Annexure A

DAYANG ENTERPRISE HOLDINGS BHD
15TH ANNUAL GENERAL MEETING – 22 JUNE 2021

Reply Queries to Minority Shareholders Watch Group (MSWG)

<u>Operational and Financial Matters</u>

1. **The Group's gross profit margin dropped from 47.2% in FY2020 to 31.7% in FY2019. The drop in gross profit margin was attributed to additional costs relating to COVID 19. (Page 21 of AR)**

a) **What is the amount of costs that are attributed to COVID-19?**
During the FY2020, the cost of Covid-19 related expenses amounted to more than RM10 million.

b) **Please explain the nature of the costs that are attributed to COVID-19?**
The cost incurred attributed to COVID-19 such as staff and offshore crew swab test, security and monitoring cost, hotel quarantine cost, purchase of sanitiser, thermometer & PPE, disinfection cost and crew salaries while in quarantine.

c) **Can the Group recover these costs from its customers? If yes, what is the expected amount?**
Based on the negotiation, the clients will reimburse the Group at cost based on the agreed rate as per respective contracts and the Group have to bear a portion of the expenses. Different clients have different covid-19 requirements and the requirements are also changing from time to time.

Cost attributed to Covid-19 that can be claimed are quarantine accommodation/meal/laundry at Offshore Transit Centre, swap test etc before crew are allowed to offshore location.

d) **What are the measures taken by the Group to mitigate the drop in gross profit margin, moving forward due to COVID-19?**

The drop in gross profit margin was a normal fluctuation as the Group unable to fully utilize its available assets due to limited projects secured in addition to Covid-19 related cost. Concurrently as and when the quarantine happens, the Group has loss opportunity to recognise revenue yet have to absorb the cost. The Group will continue to exercise prudent and remain agile in managing the business especially on the company expenses.

2. As a result of the COVID-19 pandemic, the Group activities have dropped significantly due to reduced work orders and postponement of the execution of awarded contracts. (Page 20 of AR)

a) Has the Group's work-orders and execution of awarded contracts improved in FY 2021? If yes, what is the value of awarded contracts that have been resumed?
The Group has secured a significantly higher number contracts for FY2021 valued more than RM300 million under I-HUC umbrella contract. Concurrently, we received work orders average RM20 million monthly under the MCM contract.

b) Has the Group been successful in securing new contracts in FY2021? If yes, what is the value?
Based on announcement dated 10 May 2021, Dayang Enterprise Sdn Bhd has been awarded a contract by Sarawak Shell Berhad(SSB) and Sabah Shell Petroleum Company Limited (SSPC) for the Provision of Topside Major Maintenance Services under Package A.

The Contract value is based on work orders issued by SSB and SSPC throughout the Contract duration related to the scope of works in the contract at a fixed schedule of rates.

3. The Company recognised an impairment loss of RM186.9 million (2019: Nill for a subsidiary based on the estimated recoverable amount of the subsidiary. (Page 112 AR)

a) Please name the subsidiary with the impairment loss of RM186.9 million?
It is the impairment loss for Dayang Enterprise Holdings Berhad for the impaired of its investment in a subsidiary, Perdana Petroleum Berhad.

b) What is the nature of the impairment loss of the subsidiary by the type of assets that were impaired?
The Company applied the value-in-use approach to derive the estimated recoverable amount. It is noted that the cost of investment in Perdana Petroleum Berhad is higher than the recoverable amount as at year end resulting in impairment loss in subsidiary (PPB) by RM186.9 million. The 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.

c) Is there any potential for the impairment loss to be reversed in the future?
Yes. The impairment losses on investment in a subsidiary 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.

4. As at 31 December 2020, a subsidiary of the Group did not meet certain covenants of a term loan with carrying amount of RM49.2 million. As a result, the non-current portion of the term loan of RM40.6 million were reclassified to current liability as at 31 December 2020. (Page 127 of AR)

a) Please name the subsidiary that did not meet the covenants of the term loan?
It is the subsidiary of Perdana Petroleum Berhad, Mount Santubong Ltd.

b) Did the bank recall the term loan as a result of breaching the covenants of the term loan?
No, the bank did not recall the term loan. The bank has agreed to waive the FY20's financial covenant for Mount Santubong Ltd via email.

c) What actions have the Group taken to rectify the subsidiary's breach of the covenants of the term loan?
PPB had written in to the bank prior to audit finalisation and had obtained a waiver in principal via email.