

DAYANG ENTERPRISE HOLDINGS BHD
17TH ANNUAL GENERAL MEETING – 23 MAY 2023

Reply Queries to Minority Shareholders Watch Group (MSWG)

Operational and Financial Matters

1. The Group's gross profit margin in FY2022 was 33.0% as compared to 12.2% in FY2021, an improvement of almost three-fold. (Page 13 of AR)

a) Please explain the reasons for the higher gross profit margin in FY2022.

Due to the strong recovery that registered by Malaysian economy and the rebound of oil price in FY2022, the Group has received more work orders awarded by oil majors and resulting in higher vessel utilisation rate and increase in revenue in FY2022, comparing to FY2021.

In FY2021, the subsidiary of the Group, Perdana Petroleum Berhad conducted a review on some of its vessels and has changed the estimated useful life of its fleet of 8 Anchor Handling Tug Supply ("AHTS") from the initial 25 years to 15 years and that resulted in additional depreciation charges of RM41.3 million in FY2021. This explains why the gross profit margin in FY2022 is higher than FY2021.

b) Will the current low crude oil price have an impact on the Group's gross profit margin? If so, please explain how.

Possibility. The clients might reduce their maintenance activities.

c) What is outlook of the Group's gross profit margin in FY2023?

We will try to at least maintain our gross profit subject to unforeseen circumstances.

2. The overall profitability of the Group was significantly improved with higher utilization rate of its vessels at 60% for the year compared to 44% recorded in 2021. (Page 28 of AR)

a) Has the vessels utilization rate improved further? If yes, what is current vessels utilisation rate as of March 2023?

The vessels utilisation rate in the first quarter of 2023 was weaker due to the seasonal monsoon weather.

b) What is the incremental increase in revenue with the increase in vessels utilisation rate of 5%?

It depends on the types of vessels. In general, we required at least 55% utilisation rate to breakeven.

c) Are all the vessels being fully utilised? If not, what is the number of vessels that is not been utilised?

Only one vessel has not been utilised in FY2022.

3. In FY2022. The Group disposed PPE amounting RM186.9 million grouped under broad PPE class of Marine vessels, onboard equipment and dry-docking expenditures (subject to operating Offshore Furniture Buildings lease. (Page 115 of AR)

a) Why did the Group dispose such a huge amount of PPE in FY2022?

Such disposals are mostly relating to Dayang Nilam (RM27mil) and Perdana Odyssey (RM155mil).

One of the vessels was due to old age and no longer meeting Petronas PTS requirements. While the disposal of another vessel will result in cost-saving of the Group, especially with no future prospect of it being hired.

b) Please provide details of the three highest PPE disposals (by value) in FY2022.

Mainly due to the disposal of Perdana Odyssey and Dayang Nilam.

c) Will the Group's operation be affected as these PPEs are needed in the Group's daily operation?

The disposals won't affect Group's daily operation as there has no future prospect that it being hired by oil majors.

d) Please name the PPE that reported the highest gain and highest loss from the list of disposed PPEs.

Gain on disposal of Perdana Odyssey amounting to RM2.1mil.

4. Topside Maintenance Services segment reported a very strong segment result of RM212.1 million in FY2022 as compared to RM79.0 million in FY2021, an increase of RM133.1 million or 168.5%. (Page 151 of AR)

a) Please explain the reasons for the strong profit generated from Topside Maintenance Services in FY2022 as revenue increased by RM276.8 million or 49.2% only as compared to FY2021.

When the economy activities reopen after the successful containment of the Covid-19, the activities in the oil and gas industry resumed significantly due to an increased in crude oil price as a result of higher demand. The Group was awarded significant number of jobs both for MCM and HUC activities during the period under review. Thus, signified higher productivity rate and efficiency that led to higher profit and margin expansion.

b) Please explain how the Group would expand further into this profitable business segment.

These activities are the core activities of the Group and would remain as main profit contributor to the Group. We are working closely with our existing and potential clients on their future planning and to provide support to the activities.

5. The Company has been consistently rewarding its shareholders by way of dividend when the Group is profitable. This is indeed commendable as this is what shareholders look for when investing in a company for both dividend and share price appreciation.

Will the Board formulate a dividend policy to provide clarity to shareholders?

The Company will continue to reward her shareholders as and when the cash reserve available beyond the yearly capital and operational requirement.