the Group and the Company, which can be used to meet their debt obligations; iv) We evaluated the development in the Corporate Debt Restructuring Committee of which a subsidiary of the Group was admitted during the year; and v) We assessed the disclosures made by the Group and the Company in regards to the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.

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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Dayang Enterprise Holdings Bhd.

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.

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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Dayang Enterprise Holdings Bhd.

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 & AF 0758)
Chartered Accountants

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

Miri,

Date: 10 April 2019

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2019

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	137	1.474	5,772	0.000
100 – 1,000	1,131	12.173	826,787	0.085
1001 – 10,000	4,973	53.524	25,951,417	2.689
10,001 – 100,000	2,604	28.027	86,161,707	8.930
100,001 – 48,240,490 (*)	442	4.757	495,157,925	51.321
48,240,491 and above (**)	4	0.043	356,706,227	36.971
TOTAL	9,291	100.00	964,809,835	100.00

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

2. DIRECTORS' INTEREST

No	Name	Direct	%	Indirect	%
1.	Datuk Hasmi Bin Hasnan	960,937	0.10	254,921,952[c]	26.42
2.	Datuk Ling Suk Kiong	73,254,330	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	134,517,017[b]	13.93
5.	Jeanita Anak Gamang	-	-	-	-
6.	Ali Bin Adai	1,000	0.00	-	-
7.	Wong Ping Eng	-	-	-	
8.	Gordon Kab@ Gudan Bin Kab	4,500	0.00	-	-
9.	Koh Ek Chong	-	-	-	-
10.	Azlan Shah Bin Jaffril	-	-	-	-

ANALYSIS OF SHAREHOLDINGS
As at 29 March 2019

3. SUBSTANTIAL SHAREHOLDERS

		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	73,254,330	7.59	102,726,512[a]	10.65
3.	Urusharta Jammah Sdn Bhd	76,367,600	7.92	0	0
4.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	65,916,675	6.83	0	0
5.	Vogue Empire Sdn Bhd	61,218,187	6.35	0	0
6.	Joe Ling Siew Loung @ Lin Shou Long	41,463,825	4.30	134,517,017[b]	13.93
7.	Datuk Hasmi Bin Hasnan	960,937	0.10	254,921,952[c]	26.42
8.	Datin Wong Siew Hong	44,500	0.00	175,936,342[d]	18.24

Notes:
[a] Deemed interest by virtue of the interest of his spouse and children in the Company pursuant to Section 8 of the Act.
[b] Deemed interest through shares held by his parents.
[c] Deemed interest by virtue of Section 8 of the Act, held through Naim Holdings Berhad.
[d] 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	13.673
2.	Naim Holdings Berhad	82,500,000	8.550
3.	Urusharta Jamaah Sdn Bhd	76,367,600	7.915
4.	Tengku Yusof Bin Tengku Ahmad Shahruddin	65,916,675	6.832
5.	Datuk Ling Suk Kiong	44,354,330	4.597
6.	Naim Holdings Berhad	40,500,000	4.197
7.	Vogue Empire Sdn Bhd	32,718,187	3.391
8.	Kenanga Nominees (Tempatan) Sdn Bhd Datuk Ling Suk Kiong	28,900,000	2.995
9.	Vogue Empire Sdn Bhd	28,500,000	2.953
10.	Kenanga Nominees (Tempatan) Sdn Bhd Joe Ling Siew Loung @ Lin Shou Long	21,073,200	2.184
11.	Joe Ling Siew Loung @ Lin Shou Long	17,812,500	1.846

ANALYSIS OF SHAREHOLDINGS
As at 29 March 2019

4. TOP THIRTY SHAREHOLDERS (cont'd)
(Without aggregating securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No of shares held	%
12.	Lembaga Tabung Angkatan Tentera	12,852,250	1.332
13.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London (DB LN EQ HSE CE)	10,230,050	1.060
14.	Ronie Tan Choo Seng	10,150,000	1.052
15.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin (6000051)	9,251,200	0.958
16.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ronie Tan Choo Seng	8,000,000	0.829
17.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Boon Ping (7004677)	6,500,000	0.673
18.	HSBC Nominees (Asing) Sdn Bhd Banque De Luxembourg For Ram (LUX) Systematic Funds – Emerging Markets Equities	5,611,600	0.581
19.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Kit Pheng (M)	5,267,400	0.545
20.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	5,094,800	0.528
21.	Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund OD51 For FSS Trustee Corporation	4,834,431	0.501
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin (002)	4,805,000	0.498
23.	HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International PLC (Firm A/C)	4,235,800	0.439
24.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse Securities (Europe) Limited	4,231,350	0.438
25.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	4,003,400	0.414
26.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	3,950,400	0.409
27.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	3,915,321	0.405
28.	Ong Lei IM	3,672,000	0.380
29.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,366,112	0.348
30.	Burhanuddin Bin Md Radzi	3,095,280	0.320

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 13th Annual General Meeting of the Company will be held at Danum II, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Wednesday 22nd May 2019 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 2018 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 of the Company's Constitution and being eligible, have offered themselves for re-election:-

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin **Ordinary Resolution 1**
Wong Ping Eng **Ordinary Resolution 2**
Koh Ek Chong **Ordinary Resolution 3**

3. To re-elect the following director who retires in accordance with Article 93 of the Company's Constitution:-

Datuk Hasmi Bin Hasnan **Ordinary Resolution 4**

4. To approve the payment of Directors' Fees of RM1,609,395.00 for the financial year ended 31st December 2018. **Ordinary Resolution 5**

5. To approve the payment of Meeting Allowance of RM500.00 per meeting to Non-Executive Directors from the conclusion of this meeting up to the conclusion of the next Annual General Meeting of the Company to be held in 2020. **Ordinary Resolution 6**

6. 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 authorize the Directors to fix their remuneration. **Ordinary Resolution 7**

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

7. **Proposed Renewal of Existing and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** **Ordinary Resolution 8**

"**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 ("RRPT") of a Revenue or Trading Nature which is necessary for the day to day operations with the related parties as set out in Section 2.5(i) of the Circular to Shareholders dated 23 April 2019, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new RRPTs as set out in Section 2.5(ii) of Part A of the Circular with the related party mentioned therein, provided that:

i. 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.

NOTICE OF ANNUAL GENERAL MEETING

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."

8. **Proposed Renewal of Authority To Purchase Its Own Shares** **Ordinary Resolution 9**

"**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."

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to Issue Shares** **Ordinary Resolution 10**

"**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."

10. **Proposed Adoption of a New Constitution of the Company** **Special Resolution**

"**THAT** approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix B of the Circular and Statement to Shareholders dated 23 April 2019 accompanying the Company's Annual Report 2018 for the financial year ended 31 December 2018 be and is hereby adopted as the Constitution of the Company

AND THAT the Directors of the Company be and are hereby authorized to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as maybe considered necessary to give full effect to the foregoing."

11. 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 23 April 2019

Notes:-

1. Only members registered in the Record of Depositors as at 15 May 2019 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 authorized.

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.

NOTICE OF ANNUAL GENERAL MEETING

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.

B. Ordinary Resolution 1 - 4

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin, Wong Ping Eng, Koh Ek Chong and Datuk Hasmi Bin Hasnan 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 four 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 four Directors are set out on pages 9 to 11 of the Company's Annual Report for financial year ended 31 December 2018.

C. Ordinary Resolution 7

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.

D. Ordinary Resolution 8 - Proposed Shareholders' Mandate

The proposed Resolution 8, 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 23 April 2019 for further information.

E. Ordinary Resolution 9 - 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 23 April 2019 for further information.

NOTICE OF ANNUAL GENERAL MEETING

F. Ordinary Resolution 10 – 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 2018. 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.

G. Special Resolution – Proposed Adoption of a New Constitution of the Company

This resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016, Malaysian Code of Corporate Governance, Main Market Listing Requirements of Bursa Securities, and all other relevant statutory and regulatory requirements. The proposed new Constitution is set out in the Circular and Statement to Shareholders dated 23 April 2019.

DAYANG ENTERPRISE HOLDINGS BHD (712243-U)

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 13th Annual General Meeting of the Company to be held at Danum II, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Wednesday, 22 May 2019 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 2018 together with the Reports of the Directors and Auditors thereon.			
		Ordinary Resolution	For	Against
2	Re-election of Directors pursuant to Article 86 of the Company's Constitution: Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin.	1		
3	Wong Ping Eng.	2		
4	Koh Ek Chong.	3		
5	Re-election of Director pursuant to Article 93 of the Company's Constitution: Datuk Hasmi Bin Hasnan.	4		
6	Approval payment of Directors' Fees of RM1,609,395.00 for the financial year ended 31 December 2018.	5		
7	Approval of meeting allowance of RM500.00 per meeting for Non-Executive Directors for the period from May 2019 until the next AGM of the Company.	6		
8	Reappointment of Auditors: Messrs KPMG as Auditors and authorizing the Directors to fix their remuneration.	7		
Special Business				
9	Proposed Renewal of Existing and New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.	8		
10	Proposed Renewal of authority to purchase own shares.	9		
11	Authority to Issue Shares pursuant to Section 132D of the Companies Act 1965.	10		
Special Resolution				
12	Proposed Adoption of a New Constitution of the Company.	Special Resolution		

(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 …………………… 2019

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

Notes:-

1. Only members registered in the Record of Depositors as at 15 May 2019 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 authorized.
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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