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 2019. 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 2019.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

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 Chairman of the respective Board Committee will provide highlights to the Board of the respective Board Committees meeting at the quarterly Board meetings so as to keep the Board abreast of the decision and deliberation made by each Board Committee. The Board retains full responsibility for approval of these recommendations.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

Access to Information and Advice (cont'd)

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.

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 24 to 51 of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION

Board Balance

The current Board composition comprised as follows:

Designation	Number of Directors	Percentage (%)
Executive Directors	5	45.50
Non-Independent Non-Executive Director	1	9.00
Independent Non-Executive Directors	5	45.50
Total	11	100.00

Oil and Gas Experience	Human Resource and Administration	Accounting and Audit	Property Development	Finance and Banking	Legal	Business Administration
(5)	(1)	(1)	(1)	(1)	(1)	(1)
(46%)	(9%)	(9%)	(9%)	(9%)	(9%)	(9%)

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 are provided on pages 10 to 15 of the Annual Report.

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

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Board Gender Diversity

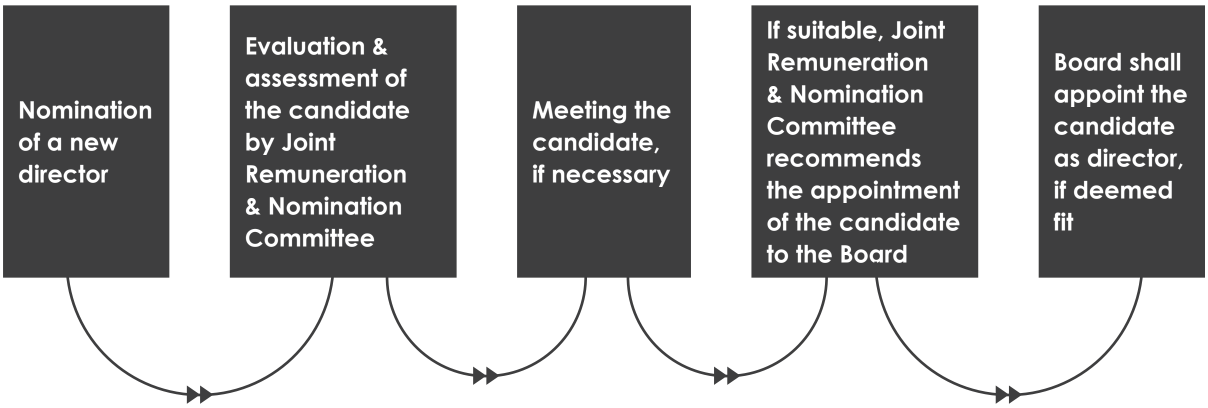
The Board acknowledges the recommendation of the MCCG on the establishment of boardroom gender diversity policy. The Company currently has three (3) female members on the Board. However, the Board has no immediate plans to implement a gender diversity policy or target, as it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities regardless of gender.

Board Appointment

Based on recommendation of the Joint Remuneration & Nomination Committee, the Board appoints new Directors to the Board. In the election for Board appointment, the Board believes in and provides equal opportunity to candidates who have the right 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:



In accordance with Article 93 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.

Newly appointed directors shall hold office until the next annual general meeting and shall then be eligible for re-election by shareholders as provided in Article 100 of the Company's Constitution.

The Directors due to retire at the forthcoming AGM are shown in the Notice of Meeting (Ordinary Resolution 1 to 5).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

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 five (5) 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 2019 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	5/6
Datuk Ling Suk Kiong	6/6
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	5/6
Joe Ling Siew Loung @ Lin Shou Long	6/6
Gordon Kab @ Gudan Bin Kab	5/6
Jeanita Anak Gamang	6/6
Wong Ping Eng	6/6
Ali Bin Adai	6/6
Koh Ek Chong	6/6
Azlan Shah Bin Jaffril (Resigned 31.12.2019)	5/6
Hasmawati Binti Sapawi (Appointed 03.01.2020)	n/a
Chin Hsiun (Appointed 03.01.2020)	n/a

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Joint Remuneration & Nomination Committee ("JRNC")

The JRNC comprises three (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 three times 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)	3/3
Koh Ek Chong	3/3
Wong Ping Eng	3/3

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 the 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 2019 were as follows:

- Reviewed the profile of Board candidates, and if deemed to possess the requisite competence and caliber will be recommended for appointment as Directors of the Company;
- Reviewed the Directors retiring by rotation at the AGM;
- Assessed the performance of the Board and its members;
- Assessed the performance of the Audit Committee and its members;
- Assessed the independence of the Independent Directors;
- Recommended to the Board the remunerations of the Executive Directors; and
- Reviewed the performance and effectiveness of the Audit Committee and its members and the Nominating Committee was of the opinion that the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Joint Remuneration & Nomination Committee ("JRNC") (cont'd)

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

Corporate Social Responsibility Committee

The CSR Committee assists the Board on matters relating to implementation of a framework for sustainable development that delivers economic, social and environmental benefits for 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 44 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.

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

Seminar/Workshop	Organiser	Date
• Corporate Liability – MACC 2018 Section 17A	Smart Focus Consulting	16/12/2019
• Future-Proofing Business in the Digital Age	Suruhanjaya Syarikat Malaysia	23/07/2019-24/07/2019
• C.O.D.E Presentation to the Management	Nain Holdings Berhad – In-House	07/03/2019
• How ready is your Company to Safeguard your Directors, Top Management and Personnel against a Corruption Prosecution?	MICG	12/03/2019
• Sustainability Inspired Innovations: Enablers of the 21st Century	Institute of Corporate Directors Malaysia	23/09/2019
• Corporate Retreat	Naim Holdings Berhad	03/10/2019-04/10/2019

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Directors' Training (cont'd)

For the year under review, the Directors have individually or collectively attended the following courses/seminars (cont'd):

Seminar/Workshop	Organiser	Date
• Managing Business Re-Organization Effectively	Naim Holdings Berhad – In-House	11/11/2019
• SLDP – Emotional Intelligence 2.0	Naim Holdings Berhad – In-House	26/06/2019-27/06/2019
• "C.O.D.E.H" Train-The-Trainer Workshop	Naim Holdings Berhad – In-House	17/07/2019
• SLDP- Transformation Coaching & Mentoring	Naim Holdings Berhad – In-House	15/08/2019-16/08/2019
• Social Dialog: Good Practice Note on Managing Redundancy and Responsibility Retrenchment	Naim Holdings Berhad – In-House	05/11/2019
• Corporate Liability Provision (section 17 of MACCA)	Naim Holdings Berhad – In-House	11/12/2019
• Introduction to Corporate Directorship	Institute of Corporate Directorship Malaysia	29/01/2019-30/01/2019
• Sarawak Business Federation "Journey to 2030"	Sarawak State Government	08/10/2019

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 confidentiality 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 Independent Directors. The members of the Audit Committee comprise:

Name	Position
Koh Ek Chong	Chairman
Azlan Shah Bin Jaffril (Resigned 31.12.2019)	Member
Gordon Kab @ Gudan Bin Kab	Member
Ali Bin Adai	Member

The role of the AC 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 AC 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 AC maintains a transparent and professional relationship with the External Auditors of the Company. The AC 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 AC 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.

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.

Corporate Governance Overview Statement

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

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 based on recommendations raised in preceding cycles of internal audit. The outcome thereof was summarized in a follow-up report to the Audit Committee tabled in the quarterly Audit Committee meetings 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 66 to 69 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 70 to 73 of this Annual Report.

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.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

1. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

The Group's investor relationship is helmed by the Group Managing Director, Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin and the Head of Corporate Affairs cum Joint Company Secretary, Mr Bailey Kho Chung Siang 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 has been appointed 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. This provides shareholders with sufficient time to fully evaluate new resolutions being proposed to make informed voting decisions at the AGM.

At the 13th 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.

All resolutions put to general meetings will be voted by poll. The appointed independent scrutineer shall 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 of the general meeting.

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 18 May 2020.

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 2019, 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 18 May 2020.

Additional Compliance Information
as at 31 December 2019

1. UTILIZATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Group raised RM88.763 million from a rights issue consisting of the issuance of 96,480,983 new ordinary shares at an issue price of RM0.92 per ordinary share effected on 16 December 2019.

The status of utilization of proceeds from the rights issue exercise as at 31 December 2019 is as follows:

Details	**Amount raised from Rights Issue (RM'million)**	**Actual Utilization (RM'million)**
Partial repayment of bank borrowings	70,000	70,000
Working Capital	16,962	16,962
Estimated expenses for the Rights Issue	1,801	1,801
	88,763	88,763

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 2019 are as follows:

	Group (RM'000)	**Company (RM'000)**
Audit fees	495.0	92.0
Non-Audit fees:		
Tax Service	369.0	137.0
Others	4.0	0
Total	373.0	137.0

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 31 December 2019 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 174 to 175.

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. 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 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, there are 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)
Ali Bin Adai	Member (Independent Non-Executive Director)
Azlan Shah Bin Jaffril (Resigned on 31.12.19)	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;

THE RESPONSIBILITIES OF THE AUDIT COMMITTEE (CONT'D)

The Audit Committee is responsible for the following (cont'd):

- 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;

- 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.

Audit Committee Report

MEETINGS OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR 2019 ("FY19")

A total of nine (9) meetings were held during FY2019 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	9/9
Gordon Kab @ Gudan Bin Kab	9/9
Azlan Shah Bin Jaffril (Resigned on 31.12.19)	7/9
Ali Bin Adai	9/9

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 financial year 2019:

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.

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 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.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

The following activities were performed by the Audit Committee during the financial year 2019 (cont'd):

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 financial year 2019, Group Internal Audit carried out the following activities:

- Conducted 7 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 2019 amounted to approximately RM138,250.00 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 acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of the system. The Group's system of internal control covers risk management, financial, 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.

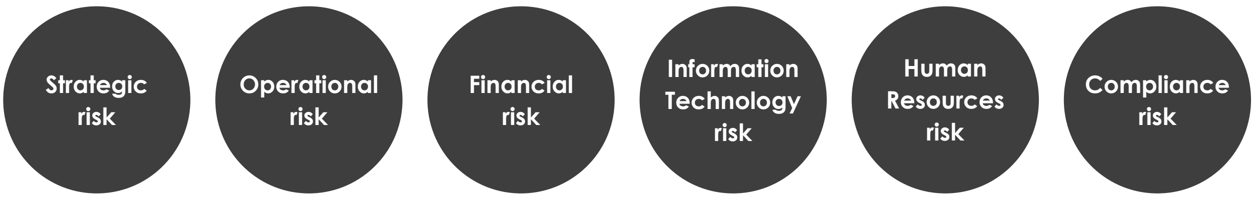
In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve the corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss.

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



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.

RISK MANAGEMENT FRAMEWORK (CONT'D)

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

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.

INTERNAL CONTROLS SYSTEM

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

Clear Organization Structure

The Group has a well-defined organizational structure that is aligned to its business requirements and ensures check and balance through the segregation of duties. Clear reporting lines and authority limits govern the approval process, driven by Limits of Authority ("LOA") set by the Board.

All key strategic, business and investment plans are approved and monitored by the Board. Comprehensive Board papers, which include both financial and non-financial matters such as cash flow forecasts, business strategies, business opportunities, corporate exercises and any other key matters to be considered for the Group, are escalated to the Board for deliberation and approval.

Internal Audit

The Board recognises that the internal audit function is an integral part of the governance process of the Group. The Internal Audit ("IA") function provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group and reports its findings directly to the AC. The IA function reviews the Group's system of internal controls, its operations and selected key activities based on the risk assessment and in accordance with the annual audit plan that is approved by the AC.

The AC receives and reviews all IA reports including the agreed actions that are to be taken in order to mitigate and close the highlighted control gaps. All issues raised and action plans to close gaps are monitored and the status is reported on a quarterly basis to the AC. The key activities of the IA function are as set out in the AC report section of this annual report.

Strategic Business Planning, Budgeting and Reporting

Annual Business Plan and Budget are prepared on a yearly basis and are deliberated and approved by the Board. The Group's business plan maps out the strategic objectives and business direction of the Group. The Group's businesses and financial performance are monitored and measured against the business plan and approved budget. Any major variance will be reviewed and corrective actions are undertaken. Quarterly financial results are presented to and reviewed by the Audit Committee and the Board to enable them to monitor and evaluate the business and financial performance of the Group.

Statement of Risk Management and Internal Control

INTERNAL CONTROLS SYSTEM (CONT'D)

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

Policies, Procedures and Limits of Authority (LOA)

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.

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 Company's LOA.

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.

Yearly QHSSE meeting was organized by the QHSSE Department at the beginning of year 2019, attended by key personnel represented from each operation units to communicate the FY19 QHSSE plan. QHSSE Campaign for FY19 with the theme "Healthy Life, Safety Act, Quality Work" was organized in the month of September 2019 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

REVIEW BY THE BOARD (CONT'D)

The Board's review the effectiveness of risk management and internal controls system based on information from (cont'd):

- 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 FY19, 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 year ended 31 December 2019, 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.

AAPG 3 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 18 May 2020.

FINANCIAL STATEMENTS

Directors' Report
for the year ended 31 December 2019

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 2019.

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	230,946	(47,552)
Non-controlling interests	(9,092)	-
	221,854	(47,552)

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

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*
Koh Ek Chong
Datuk Hasmi Bin Hasnan*
Chin Hsiun (appointed 3 January 2020)

DIRECTORS OF THE COMPANY (CONT'D)

Directors who served during the financial year until the date of this report are (cont'd):

Emily Hii San San (alternate Director to Wong Ping Eng) (appointed 3 January 2020)
Hasmawati Binti Sapawi (appointed 3 January 2020)*
Azlan Shah Bin Jaffril (resigned on 31 December 2019)

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

DIRECTORS OF THE SUBSIDIARIES

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

Alias Bin Mat Lazin
Bailey Kho Chung Siang
Chin Chee Kong
Dato' Gerald Hans Isaac
Datuk Dr. Abd Hapiz Bin Abdullah
Datuk Mohd Jafni Bin Mohd Alias
Choi Meng Yee
Fahim Bin Rosley
Datuk Selva Kumar A/L Mookiah (retired on 21 May 2019)

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 01.01.2019	**Bought**	**Sold**	**At 31.12.2019**
Interests in the Company				
• Ali Bin Adai - own	1,000	-	-	1,000
• Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin - own	65,916,675	6,591,667	-	72,508,342
• Datuk Ling Suk Kiong - own	73,254,330	7,325,433	-	80,579,763
- others	44,500	4,450	(4,400)	44,550
• Joe Ling Siew Loung @ Lin Shou Long - own	41,463,825	4,146,382	-	45,610,207
• Gordon Kab @ Gudan Bin Kab – own	4,500	3,750	-	8,250
• Datuk Hasmi Bin Hasnan	960,937	96,093	-	1,057,030
Deemed interests in the Company				
• Datuk Ling Suk Kiong - own	61,218,187	6,121,818	-	67,340,005
• Joe Ling Siew Loung @ Lin Shou Long - own	61,218,187	6,121,818	-	67,340,005
• Datuk Hasmi Bin Hasnan	254,921,952	25,492,195	-	280,414,147

Directors' Report
for the year ended 31 December 2019

DIRECTORS' INTEREST IN SHARES (CONT'D)

	Number of ordinary shares			
	At 01.01.2019	**Bought**	**Sold**	**At 31.12.2019**
Interests in Perdana Petroleum Berhad:				
• Ali Bin Adai - own	303	-	-	303
• Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin - own	20,763,999	-	(20,763,999)	-
• Datuk Ling Suk Kiong - own	23,338,297	-	(23,338,200)	97
- 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	5,367	40,000	-	45,367
• Datuk Hasmi Bin Hasnan	290,202	-	-	290,202
Deemed interest in Perdana Petroleum Berhad:				
• Datuk Ling Suk Kiong	502,666,615	-	(31,879,873)	470,786,742
• Datuk Hasmi Bin Hasnan	547,773,079	-	-	547,773,079

By virtue of their interest and deemed interest in the shares of the Company, Datuk Ling Suk Kiong, Joe Ling Siew Loung @ Lin Shou Long and Datuk Hasmi Bin Hasnan 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 those fees and other benefits 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

On 19 December 2019, the Company issued 96,480,983 of new ordinary shares via renounceable rights issue at an issue price of RM0.92 per share.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

a. Directors

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.

b. Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

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.

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.

Directors' Report
for the year ended 31 December 2019

OTHER STATUTORY INFORMATION (CONT'D)

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, other than the effect of the net gain on refinancing/restructuring of loans and borrowings and net gain arising from extinguishment of financial liabilities as disclosed in Note 23, the financial performance of the Group and of the Company for the year ended 31 December 2019 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 34 to the financial statements.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

The details of the significant event after reporting date are disclosed in Note 35 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: 18 May 2020

Statements of Financial Position
as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	1,371,684	1,442,096	5	2
Prepaid lease payments	4	-	9,386	-	-
Intangible asset	5	-	-	-	-
Investment in subsidiaries	6	-	-	1,518,818	1,212,807
Deposits	7	12,000	46,043	-	-
Goodwill	8	653,627	653,627	-	-
Deferred tax asset	9	17,833	25,559	-	-
Derivative asset	10	-	78	-	-
Total non-current assets		2,055,144	2,176,789	1,518,823	1,212,809
Inventories	11	7,411	7,285	-	-
Contract assets	12	226,579	150,008	-	-
Trade and other receivables	13	330,537	124,606	162,352	13,062
Other investments	14	-	1,490	-	1,490
Deposits and prepayments	15	7,941	10,810	219	4,075
Current tax assets		2,636	4,375	-	195
Cash and cash equivalents	16	316,915	221,779	30,358	17,955
Total current assets		892,019	520,353	192,929	36,777
Total assets		2,947,163	2,697,142	1,711,752	1,249,586
Equity					
Share capital	17	761,751	672,988	761,751	672,988
Retained earnings/ (Accumulated losses)	17	622,300	393,155	(121,277)	(71,924)
Other reserve	17	50,483	57,415	-	-
Total equity attributable to owners of the Company		1,434,534	1,123,558	640,474	601,064
Non-controlling interest	6	330,597	176,251	-	-
Total equity		1,765,131	1,299,809	640,474	601,064

Statements of Financial Position
as at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Liabilities					
Loans and borrowings	18	694,213	24,428	578,016	-
Deferred tax liabilities	9	75,795	73,776	-	-
Total non-current liabilities		770,008	98,204	578,016	-
Loans and borrowings	18	115,817	1,064,752	81,900	218,891
Trade and other payables	19	252,431	205,514	411,143	429,631
Current tax liabilities		43,776	28,863	219	-
Total current liabilities		412,024	1,299,129	493,262	648,522
Total liabilities		1,182,032	1,397,333	1,071,278	648,522
Total equity and liabilities		2,947,163	2,697,142	1,711,752	1,249,586

The notes on pages 91 to 179 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	20	1,046,183	938,758	4,200	4,200
Cost of services		(552,860)	(556,277)	(1,638)	(1,388)
Gross profit		493,323	382,481	2,562	2,812
Other income	21	2,738	22,464	32	53
Administrative expenses		(121,064)	(99,217)	(7,795)	(2,834)
Other expenses	21	(1,177)	(20,570)	-	-
Loss on impairment of financial instruments		-	(297)	-	-
Results from operating activities	22	373,820	284,861	(5,201)	31
Finance income	23	25,971	4,917	500	506
Finance costs	23	(70,329)	(77,640)	(42,363)	(35,631)
Net finance costs		(44,358)	(72,723)	(41,863)	(35,125)
Profit/(Loss) before tax		329,462	212,138	(47,064)	(35,094)
Taxation	24	(107,608)	(68,155)	(488)	(488)
Profit/(Loss) for the year		221,854	143,983	(47,552)	(35,582)

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		(11,383)	6,054	-	-
Cash flow hedge		(78)	(155)	-	-
Other comprehensive (expense)/ income for the year		(11,461)	5,899	-	-
Total comprehensive income/(expense) for the year		210,393	149,882	(47,552)	(35,582)
Profit/(Loss) for the year attributable to:					
Owners of the Company		230,946	160,150	(47,552)	(35,582)
Non-controlling interest	6	(9,092)	(16,167)	-	-
Profit/(Loss) for the year		221,854	143,983	(47,552)	(35,582)
Total comprehensive income/ (expense) for the year attributable to:					
Owners of the Company		224,014	163,718	(47,552)	(35,582)
Non-controlling interest		(13,621)	(13,836)	-	-
Total comprehensive income/(expense) for the year		210,393	149,882	(47,552)	(35,582)
Basic earnings per share (sen)	26	23.83	16.60		

The notes on pages 91 to 179 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

Group	Attributable to owners of the Company					
	Non-distributable		Distributable			
	Share capital 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 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
At 1 January 2019	672,988	57,415	393,155	1,123,558	176,251	1,299,809
Profit for the year	-	-	230,946	230,946	(9,092)	221,854
Foreign currency translation differences for foreign operations	-	(6,885)	-	(6,885)	(4,498)	(11,383)
Cash flow hedge	-	(47)	-	(47)	(31)	(78)
Total comprehensive income for the year	-	(6,932)	230,946	224,014	(13,621)	210,393
Issuance of ordinary shares	88,763	-	-	88,763	-	88,763
Share issue expenses	-	-	(1,801)	(1,801)	-	(1,801)
Issuance of Redeemable Convertible Preference Shares by a subsidiary	-	-	-	-	167,967	167,967
At 31 December 2019	761,751	50,483	622,300	1,434,534	330,597	1,765,131
	(Note 17)	(Note 17)				

The notes on pages 91 to 179 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

Company	*Non-distributable* Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2018	672,988	(36,342)	636,646
Loss/Total comprehensive expense for the year	-	(35,582)	(35,582)
At 31 December 2018/1 January 2019	672,988	(71,924)	601,064
Loss/Total comprehensive expense for the year	-	(47,552)	(47,552)
Issuance of ordinary shares	88,763	-	88,763
Share issue expenses	-	(1,801)	(1,801)
At 31 December 2019	761,751	(121,277)	640,474
	(Note 17)		

The notes on pages 91 to 179 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		329,462	212,138	(47,064)	(35,094)
Adjustments for:					
Amortisation of prepaid lease payments	4	-	369	-	-
Amortisation of intangible asset	5	-	12,490	-	-
Change in fair value of other investments		-	53	-	(53)
Depreciation of property, plant and equipment	3	102,498	112,966	2	1
Impairment loss on property, plant and equipment	3	-	1,660	-	-
Impairment loss on receivables		-	297	-	-
Gain on disposal of property, plant and equipment		(232)	-	-	-
Finance costs	23	70,329	77,640	42,363	35,631
Finance income	23	(25,971)	(4,917)	(500)	(506)
Property, plant and equipment written off		4	42	-	-
Property, plant and equipment expensed off		-	1,590	-	-
Unrealised foreign exchange (gains)/losses	22	(1,564)	5,828	-	-
Gain on disposal of other investments		(53)	-	(53)	-
Operating profit/(loss) before changes in working capital		474,473	420,156	(5,252)	(21)
Changes in working capital:					
Inventories		(126)	(1,229)	-	-
Contract assets		(76,571)	(53,896)	-	-
Trade and other payables		31,241	1,647	(35,105)	(3,364)
Trade and other receivables, deposits and prepayments		(35,650)	(18,533)	(145,434)	8,841
Cash generated from/(used in) operations		393,367	348,145	(185,791)	5,456

Statements of Cash Flows
for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Income tax paid		(81,627)	(42,983)	(74)	(1,042)
Interest received		5,146	4,917	500	506
Net cash from/(used in) operating activities		316,886	310,079	(185,365)	4,920
Cash flows from investing activities					
Acquisition of property, plant and equipment		(34,961)	(26,758)	(5)	-
Proceeds from disposal of property, plant and equipment		236	-	-	-
Proceeds from disposal of other investment		1,543	-	1,543	106
Upliftment of pledged fixed deposits		6,083	49,612	-	-
Subscription of shares in a subsidiary		-	-	(306,011)	-
Net cash (used in)/from investing activities		(27,099)	22,854	(304,473)	106
Cash flows from financing activities					
Repayment of term loan		(240,382)	-	(208,891)	-
Repayment of revolving credit		(190,252)	-	(10,000)	-
Drawdown of term loan - Islamic		10,200	-	-	-
(Repayment to)/Advances from a subsidiary		-	-	(38,385)	70,105
Proceeds from Rights Issue, net of expenses		86,962	-	86,962	-
Proceeds from sukuk		682,500	-	682,500	-
Repayment of sukuk		(445,247)	-	-	-
Net repayment of borrowings	18	-	(224,644)	-	(48,400)
Term loan interest paid		(37,326)	(50,785)	(9,945)	(35,631)
Coupon payments arising from sukuk		(24,267)	(23,824)	-	-
Security deposit paid		(12,000)	-	-	-
Net cash (used in)/from financing activities		(169,812)	(299,253)	502,241	(13,926)

Statements of Cash Flows
for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net increase/(decrease) in cash and cash equivalents		119,975	33,680	12,403	(8,900)
Effect of exchange rate movements		2,333	(3,975)	-	-
Cash and cash equivalents at 1 January		194,607	164,902	17,955	26,855
Cash and cash equivalents at 31 December	(i)	316,915	194,607	30,358	17,955

Notes:

(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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits placed with licensed banks	16	265,915	185,367	26,756	16,371
Cash in hand and at banks	16	51,000	36,412	3,602	1,584
Overdraft	18	-	(21,089)	-	-
Sub-total		316,915	200,690	30,358	17,955
Less: Deposits pledged as security		-	(6,083)	-	-
Cash and cash equivalents		316,915	194,607	30,358	17,955

(ii) Cash outflows from leases as a lessee

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Included in net cash from operating activities:				
Payment relating to short-term leases	20,506	-	-	-

Statements of Cash Flows
for the year ended 31 December 2019

Notes (cont'd):

(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 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/ 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Changes arising from extin-guishment of financial liabilities RM'000	Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2019 RM'000
Sukuk	518,797	(90,000)	-	9,731	438,528	237,253	-	-	(15,865)	659,916
Secured term loans	387,591	(76,309)	10,664	(9,096)	312,850	(240,382)	61,059	(579)	-	132,948
Finance lease liabilities	126,650	(4,335)	-	2,398	124,713	-	(123,298)	(1,415)	-	-
Revolving credits	246,000	(54,000)	-	-	192,000	(190,252)	-	-	-	1,748
Term loan - Islamic	-	-	-	-	-	10,200	-	-	5,218	15,418
Total liabilities from financing activities	1,279,038	(224,644)	10,664	3,033	1,068,091	(183,181)	(62,239)	(1,994)	(10,647)	810,030

Company	At 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/ 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Changes arising from extin-guishment of financial liabilities RM'000	Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2019 RM'000
Term loan	257,291	(48,400)			208,891	(208,891)			-	-
Revolving credits	10,000	-			10,000	(10,000)			-	-
Amount due to a subsidiary (Note 19)	356,955	70,105			427,060	(38,385)			-	388,675
Sukuk	-	-			-	682,500			(22,584)	659,916
	624,246	21,705			645,951	425,224			(22,584)	1,048,591

The notes on pages 91 to 179 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

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 2019 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 18 May 2020.

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/Interpretation	**Effective date**
Amendments to MFRS 3, *Business Combinations - Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*	1 January 2020
Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*	1 January 2022
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*	Yet to be determined

Notes to the Financial Statements
for the year ended 31 December 2019

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for these amendments that are effective for annual periods beginning on or after 1 January 2020.

- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on 1 January 2022.

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, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

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

(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 asset;
- 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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 36.

(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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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

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

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

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

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

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

(c) Financial instruments

(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 or the Company becomes a party to the contractual provisions of the instrument.

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.

Notes to the Financial Statements
for the year ended 31 December 2019

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or 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.

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)

(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, 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 or 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)].

Notes to the Financial Statements
for the year ended 31 December 2019

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities

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 Group'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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iii) 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.

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 Group or the Company apply settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

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.

(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.

Notes to the Financial Statements
for the year ended 31 December 2019

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

(a) Fair value hedge

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

In a fair value hedge, the gain or loss 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.

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with 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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

(b) Cash flow hedge (cont'd)

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.

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.

(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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(vi) Derecognition (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

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

(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.

Dry docking expenditures are capitalised.

(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 from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

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

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

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

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

Notes to the Financial Statements
for the year ended 31 December 2019

2. Significant accounting policies (cont'd)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. Significant accounting policies (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

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

(a) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

2. Significant accounting policies (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

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

(b) As a lessor (cont'd)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* [see Note 2(k)(i)].

2. Significant accounting policies (cont'd)

(e) Leases (cont'd)

Previous financial year

As a lessee

(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

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.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets 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.

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

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

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

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

2. Significant accounting policies (cont'd)

(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 from contracts with customers

Revenue from sales of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

2. Significant accounting policies (cont'd)

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

(i) Revenue from contract with customers (cont'd)

The Group transfers control of a service at a point in time unless one of the following over time 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.

Topside maintenance services

Topside maintenance services involve regular maintenance and upgrading works on substructures on the main deck, helideck, electrical and instrumentations on existing and new platforms, as well as fabrication operations and hook-up commissioning services. Topside maintenance services are recognised in profit or loss on varying terms depending on the contracts, such as lump sum, unit rate, fee and reimbursable.

Management services income

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

The following are descriptions of principal activities from which the Group or the Company generate their other revenue:

(ii) Vessel charter income

Current financial year

Upon the adoption of MFRS 16, *Leases*, the Group has reassessed its charter hires with customers and determined that these are leases under MFRS 16.

The Group, as a lessor, generates revenue from leasing out marine vessels under charter hires. Vessel charter income is recognised over the term of the charter on an accrual basis.

Previous financial year

Revenue from vessel charter income was previously recognised in accordance with accounting policy stated in Note 2(m)(i).

(iii) 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.

2. Significant accounting policies (cont'd)

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

The following are descriptions of principal activities from which the Group or the Company generate their other revenue (cont'd):

(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.

The 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.

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.

2. Significant accounting policies (cont'd)

(o) Income tax (cont'd)

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.

(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. Operating segment 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.

2. Significant accounting policies (cont'd)

(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.

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	Right-of-use Land RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures (subject to operating lease) RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Cost							
At 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
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
Adjustment on initial application of MFRS 16 (Note 4)	11,779	-	-	-	-	-	11,779
At 1 January 2019, as restated	29,013	40,919	1,829,659	18,164	108,837	15,332	2,041,924
Additions	3,791	-	19,939	-	8,650	442	32,822
Disposals	-	-	-	-	(2,797)	-	(2,797)
Write-offs	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	263	263
Effect of movements in exchange rate	-	-	(18,023)	-	-	-	(18,023)
At 31 December 2019	32,804	40,919	1,831,575	18,164	114,690	16,037	2,054,189

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 (cont'd)							
At 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
Adjustment on initial application of MFRS 16 (Note 4)	11,779	-	-	-	-	-	11,779
At 1 January 2019, as restated	2,041,924	5,751	9,995	15	1,167	267	2,059,119
Additions	32,822	637	991	-	371	140	34,961
Disposals	(2,797)		(106)	-	-	-	(2,903)
Write-offs	-	(2)	(279)	-	-	-	(281)
Reclassification	263	-	-	-	-	(263)	-
Effect of movements in exchange rate	(18,023)	-	-	-	-	-	(18,023)
At 31 December 2019	2,054,189	6,386	10,601	15	1,538	144	2,072,873

Notes to the Financial Statements
for the year ended 31 December 2019

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

Group (cont'd)	Right-of-use Land RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures (subject to operating lease) RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Depreciation and impairment loss							
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-offs	-	-	-	(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)	Right-of-use Land RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures (subject to operating lease) RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Depreciation and impairment loss (cont'd)							
Adjustment on initial application of MFRS 16 (Note 4)	2,393	-	-	-	-	-	2,393
At 1 January 2019, as restated							
Accumulated depreciation	2,513	8,196	456,912	7,608	98,702	9,236	583,167
Accumulated impairment loss	-	-	9,299	-	-	-	9,299
	2,513	8,196	466,211	7,608	98,702	9,236	592,466
Depreciation for the year (Note 22)	389	2,046	90,166	1,816	5,310	1,287	101,014
Disposals	-	-	-	-	(2,792)	-	(2,792)
Write-offs	-	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	(5,771)	-	-	-	(5,771)
At 31 December 2019							
Accumulated depreciation	2,902	10,242	541,307	9,424	101,220	10,523	675,618
Accumulated impairment loss	-	-	9,299	-	-	-	9,299
	2,902	10,242	550,606	9,424	101,220	10,5 23	684,917

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 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-offs	(21,239)	(1,097)	(76)	-	-	-	(22,412)
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)	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)							
Adjustment on initial application of MFRS 16 (Note 4)	2,393	-	-	-	-	-	2,393
At 1 January 2019, as restated							
Accumulated depreciation	583,167	5,005	9,188	15	963	-	598,338
Accumulated impairment loss	9,299	-	-	-	-	-	9,299
	592,466	5,005	9,188	15	963	-	607,637
Depreciation for the year (Note 22)	101,014	540	682	-	262	-	102,498
Impairment loss	-	-	-	-	-	-	-
Disposals	(2,792)	-	(106)	-	-	-	(2,898)
Write-offs	-	(2)	(275)	-	-	-	(277)
Effect of movements in-exchange rate	(5,771)	-	-	-	-	-	(5,771)
At 31 December 2019							
Accumulated depreciation	675,618	5,543	9,489	15	1,225	-	691,890
Accumulated impairment loss	9,299	-	-	-	-	-	9,299
	684,917	5,543	9,489	15	1,225	-	701,189

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

Group (cont'd)	Right-of-use Land RM'000	Buildings RM'000	Marine vessels, onboard equipment and dry docking expenditures (subject to operating lease) RM'000	Containers RM'000	Offshore equipment RM'000	Furniture and fittings RM'000	Subtotal RM'000
Carrying amount							
At 31 December 2018	17,114	32,723	1,363,448	10,556	10,135	6,096	1,440,072
At 31 December 2019	29,902	30,677	1,280,969	8,740	13,471	5,513	1,369,272

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 2018	1,440,072	746	807	-	204	267	1,442,096
At 31 December 2019	1,369,272	843	1,112	-	313	144	1,371,684

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

Company	Note	Furniture and fittings RM'000
Cost		
At 1 January 2018, 31 December 2018/1 January 2019		19
Additions		5
At 31 December 2019		24
Accumulated depreciation		
At 1 January 2018		16
Depreciation for the year	22	1
At 31 December 2018/1 January 2019		17
Depreciation for the year	22	2
At 31 December 2019		19
Carrying amount		
At 31 December 2018		2
At 31 December 2019		5

3.1 Right-of-use assets

Right-of-use assets consist of two (2) parcels of leasehold land that do not meet the definition of investment property. 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 marine vessels with a total carrying amount of RM137 million were under finance lease arrangements in the previous financial year end.

During the year, the financial lease arrangements have been terminated and refinanced via an existing term loan under a new subsidiary acquired during the financial year.

3.3 Securities

Twenty-four (2018: Twenty-two) marine vessels with a total carrying amount of RM1,247 million (2018: RM1,154 million) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group [see Notes 18.3(i)(c), 18.3(ii)(c) and 18.4].

Notes to the Financial Statements
for the year ended 31 December 2019

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

3.4 Impairment testing of marine vessels, onboard equipment and dry docking expenditures

The crude oil prices remained depressed throughout 2019, resulting in volatility in charter hire rates and the expiring and/or expired charter contracts are identified as indications that the carrying amount of marine vessels, onboard equipment and dry docking expenditures may be impaired.

The Group has performed a review of the recoverable amount of these assets during the financial year. Other than the accumulated impairment loss of RM9,299,057 recognised for two (2) vessels, the Group has not recognised any additional impairment losses during the financial year.

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 external sources and internal sources as well as management's assessment of future trends in the industry.

Impairment testing 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 not increase the impairment loss (2018: RM6.0 million).
- A 5% decrease in average utilisation rate used would have increased the impairment loss by RM7.4 million (2018: RM13.6 million).

3.5 Marine vessels subject to operating lease

The Group leases marine vessels to third parties. Each of the leases contains an initial non-cancellable period of 4 days to 365 days a year. Some of these leases also include extension option clauses which are subject to negotiation with the lessee before the end of the initial tenure.

The Group generally does not require a financial guarantee on the lease arrangement as the majority of the lessees are reputable oil majors. Nevertheless, the Group may request for advance charter payments from certain lessee, depending on the Group's assessment on the credit worthiness of the respective lessee, regardless of the lease period. These leases do not include residual value guarantees.

The following are recognised in profit or loss:

Group	2019 RM'000	2018 RM'000
Vessel charter income	188,693	119,191

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

3.5 Marine vessels subject to operating lease (cont'd)

The operating lease payments to be received are as follows:

Group	2019 RM'000	2018 RM'000
Less than one year	86,371	34,073
One to two years	13,135	28,438
Total undiscounted lease payments	99,506	62,511

4. Prepaid lease payments - Group

	Note	Land RM'000
Cost		
At 1 January 2018 and 31 December 2018		11,779
Derecognition of prepaid lease payments on initial application of MFRS 16	3	(11,779)
Adjusted balance as 1 January 2019 and at 31 December 2019		-
Amortisation		
At 1 January 2018		2,024
Amortisation for the year	22	369
At 31 December 2018		2,393
Derecognition of prepaid lease payments on initial application of MFRS 16	3	(2,393)
Adjusted balance as 1 January 2019 and at 31 December 2019		-
Carrying amount		
At 31 December 2018		9,386
At 31 December 2019		-

Prior to the adoption of MFRS 16, *Leases*, leasehold land which in substance was an operating lease was previously classified as prepaid lease payments. Upon the adoption of MFRS 16, these land are reassessed and now reclassified as part of property, plant and equipment (under right-of-use assets).

Notes to the Financial Statements
for the year ended 31 December 2019

5. Intangible asset - Group

	Note	Charter contracts RM'000
Cost		
At 1 January 2018, 31 December 2018/1 January 2019 and 31 December 2019		50,105
Amortisation		
At 1 January 2018		37,615
Amortisation for the year	22	12,490
At 31 December 2018/1 January 2019 and 31 December 2019		50,105
Carrying amount		
At 1 January 2018		12,490
At 31 December 2018/1 January 2019 and 31 December 2019		-

5.1 The intangible asset arose from the existing charter contracts between Perdana Petroleum Berhad and its customers, which 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	2019 RM'000	2018 RM'000
At 1 January		1,212,807	1,212,807
Subscription of shares	6.1	306,011	-
		1,518,818	1,212,807

6.1 ***Subscription of shares***

On 31 December 2019, the Company subscribed to new Redeemable Convertible Preference Shares of RM0.325 each issued by a subsidiary, Perdana Petroleum Berhad for a consideration of RM306 million via a set-off arrangement, whereby Dayang's advances to the said subsidiary was directly set off against the subscription monies.

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

Details of the subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Direct subsidiaries				
Dayang Enterprise Sdn. Bhd. ("DESB")	Provision of offshore topside maintenance services, minor fabrication works and offshore hook-up and commissioning services	Malaysia	100	100
DESB Marine Services Sdn. Bhd. ("DMSSB")	Chartering of marine vessels and catering of food and beverage	Malaysia	100	100
Fortune Triumph Sdn. Bhd. ("FTSB")	Equipment hire	Malaysia	100	100
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	60.48	60.48
Ampangship Marine Sdn. Bhd.	Provision of marine support services for the oil and gas industry	Malaysia	60.48	60.48
Perdana Nautika Sdn. Bhd.	Provision of marine support services for the oil and gas industry	Malaysia	60.48	60.48
Perdana Jupiter Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan Malaysia	60.48	60.48
Perdana Neptune Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan Malaysia	60.48	60.48

Notes to the Financial Statements
for the year ended 31 December 2019

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 2019 %	2018 %
Subsidiaries of PPB (cont'd)				
Perdana Pluto Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan Malaysia	60.48	60.48
Perdana Saturn Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	60.48	60.48
Perdana Earth Limited	Provision of leasing business activities in Labuan	Federal Territory of Labuan, Malaysia	60.48	60.48
Perdana Mars Limited	Provision of leasing in business activities	Federal Territory of Labuan, Malaysia	60.48	60.48
Petra Offshore Limited	Dormant	Federal Territory of Labuan Malaysia	60.48	60.48
Perdana Marine Offshore Pte. Ltd.^^	Dormant	The Republic of Singapore	60.48	60.48
Perdana Mercury Limited ^^	Dormant	The Republic of the Marshall Island	60.48	60.48
Perdana Venus Limited ^^	Dormant	The Republic of the Marshall Island	60.48	60.48
Perdana Uranus Limited	Dormant	Federal Territory of Labuan, Malaysia	60.48	60.48
Odin Explorer Navigation Limited ^^	Dormant	The British Virgin Island	60.48	60.48

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 2019 %	2018 %
Subsidiaries of PPB (cont'd)				
Geoseas Technologies Limited ^^	Dormant	The British Virgin Island	30.84	30.84
Subsidiary of Perdana Jupiter Limited				
Mount Santubong Ltd.	Making strategic investments in shipping and shipping-related assets and businesses	Federal Territory of Labuan, Malaysia	60.48	-

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

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

Non-controlling interest in a subsidiary

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

2019	Perdana Petroleum Berhad RM'000
NCI percentage of ownership interest and voting interest	39.52%
Carrying amount of NCI	330,597
Loss allocated to NCI	9,092

Summarised financial information before intra-group elimination

2019 (cont'd)	Perdana Petroleum Berhad RM'000
As at 31 December	
Non-current assets	1,169,786
Current assets	125,736
Non-current liabilities	(106,567)
Current liabilities	(289,152)
Net assets	899,803

Notes to the Financial Statements
for the year ended 31 December 2019

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

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

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

2019 (cont'd)	**Perdana Petroleum Berhad RM'000**
Year ended 31 December	
Revenue	239,997
Loss for the year	(23,004)
Total comprehensive expense	(35,017)
Cash flows from operating activities	509,360
Cash flows used in investing activities	(6,062)
Cash flows used in financing activities	(497,981)
Net increase in cash and cash equivalents	5,317

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
As at 31 December	
Non-current assets	1,279,723
Current assets	95,214
Non-current liabilities	(3,437)
Current liabilities	(910,659)
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

7. Deposits

		Group	
		2019	2018
	Note	RM'000	RM'000
Refundable deposits	7.1	-	46,043
Security deposit	7.2	12,000	-
		12,000	46,043

7.1 Refundable deposits were deposits held by lessor of marine vessels of a subsidiary which was refundable to the Group upon expiry of the leases. In the current financial year, the refundable deposits were deemed forfeited subsequent to the termination of the lease arrangement (see Note 18.5) following the acquisition of Mount Santubong Ltd. (see Note 33).

7.2 Security deposit is a deposit held by a creditor over the tenure of a Murabahah Facility.

8. Goodwill

Goodwill is allocated to the Group's CGU identified, which is the Marine Offshore Support Services operating segment as follows:

	2019	2018
Group	**RM'000**	**RM'000**
Marine Offshore Support Services		
At 31 December 2018/1 January 2019 and 31 December 2019	653,627	653,627

Impairment testing on 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.

The recoverable amount of Marine Offshore Support Services operating segment estimated based on value-in-use method was as follows:

	2019	2018
Group	**RM'000**	**RM'000**
Recoverable amount	2,245,312	2,271,384

Notes to the Financial Statements
for the year ended 31 December 2019

8. Goodwill (cont'd)

a) Value-in-use calculations

Value-in-use calculations is used to derive the recoverable amount of the CGU. The value-in-use 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 between 12 years to 25 years. The value-in-use calculation is based on the following key assumptions:

i) Average marine vessels utilisation rate ranging from 60% to 100% (2018: 40% to 100%);
ii) Average daily charter rate ranging from RM5,950 to RM82,143 (2018: RM5,950 to RM82,143);
iii) Daily operating costs ranging from RM800 to RM16,500 (2018: RM800 to RM16,500);
iv) Growth rate of 5% (2018: 5%) in both daily charter rate and costs for every five years;
v) Salvage value based on market value of scrap steel plates @ USD550 (2018: USD550) per tonne multiplied by the lightweight of the vessels;
vi) Pre-tax discount rate of 10% (2018: 10%); and
vii) New capital expenditures based on financial budgets using similar key assumptions as stated above.

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

b) Impairment testing sensitivity analysis

The estimated value-in-use is most sensitive to the following key assumptions:

i) An increase of 1 percentage point in the discount rate used would have resulted in a reduction in recoverable amount by RM161,053,323, without any impairment;
ii) Reduction in the utilisation rates of each individual asset by 5% to 30% would have resulted in a reduction in recoverable amount by RM95,416,721, without any impairment; and
iii) Reduction in growth rates of the vessels' daily charter rates from 5% to 2% would have resulted in a reduction in recoverable amount by RM119,034,205, without any impairment.

9. Deferred taxation

Recognised deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment	-	-	(75,982)	(76,044)	(75,982)	(76,044)
Capital allowances carried forward	7,629	13,844	-	-	7,629	13,844
Tax losses carried forward	10,356	11,370	-	-	10,356	11,370
Trade and other payables	35	2,613	-	-	35	2,613
Intangible assets	-	-	-	-	-	-
Deferred tax assets/(liabilities)	18,020	27,827	(75,982)	(76,044)	(57,962)	(48,217)
Set-off of tax	(187)	(2,268)	187	2,268	-	-
Net deferred tax assets/(liabilities)	17,833	25,559	(75,795)	(73,776)	(57,962)	(48,217)

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

Group	**At 1.1.2018 RM'000**	**Recognised in profit or loss RM'000**	**At 31.12.2018/ 1.1.2019 RM'000**	**Recognised in profit or loss RM'000**	**At 31.12.2019 RM'000**
Property, plant and equipment	(74,442)	(1,602)	(76,044)	62	(75,982)
Capital allowances carried forward	17,927	(4,083)	13,844	(6,215)	7,629
Tax losses carried forward	10,583	787	11,370	(1,014)	10,356
Trade and other payables	2,813	(200)	2,613	(2,578)	35
Intangible assets	(4,580)	4,580	-	-	-
	(47,699)	(518)	(48,217)	(9,745)	(57,962)
		(Note 24)		(Note 24)	

9. Deferred taxation (cont'd)

The Group recognises deferred tax assets resulting from temporary differences and unutilised tax losses of a subsidiary, which exceed the deferred tax liabilities only to the extent that, on the subsidiary's business planning, the realisation of these assets is assessed as probable.

In the current financial year, the Group recognised deferred tax assets of RM17.8 million (2018: RM25.5 million) cumulatively. The management has applied the following key assumptions in arriving at the projected taxable profits:

i) Revenue based on average utilisation rate ranging from 75% to 80% (2018: from 67% to 80%);
ii) Vessel operating costs for 2020 based on actual costs incurred for 2019;
iii) Charter hire costs from other subsidiaries of the Group based on actual costs incurred with a decrease of 2% in every subsequent year; and
iv) Administrative expenses based on actual costs incurred in the current year with an increase of 5% in every subsequent year.

The estimation of projected 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

Unrecognised temporary differences are in respect of the following items (stated at gross):

	Group	
	2019	**2018**
	RM'000	**RM'000**
Unabsorbed capital allowances	407	345
Unutilised tax losses	18,255	7,435
	18,662	7,780

The remaining deferred tax assets available to the Group of RM4.5 million (2018: RM1.9 million) have not been recognised in respect of the above temporary differences because it is not certain if sufficient future taxable profits will be available against which the affected group entities can utilise the benefits therefrom.

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

Pursuant to the latest tax legislations, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive years of assessments ("YAs").

Unutilised tax losses of RM50.6 million and RM10.8 million expire in 2025 and 2026 respectively under the current tax legislation of Malaysia.

10. Derivative asset - Group

	Contractual/ Notional amount		Assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivative used for hedging				
Interest rate swap	-	24,846	-	78

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 had 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 paid a fixed rate of 4.18% per annum (if LIBOR was less than or equals to 2.00%) or a 3 months USD-LIBOR + 2.35% per annum (if LIBOR was more than 2.00%).

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

Upon the completion of the subsidiary of the Group's debt restructuring, the interest rate swap arrangement has been terminated during the current financial year (Note 18.2).

11. Inventories - Group

	2019 RM'000	2018 RM'000
Materials and consumables - at cost	7,411	7,285
Recognised in profit or loss:		
Inventories recognised as part of cost of services	19,495	15,091

12. Contract assets - Group

	2019 RM'000	2018 RM'000
Contract assets	226,579	150,008

The contract assets are in relation to the Group's rights to consideration for work performed on topside maintenance contracts, which remain unbilled at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 30 days from invoice date.

Notes to the Financial Statements
for the year ended 31 December 2019

12. Contract assets - Group (cont'd)

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:

	2019 RM'000	2018 RM'000
Contract assets at beginning of the period transferred to trade receivables	149,084	94,750

13. Trade and other receivables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade receivables		153,810	122,494	-	-
Allowance for impairment losses	22	(297)	(297)	-	-
		153,513	122,197	-	-
Non-trade					
Amount due from subsidiaries	13.1	-	-	13,294	12,984
Other receivables		178,467	3,852	149,058	78
Allowance for impairment losses	22	(1,443)	(1,443)	-	-
		177,024	2,409	149,058	78
		177,024	2,409	162,352	13,062
Total		330,537	124,606	162,352	13,062

13. Trade and other receivables (cont'd)

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
2019	
Financial assets at fair value through profit or loss	-
2018	
Financial assets at fair value through profit or loss	1,490

15. Deposits and prepayments

		Group		**Company**	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deposits	15.1	4,252	3,924	214	184
Prepayments		3,689	6,886	5	3,891
		7,941	10,810	219	4,075

15.1 Included in the Group's deposits is placement of fund of USD293,000 equivalent to RM1,199,542 (2018: USD293,000 equivalent to RM1,199,542) 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.

16. Cash and cash equivalents

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits placed with licensed banks	265,915	185,367	26,756	16,371
Cash on hand and at banks	51,000	36,412	3,602	1,584
	316,915	221,779	30,358	17,955

Included in the deposits placed with licensed banks of the Group is RM12.0 million of deposits pledged for Sukuk (2018: RM6.1 million of deposits pledged for Sukuk granted to PPB). In the current financial year, the Group has withdrawn the pledged deposits upon the settlement of PPB's Sukuk (see Note 18.3(ii)).

17. Capital and reserves

17.1 Share capital

	Group and Company 2019 Amount RM'000	2019 Number of shares	2018 Amount RM'000	2018 Number of shares
Ordinary shares				
Issued and fully paid shares with no par value classified as equity instruments:				
Opening balances	672,988	964,809,835	672,988	964,809,835
Issuance of shares under rights issue [Note (ii)]	88,763	96,480,983	-	-
	88,763	96,480,983	-	-
	761,751	1,061,290,818	672,988	964,809,835
	[Note (ii)]			

Notes

(i) 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.

(ii) On 19 December 2019, the Company issued 96,480,983 new ordinary shares via renounceable rights issue at an issue price of RM0.92 per share.

17. Capital and reserves (cont'd)

17.2 Reserves

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-distributable:-				
Other reserves [Note 17.3]	50,483	57,415	-	-
Distributable:-				
Retained earnings/ (Accumulated losses)	622,300	393,155	(121,277)	(71,924)
	672,783	450,570	(121,277)	(71,924)

17.3 Other reserves

Other reserves comprise of 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	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current					
Term loan - Islamic	18.1	13,454	-	-	-
Term loan - Commodity Murabahah Financing – I	18.2	19,426	-	-	-
Sukuk	18.3	578,016	-	578,016	-
Secured term loans	18.4	83,317	24,428	-	-
		694,213	24,428	578,016	-
Current					
Term loan - Islamic	18.1	1,964	-	-	-
Term loan - Commodity Murabahah Financing – I	18.2	4,913	24,846	-	-
Sukuk	18.3	81,900	438,528	81,900	-
Secured term loans	18.4	25,292	263,576	-	208,891
Finance lease liabilities	18.5	-	124,713	-	-
Overdraft		-	21,089	-	-
Revolving credits		1,748	192,000	-	10,000
		115,817	1,064,752	81,900	218,891
Total		810,030	1,089,180	659,916	218,891

18. Loans and borrowings (cont'd)

18.1 Term loan - Islamic

In August 2019, the Group fully settled an existing term loan via refinancing with this Islamic term loan, amounting to RM16.5 million, which is repayable over a tenure of seven (7) years. The Islamic term loan is secured by a RM12.0 million security deposit (see Note 7) that is exchangeable in the form of a bank guarantee at any time during the tenure of the facility.

18.2 Term loan - Commodity Murabahah Financing - I

On 8 October 2014, a subsidiary 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 was subject to floating interest rate and was being hedged by an interest rate swap as disclosed in Note 10 to the financial statements.

The interest rate is a swap arrangement that has been terminated in the current financial year.

The term loan has been restructured with a 4-year extension in tenure and revision in interest rate from LIBOR + 2.50% per annum to LIBOR +1.75% per annum during the financial year. The restructuring of this term loan has resulted in a gain of RM0.2 million (see Note 23).

18.3 Sukuk Murabahah

(i) Sukuk Murabahah I

Sukuk Murabahah of RM682.5 million was issued by the Company on 15 November 2019 by virtue of a Programme Agreement dated 29 October 2019, and is constituted by a Trust Deed dated 29 October 2019 entered into by the Company and the Trustee for the holders of the Sukuk Murabahah. The tenure of the Sukuk Murabahah Programme shall be up to eight (8) years from the date of the first issuance of the Sukuk Murabahah. In respect of the first issuance, the Sukuk Murabahah shall have a tenure of at least one (1) year and up to six (6) years from the date of first issuance. The first issuance under the programme was made within sixty (60) business days from the lodgement date.

The first issuance of the Sukuk Murabahah shall comprise of the following tranches:

(i) the series of Sukuk Murabahah of up to RM455.0 million in nominal value ("Tranche 1 Sukuk Murabahah"); and

(ii) the series of Sukuk Murabahah of up to RM227.5 million in nominal value ("Tranche 2 Sukuk Murabahah").

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 RM227.5 million and one (1) periodic profit payment ("Al-Kafalah Facility"). The Company is entitled to make one (1) claim in writing, which shall not exceed the guaranteed amount, no later than, (i) thirty (30) days from the date of declaration of an event of default under the Sukuk Murabahah Programme; or (ii) thirty (30) days from the expiry of the Al-Kafalah Facility, whichever is earlier.

18. Loans and borrowings (cont'd)

18.3 Sukuk Murabahah (cont'd)

(i) Sukuk Murabahah I (cont'd)

In connection therewith, Danajamin and the Company entered into an Al-Kafalah Facility Agreement dated 29 October 2019 and Danajamin has issued a Kafalah policy with effective date from 15 November 2019 in favour of the Security Agent for the holders of the Sukuk Murabahah to guarantee the payment obligations of the Company under the Sukuk Murabahah for up to the nominal value of Tranche 2 Sukuk Murabahah of RM227.5 million and one (1) periodic profit payment. The Sukuk Murabahah is:

(i) transferable and tradable;
(ii) not convertible or exchangeable into shares;
(iii) may be listed (under an Exempt Regime);
(iv) not underwritten; and
(v) not rated.

a) Repayment terms of the Sukuk Murabahah programme

The Sukuk Murabahah shall be issued in accordance with the following schedule:

Series	Tenure (years)	Tranche 1 (RM million)	Tranche 2 (RM million)	Total (RM million)
1	1	54.60	27.30	81.90
2	2	54.60	27.30	81.90
3	3	54.60	27.30	81.90
4	4	81.90	40.95	122.85
5	5	81.90	40.95	122.85
6	6	127.40	63.70	191.10
Total		**455.00**	**227.50**	**682.50**

b) Periodic profit payment terms under the Sukuk Murabahah programme

The Sukuk Murabahah is issued with periodic profit payments which are payable semi-annually. Profits are advised every semi-annually by the facility agent at least three (3) days prior to issuance date. The periodic profit payments are determined based on a pricing spread above the six months cost of fund which is equivalent to a pricing spread above six months Kuala Lumpur Interbank Offered Rate ("6M KLIBOR").

c) Securities

Tranche 1 Sukuk Murabahah is secured by:

(i) the charge over the Designated Accounts of the Company and four (4) subsidiaries of the Company;
(ii) the charge over mortgages of eighteen (18) vessels via the third (3rd) party first (1st) priority statutory mortgage of the subsidiaries of the Company;
(iii) Deed of Covenants accompanying the mortgages over the eighteen (18) vessels of four (4) subsidiaries of the Company;
(iv) a charge over 470,786,650 units of ordinary shares in a subsidiary of the Company;

18. Loans and borrowings (cont'd)

18.3 Sukuk Murabahah (cont'd)

(i) Sukuk Murabahah I (cont'd)

c) Securities (cont'd)

Tranche 1 Sukuk Murabahah is secured by (cont'd):

(v) a charge over new units of Redeemable Convertible Preference Shares ("RCPS") at the value of up to RM455.0 million issued by a subsidiary of the Company;
(vi) the charge over shares of three (3) subsidiaries of the Company which own eleven (11) vessels;
(vii) the assignment over all contract proceeds of the vessel owners of the eighteen (18) vessels;
(viii) the assignment over all rights, title, benefits and interest from/under all takaful/insurance policies taken or to be taken by the vessel owners of the eighteen (18) vessels;
(ix) the corporate guarantees from two (2) subsidiaries of the Company; and
(x) the irrevocable and unconditional letter of undertaking executed by a subsidiary of the Company to inject cash into the Company for purposes of meeting any shortfall in the financial obligations due under the Sukuk Murabahah and the Al-Kafalah Facility,

(collectively, the "Security Documents").

Tranche 2 Sukuk Murabahah

The obligations of the Company arising under or in connection with Tranche 2 Sukuk Murabahah and the Transaction Documents are guaranteed by the Al-Kafalah Facility and will not be secured by the Tranche 1 Security Documents.

d) Guarantee fee

Guarantee fee shall be payable to Danajamin at the rate of 1.50% per annum calculated on the guaranteed amount in relation to the issuance of the Guaranteed Sukuk from the Effective Date until the last day of the Claim Period. The guarantee fee shall be payable semi-yearly in advance no later than three (3) business days from the date of the Danajamin's invoice for such outstanding guarantee fee.

(ii) Sukuk Murabahah II

In the current financial year, the outstanding Sukuk was early redeemed and settled on 15 November 2019, following the successful completion of the subsidiary of the Group's debt restructuring exercise. The early settlement has resulted in a loss of RM2.8 million (see Note 23).

Sukuk Murabahah of RM635.0 million was issued by a subsidiary of the Group on 28 April 2016, and was 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 was 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)

18.3 Sukuk Murabahah (cont'd)

(ii) Sukuk Murabahah II (cont'd)

In relation thereto, Danajamin had granted and made available an Al-Kafalah Facility of up to the aggregate amount of the nominal value of the Sukuk Murabahah of RM635.0 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 had entered into an Al-Kafalah Facility Agreement dated 13 April 2016 and Danajamin had 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 RM635.0 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 Programme

Pursuant to the Islamic financing documents in relation to the Sukuk Murabahah, the said subsidiary was 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 was evidenced, amongst others, the entitlement of the holders of the Sukuk Murabahah to receive the Deferred Sale Price. The nominal value of the relevant Sukuk Murabahah for respective tenures based on the maturity dates was 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 2018
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
for the year ended 31 December 2019

18. Loans and borrowings (cont'd)

18.3 Sukuk Murabahah (cont'd)

(ii) Sukuk Murabahah II (cont'd)

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

The secondary bonds/profit payment was 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 RM635.0 million and one (1) profit payment thereof, in respect of the first issuance of the Sukuk Murabahah, was 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 was secured by:

(i) a charge over the Securities Accounts;
(ii) a charge over mortgages of the eleven (11) [2018: 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) [2018: eleven (11)] vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) [2018: eleven (11)] vessels; and
(v) a charge over the eleven (11) [2018: 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 was 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.

During the year, the said subsidiary has made an early redemption on the outstanding Sukuk amount.

18. Loans and borrowings (cont'd)

18.4 Secured term loans

The term loans are secured by:

(i) fixed charge over certain vessels of the Group (see Note 3);
(ii) assignment and charges over insurance proceeds and revenue of certain vessels of the Group; and
(iii) security deposits placed in Retention Accounts.

During the financial year, the Group:

(a) fully settled the outstanding amount of one term loan and refinanced into a new Islamic term loan (Note 18.1). The refinancing has resulted in a gain of RM1.1 million (see Note 23);

(b) restructured a term loan with a tenure extension of 2 years and revision in interest rate from LIBOR + 3.90% per annum to LIBOR + 2.75% per annum. The restructuring of the term loan has resulted in a loss of RM0.7 million (see Note 23); and

(c) restructured a term loan with a tenure extension of 7 years and revision in interest rate from LIBOR + 2.50% per annum to LIBOR + 1.75% per annum. The restructuring of the term loan has resulted in a gain of RM1.5 million (see Note 23).

18.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

2018	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

During the financial year, a subsidiary of the Group acquired the entire equity interest of a special purpose vehicle which was its lessor, for a sum of USD1 (see Note 33). Arising from the acquisition, the Group's refundable deposits of RM46.0 million held by the lessor (see Note 7.1) has been deemed forfeited in exchange for the extinguishment of the lease payable to the lessor, resulting in a net gain from extinguishment of financial liabilities of USD4.5 million (equivalent to RM18.8 million), which is included in finance income (see Note 23) in the statement of profit or loss and other comprehensive income.

18. Loans and borrowings (cont'd)

18.6 Significant covenants on loans and borrowings

In addition to loan covenants mentioned in Notes 18.1 and 18.2, the Group is also subjected to the following significant loan covenants on loans and borrowings:

(i) book equity not less than USD100 million;
(ii) debt to equity ratio of not greater than 1.2 times;
(iii) debt service coverage ratio of at least 1.25 times;
(iv) debt to net worth ratio of not greater than 3 times;
(v) tangible net worth equal to or more than RM500 million;
(vi) unencumbered cash not less than USD7 million or the equivalent in any other currency; and
(vii) total interest-bearing debts at no more than 2.5 times its book equity.

As at the reporting date, the Group and the Company have not breached any loan covenants.

19. Trade and other payables

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade payables		142,205	116,600	-	-
Trade accruals		56,656	46,398	-	-
		198,861	162,998	-	-
Non-trade					
Other payables		16,479	8,720	1,715	201
Accrued expenses		37,091	33,796	20,753	2,370
Amount due to a subsidiary	19.1	-	-	388,675	427,060
		53,570	42,516	411,143	429,631
Total		252,431	205,514	411,143	429,631

19.1 Amount due to a subsidiary is unsecured, subject to interest at 6.00% (2018: 5.66% p.a.) per annum and repayable on demand.

20. Revenue

	Note	2019 RM'000	2018 RM'000
Group			
Revenue from contracts with customers	20.1	857,490	938,758
Other revenue - vessel charter income		188,693	-
		1,046,183	938,758
Company			
Revenue from contracts with customers	20.1	4,200	4,200

20.1 Disaggregation of revenue from contracts with customers

	Topside maintenance services	
	2019 RM'000	**2018 RM'000**
<u>**Group**</u>		
Type of contracts		
Lump sum	635,375	596,043
Unit rate	213,375	98,943
Fee	5,137	56,692
Reimbursable	3,603	67,889
Vessel charter income	-	119,191
	857,490	938,758
Geographical market		
Malaysia	857,490	938,758
Timing and recognition		
At a point in time	3,603	67,889
Over time	853,887	870,869
	857,490	938,758
<u>**Company**</u>		
Major service line		
Management services	4,200	4,200
Geographical market		
Malaysia	4,200	4,200
Timing and recognition		
Over time	4,200	4,200

20. Revenue (cont'd)

20.2 Nature of services

The following information reflects the typical transactions as follows:

Group

Type of contracts	Timing of recognition or method used to recognise revenue	Significant payment terms
Lump sum	Revenue is recognised over time using the cost incurred method.	Credit periods of 30 days from invoice date.
Unit rate	Revenue is recognised over time using the cost incurred method.	Credit periods of 30 days from invoice date.
Fee	Revenue is recognised over time as and when the equipment hiring services are performed using the cost incurred method.	Credit periods of 30 days from invoice date.
Reimbursable	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.
Vessel charter income	Revenue was recognised over time as and when the charter hire services are performed using the cost incurred method. During the year, following the adoption of MFRS 16, *Leases*, vessel charter income is assessed as revenue generated from leases and hence, scoped out from MFRS 15, *Revenue from Contracts with Customers*.	Credit periods of 30 days from invoice date.

Company

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Management services	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.	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.

	2020 RM'000	2019 RM'000
Topside maintenance services	242,533	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

	2019 RM'000	2018 RM'000
Other income		
Gain on foreign exchange	-	17,305
Gain on disposal of property, plant and equipment	236	-
Others	2,502	5,159
	2,738	22,464
Other expenses		
Amortisation of intangible assets	-	12,490
Loss on foreign exchange	465	5,828
Allowance of impairment loss on property, plant and equipment (Note 3.4)	-	1,660
Others	712	592
	1,177	20,570

22. Results from operating activities

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Results from operating activities is arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		495	481	92	88
- others		4	5	-	-
- Non-audit fees					
- KPMG PLT		235	30	125	15
- Affiliates of KPMG PLT		122	71	12	10
Material expenses/(income)					
Amortisation of intangible assets	5	-	12,490	-	-
Amortisation of prepaid lease payments	4	-	369	-	-
Depreciation of property, plant and equipment	3	102,498	112,966	2	1
Impairment loss on property, plant and equipment	3	-	1,660	-	-
Impairment loss on financial assets at amortised cost	13	-	297	-	-

Notes to the Financial Statements
for the year ended 31 December 2019

22. Results from operating activities (cont'd)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Material expenses/(income) (cont'd)				
Net loss on foreign exchange				
- realised	465	-	-	-
- unrealised	-	5,828	-	-
Personnel expenses (including key management personnel):				
- contributions to the Employees Provident Fund	12,853	12,038	95	106
- wages, salaries and others	213,307	227,716	799	904
Property, plant and equipment written off	-	42	-	-
Gain on disposal of property, plant and equipment	(236)	-	-	-
Net (gain)/loss on foreign exchange:				
- realised	-	(17,305)	-	-
- unrealised	(1,564)	-	-	-
Expenses arising from leases:				
Expenses relating to short-term leases	20,506	-	-	-
Rental expenses	-	51,854	-	-

23. Finance (costs)/income

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Recognised in profit or loss				
Interest expense of financial liabilities:				
- loans	(34,421)	(44,783)	(15,339)	(14,096)
- amount due to a subsidiary	-	-	(27,024)	(21,535)
Profit payments of Sukuk	(33,126)	(32,857)	-	-
Loss on early redemption of Sukuk (see Note 18.3(ii))	(2,782)	-	-	-
	(70,329)	(77,640)	(42,363)	(35,631)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	5,146	4,917	500	506
Net gain arising from extinguishment of financial liabilities via acquisition of a subsidiary (see Note 33)	18,778	-	-	-
Net gain on refinancing/restructuring of loans and borrowings (see Notes 18.2 and 18.4)	2,047	-	-	-
	25,971	4,917	500	506
Net finance costs recognised in profit or loss	(44,358)	(72,723)	(41,863)	(35,125)

24. Taxation

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current year	99,115	68,157	488	492
- prior year	(1,252)	(520)	-	(4)
	97,863	67,637	488	488
Deferred tax expense (Note 9)				
- current year	6,881	16	-	-
- prior year	2,864	502	-	-
	9,745	518	-	-
Taxation	107,608	68,155	488	488
Reconciliation of income tax expense				
Profit/(Loss) for the year	221,854	143,983	(47,552)	(35,582)
Taxation	107,608	68,155	488	488
Profit/(Loss) excluding tax	329,462	212,138	(47,064)	(35,094)

24. Taxation (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax calculated using Malaysian tax rate of 24% (2018: 24%)	79,071	50,913	(11,295)	(8,423)
Tax effect under Labuan Business Activity Act	2,103	1,589	-	-
Movement in unrecognised deferred tax assets	2,612	-	-	-
Non-deductible expenses	27,455	20,963	11,783	8,928
Non-taxable income	(5,245)	(5,292)	-	(13)
	105,996	68,173	488	492
Under/(Over) provision in prior years	1,612	(18)	-	(4)
Taxation	107,608	68,155	488	488

25. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	2,247	2,111	1,657	1,609
- Remuneration	7,268	4,470	64	-
	9,515	6,581	1,721	1,609
Other key management personnel:				
- Short term employee benefits	2,250	2,302	36	38
	11,765	8,883	1,757	1,647

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.

26. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders	230,946	160,150
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 31 December ('000)	969,039	964,809
Basic earnings per share (sen)	23.83	16.60

Diluted earnings per ordinary share

The subsidiary of the Company, PPB has issued and allotted 1,463,629,199 RCPS that are convertible to new ordinary shares of PPB during the financial year. As at the end of the reporting period, the entire amount of RCPS has yet to be converted to new ordinary shares of PPB and has not been included in the calculation of diluted earnings per share because they are antidilutive for the period.

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.

Notes to the Financial Statements
for the year ended 31 December 2019

27. Operating segments (cont'd)

Other non-reportable segments comprise investment holding and equipment hire. None of these segments met the quantitative thresholds for reporting segments in 2019 and 2018.

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

Segment assets

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

Segment liabilities

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

Geographical information

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

27. Operating segments (cont'd)

Group	Topside Maintenance Services 2019 RM'000	Topside Maintenance Services 2018 RM'000	Marine Offshore Support Services 2019 RM'000	Marine Offshore Support Services 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Segment profit/(loss)	371,428	270,461	(1,206)	(18,067)	370,222	252,394
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	857,490	819,567	188,693	119,191	1,046,183	938,758
Inter-segment revenue	-	-	181,497	192,942	181,497	192,942
Depreciation and amortisation	(6,168)	(10,123)	(90,721)	(92,463)	(96,889)	(102,586)
Finance costs	(1,300)	(6,067)	(56,904)	(58,868)	(58,204)	(64,935)
Finance income	32,726	24,678	22,861	2,563	55,587	27,241
Unrealised foreign exchange gain/(loss)	-	-	1,564	(5,828)	1,564	(5,828)
Segment assets	1,251,850	1,098,054	456,832	525,540	1,708,682	1,623,594

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

	2019 RM'000	2018 RM'000
Total profit for reportable segments	370,222	252,394
Other non-reportable segments	(40,760)	(27,766)
Amortisation of intangible asset	-	(12,490)
Consolidated profit before tax	329,462	212,138

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
2019					
Total reportable segments	1,046,183	(96,889)	(58,204)	55,587	1,708,682
Other non-reportable segments	-	(5,609)	(42,363)	622	1,336,862
Goodwill	-	-	-	-	653,627
Elimination of inter-segment transactions or balances	-	-	30,238	(30,238)	(752,008)
Consolidated total	1,046,183	(102,498)	(70,329)	25,971	2,947,163
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

Major customers

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

	Revenue 2019 RM'000	Revenue 2018 RM'000	Segment
Companies under common control of:			
- Customer A	765,087	615,064	Topside maintenance services and marine offshore support services
- Customer B	-	195,902	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 categorised as follows:

(a) Amortised cost ("AC");
(b) Fair value through profit or loss ("FVTPL")

2019	Note	Carrying amount RM'000	AC RM'000
Financial assets			
Group			
Deposits	7,15	16,252	16,252
Trade and other receivables	13	330,537	330,537
Cash and cash equivalents	16	316,915	316,915
		663,704	663,704
Company			
Trade and other receivables	13	162,352	162,352
Deposits	15	214	214
Cash and cash equivalents	16	30,358	30,358
		192,924	192,924
Financial liabilities			
Group			
Loans and borrowings	18	(810,030)	(810,030)
Trade and other payables	19	(252,431)	(252,431)
		(1,062,461)	(1,062,461)
Company			
Loans and borrowings	18	(659,916)	(659,916)
Trade and other payables	19	(411,143)	(411,143)
		(1,071,059)	(1,071,059)

Notes to the Financial Statements
for the year ended 31 December 2019

28. Financial instruments (cont'd)

28.1 Categories of financial instruments (cont'd)

2018	Note	Carrying amount RM'000	AC RM'000	FVTPL 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	31,201	1,490
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)	-

28. Financial instruments (cont'd)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Net gains/(losses) arising on:				
Financial assets at fair value through profit or loss				
- mandatorily required by MFRS 9	-	53	-	53
Financial assets measured at amortised cost	4,088	7,508	500	506
Financial liabilities measured at amortised cost	(66,124)	(86,508)	(42,363)	(35,631)
	(62,036)	(78,947)	(41,863)	(35,072)

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.

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

Notes to the Financial Statements
for the year ended 31 December 2019

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Risk management objectives, policies and processes for managing the risk (cont'd)

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.

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 three (2018: two) counterparties of RM111,744,708 (2018: RM94,228,170).

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 2019 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
2019			
Current (Not past due)	95,746	-	95,746
1-30 days past due	37,905	-	37,905
31-90 days past due	13,739	-	13,739
	147,390	-	147,390

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)

Group (cont'd)	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019 (cont'd)			
Credit impaired			
More than 90 days past due	6,123	-	6,123
Individually impaired	297	(297)	-
	153,810	(297)	153,513
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

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

	Credit impaired RM'000
Balance at 1 January 2018	-
Net remeasurement of loss allowance	297
Balance at 31 December 2018/1 January 2019	297
Net remeasurement of loss allowance	-
Balance at 31 December 2019	297

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

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.

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) were categorised as fair value through profit or loss. The Group does not have overdue investments that have not been impaired.

The investments were 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.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Financial guarantees (cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM83,492,395 (2018: RM654,476,097) 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.

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 mainly from the amount due from one (2018: one) subsidiary of RM12,974,108 (2018: RM12,944,108).

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:

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Financial guarantees (cont'd)

Recognition and measurement of impairment loss (cont'd)

- 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 shareholders' 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.

Company	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Low credit risk	13,294	-	13,294
2018			
Low credit risk	12,984	-	12,984

(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.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

	Note	Carrying amount RM'000	Contractual interest/profit/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
Group						
2019						
Term loan - Islamic		15,418	2.02	17,918	2,262	15,656
Term loan – Commodity Murabahah Financing – I		24,339	3.46	26,265	5,695	20,570
Sukuk	28.3(b)(i)	659,916	5.13 – 6.50	855,804	126,008	729,796
Secured term loans	28.3(b)(i)	108,609	3.44 – 5.58	93,550	16,870	76,680
Revolving credits		1,748	4.36	1,754	1,754	-
Trade and other payables		252,431	-	252,431	252,431	-
		1,062,461		1,247,722	405,020	842,702
2018						
Term loan – Commodity Murabahah Financing – I		24,846	4.45	25,948	25,948	-
Sukuk	28.3(b)(i)	438,528	4.32 – 4.90	506,106	506,106	-
Secured term loans	28.3(b)(i)	288,004	3.80 – 8.10	320,704	294,577	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

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

	Note	Carrying amount RM'000	Contractual interest/ coupon rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
Company						
2019						
Sukuk	28.3(b)(i)	659,916	5.13 – 6.50	855,804	126,008	729,796
Trade and other payables		22,468	-	22,468	22,468	-
Amount due to a subsidiary		388,675	6.00	411,996	411,996	-
Financial guarantee		-	-	83,492	83,492	-
		1,071,059		1,373,760	643,964	729,796
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		-	-	654,476	654,476	
		648,522		1,358,324	1,358,324	

28.3 (b)(i) Included in under 1 year of contractual cash flows were 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 in the previous financial year.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk

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

(i) Currency risk

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

Exposure to foreign currency risk

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

		Denominated in	
	USD	**SGD**	**RM**
Group	**RM'000**	**RM'000**	**RM'000**
2019			
Financial assets			
Cash and cash equivalents	181	-	-
Intra-group balances	72,671	5,709	32,838
	72,852	5,709	32,838
Financial liabilities			
Trade and other payables	(345)	(5,552)	(44)
Intra-group balances	(252,831)	(18,817)	(54,096)
	(253,176)	(24,369)	(54,140)
Net currency exposure	(180,324)	(18,660)	(21,302)
2018			
Financial assets			
Trade and other receivables	594	324	1
Cash and cash equivalents	242	70	-
Intra-group balances	80,355	5,930	44,707
	81,191	6,324	44,708

Notes to the Financial Statements
for the year ended 31 December 2019

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 (cont'd)

Group (cont'd)	USD RM'000	Denominated in SGD RM'000	RM RM'000
2018 (cont'd)			
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

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of the RM against the following currencies at the end of the reporting period. The analysis assumes that all other variable, in particular interest rates, remained constant.

Group	2019 Equity RM'000	2019 Profit or loss RM'000	2018 Equity RM'000	2018 Profit or loss RM'000
USD	18,032	18,032	15,962	15,962
SGD	1,866	1,866	4,012	4,012
RM	2,130	2,130	(520)	(520)

A 10% (2018: 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.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Risk management objectives, policies and process for managing the risk

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

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

Exposure to interest rate risk

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	265,915	185,367	26,756	16,371
Financial liabilities				
- finance lease liabilities	-	(124,713)	-	-
- Term loan - Islamic	(15,418)	-	-	-
- sukuk	(659,916)	(438,527)	(659,916)	-
	(409,419)	(377,873)	(633,160)	16,371
Floating rate instruments				
Financial liabilities				
- amount due to a subsidiary	-	-	-	(431,302)
- overdraft	-	(21,089)	-	-
- term loan – Commodity Murabahah Financing - I	(24,339)	(24,846)	-	-
- secured term loans	(108,609)	(288,005)	-	(208,891)
- revolving credits	(1,748)	(192,000)	-	(10,000)
	(134,696)	(525,940)	-	(650,193)

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.

28. Financial instruments (cont'd)

28.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

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.

Cash flow sensitivity analysis for variable rate instruments

	2019 Profit or loss		2018 Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
Group				
Floating rate instruments	1,347	(1,347)	5,259	(5,259)
Company				
Floating rate instruments	-	-	6,502	(6,502)

(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					
2019	**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**	**Total fair value RM'000**	**Carrying amount RM'000**
Group										
Financial assets										
Deposits	-	-	-	-	-	-	12,000	12,000	12,000	12,000
Financial liabilities										
Term loan - Islamic (non-current)	-	-	-	-	-	-	(13,454)	(13,454)	(13,454)	(13,454)
Term loan – Commodity Murabahah Financing – I (non-current)	-	-	-	-	-	-	(19,426)	(19,426)	(19,426)	(19,426)
Sukuk (non-current)	-	-	-	-	-	-	(578,016)	(578,016)	(578,016)	(578,016)
Secured term loans (non-current)	-	-	-	-	-	-	(83,317)	(83,317)	(83,317)	(83,317)
Company										
Financial liabilities										
Sukuk (non-current)	-	-	-	-	-	-	(578,016)	(578,016)	(578,016)	(578,016)

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					
2018	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	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Deposits	-	-	-	-	-	-	46,043	46,043	46,043	46,043
Other investments	-	1,490	-	1,490	-	-	-	-	1,490	1,490
Derivative asset	-	78	-	78	-	-	-	-	78	78
Financial liabilities										
Secured Term loans (non-current)	-	-	-	-	-	-	(22,517)	(22,517)	(22,517)	(24,428)
Company										
Financial assets										
Other investments	-	1,490	-	1,490	-	-	-	-	1,490	1,490

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 (2018: 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
Secured term loans	Discounted cash flows using an interest rate of 6.00% (2018: 5.60%) at the reporting date
Term loan - Islamic	Discounted cash flows using a profit rate of 5.00% (2018: nil) at the reporting date
Term loan - Commodity Murabahah Financing - I	Discounted cash flows using a rate of 3.46% (2018: nil) at the reporting date
Sukuk	Discounted cash flows using a coupon rate of 7.07% (2018: 6.00%) at the reporting date

Notes to the Financial Statements
for the year ended 31 December 2019

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	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment		
Approved but not contracted for	13,000	-

31. Contingent liabilities

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

31.1 Further to the conclusion of a tax audit conducted for year of assessment ("YA") 2007 to YA 2010, the Inland Revenue Board ("IRB") has requested a subsidiary of the Group to revise its tax computations for YA 2011 and subsequent years. The subsidiary engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the subsidiary responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds.

31.2 During the current financial year, IRB has requested a subsidiary of the Group to furnish documents relating to YA 2015 to YA 2017. The subsidiary has engaged a tax consultant to assist in the matter and has responded to the IRB's request. The tax audit findings have resulted in a tax adjustment of RM2.2 million for the current financial year ended. The subsidiary may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2015 to YA 2017. The financial impact from the tax audit by the IRB is not determinable at this juncture.

31.3 In addition to the above, the IRB also conducted an audit of some of the subsidiaries of the Group for years of assessment varying from YA2011 to YA2018. The Group has engaged a tax consultant to assist in the matter and has responded to the IRB on its enquiries. The Group is currently awaiting further response from the IRB. The financial impacts from the tax audits by the IRB are not determinable at this juncture.

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.

32. Related parties (cont'd)

Identity of related parties (cont'd)

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

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

Transactions with subsidiaries

	Company	
	2019	**2018**
	RM'000	**RM'000**
Interest expense	18,258	12,769
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	
	2019	**2018**
	RM'000	**RM'000**
Rental of premises paid	6,363	2,489

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. Acquisition of a subsidiary

On 23 May 2019, a wholly-owned subsidiary, Perdana Jupiter Ltd. ("PJL") entered into a Share Sale Agreement with NFC Shipping Fund (LLC) to acquire 2,650,000 ordinary shares representing 100% of the issued and paid up share capital of USD2,706,400 in Mount Santubong Ltd. ("MSL") for a total cash consideration of USD1 (equivalent to RM4.18). Subsequent to the completion of the acquisition, MSL has effectively become a wholly-owned subsidiary of PJL on 5 July 2019. The acquisition of MSL does not constitute a business combination pursuant to MFRS 3, *Business Combinations*. Accordingly, the acquisition has been accounted for as an acquisition of assets and liabilities. Arising from the acquisition, the Group has forfeited the refundable deposits held by the lessor (see Note 7) in exchange for the extinguishment of the lease payable to the lessor (see Note 18.5), resulting in a net gain from extinguishment of financial liabilities of USD4.5 million (equivalent to RM18.8 million) (see Note 23).

34. Significant events

34.1 Material litigation

On 7 August 2018, Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Datin Che Nariza Hajjar Hashim, Wong Fook Heng and Tiong Young Kong (the "Plaintiffs") filed a claim for indemnification of legal fees they have incurred in defending the prior suits (and the appeals emanated therefrom) brought by the Company against them.

On 29 May 2019, the High Court has allowed the Plaintiff's claim against the subsidiary of the Group, PPB for the cost incurred on an indemnity basis in defending the suits (and the appeals emanated therefrom) since 2009. In September 2019, the Company paid the total amount to be paid by PPB to the Plaintiffs including the costs and the allocator fee of RM2,652,447.13, which has been recognised in the financial statements in the current financial year.

On 27 June 2019, PPB has filed a notice of appeal to the Court of Appeal against the decision made by the High Court. PPB's solicitors attended court on 13 August 2019 for case management and updated the court on the current progress of the appeal. This matter came up for e-review on 30 October 2019 before the Deputy Registrar of the Court of Appeal. The Court of Appeal was informed that PPB has yet to obtain the grounds of judgement from the High Court and that PPB has issued several reminders to the High Court. Therefore, the Court of Appeal has adjourned the matter to 17 December 2019 for further e-review and for PPB to update the Court of Appeal on the availability of the said grounds of judgement.

PPB has received the ground of judgment from the High Court in January 2020 and all the parties have agreed that PPB would file its supplementary record of appeal in the Court of Appeal by 2 March 2020.

The appeal came up for e-review on 13 February 2020 and the Court of Appeal has fixed the appeal for further e-review on 5 March 2020 for PPB to update the Court of appeal on the status of filing of the said supplementary record of appeal. As at the end of the reporting period, the hearing date for the appeal has not been fixed.

34.2 Group debt restructuring exercise

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 Sukuk holders (the "Lenders"). The CDRC Approval Letter as well as a Standstill Letter was issued by CDRC to the Lenders of Applicant Companies on 2 July 2018.

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.

The role of CDRC, which is under the purview of Bank Negara Malaysia, was to mediate between Applicant Companies and their respective Financiers to renegotiate their respective financing facilities that could 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.

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 took place to provide further updates and details of the debt settlement scheme.

34. Significant events (cont'd)

34.2 Group debt restructuring exercise (cont'd)

A final CDRC meeting was held on 28 January 2019 to provide milestone updates and propose scheme enhancement to all Lenders.

On 16 December 2019, the debt restructuring exercise had been completed and PPB is officially discharged from CDRC's purview.

Summarised below are the salient outcome of the Group's restructured borrowings:

i) The outstanding Sukuk of RM365.0 million was early redeemed and settled on 15 November 2019 (see Note 18.3(ii)) via funds raised from the issuance of a new Sukuk Murabahah (see Note 18.3(i));
ii) Three (3) term loans were restructured with extension in tenures and revision in interest rates (see Notes 18.2 and 18.4); and
iii) An existing term loan was fully settled and refinanced via an Islamic term loan amounting to RM16.5 million (see Note 18.1).

34.3 Rights issue, issuance of redeemable convertible preference shares ("RCPS"), proposed private placement and new Sukuk Murabahah

As part of the group-wide debt restructuring exercise, the Group had on 17 May 2019 announced and proposed to undertake the following:

(a) Rights issue

On 19 December 2019, the Company completed the rights issue exercise with the listing of and quotation for 96,480,983 rights shares on the Main Market of Bursa Securities.

The renounceable rights issue entailed an issuance of up to 96,480,983 new ordinary shares at an issue price of RM0.92 per share on the basis of 1 right share for every 10 new ordinary shares in Dayang Enterprise Holdings Bhd. ("Dayang shares").

Proceeds from the rights issue were utilised for partial repayment of bank borrowings and as working capital of the Group.

(b) Issuance of RCPS

On 31 December 2019, a subsidiary of the Group, PPB has successfully issued and allotted 1,463,629,199 RCPS at RM0.325 per RCPS, of which 941,573,300 units equivalent to RM306.0 million was subscribed by the Company. The subscription monies payable to PPB is set-off via capitalisation of Dayang's advances to PPB.

The remaining 522,055,899 units of RCPS were issued to other shareholders for cash consideration of RM167.9 million net of transaction costs.

(c) Proposed private placement

The proposed private placement is a placement of up to 96,480,983 new Dayang shares, representing approximately 10.0% of the total number of issued shares of Dayang.

On 10 February 2020, Dayang has applied for an extension of time of up to 26 August 2020 to complete the implementation of the private placement.

Notes to the Financial Statements
for the year ended 31 December 2019

34. Significant events (cont'd)

34.3 Rights issue, issuance of redeemable convertible preference shares ("RCPS"), proposed private placement and new Sukuk Murabahah (cont'd)

As part of the group-wide debt restructuring exercise, the Group had on 17 May 2019 announced and proposed to undertake the following (cont'd):

(d) New Sukuk Murabahah

On 22 October 2019, Dayang has made a lodgement with the Securities Commission Malaysia ("SC") pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued on 9 March 2015, effective on 15 June 2015 and revised on 11 October 2018) in relation to the establishment of the Sukuk Murabahah Programme and the issuance of Sukuk Murabahah ("New Sukuk") under the Sukuk Murabahah Programme thereafter.

The Sukuk Murabahah Programme shall have a tenure of eight (8) years and the first issuance under the programme will be made within sixty (60) business days from the lodgement date. The Sukuk Murabahah Programme will be unrated and is structured based on the Shariah principle of Murabahah (via Tawarruq arrangement).

Proceeds raised from the issuance of Sukuk Murabahah under the Sukuk Murabahah Programme shall be utilised to part finance the settlement sum (which shall include the principal and coupon amount due) for certain specified financing facilities of Dayang and its group of companies.

Maybank Investment Bank Bhd and United Overseas Bank (Malaysia) Bhd are the Joint Principal Advisers and Joint Lead Arrangers for the Sukuk Murabahah Programme.

On 15 November 2019, the issuance of Sukuk Murabahah was completed for the total amount of RM682,500,000, and utilised as follows:

(a) first, an amount of RM365,000,000 advanced to PPB to redeem the outstanding PPB's Sukuk Murabahah of RM365,000,000; and

(b) second, an amount of RM317,500,000 to repay facilities obtained by the Group.

35. Significant event after reporting period

On 11 March 2020, the World Health Organisation declared the coronavirus (Covid-19) outbreak a global pandemic since it has affected various countries around the world including Malaysia. The government of Malaysia announced a Movement Control Order ("MCO") since 18 March 2020, which lasted for several weeks. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts, weakening both the global and local economic outlook.

The Group and the Company consider this outbreak to be a non-adjusting post balance sheet event as it was not a condition that existed as at the reporting date. Accordingly, the current conditions arising from this outbreak do not have an impact on the amounts reported for the financial year ended 31 December 2019.

35. Significant event after reporting period (cont'd)

As at the date the financial statements are authorised for issuance, the current situation is still unpredictable. As a result, it is not practicable for the Group and the Company to estimate the financial effect of this outbreak at this juncture. If the situation does not improve over time, the Group and the Company anticipate that the assumptions used to estimate the recoverable amount for goodwill and related CGUs may have to be revised to better reflect current conditions. In addition, the Group and the Company also anticipate that revenue may be affected in a prolonged situation, as well as tightening of their liquidity.

36. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16. On transition to MFRS 16, the Group and the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019, if any.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

Statement by Directors and Statutory Declaration

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 81 to 179 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 2019 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: 18 May 2020

STATUTORY DECLARATION

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

I, **Datuk Ling Suk Kiong**, the Director primarily responsible for the financial management of Dayang Enterprise Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 81 to 179 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 18 May 2020.

………………………………

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 2019 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 81 to 179.

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 2019, 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) (revenue and other income) 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. Revenue from contracts with customers from maintenance services continued to be the major segment followed by marine charter.	Our audit procedures included, amongst others: i) We evaluated the design, implementation and operating effectiveness of controls over the preparation of manual journals relating to sales to ascertain that they are sufficient and appropriate to prevent, deter and detect any fraud, error and mistakes.

Independent Auditors' Report
to the members of Dayang Enterprise Holdings Bhd

Key Audit Matters (cont'd)

1. Completeness, existence and accuracy of revenue from topside maintenance services (cont'd).
Refer to Note 2(m) (revenue and other income) and Note 20 (revenue) (cont'd).

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from topside maintenance services segment, which is approximately RM857 million, representing 82% of total revenues. Contracts of topside maintenance services varies, each with different terms. This leads to complexity around the calculation and timing of recognition of revenue from contracts with customers. Currently, the revenue from the maintenance service is tracked manually, and where necessary, significant judgement is made to measure the progress of the services provided and revenue recognised over time in accordance with MFRS 15. Hence, revenue recognition has been considered as the key audit matter.	Our audit procedures included, amongst others (cont'd): ii) We inspected all new contracts secured during the year to assess the performance obligations and the transaction prices in accordance with MFRS 15. iii) We ascertained the fulfillment of the performance obligations by inspecting the progress/milestone reports, job completion tickets and other relevant documents (for example, timesheets, vessel daily reports, daily status reports, equipment movement notices, etc.). iv) We assessed whether the management's revenue recognition based on over time is appropriate as per the terms in the contracts with customers. 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 2019. 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 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) (property, plant and equipment) and 2(f) (intangible assets) 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 2019 relating to the acquisition of Perdana Petroleum Berhad ("Perdana") in 2015. Perdana incurred consecutive losses for the financial years 2015 to 2019, hence, increased the risk that the carrying amount of goodwill and other assets (in this case marine vessels) may be impaired.	Our audit procedures included, amongst others: i) We evaluated the design and implementation of the management controls over the preparation of the valuation model used to assess recoverable amount of the CGUs.

Key Audit Matters (cont'd)

2. Impairment testing of goodwill and marine vessels (cont'd).
Refer to Notes 2(d) (property, plant and equipment) and 2(f) (intangible assets) and Notes 3.4, 5.3 and 8 (financial disclosures) (cont'd).

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The amount of goodwill and marine vessels (being 66% of total assets) is material to the financial statements.

Also, it requires us to exercise a significant level of judgement in evaluating management's impairment testing. 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 and marine vessels.</td><td>Our audit procedures included, amongst others (cont'd):

ii) We reviewed the value-in-use estimations entailing the estimated future cash flows from continuing use of marine vessels. We 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 evaluated the sensitivity of the impairment calculation to changes in the key assumptions used.

iv) We challenged the key assumptions used in the projected cash flows, to determine if these are appropriate in the Group's circumstances:

• Discount rate (compare to industry/market rates and other risks specific to the Group);
• Average marine vessels utilisation rates and daily charter rates;
• Daily operating costs;
• Growth rate; and
• Salvage value of the marine vessels.

v) We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.</td></tr>
</table>

Independent Auditors' Report
to the members of Dayang Enterprise Holdings Bhd

Key Audit Matters (cont'd)

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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: 03102/03/2022 J
Chartered Accountant

Kuching

Date: 18 May 2020

Analysis of Shareholdings
as at 30 April 2020

Total number of Issued Shares : 1,061,290,818 ordinary shares
Voting Rights : One vote per ordinary share

1. DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No of Holders	%	No of Shares	%
1 – 99	187	1.663	6,844	0.000
100 – 1,000	1,918	17.067	1,267,149	0.119
1001 – 10,000	6,124	54.493	30,681,373	2.890
10,001 – 100,000	2,555	22.735	78,238,119	7.371
100,001 – 53,064,539 (*)	450	4.004	568,611,366	53.577
53,064,540 and above (**)	4	0.035	382,485,967	36.039
TOTAL	11,238	100.00	1,061,290,818	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	1,057,030	0.10	280,401,447(c)	26.42
2.	Datuk Ling Suk Kiong	81,579,763	7.69	107,072,944(a)	10.09
3.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	62,630,160	5.90	-	-
4.	Joe Ling Siew Loung @ Lin Shou Long	45,810,207	4.32	142,842,500(b)	13.46
5.	Jeanita Anak Gamang	-	-	-	-
6.	Ali Bin Adai	1,000	0.00	-	-
7.	Wong Ping Eng	-	-	-	-
8.	Gordon Kab@ Gudan Bin Kab	8,250	0.00	-	-
9.	Koh Ek Chong	-	-	-	-
10.	Emily Hii San San	11,200	0.00	-	-

Analysis of Shareholdings
as at 30 April 2020

3. SUBSTANTIAL SHAREHOLDERS

		No of Ordinary Shares Held			
No.	Name	Direct	%	Indirect	%
1.	Naim Holdings Bhd	280,401,447	26.42	0	0
2.	Datuk Ling Suk Kiong	81,579,763	7.69	107,072,944[(a)]	10.09
3.	Urusharta Jamaah Sdn Bhd	84,004,360	7.92	0	0
4.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	62,630,160	5.90	0	0
5.	Vogue Empire Sdn Bhd	61,218,187	5.77	0	0
6.	Joe Ling Siew Loung @ Lin Shou Long	45,810,207	4.32	142,842,500[(b)]	13.46
7.	Datuk Hasmi Bin Hasnan	1,057,030	0.10	280,401,447[(c)]	26.42
8.	Datin Wong Siew Hong	44,550	0.00	188,608,157[(d)]	17.77
9.	Datuk Amar Abdul Hamed Bin Haji Sepawi	0	0.00	280,401,447[(c)]	26.42

Notes:

(a) Deemed interest by virtue of the interest of his spouse and child 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)	145,114,147	13.673
2.	Naim Holdings Berhad	90,737,300	8.549
3.	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn Bhd	84,004,360	7.915
4.	Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin	62,630,160	5.901
5.	Datuk Ling Suk Kiong	48,789,763	4.597
6.	Naim Holdings Berhad	44,550,000	4.197
7.	Vogue Empire Sdn Bhd	32,718,187	3.082
8.	Kenanga Nominees (Tempatan) Sdn Bhd Datuk Ling Suk Kiong	31,790,000	2.995
9.	Vogue Empire Sdn Bhd	28,500,000	2.685
10.	Kenanga Nominees (Tempatan) Sdn Bhd Joe Ling Siew Loung @ Lin Shou Long	23,180,520	2.184
11.	Joe Ling Siew Loung @ Lin Shou Long	19,593,750	1.846
12.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Morgan Stanley & Co. LLC (Client)	17,513,200	1.650

Analysis of Shareholdings
as at 30 April 2020

4. TOP THIRTY SHAREHOLDERS (CONT'D)

No.	Name	No of shares held	%
13.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	15,181,900	1.430
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	12,814,700	1.207
15.	Lembaga Tabung Angkatan Tentera	12,352,350	1.163
16.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AsianIslamic)	9,814,300	0.924
17.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA For Stichting Depositary APG Emerging Markets Equity Pool	8,162,300	0.769
18.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad	8,112,300	0.764
19.	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund	7,527,700	0.709
20.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	6,699,500	0.631
21.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LGF)	6,158,400	0.580
22.	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	6,100,000	0.574
23.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LBF)	5,872,700	0.553
24.	Tokyo Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	5,121,570	0.482
25.	Maybank Nominees (Tempatan) Sdn Bhd Mtrustee Berhad For Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	4,556,780	0.429
26.	DB (Malaysia) Nominee (Asing) Sendirian Berhad BNYM SA/NV For GLG Investments Public Limited Company	4,444,900	0.418
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	4,123,693	0.388
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	3,900,000	0.367
29.	Maybank Investment Bank Berhad IVT (9)	3,500,000	0.329
30.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sekarajasekaran A/L Arasaratnam	3,500,000	0.329

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 14th Annual General Meeting of the Company will be conducted entirely through live streaming from the broadcast venue at 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 ("Broadcast Venue") on Monday, 22 June 2020 at 2.00 p.m. to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. **Adoption of Financial Statements**

   To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note A)**

2. **Re-election of Directors**

   (a) To re-elect the following directors who retire in accordance with Article 93 of the Company's Constitution and being eligible, have offered themselves for re-election:-

   (i) Datuk Ling Suk Kiong **Ordinary Resolution 1**
   (ii) Joe Ling Siew Loung @ Lin Shou Long **Ordinary Resolution 2**
   (iii) Ali Bin Adai **Ordinary Resolution 3**

   (b) To re-elect the following directors who retire in accordance with Article 100 of the Company's Constitution :-

   (i) Hasmawati Binti Sapawi **Ordinary Resolution 4**
   (ii) Chin Hsiun **Ordinary Resolution 5**

3. **Approval of Directors' Fee & Allowance**

   (a) To approve the payment of Directors' Fees of RM1,657,395.00 for the financial year ended 31 December 2019. **Ordinary Resolution 6**

   (b) 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 2021. **Ordinary Resolution 7**

4. **Re-Appointment of Auditors** **Ordinary Resolution 8**

   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.

AS SPECIAL BUSINESS

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

5. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** **Ordinary Resolution 9**

"**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 1.5 of the Circular to Shareholders dated 27 May 2020, be and is hereby renewed, 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.

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."

6. **Proposed Renewal of Authority To Purchase Its Own Shares** **Ordinary Resolution 10**

"**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**:

Notice of Annual General Meeting

(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."

7. **Authority to Issue Shares** **Ordinary Resolution 11**

"**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 twenty percent (20%) 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."

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

BY ORDER OF THE BOARD
BAILEY KHO CHUNG SIANG (LS0000578)
SSM Practising Certificate No. 202008002778
BONG SIU LIAN (MAICSA 7002221)
SSM Practising Certificate No. 201908001493

Company Secretaries

Miri, Sarawak
Dated this 27 May 2020

Notice of Annual General Meeting

Notes:-

IMPORTANT NOTICE

1. The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

   Shareholders **will not be allowed** to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 14th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIIH Online** website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Information for Shareholders on 14th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where the member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds and where the member is an Exempt Authorised Nominee, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account.

5. 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.

6. A member who has appointed a proxy or attorney or authorised representative to participate at the 14th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Information for Shareholders on 14th AGM.

7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

Notice of Annual General Meeting

(ii) By electronic means

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Information for Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.

8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

9. Last date and time for lodging the proxy form is Sunday, **21 June 2020 at 2.00 p.m**.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

(a) at least two (2) authorised officers, of whom one shall be a director; or

(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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 Resolutions 1 - 5

Datuk Ling Suk Kiong, Joe Ling Siew Loung @ Lin Shou Long, Ali Bin Adai, Hasmawati Binti Sapawi and Chin Hsiun 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 five 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 five Directors are set out on pages 10 to 15 of the Company's Annual Report for financial year ended 31 December 2019.

C. Ordinary Resolution 8

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 9 – Proposed Shareholders' Mandate

The proposed Resolution 9, 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 27 May 2020 for further information.

E. Ordinary Resolution 10 - 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 27 May 2020 for further information.

F. Ordinary Resolution 11 – 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 twenty percent (20%) 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 22 May 2019. 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.

Information for Shareholders on 14th Annual General Meeting

Date	:	Monday, 22 June 2020
Time	:	2.00 p.m.
Broadcast Venue	:	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

MODE OF MEETING

In view of the COVID-19 outbreak and as part of our safety measures, the 14th Annual General Meeting ("AGM") will be conducted entirely through live streaming from the Broadcast Venue. This is line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders **will not be allowed** to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting.

REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 14th AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at https://tiih.online.

Shareholders who appoint proxies to participate via RPV in the 14th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Sunday, 21 June 2020 at 2.00 p.m.**

Authorised representatives of corporate members must deposit their original certificate of appointment of authorised representative to Tricor not later than **Sunday, 21 June 2020 at 2.00 p.m.** to participate via RPV in the 14th AGM.

Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than **Sunday, 21 June 2020 at 2.00 p.m.** to participate via RPV in the AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

As the 14th AGM is a fully virtual AGM, members who are unable to participate in this AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES FOR RPV FACILITIES

Shareholders/proxies/authorised representatives/attorneys who wish to participate the 14th AGM remotely using the RPV are to follow the requirements and procedures as summarised below:

	Procedure	Action
BEFORE THE AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

Information for Shareholders on 14th Annual General Meeting

(b)	Submit your request	• **Registration is open from 2.00 p.m. Wednesday, 27 May 2020 up to 2.00 p.m. Sunday, 21 June 2020.** • Login with your user ID and password and select the corporate event: "**(REGISTRATION) DAYANG 14th AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 15 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation.
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the 14th AGM at any time from **1.40 p.m**. i.e. 20 minutes before the commencement of the AGM on **Monday, 22 June 2020 at 2.00 p.m**.
(d)	Participate through Live Streaming	• Select the corporate event: **"(LIVE STREAMING MEETING) DAYANG 14TH AGM"** to engage in the proceedings of the 14th AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the 14th AGM. • Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.
(e)	Online Remote Voting	• Select the corporate event: **"(REMOTE VOTING) DAYANG 14th AGM"**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Voting session commences from **2.30 p.m. on Monday, 22 June 2020** until a time when the Chairman announces the completion of the voting session of the 14th AGM. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	• Upon the announcement by the Chairman on the closure of the 14th AGM, the live streaming will end.

Note to users of the RPV:

1. Should your application to join the meeting be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

Information for Shareholders on 14th Annual General Meeting

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
(a)	Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
(b)	Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: **"SUBMISSION OF PROXY FORM"**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print proxy form for your record.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 14th AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Sunday, 21 June 2020 at 2.00 p.m.** The Board will endeavor to answer the questions received at the AGM.

NO DOOR GIFT/FOOD VOUCHER

There will be **no distribution** of door gifts or food vouchers for the 14th AGM since the meeting is being conducted on a fully virtual basis.

Dayang Enterprise Holdings Bhd would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com
Contact persons : Ms. Lim Lay Kiow
+603-2783 9232 (Lay.Kiow.Lim@my.tricorglobal.com)
Ms. Siti Zalina Osmin
+603-2783 9247 (Siti.Zalina@my.tricorglobal.com)

DAYANG ENTERPRISE HOLDINGS BHD
Company No. 200501030106 (712243-U)

CDS Account No.	
No. of Shares Held	
Shareholder's Contact No.	

PROXY FORM

I/We ____
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No/ID No/Company no ______________________(new) ______________________(old)

of ____
(FULL ADDRESS)

being a member/members of DAYANG ENTERPRISE HOLDINGS BHD ("the Company") hereby appoint:

First Proxy

Full Name	NRIC No./Passport No.	Proportion of Shareholdings represented	
		No. of Shares	%

and or failing him/her

Second Proxy

Full Name	NRIC No./Passport No.	Proportion of Shareholdings represented	
		No. of Shares	%

Or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 14th Annual General Meeting ("AGM") of the Company will be conducted entirely through live streaming from the broadcast venue at 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 ("Broadcast Venue") on Monday, 22 June 2020 at 2.00 p.m. or any adjournment thereof, in the manner indicated below:

Resolutions		**FOR**	**AGAINST**
Ordinary Resolution 1	Re-election of Director : Datuk Ling Suk Kiong		
Ordinary Resolution 2	Re-election of Director : Joe Ling Siew Loung @ Lin Shou Long		
Ordinary Resolution 3	Re-election of Director : Ali Bin Adai		
Ordinary Resolution 4	Re-election of Director : Hasmawati Binti Sapawi		
Ordinary Resolution 5	Re-election of Director : Chin Hsiun		
Ordinary Resolution 6	Approval payment of Directors' Fees of RM1,657,395.00 for the financial year ended 31 December 2019		
Ordinary Resolution 7	Approval of meeting allowance of RM500.00 per meeting for Non-Executive Directors for the period from May 2020 until the next AGM of the Company		
Ordinary Resolution 8	Re-appointment of Auditors : Messrs KPMG PLT as Auditors and authorising the Directors to fix their remuneration		

Special Businesses

Ordinary Resolution 9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		
Ordinary Resolution 10	Proposed Renewal of Authority to Purchase Own Shares		
Ordinary Resolution 11	Authority to allot and issue shares		

(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 the voting is indicated, the proxy/proxies will vote abstain from voting as he/she/they think(s) fit.)

Dated this …………….. day of …………………… 2020

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

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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Notes:-

IMPORTANT NOTICE

1. The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

   Shareholders **will not be allowed** to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 14th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIIH Online** website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Information for Shareholders on 14th AGM in order to participate remotely via RPV.
2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where the member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds and where the member is an Exempt Authorised Nominee, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account.
5. 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.
6. A member who has appointed a proxy or attorney or authorised representative to participate at the 14th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Information for Shareholders on 14th AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronic means

   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Information for Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

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9. Last date and time for lodging the proxy form is Sunday, **21 June 2020 at 2.00 p.m**.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

   (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

   (a) at least two (2) authorised officers, of whom one shall be a director; or

   (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.