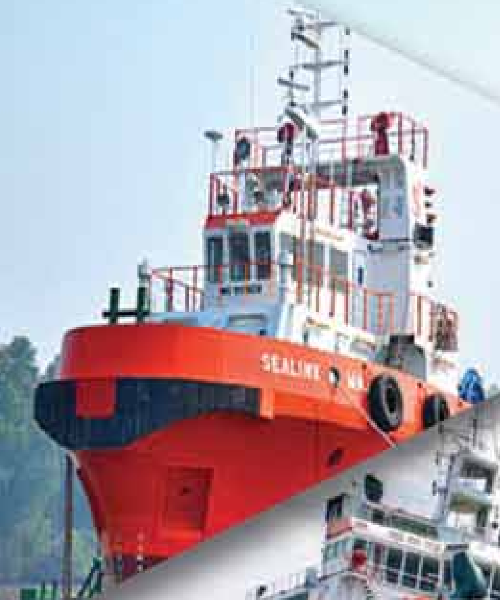
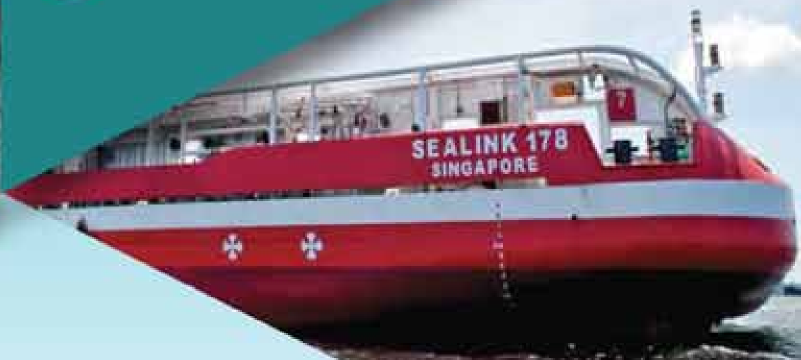
ANNUAL REPORT 2018



Commitment, Quality & Integrity…



SEALINK INTERNATIONAL BERHAD

(800981-X)

SEALINK INTERNATIONAL BERHAD
(800981-X)

The Sealink Group

We are a Ship Owner / Charterer, Shipbuilder and Ship Repairer.

Sealink Group builds, owns and operates a diverse fleet of marine support vessels, include serving the global exploration and marine industry.

Our products and services are geographically spread to over 20 countries across the world.

We are listed on the Main Market of Bursa Malaysia.

Our Vision

- A Leading Integrated Service Provider for the Marine Industry

Our Mission

- Constructing High Performance World Class Vessels
- Establishing, Preserving and Integrating a Network of Global Customers
- Continuously Achieving International Accreditation in Maritime Safety Standards
- Continuously Improving Management and Operational Efficiency and Optimization of Systems
- Zero Accidents and Zero Pollution
- Continuously Improving in Health, Safety, Security, Quality Management and Corporate Social Responsibility

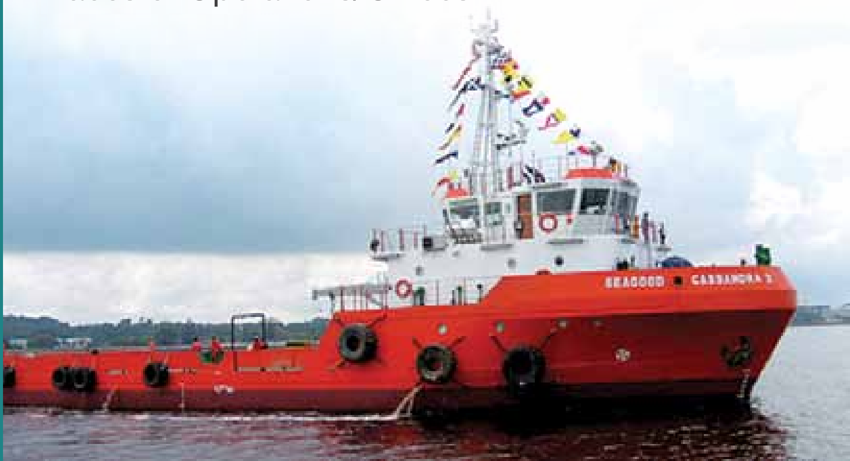
Our Goals

- Satisfying Our Customers
- Improving and Sustaining Our Business Growth and Market Share
- Building a Strong and Motivated Workforce

Our Values

- Quality and Excellence
- Integrity
- Customers and Employees are Our Company's Assets
- Internationally Competitive
- Environmental Friendly
- Social Consciousness
- Flexibility in Business Operations

Contents



Corporate Information

Board Of Directors

Yong Foh Choi (Retired on 22 May 2018)
Former Managing Director
Former Non-Independent Executive Director

Yong Kiam Sam
Chief Executive Officer cum Managing Director
Non-Independent Executive Director

Eric Khoo Chuan Syn @ Khoo Chuan Syn
Independent-Non Executive Director

Datuk Sebastian Ting Chiew Yew
Independent-Non Executive Director

Toh Kian Sing
Independent-Non Executive Director

Wong Chie Bin
Independent-Non Executive Director

Audit Committee

Chairman	**Wong Chie Bin**
Members	**Datuk Sebastian Ting Chiew Yew**
	Toh Kian Sing
	Eric Khoo Chuan Syn @ Khoo Chuan Syn

Nominating Commitee

Chairman	**Eric Khoo Chuan Syn @ Khoo Chuan Syn**
Members	**Datuk Sebastian Ting Chiew Yew**
	Toh Kian Sing
	Wong Chie Bin

Remuneration Committee

Chairman	**Toh Kian Sing**
Members	**Datuk Sebastian Ting Chiew Yew**
	Eric Khoo Chuan Syn @ Khoo Chuan Syn
	Wong Chie Bin

Risk Management Committee

Chairman	**Yong Kiam Sam**
Members	**Datuk Sebastian Ting Chiew Yew**
	Eric Khoo Chuan Syn @ Khoo Chuan Syn
	Wong Chie Bin
	Toh Kian Sing

Company Secretary

Yeo Puay Huang (LS 0000577)

Registered Office and Corporate Office

Lot 1035, Block 4, MCLD
Piasau Industrial Area, 98000 Miri, Sarawak
Tel : 085-651 778
Fax : 085-652 480
Email : sealink@asiasealink.com
Website : www.asiasealink.com

Registrar

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur, Wilayah Persekutuan
Tel : 03-2084 9000
Fax : 03-2094 9940

Auditors

Ernst & Young (AF : 0039)
4th Floor, Unit 4.1, Lot 698
Wisma Yong Lung
Pelita Commercial Centre
98000 Miri, Sarawak
Tel : 085-423 881
Fax : 085-413 921

Principal Bankers

Hong Leong Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Standard Chartered Saadiq Berhad
Malayan Banking Berhad
DBS Bank Ltd

Stock Exchange Listings

Listed on Main Market of Bursa Malaysia Securities Berhad on 29 July 2008

Stock Code

5145

Stock Name

SEALINK

Group Structure

SEALINK INTERNATIONAL BERHAD 800981-X

SINGAPORE

Chartering

- Sea-Good Pte Ltd, 199707263C, 100%
- Seabright (Singapore) Pte Ltd, 201001447E, 100%

LABUAN

Chartering

- Sealink Offshore (L) Ltd, LL06872, 100%
  - Sealink Antarabangsa Ltd, LL07806, 100%
  - Perkasa Asia Corporation Ltd, LL07807, 100%
  - Hanvoir (L) Ltd, LL09810, 100%

MALAYSIA

Chartering

- Sealink Sdn. Bhd., 20471-D, 100%
- Sutherfield Resources Sdn. Bhd., 467227-T, 100%
- Midas Choice Sdn. Bhd., 646673-H, 100%
  - Sea Legend Shipping Sdn. Bhd., 703278-W, 100%
    - Mitra Angkasa Sdn. Bhd., 974404-T, 100%
    - Logistine Sdn. Bhd., 896190-T, 25%
- Euroedge Sdn. Bhd., 571944-T, 100%
- Sealink Marine Sdn. Bhd., 226309-A, 100%
- Godrimaju Sdn. Bhd., 535404-U, 100%
- Seabright Sdn. Bhd., 30204-K, 100%
- Sealink Pacific Sdn. Bhd., 191968-H, 100%
  - Bristal View Sdn. Bhd., 253385-T, 100%
- Cergas Majusama Sdn. Bhd., 635714-U, 100%
- Sealink Management Sdn. Bhd., 250551-H, 100%
- Era Sureway Sdn. Bhd., 687555-V, 45%
- Era Surplus Sdn. Bhd., 648806-D, 100%
  - Seasten Sdn. Bhd., 1054955-A, 49%

Shipbuilding and Repair

- Sealink Engineering and Slipway Sdn. Bhd., 653820-H, 100%
  - Baram Moulding Industries Sdn. Bhd., 200873-D, 100%
- Sealink Shipyard Sdn. Bhd., 195853-D, 100%
  - Aliran Saksama Sdn. Bhd., 473205-H, 100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting ("11th AGM") of Sealink International Berhad ("the Company") will be held at the Meeting Room, 1st Floor, Admin Block, Sealink Engineering and Slipway Sdn Bhd, Lot 816, Block 1, Kuala Baram Land District, 98100 Kuala Baram Miri, Sarawak, on Tuesday, 21 May 2019 at 11:00 a.m. for the following purposes :

AGENDA

AS ORDINARY BUSINESS

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2018 together with the Report of the Auditors thereon.

2. To approve the payment of Directors' Fees amounting to RM315,000.00 for the financial year ending 31 December 2019. **(Resolution 1)**

3. To re-elect Datuk Sebastian Ting Chiew Yew who shall retire in accordance with Article 89 of the Company's Articles of Association and, being eligible, has offered himself for re-election. **(Resolution 2)**

4. To re-elect Mr Eric Khoo Chuan Syn @ Khoo Chuan Syn who shall retire in accordance with Article 89 of the Company's Articles of Association and, being eligible, has offered himself for re-election. **(Resolution 3)**

5. To re-appoint Messrs. Ernst & Young as the Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modifications, to pass the following resolutions as Ordinary Resolutions and Special Resolution:

6. **Ordinary Resolutions**

   Continuation in office as Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017

   (i) "That approval be and is given to Mr Wong Chie Bin who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company." **(Resolution 5)**

   (ii) "That approval be and is given to Mr Toh Kian Sing who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company." **(Resolution 6)**

7. **Special Resolution**

   Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company **(Resolution 7)**

Notice of Annual General Meeting (continued)

"THAT approval be and is hereby given to alter or amend the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorized to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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

By order of the Board,

Yeo Puay Huang (f)
Company Secretary (LS 0000577)
Dated : 22 April 2019

NOTES:

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 15 May 2019 be regarded as Members and shall be entitled to attend, speak and vote at the 11th AGM.

2. A Member entitled to attend, speak and vote at the 11th AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorized.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 1035, Block 4, MCLD, Piasau Industrial Area, 98000 Miri, Sarawak, not less than 48 hours before the time set for this 11th AGM or any adjournment thereof.

Notice of Annual General Meeting (continued)

Explanatory Notes to Ordinary and Special Business :

1. Item 1 of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolutions**

   Continuation in office as Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017

   The proposed Resolutions 5 and 6 are to seek shareholders' approval to retain Mr Wong Chie Bin and Mr Toh Kian Sing as Independent Non-Executive Directors. They have served the Company as Independent Non-Executive Directors since May 2008 for more than nine (9) years. The Nominating Committee have assessed both of them and thereby recommended that they continue in office as Independent Non-Executive Directors of the Company based on the following justifications :

   - They have fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Securities;

   - They have possessed vast commercial experience and knowledge that complements the Company's board composition, and continue to provide valuable insights and contributions to the Board; and

   - They have participated in board discussions and they are able to bring independent and objective judgements to the Board.

3. **Special Resolution**

   Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company

   The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Main Market Listing Requirements of Bursa Securities as well as to enhance administrative efficiency.

   The proposed new Constitution is set out in Appendix A which is circulated together with this Annual Report.

Profile of Directors

Yong Foh Choi (Retired on 22 May 2018)

Former Managing Director
Former Non-Independent Executive Director

Nationality/Age/Gender:
Malaysian/80/Male

Date of Appointment:
28 December 2007

Academic/Professional Qualification(s):
- Founding member of Bumi Armada Navigation Sdn Bhd (BANSB)
- Founder of Sealink Group of Companies
- Prominent businessman

Working Experience:
- Director of all the subsidiaries of Sealink International Berhad
- Ventured SSB's business direction into chartering OSVs to the offshore oil and gas industry (1997-present)
- Formed Sealink Sdn Bhd (Company No. 20471-D) (SSB) to provide chartering services of marine vessels to non-oil and gas industries (1993-1997)
- Managing Director of Bumi Armada Navigation Sdn Bhd (BANSB) (1974-1993)
- Diversified Yong Foh Choi & Sons Enterprise Sdn Bhd (Company No. 20716-P) into property development, shipping and offshore logistics support services (Mid 1970s)
- Incorporated Yong Foh Choi & Sons Enterprise Sdn Bhd (Company No. 20716-P) to spearhead his own business interest in timber extraction, imports and exports (Early 1960s)

Present Directorship(s):
Listed Issuer: NIL

Other Public Companies: NIL

Past Directorship(s) and/or Appointment(s): NIL

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer:
   The father of Yong Kiam Sam, who is a Director and also the Chief Executive Officer Cum Managing Director of Sealink International Berhad (SIB).
2. Any conflict of interests with the listed issuer: NIL
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: NIL
4. The number of board meetings attended in the financial year: 3/3

Yong Kiam Sam

Chief Executive Officer cum Managing Director
Non-Independent Executive Director
Chairman of Risk Management Committee

Nationality/Age/Gender:
Malaysian/48/Male

Date of Appointment:
28 December 2007

Academic/Professional Qualification(s):
- Bachelor of Commerce, University of Melbourne, Australia
- Master of Business Administration, London Business School, United Kingdom

Working Experience:
- Director of all the subsidiaries of Sealink International Berhad
- Senior consultant with Ernst & Young Consultants, Singapore
- Accounts Executive in Lambir Myanmar Investments Ltd, Myanmar

Present Directorship(s):
Listed Issuer: Sealink International Berhad

Other Public Companies: Nil

Past Directorship(s) and/or Appointment(s): Nil

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer:
   He is the son of Yong Foh Choi, who is a major shareholder of Sealink International Berhad.
2. Any conflict of interests with the listed issuer: Nil
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: Nil
4. The number of board meetings attended in the financial year: 6/6

Profile of Directors (continued)

Wong Chie Bin

Independent Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
Member of Risk Management Committee

Nationality/Age/Gender:
Malaysian/63/Male

Date of Appointment:
20 May 2008

Academic/Professional Qualification(s):
- Member of Chartered Accountants Australia and New Zealand
- Fellow member of Chartered Tax Institute of Malaysia
- Member of Malaysian Institute of Accountants
- Bachelor Degree in Commerce, University of Otago, New Zealand

Working Experience:
- Senior Partner of Crowe Malaysia PLT
- Over 30 years' experience in accounting, auditing, taxation and management consultancy services

Present Directorship(s):
Listed Issuer: Sealink International Berhad

Other Public Companies: NIL

Past Directorship(s) and/or Appointment(s): NIL

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer: NIL
2. Any conflict of interests with the listed issuer: NIL
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: NIL
4. The number of board meetings attended in the financial year: 6/6

Toh Kian Sing

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Nominating Committee
Member of Audit Committee
Member of Risk Management Committee

Nationality/Age/Gender:
Singaporean/54/Male

Date of Appointment:
23 May 2008

Academic/Professional Qualification(s):
- Bachelor of Law, National University of Singapore
- Bachelor of Civil Law, University of Oxford

Working Experience:
- He has vast experience as a shipping litigation and arbitration lawyer, specialising in charterparty, bills of lading, ship sale and purchase, shipbuilding and marine insurance disputes. He also handles commodity trading (particularly oil and minerals) and letters of credit disputes.
- He is a practising advocate and solicitor of the Supreme Court of Singapore.
- He was appointed a Senior Counsel of the Supreme Court of Singapore in January 2007.
- He is an arbitrator listed in the panel of arbitrators of the Singapore International Arbitration Centre, China Maritime Arbitration Commission, Kuala Lumpur Regional Centre for Arbitration, Singapore Chamber of Maritime Arbitration, London Court of International Arbitration, DIFC-LCIA Arbitration Centre, Pacific International Arbitration Center (Vietnam), Member of the South China International Economic and Trade Arbitration Commission).

Present Directorship(s):
Listed Issuer: Sealink International Berhad

Other Public Companies: NIL

Past Directorship(s) and/or Appointment(s):
UT Trust Pte Ltd

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer: NIL
2. Any conflict of interests with the listed issuer: NIL
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: NIL
4. The number of board meetings attended in the financial year: 6/6

Profile of Directors (continued)

Eric Khoo Chuan Syn @ Khoo Chuan Syn

Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee

Nationality/Age/Gender:
Malaysian/63/Male

Date of Appointment:
20 May 2008

Academic/Professional Qualification(s):
- Bachelor of Laws (LLB) Hons, University of Wolverhampton, England, United Kingdom
- Barrister-at-Law, Gray's Inn, London, England (1979)

Working Experience:
- Practising Advocate and Solicitor, Khoo & Co (1982-present)
- Magistrate, Judicial Department (1979 – 1982)

Present Directorship(s):
Listed Issuer: Sealink International Berhad

Other Public Companies: Nil

Past Directorship(s) and/or Appointment(s): Nil

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer: Nil
2. Any conflict of interests with the listed issuer: Nil
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: Nil
4. The number of board meetings attended in the financial year: 6/6

Datuk Sebastian Ting Chiew Yew

Independent Non-Executive Director
Member of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
Member of Risk Management Committee

Nationality/Age/Gender:
Malaysian/64/Male

Date of Appointment:
20 August 2013

Academic/Professional Qualification(s):
- Bachelor of Law (LLB) Hons (Second Class Upper), North London Polytechnic (now known as University of North London)
- Master of Law (LLM), University of Cambridge (Darwin College) England
- Barrister -at-law, Council of Legal Education Lincoln's Inn, London, England (1983)

Working Experience:
- Commissioner for National Water Commission by the Minister of Energy Green Technology and Water Malaysia (May 2016 – May 2018)
- Member of Piasau Nature Reserve Implementation and Endowment Committee (February 2015 – present)
- Political Secretary to Minister of Energy Green Technology and Water Malaysia (April 2009 – 2013)
- Political Secretary to Minister of Plantation Industries and Commodities (May 2004 -April 2009)
- Councillor, Miri Municipal Council, Miri Sarawak (1989-1999)

Present Directorship(s):
Listed Issuer: Sealink International Berhad

Other Public Companies: NIL

Past Directorship(s) and/or Appointment(s): NIL

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer: Nil
2. Any conflict of interests with the listed issuer: Nil
3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: Nil
4. The number of board meetings attended in the financial year: 6/6

Profile of Key Senior Management

Yong Kiam Miaw

General Manager for Sealink Shipyard Sdn Bhd
Project Manager (Property Development) for Sealink Sdn Bhd

Nationality/Age/Gender:
Malaysian/52/Male

Date of Appointment:
1 September 2014

Academic/Professional Qualification(s):
- Licensed Secretary
- Business Administration

Working Experience:
- General Manager for Sealink Shipyard Sdn Bhd
- Manager for Lambir Timber Sdn Bhd
- Manager for Sekiwa Logging Sdn Bhd

Present Directorship(s):
Listed Issuer: Nil

Other Public Companies: Nil

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer:
   Son of Mr Yong Foh Choi
   Brother of Mr Yong Kiam Sam

2. Any conflict of interests with the listed issuer: Nil

3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: Nil

Angelia Chong Pei Cheng

General Manager, Group Finance

Nationality/Age/Gender:
Malaysian/43/Female

Date of Appointment:
1 April 2018

Academic/Professional Qualification(s):
- Bachelor of Commerce in Accountancy, University of Canterbury, Christchurch, New Zealand
- Chartered Accountant certified by The Association of Chartered Certified Accountants (ACCA, FCCA)
- Chartered Accountant certified by Malaysian Institute of Accountants (CA, MIA)

Working Experience:
- General Manager, Group Finance, Sealink International Berhad (1 April 2018 - Present)
- Head of Treasury / Corporate Compliance, Sealink International Berhad (2016 - March 2018)
- Head of Compliance, Sealink International Berhad (2015)
- Senior Finance Manager, Petra Resources Sdn Bhd, Miri (2013-2015)
- Senior Finance Manager, Semua Shipping Group of Companies (2005-2013)
- Auditor, KPMG Sarawak (1998-2005)
- Assistant Business Advisor, KPMG Auckland, New Zealand (1997)

Present Directorship(s):
Listed Issuer: Nil

Other Public Companies: Nil

Additional Information
1. Any family relationship with any director and/or major shareholder of the listed issuer: Nil

2. Any conflict of interests with the listed issuer: Nil

3. Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018: Nil

Chief Executive Officer's Message and Management Discussion & Analysis

Dear Valued Shareholders,

On behalf of the Board of Directors of Sealink International Berhad ("the Group"), I am pleased to present to you our Annual Report for the financial year ended 31 December 2018. The Group believes that we have a strong foundation for recovery following the initiatives and strategies we have undertaken which have reshaped and strengthened the Group, coupled with improving economic conditions and gradual recovery in the marine industry.

While the oil price and external environment factors are beyond our control, we are focusing on developing our strengths in order to meet challenges better.

MARKET OVERVIEW

Oil prices have recovered 35% to average US$74 per barrel (bbl) year to date in 2018 from the low of US$28 bbl in early 2016. Analysts have lowered their average Brent forecast to US$70-75/bbl in 2019 in view of a potentially wider supply/demand gap on the back of lesser than expected impact from sanctions on Iran in the near term, weaker global GDP growth expectations and emerging market weakness. The overall conventional shipping market is expected to remain on a recovery path, albeit gradual. (DBS research report 2019) This is supported by robust oil consumption demand, which, coupled with Organization of the Petroleum Exporting Countries' (OPEC) adherence to production cuts and extension of the production cuts till today has led to steady global inventory drawdowns. This is a promising signal as far as market rebalancing is concerned and will continue to support a positive oil price movement hereon, as long as the supply side is capped by market participants.

A forecast rebound in global crude oil prices will be positive for Malaysia's upstream sector over the coming years, stoking renewed appetite in exploration and development works that are increasingly moving out to the offshore, deepwater and technologically challenging areas. (Fitch Solutions, Inc.)

Domestic oil and gas activities across the services value chain is expected to rise based on the activity outlook report released by Petronas for the 2019-2021 period compared with its outlook report for 2018-2020. It is more positive on its expectations for the drilling segment, going by the expected number of jack-up rigs of between 16 and 19, required for the three-year period, which is almost double the projection of between 6 and 10 published by Petronas last year. Another highlight is the much better outlook for marine vessels, on the back of an expected pickup in drilling activities in the period. Petronas increased the expected number of vessels required by the Malaysian upstream sector by an average of about 20 vessels across the board for the three-year period comprising anchor handling tug supply (AHTS), platform and straight-supply vessels (PSVs & SSVs). Analysts are positive that Petronas' drilling and offshore support vessels (OSV) activities offshore Malaysia reflect a rise in asset utilisation across the board. OSV players will stand to gain the most from the improving domestic landscape. Increased utilisation for AHTS, PSVs & SSVs are not unexpected, for it runs in tangent with Petronas recent roll-out of its integrated logistics control tower (ILCT) project). The respective offshore fabrication, linepipes offshore installation and hook-up & commissioning (HUC) / maintenance, construction & modification (MCM) segments will also see increase of workflows.

The maritime industry, which sailed at low speed for last few years in order to survive and brave tough times, is expected to pick up steam as 2019 looks promising, while plans to revive the industry are waiting to be executed. The local oil and gas sector will get more push from the government this year amid rising exploration and production activities. According to RAM Ratings, the country would record firmer economic growth this year, above those of other emerging markets.

Global capex budgets are expected to accelerate in 2019, albeit from a low base. Already, we are seeing signs of recovery along the value chain for global offshore activities. Oil and gas service providers with regional or global footprint are well poised to capitalise on this trend. With oil price recovering we believe that the demand for oil services will come back first for the shallow water segments, as these typically have a lower breakeven cost. This will be beneficial for the Group which has these vessel types.

Chief Executive Officer's Message and Management Discussion & Analysis (continued)

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The Group is principally involved in the business of chartering of marine vessels, shipbuilding and ship repair. The Group builds, owns and operates a diverse fleet of marine support vessels, which serve the global exploration and marine industry.

Our shipyard is located in Kuala Baram, Miri, Sarawak and the workshop in Krokop Miri, Sarawak. Our shipyard achieved the first milestone in 1999 when it delivered the first new build, a landing craft known as "Sealink Victoria". To-date, our shipyard has constructed in total sixty eight (68) vessels (including fabrication of 2 work barges). Armed with technical knowhow and management capabilities, our Group is able to offer a sophisticated array of vessels designed to meet our customers' needs. The Group's shipbuilding division will also continue its emphasis on ship repair. Apart from construction of OSVs, the Group has diversified into the construction of harbor tugs and other non-oil and gas vessels.

Our ship operations are based in Miri, Sarawak with branch offices located in Labuan, Kemaman and Singapore. The shipping division has a fleet of thirty three (33) vessels providing a broad range of services to the marine sector with the highest standards of safety and technology available in the industry.

As an integrated service provider, we have full discretion and control over the design specification, quality, cost and timely delivery of our vessels. It also provides us with the flexibility to either "build and sell" or "build and charter" our vessels. Our experienced maintenance team can respond promptly and attend to emergency repairs and where necessary, vessel(s) can be arranged to be up slipped internally at our slipway in Kuala Baram for vessels within the vicinity. This reduces our dependence on other yards and provides our Group with a distinct competitive advantage over the other players in the market.

Over the years, the Group has established a reputation with a proven track record in both of our core businesses. As a testimony to this, our clientele includes both local and international companies from the United States of America, Australia, China, Latin America, Europe, East Africa, Southeast Asia and the Middle East.

The Group strives to intensify its efforts and commitment to deliver high value products and services with emphasis on safe operations and to maintain the group's position as one of the leading integrated service providers in the offshore marine services segment.

As a key measure to manage the Group's exposure to the business risks, the Group has continued on the following initiatives which have been reinforced and carried forward to the next fiscal year:

- Sustainable cost rationalization and optimization of human resources where only critical positions are filled when the incumbents leave the Group. Existing personnel are re-deployed within the Group to take on additional responsibilities for better efficiencies without impairing the adequacy of existing internal control system;
- Closer monitoring of inventory management, where stringent controls have been deployed to account for procurement of goods and of services vis-à-vis existing inventory levels to conserve cash flows and minimize the risk of inventory obsolescence; and
- Effective cash flow management.

Notwithstanding the challenges faced, the Group has obtained various contracts and received tenders directly from national and international oil majors in Malaysia, through our joint venture Company, for better market reach and with the view of enhancing shareholder value. We anticipate more contracts to be awarded in the coming months.

With the ongoing initiatives in rationalizing and optimizing costs and exposures, we believe the Group will be well poised and positioned to tide over the prevailing business challenges.

Chief Executive Officer's Message and Management Discussion & Analysis (continued)

OVERVIEW OF FINANCIAL PERFORMANCE

Financial results

Supported by outcomes from strategic initiatives implemented in previous years, the Group managed to improve on its financial performance amidst challenging market conditions. The Group's financial position has improved despite a contraction in earnings. Despite revenue for financial year ("FY") 2018 declining by RM5 million or 7%, loss net of tax has improved by more than 58% or RM29 million. This is mainly due to sale of a newly constructed harbor tug during the last quarter and in line with the ongoing initiatives in rationalizing and optimizing costs and exposures. Term loan interests have also reduced substantially, by about 15%, from RM6.8 million to RM5.8 million as some loans have been cleared.

Liquidity and resources

The Group monitors its cash flows actively and ensures all obligations are met as and when they fall due. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding as to ensure that all repayments and funding needs are met.

Borrowings reduced significantly from RM188 million in 2017 to RM143 million in 2018, a drop of about 24%. This speaks well on the viability of the Group's business despite the tough conditions in which it operates. At the same time, with reduced gearing the group will have a stronger balance sheet to take on additional financing to fund expansion when the industry turns around.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders value. In order to maintain or achieve an optimal capital structure, the Group may adjust the dividend payment, return capital to shareholders, obtain new financing facilities or dispose of assets to reduce borrowings. Management monitors capital based on the Group's gearing ratio. The Group's Company's strategy is to maintain gearing ratio of not exceeding 100%. The gearing ratio is calculated as total loans and borrowings divided by equity capital. The ratio for the Group has improved from 49% in 2017 to 39% in 2018.

Dividend

The declaration and payment of dividend will depend upon the Company's financial performance, cash requirements and is subject to certain limitations imposed under the Company Act 2016. Due to the aforesaid losses incurred, The Board does not recommend any dividend for the FY2018.

CORPORATE SOCIAL RESPONSIBILITY

The Group is continuously committed to fulfilling our role as a responsible corporate social citizen. The main foci of our Group on corporate social initiatives are the Workplace, the Environment and the Community, with the view of maintaining a sustainable value for the Group and its shareholders. Activities undertaken in the discharge of the Group's corporate social responsibilities are set out separately in the Sustainability Report.

Chief Executive Officer's Message and Management Discussion & Analysis (continued)

CORPORATE GOVERNANCE AND INVESTORS' RELATIONS

The Board believes in embedding a culture in the Group that seeks to balance compliance requirements with the need to deliver long-term strategic value to shareholders and stakeholders through performance, predicated on entrepreneurship, control and ownership, and with due consideration towards ethics and integrity. As such, the Board strives to embrace the substance behind the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2017 and not merely the form.

Apart from the disclosures in the Annual Report, the Group has also established a corporate website at www.asiasealink.com that houses, inter-alia, documentation on the Group's corporate governance practices like the Board Charter, Whistle-Blowing Policy, Code of Conduct for Directors and employees of the Group, Corporate Disclosure Policies and Procedures and Sustainability Policy that are useful for investors as well as potential investors to be apprised on how the Board views corporate governance and engagement with investors.

OUTLOOK AND PROSPECTS

Although market sentiments are still cautious, there is more optimism over prospects for the oil and gas industry on the back of stable oil prices, prompting greater levels of activity. The Group will continue to manage costs and increase efficiency in this turbulent economic climate to improve our competitiveness and resilience. Riding on our strong foundation, we are confident that the Group will achieve good results going forward.

Based on industry analyst reports, the oil market reacted positively to the Organisation of the Petroleum Exporting Countries' (OPEC) recent decision to extend oil output cuts till June 2019 and US sanctions against exporters Iran and Venezuela. Meanwhile, analyst believes that oil prices will see some stabilisation for 2019, supported by demand and supply fundamentals.

Petronas' Activity Outlook for 2019-2021 portrays growth in brownfield activities particularly in rigs category and its supporting services, marine vessels. Base activities in maintenance are projected to increase for both onshore and offshore in tandem with this outlook.

Research also indicates that the upward revision in most upstream sub-segments' activities could be due to the delayed work orders last year being pushed to 2019 which may potentially lead to better contract flows and further provide order-book replenishment opportunities for the support sectors.

The Group believes that the steady oil price recovery in recent months have led to the increase of activities in the offshore segment. Such optimism is expected to boost the number of projects approved which will also represent opportunities for the Group. The oil and gas sector is expected to continue on a recovery path with upstream companies gradually stepping up production and boosting other firms involved in the industry.

According to Kenanga Research, tendering activities have been on the rise and oil majors are reviewing projects suggesting that they are relatively more upbeat on the upstream sector following the stabilisation of oil prices.

The Group will continue its emphasis on its core activities of ship building, ship charter and ship repair. The Group's shipbuilding division will be looking towards building vessels which have a niche market as well as enhancing its docking (ship repair) facilities, whilst continuous efforts will be taken towards optimising capacity utilisation of the Group's vessels. The Group is also looking at building new vessels that are more energy efficient and environment friendly, in line with tighter environmental regulations in the maritime industry. With the ongoing initiatives in sustainable cost rationalisation and exposures, we believe the Group is well positioned to tide over the current business challenges, of which the worst seem to be over.

Chief Executive Officer's Message and Management Discussion & Analysis (continued)

OUTLOOK AND PROSPECTS (continued)

With the Government lending stronger support to the maritime industry with the recent launch of the Malaysia Shipping Master plan, the country is set to become a self-sufficient and internationally competitive nation that can benefit us along the maritime industry supply chain. The local oil and gas sector will get more push from the government this year amid rising exploration and production activities.

Barring any unforeseen circumstances or events, The Board is optimistic that demand for offshore marine support vessels will improve with further increased expenditure in offshore oil field development and maintenance work by the oil majors. The outlook is improving in anticipation of a shipping recovery.

NOTE OF APPRECIATION

On behalf of the Board of Directors, I wish to convey our sincere thanks and appreciation to all our stakeholders, beginning with our shareholders for their continued support and belief in the prospects of our Group. To our clients, business partners, associates and principals; for their continuous support and belief in our competencies. To our Bankers and the authorities; for their vital role in our strategic planning and execution. To our committed and dedicated Management team; for their hard work, professionalism and tireless efforts in maintaining our position as one of the leading marine offshore support vessel providers and shipbuilders in Malaysia.

To our dedicated and loyal employees; your dedication, tireless efforts and commitment have not gone unnoticed. Let us weather this downturn together, as one team with our values upheld, and come out of this with more resilience and focus. Let us maintain our commitment to steer towards greater heights in the future together. It is my sincere hope that Sealink will continue to grow from strength to strength in the coming years and beyond.

Last but not least, my special thanks to my fellow Directors on the Board for their invaluable support and guidance throughout the financial year.

Thank you.

YONG KIAM SAM
Chief Executive Officer cum Managing Director

Audit Committee Report

1. COMPOSITION

The Audit Committee (the "Committee"), which was established by the Board, comprises the following Directors as its members:

Chairman : Wong Chie Bin (Independent Non-Executive Director and member of the Malaysian Institute of Accountants)

Members : Datuk Sebastian Ting Chiew Yew (Independent Non-Executive Director)
: Toh Kian Sing (Independent Non-Executive Director)
: Eric Khoo Chuan Syn @ Khoo Chuan Syn (Independent Non-Executive Director)

2. SUMMARY OF WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The Audit Committee had five (5) meetings during the financial year ended 31 December 2018.

Audit Committee Member	Attendance
Wong Chie Bin	5/5
Datuk Sebastian Ting Chiew Yew	5/5
Toh Kian Sing	5/5
Eric Khoo Chuan Syn @ Khoo Chuan Syn	5/5

The Audit Committee members were served with adequate notice of meeting by the Committee Secretary, setting out the meeting agenda and relevant papers, which were distributed well before the meeting to enable them to go through the matters to be deliberated at the meeting. The Company Secretary is the Committee Secretary. At the meetings, Management personnel of the Group, including the Executive Directors, General Manager Group Finance and representatives of the external and internal auditors, were invited to brief the Audit Committee on matters on the agenda that required their input.

During the financial year under review and up to the date of this Report, the Audit Committee carried out the following work which has met its responsibilities, based on its terms of reference:

- reviewed the quarterly financial announcements of the Group before recommending the same for the Board of Directors' approval, focusing on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements;
- reviewed the audit plan of the external auditors, including the areas of audit emphasis and summary of planned audit procedures and evaluated the internal control system;
- reviewed the external auditors' reports arising from the audit and any updates on new financial reporting standards issued by the Malaysian Accounting Standards Board;
- reviewed the performance of the external auditors in terms of their capability, professionalism, and independence before recommending them to the Board to be considered for re-appointment at the Annual General Meeting;
- met with a representative of the external auditors in the absence of Management to assess if there were issues of concerns that the external auditors faced in carrying out their work;
- reviewed the audited annual financial statements of the Group and the Company before recommending the same to the Board for approval;
- reviewed the report on risk assessment for the year 2018 tabled by Risk Management Committee, which provided the top five (5) significant risks, control issues and summary of risk assessment;
- reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. This includes determining whether the internal audit function deploys internal auditing standards promulgated by the Institute of Internal Auditors, Inc. a global professional body advocating standards for the international auditing profession;

Audit Committee Report (continued)

2. SUMMARY OF WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (continued)

- reviewed the internal audit reports and recommendations on internal audit findings, including follow-up by the internal audit function on the status of Management's implementation of action plans to address issues highlighted in previous internal audit reports;
- reviewed related party transactions of the Group and any conflict of interest situation that may arise within the Company and Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- reviewed the impairment of assets of the Group;
- review on the Group Cashflow estimates / Forecast for 2018;
- reviewed the Group's trade receivables and sought relevant explanations from Management to better understand how receivables were managed;
- reviewed the Company's Corporate Governance Statement, Audit Committee Report, the Statement on Risk Management and Internal Control Statement and Statement on Corporate Social Responsibility, before recommending them for approval by the Board for inclusion in this Annual Report; and
- reported to the Board on its activities and significant findings and results.

The Audit Committee is aware of the importance for its members to undergo continuous professional education to stay appraised of regulatory developments that affect the Committee in the discharge of its responsibilities. Details of training courses and seminars attended by the Audit Committee members during the financial year under review and up to the date of this Report are disclosed in the Corporate Governance Statement included in this Annual Report.

3. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit function to KPMG Management & Risk Consulting Sdn. Bhd (150059-H), an independent professional firm, which reported directly to the Audit Committee. Upon expiry and pending renewal of contract at the end of the financial year, the Committee shall evaluate the performance of the outsourced internal audit service provider.

During the financial year under review, the Internal Auditors carried out the following work:

- assisted the Audit Committee in assessing the adequacy and operating effectiveness of the Group's risk management and internal control systems, based on an internal audit plan (IAP) approved by the Audit Committee before internal audit work commenced. The IAP sets the direction and scope of the planned internal audit;
- conducted the audit work as per the IAP;
- covered the following key processes stated in the IAP which included financial, procurement, inventory, regulatory compliance (Safety, health and environment) and information technology, fixed asset, human resources management and corporate governance;
- followed up on the status of Management's implementation of internal audit recommendations and action plans in preceding audit cycles;
- consulted Management on any areas of concerned;
- arranged for exit meeting with the respective process owners;
- issued final report and presented to the Audit Committee; and
- engaged with Management and provided continuous improvement to the Group.

The scope of internal audit covered key operating companies in the Group, encompassing the shipbuilding and chartering operations as set out in the IAP. Further details of the internal audit function and its activities are provided in the Statement on Risk Management and Internal Control included in this Annual Report.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 9 April 2019.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors (the "Board") is pleased to present herewith the Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2018 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

This is in line with Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which stipulates that a listed issuer must ensure that its Board of Directors issues a statement about the state of risk management and internal control of the listed issuer as a group and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges and affirms its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets, including reviewing the adequacy and operating effectiveness of the system in meeting the Group's objectives.

The Board is assisted by the management in implementing the Board's policies and procedures on risk and control by identifying, evaluating and managing business risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's objectives. The system can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent practices.

KEY RISK MANAGEMENT AND INTERNAL CONTROL FEATURES AND PROCESSES

The key features and processes that have been established to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system are as follows:

1. Risk Management

The Board provides full support to implement the risk management framework and processes with an appropriate organizational structure and ensure that roles, responsibilities and accountabilities are clearly defined and communicated at all levels.

The Risk Management Committee (RMC) was established to provide risk oversight and assess risk management matters relating to the Group prudently. The critical risks were documented and deliberated at the Risk Management Committee (RMC) meeting for onward reporting to the Audit Committee and Board for notation, including any concerns that were raised for follow-up.

The Group has an ongoing risk management process which includes identifying, evaluating and managing of significant risks that may affect the achievement of Group objectives. Understanding the risks we face and managing them appropriately will enhance our ability to make better decisions, an improved performance to achieve objectives and subsequently assist in the creation, protection and maximization of value. This will also assist the Board and Management in maintaining a sound internal control system within the Group and safeguard shareholders' investment and the Group's assets.

Statement on Risk Management and Internal Control (continued)

1. **Risk Management (continued)**

Risk management is embedded in the Group's management system. The Management and all heads of department/ business units of the Group are involved in the identification and management of significant risks. It is the general duty and responsibility of all personnel of the Group to adhere to the framework and at all times be conscious of the risks related to their actions and decisions that may adversely affect the operations, reputation and assets of the Group. This includes carrying out jobs in a careful and conscientious manner that contributes to the high ethics and culture within the Group. The deliberations of risks and related mitigating activities are carried out at regular management meeting of the Group.

2. **Organizational and reporting Structure**

The Group has an established organizational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties are segregated amongst different personnel of major business divisions and key processes, such as shipbuilding and chartering operations, financial management and reporting, treasury, capital expenditure management, human resource management and information management. Segregation of duties amongst different personnel is in place such that no one personnel is involved in the entire business of the Group from requisition for goods or services, ordering from vendors, receiving or having custody of the goods or services, recording of transactions and approval of payments.

A process of hierarchical reporting is established via a structured organization chart, which provides for a documented and auditable trail of accountability in respect of decisions made and executed. During the financial year under review, management and operations meetings conducted by Senior Management which comprises the Chief Executive Officer cum Managing Director, Director and divisional heads, were held to oversee the financial and operational performance of the Group, including the discussion of challenges faced in operations and action plans to address the concerns. The proceedings of such meetings were recorded by way of minutes which were tracked for follow-up action plans.

3. **Group Limits of Authority**

The Group has an established Group Limits of Authority ("GLOA") manual which sets out the authorization limits for the Group's management and staff and also those matters requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The GLOA manual is reviewed and updated from time to time to be aligned with business, operational and structural needs and changes.

4. **Policies and Procedures**

Policies and procedures to ensure compliance with risk management, internal controls and relevant laws and regulations are set out progressively in the standard operating procedures of the department or divisions. The Group has established internal policies and procedures covering key business units and operations including ISO certification for the Group's shipbuilding division that provides for an orderly processes and documentation system on its activities. These policies and procedures are reviewed and revised periodically to ensure its relevance to address the changing environment, operational requirement and changes of risk.

5. **Audit**

Internal and external Audit are outsourced to independent professional firms, which report directly to the Audit Committee.

Audit engagements are carried out based on the annual audit plan approved by the Audit Committee and take into consideration feedbacks from the Management. Internal Audit assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and also, at times, benchmark against available best practices.

Statement on Risk Management and Internal Control (continued)

5. Audit (continued)

The areas covered by the Internal Audit Function for the financial year under review encompassed key processes such as financial management, fixed assets management, operations (covering purchasing, logistics, information management, inventory management, human resource management, safety, health and environment management) and corporate governance undertaken by significant companies in the Group involved in the shipbuilding and chartering operations.

There was no restriction placed upon the scope of the Internal Audit scope of work and representatives of the Internal Audit Function were allowed unrestricted access to the records and relevant personnel of the Group.

For any significant weaknesses or gaps identified in the governance processes, risk management processes and controls during the engagement, Internal Audit provides recommendations to Management to improve their design and effectiveness of controls where applicable. At the Audit Committee meetings where the reports of the Internal Audit findings were tabled, pertinent clarification were sought from Management, thus enabled the Audit Committee to assess on the adequacy and operating effectiveness of the Group's risk management and internal control system in meeting the corporate objectives. The Audit Committee in turn briefed the Board on any critical issues highlighted by the Internal Auditors, including remedial measures to be implemented by Management.

In addition, Internal Audit assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control processes for two (2) cycles to the Audit Committee based on the engagements carried out within the financial year ended 31 December 2018.

The costs incurred on the Internal Audit Function for the financial year under review amounted to approximately RM81,420.

The External Auditor's annual plan which comprises planned audit services (inclusive of the quarterly review on the quarterly financial results and other regulatory reporting requirements), recurring non-audit services and non-recurring non-audit services are tabled annually to the Audit Committee for deliberation and approval.

Assurance by the Chief Executive Officer cum Managing Director and General Manager, Group Finance on the adequacy and effectiveness of the risk management and internal control system

The Board has received assurance from the Chief Executive Officer cum Managing Director and General Manager, Group Finance that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in this Annual Report.

Board's comments on the adequacy and effectiveness of the Group's risk management and internal control system

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on observations raised by the Internal Auditors and External Auditors directly to the Audit Committee.

The Board is not aware of any significant weaknesses in the risk management and internal control system that has resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report. Notwithstanding this, the Board, through Management, continues to take measures to strengthen the Group's risk management and internal control system from time to time based on recommendations of the Internal Audit Function as well as the External Auditors.

Statement on Risk Management and Internal Control (continued)

Review of Statement by the 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 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board 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: 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 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 Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

This Statement is issued in accordance with a resolution of the Board dated 9 April 2019.

Corporate Governance Overview Statement

The Board of Directors ("Board") of Sealink International Berhad ("SIB") recognizes the importance of adopting high standards of corporate governance, not only to safeguard stakeholders' interests but also to enhance shareholders' value and in building a sustainable business in the long run.

The Board believes in embedding a culture in the Company and its subsidiaries ("Group") that seeks to balance compliance requirements with the need to deliver long-term strategic value to shareholders and stakeholders through performance, predicated on entrepreneurship, control and ownership, and with consideration towards ethics and integrity. As such, the Board strives to embrace the substance behind corporate governance recommendations and not merely the form.

Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board to provide an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance ("MCCG 2017") for the financial year ended 31 December 2018. The detailed application by SIB for each practice as set out in the MCCG 2017 during the financial year 31 December 2018 ("FY 2018") is disclosed in the Corporate Governance Report ("CG Report").

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART 1 – BOARD RESPONSIBILITIES

In the discharge of its fiduciary and stewardship role, the Board has assumed the following principal responsibilities in relation to the Company:

- Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;
- Review, challenge and decide on Management's proposal on matters as set out in the Group Corporate Authority Manual document, which includes the overall corporate strategy, business plan, budget and regulatory plan, and monitor the implementation by Management;
- Review and approve strategic initiatives including corporate business restructuring or streamlining and strategic alliances, to ensure that they support long-term value creation and take into account economic, environment and social considerations underpinning sustainability;
- Oversee the conduct of the Group's businesses to evaluate and assess management performance whether the businesses are being properly managed;
- Assess and identify the principal risks of the Group's businesses in recognition that business decisions involve the taking of appropriate risks;
- Set the risk appetite within which the Board expects Management to operate, and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Approve the nomination, selection, succession policies, and remuneration packages for the Board members, Board Committee members, Nominee Directors on the functional Boards of the subsidiaries and CEO, and the annual manpower budget for the Group, including managing succession planning, appointing, training, fixing the compensation of, and where appropriate replacing senior management or key management personnel;
- Approve the appointment, resignation or removal of Company Secretaries;
- Develop and implement an "investor relations programme" for the Group;

Corporate Governance Overview Statement (continued)

PART 1 – BOARD RESPONSIBILITIES (continued)

- Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

- Review and approve the Financial Statements encompassing annual audited accounts and quarterly reports, dividend policy, credit facilities from financial institutions and guarantees;

- Review and approve the Audit Committee Report, Risk Management and Internal Control Statement for the Annual Report;

- Review and approve the capital expenditure, purchase of fixed assets, operating expenditure, variation order and any other matters in accordance with the Group Corporate Authority Manual;

- Approve the appointment of external auditors and their related audit fees; and

- Carry out or perform such other functions necessary for the discharge of its fiduciary duties under the relevant laws, rules and regulations.

Board Charter

The Board Charter, which serves as a reference point for the Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company.

The Board Charter is reviewed annually. Amendments and updates are made from time to time in accordance with the need of the Company to ensure its effectiveness and consistency with the Board's objective and corporate vision as well as to be in line with changes to statutory and regulatory requirement.

The Board Charter is available for reference on the Company's corporate website at www.asiasealink.com.

Code of Conduct / Ethics

The Board recognises the importance of having in place a Code of Conduct / Ethics, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. The Board Charter sets out a Code of Ethics to be observed by Directors. As for the conduct of employees, the Board has formalised an Employee Handbook to be observed by employees across the Group.

The Code of Conduct is available for reference on the Company's corporate website at www.asiasealink.com.

Whistle-Blowing Policies and Procedures

The Board has also adopted Whistle-Blowing Policies and Procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employee, Management or Director in the Group. The Whistle Blowing Policy is available for reference on the Company's corporate website at www.asiasealink.com.

Sustainability of business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environment, social and governance aspects is considered. Accordingly, the Board has formalized the Company's sustainability policy during the financial year under review that addresses environment, social and governance elements in its strategic initiatives. The Sustainability Policy is available for reference on the Company's corporate website at www.asiasealink.com.

Corporate Governance Overview Statement (continued)

PART 2 – BOARD COMPOSITION

Board Composition, Diversity

At the date of this Statement, the Board consists of five (5) members, comprising one (1) Executive Director and four (4) Independent Directors. This composition fulfills the requirements as set out under MMLR of Bursa Securities, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. Based on an assessment of its skills matrix, the Board is of the view that the Directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; legal; and marketing and operations, which are considered adequate for the Group's needs.

The Chief Executive Officer cum Managing Director oversees the day-to-day operations of the Group's business. The Non-Executive Directors, which comprise exclusively Independent Directors, provide the relevant checks and balance by reviewing the Group's performance against budget and inquiring from the Executive Director as well as Senior Management personnel explanations, as needed, at scheduled Board and Audit Committee meetings. All the four (4) Independent Directors sit on the Four (4) Board Committees, namely the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee.

Reinforce Independence of the Board

The Board is in the midst of identifying a Director to helm the Board Chairman position since the demise of its former Chairman. At each meeting of the Board, the Directors appoint from amongst them a Director to chair the meeting. For the Six (6) meetings convened during the financial year under review, the Director who chaired the meetings was an Independent Director. The current composition of Independent Non-Executive Directors in the Board, which comprises a majority of Board members, provides for pertinent checks and balance in the Board such that no one Director has unfettered powers in decision making.

The Chairman of the meeting is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Whilst the Chief Executive Officer cum Managing Director implements the Group's strategic initiatives, policies and decision adopted by the Board and oversees the operations and business development of the Group, the Independent Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Company, but also of shareholders and stakeholders.

In accordance to the Constitution of the Company, at least one-third (1/3) of the Board is required to retire at every Annual General Meeting and be subject to re-election by the shareholders. All of the Directors are required to offer themselves for re-election, at least once every three years. Newly appointed Directors shall hold office until the Next Annual General Meeting ("AGM") and shall then be eligible for re-election by the shareholders.

Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Directors. The definition on independence accords with the MMLR of Bursa Securities. At end of the financial year under review, two of the Independent Directors, namely Mr Wong Chie Bin and Mr Toh Kian Sing have served for a cumulative period exceeding nine (9) years. The Nominating Committee have assessed both of them and thereby recommended that they continue in office as Independent Non-Executive Directors of the Company based on the following justifications:

- They have fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Securities;
- They have possessed vast commercial experience and knowledge that complements the Company's board composition, and continue to provide valuable insights and contributions to the Board; and
- They have participated in board discussions and they are able to bring independent and objective judgements to the Board.

Corporate Governance Overview Statement (continued)

Board Meetings and Supply of Information to the Board

Supply of, and access to, information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities.

Timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings respectively to give effect to Board decisions and to deal with matters arising from such meetings, is observed. Board members are furnished on a timely basis with pertinent explanations and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making, including decisions to defer certain resolutions when the information needed to make informed decision is inadequate.

In addition, Board members are updated on the Company's activities and its operations on a regular basis, largely through scheduled Board and Board Committee meetings. All Directors have access to Company information on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board and/or Board Committee meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. This procedure is formalised in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary, who is qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence to Board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators, as well as any changes to regulatory requirements that may affect the Company and the Board. The Company Secretary attends all Board and Board Committee meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Board Meetings

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the reference of Directors to assist them in making informed decisions. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational, compliance and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters deliberated by the Audit Committee and which require the Board's attention or direction, including approval, as the case may be. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings, which are confirmed by the Chairman at the next meeting.

Corporate Governance Overview Statement (continued)

Board Meetings (continued)

There were Six (6) Board meetings held during the financial year ended 31 December 2018, with details of Directors' attendance set out below:

Present Directors

Name of Director	Attendance
Yong Kiam Sam	6/6
Wong Chie Bin	6/6
Toh Kian Sing	6/6
Eric Khoo Chuan Syn @ Khoo Chuan Syn	6/6
Datuk Sebastian Ting Chiew Yew	6/6

Former Director

Name of Director	Attendance
Yong Foh Choi *(retired on 22 May 2018)*	3/3

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. In addition, the Board Charter requires Directors to notify the Chairman before accepting any new directorship, notwithstanding that the MMLR of Bursa Securities allows a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training and Education

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to regulatory requirements and the impact such regulatory requirements have on the Group and Directors.

All the Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd within the stipulated timeframe required by the MMLR of Bursa Securities.

Details of the training attended by Directors of the Company for the financial year under review and up to the date of this Statement as set out below:

Name of Director and designation	Training topics
Yong Kiam Sam – *Chief Executive Officer cum Managing Director, Non-Independent Executive Director, Risk Management Committee Chairman*	• Asian Offshore Support Journal Conference, Singapore
Wong Chie Bin – *Audit Committee Chairman, Independent Non-Executive Director*	• GST Common Errors and Mitigating Risks • Tax Audit 2018: Latest, Complete and Professional Solutions to What Needs to be Done • Transfer Pricing 2018: Complete and Practical Preparation For Transfer Pricing Audit • National Tax Conference 2018 • National Tax Seminar 2018 • Accounting for Agriculture Sector: Practical Application of MFRS 141 • Fair Value Accounting System (Including MFRS 13 Fair Value Measurement)

Corporate Governance Overview Statement (continued)

Directors' Training and Education (continued)

Name of Director and designation	Training topics
Toh Kian Sing – *Remuneration Committee Chairman, Independent Non-Executive Director*	• Disputes and prevention of Joint Venture and Transfer of Share Contracts • Specialist Accreditation Scheme-Application for Senior Singapore Letter of Credit Law Summit 2018 • Accredited Specialist / Maritime Shipping • Maritime and Shipping Law Course for Legal and Industry Practitioners • 2018 International Maritime Arbitration Practical Symposium-From The Perspective of the Belt & Road Initiative
Eric Khoo Chuan Syn @ Khoo Chuan Syn – *Nominating Committee Chairman, Independent Non-Executive Director*	• National Tax Seminar 2018
Datuk Sebastian Ting Chiew Yew – *Independent Non-Executive Director*	• Foreign Exposure Programme For Members Of The Sarawak State Legislative Assembly, United Kingdom

The Directors are notified periodically by the Company Secretary on the types of training courses available in the market that the Directors may consider attending in order to enhance their skills and knowledge in the discharge of their stewardship role.

BOARD COMMITTEES

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely Audit Committee ("AC"), Nominating Committee ("NC") , Remuneration Committee ("RC") and Risk Management Committee ("RMC") , to examine specific issues within their respective terms of reference as approved by the Board, and for them to report to the Board their recommendations. The ultimate responsibility for decision making, however lies with the Board. Each committee operates its functions within the terms and references approved by the Board which are reviewed by the Board annually. The terms of Reference of each committee are contained in the Board Charter which is available for reference on the Company's corporate website at www.asiasealink.com.

Nominating Committee

The Nominating Committee, established by the Board with specific terms of reference, comprises the following Independent Non-Executive Directors as its members:

- Eric Khoo Chuan Syn @ Khoo Chuan Syn (Chairman);
- Datuk Sebastian Ting Chiew Yew;
- Toh Kian Sing; and
- Wong Chie Bin.

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director. Where considered appropriate, the Nominating Committee considers recommendation of candidate for directorship by shareholders or existing Directors. Based on its terms of reference, the Nominating Committee carries out the assessment process regardless of whether the candidate is for new appointment or re-appointment.

Corporate Governance Overview Statement (continued)

Nominating Committee (continued)

The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the Board. The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Director. During the financial year under review and as at the date of this Statement, the Nominating Committee met twice (2 times), attended by all members. During the meetings, the Nominating Committee carried out the following activities within its terms of reference and reported the outcome to the Board:

- reviewed and discussed the existing Board Diversity policy;
- reviewed training undertaken by Directors as well as those training that are available for Directors for the ensuing year;
- discussed the search for a Board Chairman and female Director;
- reviewed the Directors' Evaluation Form, Board Skills Matrix Form and Board & Board Committee Evaluation Form used in the annual assessment and evaluation of the Board, Board Committees and individual Directors. These evaluation forms took into consideration the competency, experience, character, integrity and time availability of the officers concerned as well as the evaluation criteria set out in the relevant exhibits of the Corporate Governance Guide – 3rd Edition on assessment of the Board, Board Committees and individual Directors. For the purpose of assessing the independence of Independent Directors, the criteria set out in Paragraph 1.01 of the MMLR of Bursa were used; and
- following the assessment of the Board, Board Committees and individual Directors, recommended for the Board's consideration to move for shareholders' approval the re-appointment and/or re-election of those Directors retiring at the forthcoming Annual General Meeting. In assessing whether or not to recommend retiring Directors for re-appointment or re-election by shareholders, the Nominating took into consideration pertinent evaluation criteria provided in the relevant exhibits of Corporate Governance Guide – 3rd Edition.

Whilst there is a Board Diversity Policy, there is no specific policy therein on the diversity of its members in terms of gender, age or ethnicity or set a target to achieve a blend of these attributes. The Board believes that the Company should be appointing Directors who have the relevant skills, experience and time to contribute towards realising the Company's objectives. As such, in filling casual vacancies or appointing additional or re-appointing Directors, the Board, via the Nominating Committee, assesses the competency, experience, character, integrity and time availability of the candidates in relation to the needs of the Group.

Remuneration Committee

The Remuneration Committee, established by the Board with specific terms of reference, comprises the following members as at the date of this Statement, who are exclusively Independent Directors:

- Toh Kian Sing (Chairman);
- Datuk Sebastian Ting Chiew Yew;
- Eric Khoo Chuan Syn @ Khoo Chuan Syn; and
- Wong Chie Bin.

The Remuneration Committee is entrusted by the Board to:

- establish a formal and transparent procedure for setting a policy on remuneration of Executive Directors and Senior Management and for fixing the remuneration packages of all Directors and Senior Management of the Group; and
- ensure that the levels of remuneration are commensurate with the qualifications of Executive Directors and Senior Management and are sufficient to attract and retain the personnel required to manage the Company's business.

Corporate Governance Overview Statement (continued)

Remuneration Committee (continued)

During the financial year under review, the Board had approved a Remuneration Policy to reward members of the Board and Senior Management. The Remuneration Committee recommends to the Board the remuneration of Executive Directors, largely based on their performance and also the Group's performance. In the case of Independent Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Independent Directors concerned. In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year, the Committee met twice (2) attended by all members to deliberate and recommend for the Board's consideration employees' basic remuneration (including bonuses), the remuneration and bonuses of Executive Directors and Directors' fees.

Details of Directors' remuneration (including benefits-in-kind) for each Director during the financial year ended 31 December 2018 are as follows:

	Directors' Fee Company (RM)	Directors' Fee Subsidiaries (RM)	Basic Salary (RM)	Benefits-in Kind (RM)	Total (RM)
Executive Director					
Yong Foh Choi (retired on 22 May 2018)	8,269	-	296,400	13,125	317,794
Yong Kiam Sam	19,845	-	507,655	7,000	534,500
Non-Executive Director					
Eric Khoo Chuan Syn @ Khoo Chuan Syn	66,150	-	-	-	-
Toh Kian Sing	66,150	-	-	-	-
Wong Chie Bin	79,380	-	-	-	-
Datuk Sebastian Ting Chiew Yew	66,150	-	-	-	-

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board is committed to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Securities, the annual financial statements of the Group and Company as well as the Chief Executive Officer's Message and Management Discussion and Analysis (MD&A) in the Annual Report.

PART 1 – AUDIT COMMITTEE

The Audit Commitee, established by the Board with specific terms of reference, comprises the following members as at the date of this Statement, who are exclusively Independent Directors:

- Wong Chie Bin (Chairman);
- Datuk Sebastian Ting Chiew Yew;
- Toh Kian Sing; and
- Eric Khoo Chuan Syn @ Khoo Chuan Syn.

The composition of the Audit Committee, including its roles and responsibilities enshrined in its terms of reference approved by the Board, are set out in the Audit Committee Report included in this Annual Report. One of the key responsibilities of the Audit Committee in its terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements. In discharging this role, meetings are scheduled with formal items on the agenda focusing on interim and year-end financial reporting, the auditing process and related party transactions. The relevant papers for the agenda are furnished to Committee

Corporate Governance Overview Statement (continued)

PART 1 – AUDIT COMMITTEE (continued)

members well before the meetings. At such meetings, questions raised by members of the Committee to better understand the Group's financial performance and situation are responded by the Head of Group Finance before the Committee recommended the financial performance and reporting to the Board for approval to issue to regulators and/or shareholders.

The terms of reference of the Audit Committee include a policy on the types and nature of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity. In assessing the independence of external auditors, the Audit Committee obtains assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws of the Malaysian Institute of Accountants ("MIA"). For the financial year under review, this assurance was provided by the external auditors when they presented their audit plan to the Audit Committee, confirming that they complied with the By-Laws of MIA on professional ethics, conduct and practice which addressed, amongst others, the criteria on, and threats against, professional independence.

During the financial year under review, the Audit Committee assessed the performance of the external auditors and the internal audit function largely in terms of their quality and timeliness of services to the Group before recommending to Board for renewal or termination of their services, as the case may be.

PART II – RISK MANAGEMENT COMMITTEE

The Risk Management Commitee, established by the Board with specific terms of reference, comprises the following members as at the date of this Statement:

- Yong Kiam Sam (Chairman);
- Datuk Sebastian Ting Chiew Yew;
- Eric Khoo Chuan Syn @ Khoo Chuan Syn;
- Wong Chie Bin; and
- Mr Toh Kian Sing.

Risk Management Committee which is entrusted to formalise a risk management process to identify, evaluate, control, report and monitor significant risks faced by the Group. Periodic reporting of risks identified and evaluated, which are scored for their likelihood of occurrence and the impact thereof based on pre-set risk measuring metrics, including mitigating measures, is made to the Audit Committee as part of a holistic approach on risk management, to develop a comprehensive Enterprise Risk Framework to enhance the Group's existing risk management activities and initiatives. Personnel of the Group have been trained to periodically identify and evaluate risks, supported by pertinent evidence corroborating the risk profiles of various business units, and ultimately the Group risk profile, for upward reporting to the Risk Management Committee. The risk profile of the Group, following a review by the Risk Management Committee is tabled to the Audit Committee and questions, if any, are fielded by the Head of Compliance, who also acts as the Group's Risk Coordinator.

The internal audit function of the Group is outsourced to an independent professional firm, namely KPMG Management & Risk Consulting Sdn. Bhd (150059-H) , who undertakes regular reviews of the adequacy and operating effectiveness of the Group's system of internal controls. The internal audit function reports directly to the Audit Committee.

Further details on the activities of the internal audit function can be seen in the Statement on Risk Management and Internal Control included in this Annual Report.

Corporate Governance Overview Statement (continued)

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

PART 1 – COMMUNICATION WITH STAKEHOLDERS

The Board recognizes the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels are through the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website, www.asiasealink.com where shareholders can access pertinent information concerning the Group.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has, during the financial year under review, formalised pertinent policies and procedures on corporate disclosure not only to comply with the disclosure requirements as stipulated in the MMLR of Bursa Securities, but also identify the persons responsible to approve and disclose material information to the regulators, shareholders and stakeholders. The Corporate Disclosure Policies and Procedures, which are subject to annual review, set out, amongst others, the types of activities/transactions that require immediate announcement to the regulators, protocol on disclosure of information, spokesperson for the Group and procedures to be followed if issued by regulators with a notice on unusual market activities.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, rights of shareholders, the Company's Annual Report, etc., may be accessed.

PART II – CONDUCT OF GENERAL MEETINGS

Notice of Annual General Meetings

The Board always encourage the shareholders to attend the Company's general meetings, particularly the Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, all directors, company secretary and External Auditor were present in persons.

The Notice of AGM is circulated at least twenty-eight (28) days before the date of meeting to shareholders and was published in a national daily newspaper. Items of special business included in the Notice of AGM was accompanied by an explanation of the proposed resolution.

The Notice of upcoming AGM in 2019 will be sent twenty-eight (28) days in advance to enable shareholders to make adequate preparation. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend, participate, speak and vote on their behalf at the 11^{th} AGM, on 21 May 2019.

Poll Voting

The Board is mindful of the poll voting requirements under Paragraph 8.29A of the Listing Requirements of Bursa Securities. All the resolutions set out in the Notice of 11^{th} AGM are voted by way of a poll. An independent scrutineer is appointed to validate the votes cast at the AGM.

The outcome of all resolutions tabled at the AGM will be announced to Bursa Securities on the same day of the meeting.

This Statement is issued in accordance with a resolution of the Board dated 9 April 2019.

Corporate Governance Overview Statement (continued)

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds
During the financial year, there were no proceeds raised from any corporate proposal.

Share Buybacks
The Company did not carry out any share buy-backs during the financial year.

Options, Warrants or Convertible Securities
There was no exercise of Options or Convertible Securities or conversion of warrants during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme
The Company did not sponsor any ADR or GDR programme during the financial year.

Imposition of Sanctions/Penalties
There were no material sanction or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Audit Fees
The amount of audit fees paid and payable to external auditors by the Company and the Group for the financial year ended 31 December 2018 amounted to RM64,000.00 and RM233,630.00 respectively.

Non-Audit Fees
The amount of non-audit fees paid and payable to external auditors by the Group for the financial year ended 31 December 2018 amounted to RM45,700.00.

Variation in Results
There is no material variance between the financial results and the unaudited results previously made for the financial year ended 31 December 2018.

Profit Guarantee
There was no profit guarantee given by the Company during the financial year.

Material Contracts
There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interest which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Revaluation of Landed Properties
The Company and its subsidiaries did not adopt any revaluation policy on landed properties during the financial year.

Profit Forecast Variance
There was no profit forecast issued in respect of the financial result ended 31 December 2018.

Recurrent related Party Transactions
The related party transactions are disclosed in pages 95 to 96 of this annual report.

Sustainability Statement

Sealink International Berhad ("Company") presents its Sustainability Statement published in line with Main Market Listing Requirements ("MMLR") of Bursa Securities in Company annual report for the financial year ended 31 December 2018 ("FYE 2018").

The Board of Directors ("Board") is pleased to demonstrate our commitment to create long-term sustainable value and business growth to achieve our strategic objectives and enhance shareholders value in the long term. We undertake developments that are socially, economically and environmentally conducive for a sustainable long-term future and that are material to our business operations.

We are committed to continually improving the integration of sustainability into our working environment and business processes. Our sustainability policy is based upon the following principles:

- to observe and comply with all relevant legislations, regulations and guidelines issued by regulators;
- to consider sustainability issues and integrate these considerations into our business decisions; and
- to promote and enable all employees to be aware of, and committed to, implementing sustainability activities taking into consideration the environment, social and governance factors.

To operate on a sustainable basis, we focus our attention on our key impact areas. We employ both corporate strategy and feedback from internal and external stakeholders to define these areas of focus, namely, environment, social and governance factors.

STAKEHOLDERS' ENGAGEMENT

In building long-term business growth, it is essential to understand and be responsive to the stakeholders' concerns or expectations to the Company. We have identified the key stakeholders relevant to our operations and different platforms will be used to engage with all the different stakeholder groups, as indicated in the table below.

Stakeholders	Engagement Platforms
Shareholders	• Annual General Meeting • Annual Report • Quarterly Reports
Government and Regulators	• Regulatory requirements
Clients (Customers)	• Survey • Customer engagement
Management	• Meetings
Employees	• Internal and external staff trainings • Meetings • Health, Safety and Environment's Day
Community	• Donations • Company website

Sustainability Statement (continued)

ENVIRONMENT SUSTAINABILITY

We are committed to identifying, managing and minimising adverse environmental impact of our business operations through the following initiatives:

- ensuring operations and services are safe for our employees, consumers and the environment whilst contributing towards reducing the intensity of greenhouse gas emissions and minimising pollution of environment. Recognising the need to reduce energy consumption and CO2 emission, Management has switched most of the group lighting systems to light-emitting diode (LED) lamps where possible. In addition, all the products we buy are asbestos free and where possible we buy biodegradable and ozone protection products. Management is also minimising the use of paper in print via scanning of documents and only print when necessary. The Group's environmental policy to "go-green" is carried out on an ongoing basis to avoid and reduce waste and using recycling and environmentally-friendly disposal methods instead. We have a procedure to ensure proper handling and disposal of waste generated from vessel and in accordance with MARPOL Annex I & V and Environmental Quality Act (EQA) 1974.

- developing innovative and practical solutions to environmental issues with the goal of mitigating or preventing adverse environmental impact arising from our services and processes.

We are accredited by the Marine Department of Malaysia and maintain a Safety Management System (SMS) for running our Marine Operations. We strictly comply with The International Convention for the Prevention of Pollution from Ships (MARPOL). The SMS system ensures that:

- all activities are compliant with the law;
- HSE matters are managed as a critical business activity;
- HSE is the responsibility of all employees (managers and individuals); and
- anyone can 'Stop Work' or intervene, where unsafe conditions are present or unsafe activities are observed.

It is the obligation of everyone to act immediately to correct any situation that deviates from our policy or SMS. We must ensure that these standards are never compromised.

SOCIAL SUSTAINABILITY

1. Community

Recognising the importance of the Community has on its operations, the Group, during the financial year under review, has donated funds to those in need, namely, the Malaysian Red Crescent Society ("MRCS") dialysis centre, Palliative Care Association of Miri and other deserving organisations. The Group also provides opportunities for undergraduate students to gain exposure on real projects through internship programs. The training provides the students personal growth and exposure to different job opportunities as part of our initiative of giving back to the local community.

2. Training and Development

We recognise our people's skills, professionalism and the value they contribute to the Group. We also invest in human resource capital through employee training and development such as Offshore Petroleum Industry Training Organization training and other relevant training.

Sustainability Statement (continued)

3. Safety and Health

The Board is mindful of the need to ensure a safe working environment for all employees. Pertinent policies on health and safety have been formalised in writing and disseminated to the workforce for compliance.

The Group was proudly awarded by oil majors for three commendable achievements, ie, Carigali Hess, 2017 Safety Award for Platinum Category; Brunei Shell Petroleum Co. Sdn Bhd for best performing vessel – Q3/2018; and Sapura Energy Exploration & Production Sarawak for Crew exceptional work done for the Company.

Our vision is 'Goal Zero Incident' work environment and our aspiration is to be a 'value creating partner' to our clients (customers), shareholders and communities where we work and live. To achieve our vision and aspirations, the Company is committed to a Health, Safety and Environment (HSE) policy whereby we manage HSE matters as a critical business activity, pursue the goal of 'no harm to people and protect the environment'. In addition to the above, we provide and ensure safety working environment onboard ship by establishing and safeguarding all identified risks and promote the safety conscious attitude among all the employees and also continuously improving their safety management skills through training, meetings, forums, discussions and talks.

The Group's operations personnel as well as contract workers are provided with, and are required to wear personal protective equipment when carrying out their work at the shipyard, on vessels or at the warehouse in order to achieve zero loss time injury or fatality arising from workplace accidents. Apart from the need to be briefed on safety issues upon arrival, visitors to the Group's shipyard and vessels are also required to put on safety helmets and boots before venturing to the sites. In addition, standard procedures are observed by personnel, including those of contractors, who handle flammable items, especially at the shipyard and on board vessels.

The Group has also organized an in-house HSE Day which covers awareness relating to hazards at the workplace, health talk and fire drill, which was conducted in collaboration with an oil major.

The Group has appointed a Safety Officer, who is responsible for overseeing matters concerning safety and health of employees. A Safety and Health Committee has also been established to deliberate on issues relating to hazards at the workplace so that appropriate remedial measures may be taken to address any gaps, all with a view of sustaining a safe working environment in the Group.

Recognising the importance of HSE as one of the Group's business strategy, a copy of "Health, Safety, Environment and Security Policy" can be downloaded from the Company's website at www.asiasealink.com. Through these policies and guidelines, the Group aims to further improve safety awareness among all employees.

ECONOMIC AND GOVERNANCE SUSTAINABILITY

We focus on building sustainable relationships with stakeholders and utilise our resources to contribute to economic growth and bring value to our stakeholders. The Board places great importance on corporate governance and believes in the correlation between good governance and performance. The Board has formalized in writing a Code of Conduct and an Employee Handbook that emphasizes, amongst others, zero tolerance for unethical practices. The Group conducts business in an honest and ethical way to protect all our stakeholders. The Code of Conduct, which applies also to Directors, and the Group's whistle-blowing policies and procedures have been uploaded to the Company's website.

The Group has also been progressively developing pertinent policies and procedures addressing its key business operations to ensure the adequacy and integrity of the Group's internal control system and management systems. They guide and align with corporate initiatives the Group has implemented to address industry challenges and help us achieve operational excellence.

Directors' Responsibility Statement for the Audited Financial Statement

The Directors are required by the Companies Act 2016 (CA) to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRs) and the requirements of the CA in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the groups and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

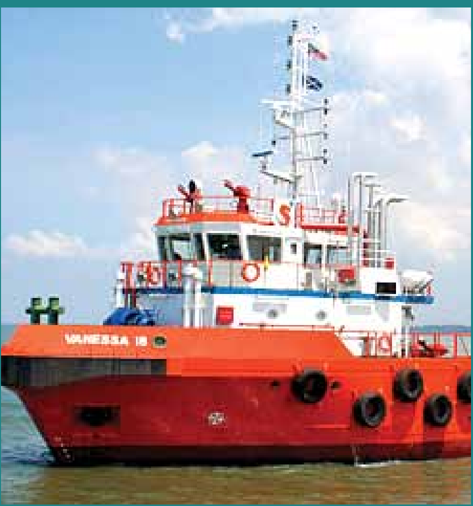
In preparing the financial statements, the Directors have:

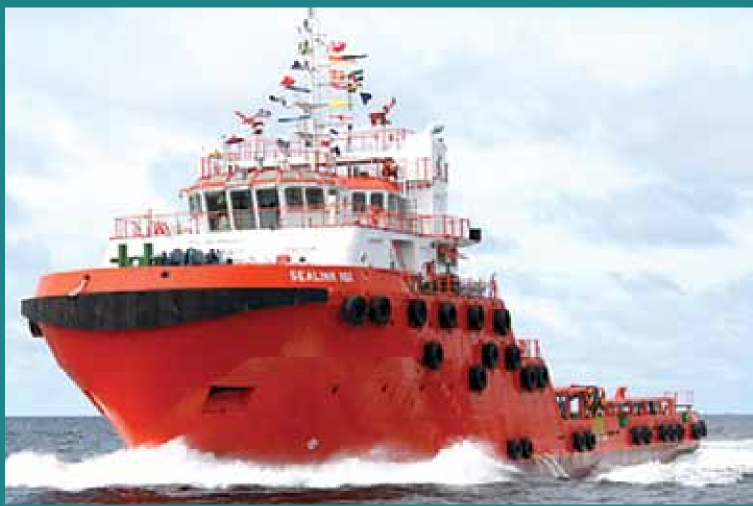
- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

Financial Statements and Reports





Directors' Report

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

Principal activities

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

Results

	Group RM	Company RM
Loss net of tax	(20,416,205)	(2,848,677)
Loss attributable to:		
Owners of the Company	(20,416,205)	(2,848,677)

There were no material transfers to or from reserves or provisions during the financial year other than disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Yong Foh Choi *(Resigned on 22 May 2018)*
Yong Kiam Sam
Wong Chie Bin
Eric Khoo Chuan Syn @ Khoo Chuan Syn
Toh Kian Sing
Datuk Sebastian Ting Chiew Yew

The information of Directors of subsidiaries is available at the Company's registered office and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

Details of Directors' remunerations are disclosed in Note 10 to the financial statements.

Directors' Report (continued)

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 1 January 2018	Acquired	Sold	At 31 December 2018
The Company:				
Direct interest				
Yong Kiam Sam	67,382,399	-	-	67,382,399
Eric Khoo Chuan Syn @ Khoo Chuan Syn	30,000	-	-	30,000
Wong Chie Bin	90,000	-	-	90,000
Datuk Sebastian Ting Chiew Yew	137,500	-	-	137,500
Deemed interest through holding company				
Yong Kiam Sam	259,080,800	-	-	259,080,800
Holding company:				
Direct interest				
Yong Kiam Sam	500,000	-	-	500,000

Yong Kiam Sam by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Toh Kian Sing does not have any interest in shares in the Company or its related corporations during the financial year.

Indemnification of Directors and officers

The Group maintained a Directors and officers liability insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors and officers of the Group. The total amount of insurance premium effected for any Directors and officers of the Group during the financial year was RM60,000. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Other statutory information

a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report (continued)

Other statutory information (continued)

b) At the date of this report, the Directors are not aware of any circumstances which would render:

   i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

   ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

f) In the opinion of the Directors:

   i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remunerations is disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2019

Yong Kiam Sam **Wong Chie Bin**

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, **Yong Kiam Sam** and **Wong Chie Bin**, being two of the Directors of **Sealink International Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 46 to 107 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 at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2019

Yong Kiam Sam **Wong Chie Bin**

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Angelia Chong Pei Cheng**, being the Officer primarily responsible for the financial management of **Sealink International Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 107 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **Angelia Chong Pei Cheng** at
Miri in the State of Sarawak on 12 April 2019.

Angelia Chong Pei Cheng (MIA 19359)

Before me,

Commissioner for Oaths
Puk LiLi @ Puk Lee Lin
License No: Q024

Independent Auditors' Report

to the Members of Sealink International Berhad – 800981-X (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sealink International Berhad, which comprise statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Independent Auditors' Report (continued)

Recoverability of carrying amounts of vessels

In view of the depressed economic conditions in the offshore marine sector, the Group performed an assessment on the recoverable amount of the vessels stated at RM406,953,900 as at 31 December 2018 which represented 69.85% of the Group's total assets, to determine whether the carrying value of these vessels are recoverable.

The estimated recoverable amount is determined based on the higher of an asset's value in use ("VIU") and fair value less costs to sell ("FV"). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

The Group considered each vessel as a cash-generating unit ("CGU"). Value in use is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and a willing seller basis. The FV on the vessels were based on valuation by an independent valuer.

Based on the outcome of the impairment assessment, no impairment loss is recognised in the statements of profit or loss and other comprehensive income as the recoverable amount of the vessels are higher than the carrying amount.

The impairment assessment of the vessels are significant to our audit due to its magnitude and the use of significant judgement in determining the recoverable amount. Our audit procedures included evaluating management assessment of impairment indicators for vessels. We also evaluated the competence, capabilities and objectivity of the external valuer and obtained an understanding of the valuation model used by him. We compared the valuation with recent transactions of the Group involving other similar vessels. In addition, we evaluated the adequacy of the Group's disclosures regarding the impairment of these vessels as disclosed in Note 2.9, Note 3(b) and Note 13 to the financial statements.

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 other information 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 other information and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report (continued)

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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit 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 Group's and the Company's internal control.

- 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 Group's or the Company's ability 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.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 achieves fair presentation.

- 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Company Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

Other matters

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.

Ernst & Young
AF: 0039
Chartered Accountants

Yong Nyet Yun
02708/04/2020 J
Chartered Accountant

Miri, Malaysia
12 April 2019

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	4	**69,787,790**	75,184,805	**1,936,087**	2,498,822
Cost of sales		**(86,837,009)**	(85,623,770)	**-**	-
Gross (loss)/profit		**(17,049,219)**	(10,438,965)	**1,936,087**	2,498,822
Other income	5	**24,440,053**	4,641,228	**48,016**	221,363
Administrative expenses		**(15,951,020)**	(20,382,872)	**(2,957,081)**	(3,339,256)
Other expenses		**(2,982,986)**	(15,488,384)	**(263,616)**	-
Operating loss		**(11,543,172)**	(41,668,993)	**(1,236,594)**	(619,071)
Finance income	6	**1,975,027**	3,028,575	**3,829,331**	1,619,951
Finance costs	7	**(10,482,239)**	(9,523,990)	**(5,441,414)**	(2,304,550)
Share of results of a joint venture		**(298,958)**	(950,121)	**-**	-
Share of results of an associate		**(2,414,366)**	(1,021,652)	**-**	-
Loss before tax	8	**(22,763,708)**	(50,136,181)	**(2,848,677)**	(1,303,670)
Income tax expense	11	**2,347,503**	406,551	**-**	-
Loss net of tax		**(20,416,205)**	(49,729,630)	**(2,848,677)**	(1,303,670)
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Foreign currency translation, net of tax		**3,536,973**	(19,588,334)	**-**	-
Other comprehensive income for the year, net of tax		**3,536,973**	(19,588,334)	**-**	-
Total comprehensive income for the year, net of tax		**(16,879,232)**	(69,317,964)	**(2,848,677)**	(1,303,670)
Loss attributable to:					
Owners of the Company		**(20,416,205)**	(49,729,630)	**(2,848,677)**	(1,303,670)
Total comprehensive income attributable to:					
Owners of the Company		**(16,879,232)**	(69,317,964)	**(2,848,677)**	(1,303,670)
Loss per share attributable to owners of the Company (sen per share):					
Basic	12	**(4.08)**	(9.95)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position
as at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Assets					
Non-current assets					
Property, plant and equipment	13	**455,120,746**	506,551,704	**1,054**	2,207
Land use rights	14	**4,093,884**	10,656,694	**-**	-
Investment in subsidiaries	15	**-**	-	**385,336,023**	385,599,639
Investment in an associate	16	**1,380,792**	3,795,158	**-**	-
Investment in a joint venture	17	**6,439,594**	6,738,552	**-**	-
Other receivables	19,31	**13,541,559**	394,251	**-**	-
		480,576,575	528,136,359	**385,337,077**	385,601,846
Current assets					
Inventories	18	**15,294,684**	34,150,743	**-**	-
Trade and other receivables	19,31	**54,369,605**	38,925,700	**109,077,061**	67,719,849
Other current assets	21	**2,526,369**	539,746	**-**	-
Investment securities	22,31	**66,434**	64,641	**-**	-
Tax recoverable		**1,041,711**	827,407	**211,815**	38,360
Cash and bank balances	23,31	**28,775,982**	30,157,806	**8,553,076**	234,231
		102,074,785	104,666,043	**117,841,952**	67,992,440
Total assets		**582,651,360**	632,802,402	**503,179,029**	453,594,286
Equity and liabilities					
Current liabilities					
Loans and borrowings	24,31	**87,212,295**	99,892,698	**-**	-
Trade and other payables	25,31	**46,682,455**	32,371,042	**138,880,254**	86,446,834
Contract liabilities	20	**583,392**	-	**-**	-
Income tax payable		**216,092**	1,119,023	**-**	-
		134,694,234	133,382,763	**138,880,254**	86,446,834
Net current liabilities		**(32,619,449)**	(28,716,720)	**(21,038,302)**	(18,454,394)
Non-current liabilities					
Loans and borrowings	24,31	**56,198,028**	87,844,931	**-**	-
Deferred tax liabilities	26	**23,502,877**	26,439,255	**-**	-
		79,700,905	114,284,186	**-**	-
Total liabilities		**214,395,139**	247,666,949	**138,880,254**	86,446,834
Net assets		**368,256,221**	385,135,453	**364,298,775**	367,147,452
Equity attributable to owners of the Company					
Share capital	27	**329,086,883**	329,086,883	**329,086,883**	329,086,883
(Accumulated losses)/ Retained earnings		**(16,815,447)**	3,600,758	**35,211,892**	38,060,569
Other reserves	28	**55,984,785**	52,447,812	**-**	-
Total equity		**368,256,221**	385,135,453	**364,298,775**	367,147,452
Total equity and liabilities		**582,651,360**	632,802,402	**503,179,029**	453,594,286

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2018

2018 Group	**Note**	**Equity, total RM**	**← Attributable to Equity Holders of the Company Share capital RM**	**Share premium RM**	**(Accumulated losses)/ Retained earnings RM**	**Foreign currency translation reserve → RM**
Opening balance at 1 January 2018		385,135,453	329,086,883	-	3,600,758	52,447,812
Loss for the year		(20,416,205)	-	-	(20,416,205)	-
Other comprehensive income	28	3,536,973	-	-	-	3,536,973
Total comprehensive income		(16,879,232)	-	-	(20,416,205)	3,536,973
Closing balance at 31 December 2018		**368,256,221**	**329,086,883**	**-**	**(16,815,447)**	**55,984,785**

2017 Group	**Note**	**Equity, total RM**	**Share capital RM**	**Share premium RM**	**(Accumulated losses)/ Retained earnings RM**	**Foreign currency translation reserve RM**
Opening balance at 1 January 2017		454,453,417	250,000,000	79,086,883	53,330,388	72,036,146
Loss for the year		(49,729,630)	-	-	(49,729,630)	-
Other comprehensive income	28	(19,588,334)	-	-	-	(19,588,334)
Total comprehensive income		(69,317,964)	-	-	(49,729,630)	(19,588,334)
Transfer pursuant to Companies Act 2016		-	79,086,883	(79,086,883)	-	-
Closing balance at 31 December 2017		385,135,453	329,086,883	-	3,600,758	52,447,812

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 31 December 2018 (continued)

	Equity, total RM	Share capital RM	Share premium RM	Retained earnings RM
2018				
Company				
Opening balance at 1 January 2018	367,147,452	329,086,883	-	38,060,569
Loss net of tax, representing total comprehensive income	(2,848,677)	-	-	(2,848,677)
Closing balance at 31 December 2018	**364,298,775**	**329,086,883**	**-**	**35,211,892**
2017				
Company				
Opening balance at 1 January 2017	368,451,122	250,000,000	79,086,883	39,364,239
Loss net of tax, representing total comprehensive income	(1,303,670)	-	-	(1,303,670)
Transfer pursuant to Companies Act 2016	-	79,086,883	(79,086,883)	-
Closing balance at 31 December 2017	367,147,452	329,086,883	-	38,060,569

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Operating activities					
Loss before tax		**(22,763,708)**	(50,136,181)	**(2,848,677)**	(1,303,670)
Adjustments for:					
Finance income	6	**(1,975,027)**	(3,028,575)	**(3,829,331)**	(1,619,951)
Dividend income from investment securities	5	**-**	(1,630)	**-**	-
Amortisation of land use rights	14	**507,427**	578,753	**-**	-
Depreciation of property, plant and equipment	13	**38,787,854**	43,327,337	**1,153**	1,153
Impairment loss on amount due from a subsidiary	8	**-**	-	**-**	29,418
Impairment loss on trade and other receivables	8	**-**	629,324	**-**	-
Finance costs	7	**10,482,239**	9,523,990	**5,441,414**	2,304,550
Inventories written off	8	**63,938**	106,648	**-**	-
Gain on disposal of land use rights	5	**(19,496,548)**	-	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	5,8	**(682,581)**	13,411,305	**-**	-
Gain on disposal of a joint venture	5	**-**	(249,193)	**-**	-
Property, plant and equipment written off	8	**203,429**	31,473	**-**	-
Reversal of deposit written off	5	**-**	(186,000)	**-**	-
Reversal of inventory written down	5	**(605,189)**	(7,750)	**-**	-
Reversal of impairment loss on trade receivables	5	**(437,090)**	(36,000)	**-**	-
Share of results of a joint venture		**298,958**	950,121	**-**	-
Share of results of an associate		**2,414,366**	1,021,652	**-**	-
Unrealised (gain)/loss on foreign exchange		**(958,215)**	514,553	**81**	2,429
Loss on deregistration of subsidiaries	8	**-**	-	**263,616**	-
Total adjustments		**28,603,561**	66,586,008	**1,876,933**	717,599
Operating cash flows before changes in working capital		**5,839,853**	16,449,827	**(971,744)**	(586,071)
Changes in working capital					
Decrease in inventories		**19,397,194**	16,735,868	**-**	-
(Increase)/Decrease in trade and other receivables		**(28,279,151)**	(1,349,128)	**113,792**	22,710
(Increase)/Decrease in other current assets		**(1,972,715)**	(9,701)	**-**	3,500
Increase/(Decrease) in trade and other payables		**4,205,173**	(1,251,572)	**94,552**	407,203
Net change in holding company balances		**10,914,630**	4,000,000	**10,016,189**	4,000,000
Net change in subsidiaries balances		**-**	-	**851,675**	3,485,751
Total changes in working capital		**4,265,131**	18,125,467	**11,076,208**	7,919,164

Statements of Cash Flows
for the financial year ended 31 December 2018 (continued)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from operations		**10,104,984**	34,575,294	**10,104,464**	7,333,093
Interest received		**1,975,027**	3,030,205	**3,829,331**	1,619,951
Interest paid		**(10,482,239)**	(10,649,374)	**(5,441,414)**	(2,304,550)
Income tax paid		**(1,050,392)**	(407,452)	**(173,455)**	(10,030)
Income tax refunded		**133,582**	402,597	**-**	89,250
Real property gain tax paid		**(788,485)**	-	**-**	-
Net cash flows (used in)/from operating activities		**(107,523)**	26,951,270	**8,318,926**	6,727,714
Investing activities					
Purchase of property, plant and equipment		**(1,059,451)**	(1,113,092)	**-**	-
Proceeds from disposal of property, plant and equipment		**19,548,246**	18,698,974	**-**	-
Proceeds from disposal of land use rights		**25,551,931**	-	**-**	-
Acquisition of additional shares in a subsidiary		**-**	-	**-**	(130,000)
Acquisition of redeemable preference shares in a joint venture		**-**	(656,000)	**-**	-
Purchase of investment securities		**(1,793)**	(1,630)	**-**	-
Proceeds from disposal of ordinary shares in a joint venture		**-**	756,000	**-**	-
Net cash flows from/(used in) investing activities		**44,038,933**	17,684,252	**-**	(130,000)
Financing activities					
Proceeds of loans and borrowings		**-**	27,730,918	**-**	-
Repayments of loans and borrowings		**(29,896,045)**	(78,350,147)	**-**	(8,085,000)
Repayment of finance leases		**(79,559)**	(58,249)	**-**	-
Net movement in trade financing		**(1,200,518)**	(8,200,000)	**-**	-
Net movement in short term deposits pledged		**10,374,863**	6,434,452	**-**	-
Net movement in short term deposits restricted in use		**(203,485)**	-	**-**	-
Net movement in cash at bank restricted in use		**463,747**	771,269	**-**	-
Net cash flows used in financing activities		**(20,540,997)**	(51,671,757)	**-**	(8,085,000)
Net increase/(decrease) in cash and cash equivalents		**23,390,413**	(7,036,235)	**8,318,926**	(1,487,286)
Effect of exchange rate changes on cash and cash equivalents		**130,231**	(332,920)	**(81)**	(2,429)
Cash and cash equivalents at 1 January		**(11,267,589)**	(3,898,434)	**234,231**	1,723,946
Cash and cash equivalents at 31 December	23	**12,253,055**	(11,267,589)	**8,553,076**	234,231

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
– 31 DECEMBER 2018

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 1035, Block 4, MCLD, Piasau Industrial Area, 98000 Miri, Sarawak.

The immediate and ultimate holding company of the Company is Sealink Holdings Sdn. Bhd., which is incorporated in Malaysia.

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Annual Improvements to MFRS Standards 2014 - 2016 Cycle:
  - (i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
  - (ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140: Transfers of Investment Property
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Except for the effects arising from the adoption of MFRS 9 and MFRS 15 as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 15: Revenue from Contracts with Customers (continued)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the performance of the contract; or at a point in time, when control of the goods or services is transferred to the customers.

The Group and the Company adopted MFRS 15 using the full retrospective method.

The adoption of MFRS 15 did not have a material impact on the financial statements of the Group and of the Company.

MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 have been adopted with an initial application date of 1 January 2018, using the full retrospective approach.

The adoption of MFRS 9 did not have a material impact to the financial statements of the Group and of the Company except as described below:

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade receivables classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debts instruments at amortised cost beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in measurement for the Group's and the Company's financial liabilities.

In summary, upon the adoption of MFRS 9, the Group had the following required or elected reclassifications as at 31 December 2017.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Classification and measurement (continued)

	Previously classified as loans and receivables RM	MFRS 9 measurement category Amortised costs RM
Trade and other receivables	39,319,951	39,319,951
Cash and bank balances	30,157,806	30,157,806

(b) Impairment

The adoption of MFRS 9 changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. No additional loss allowance is recognised on these financial assets upon application of MFRS 9 after considering the days past due, historical default experience and the future prospects of the industries in which the receivables operate.

The initial application of the other accounting standards, amendments and interpretations mentioned earlier do not have any material impact to the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Descriptions	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Except for MFRS 16, the initial application of the above has no material impact to the financial statements of the Group and the Company.

MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases as either operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group and the Company have performed an impact assessment of MFRS 16 and do not expect the adoption of MFRS 16 to have material impact on their financial statements as at 1 January 2019.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration will be recognised in profit or loss. However, if the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has control.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Foreign currency

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group or to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, such parts are recognised as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	49 - 60 years
Buildings and wharf	10 - 50 years
Vessels	8 - 20 years
Vessel equipment	1.5 - 10 years
Dry docking cost	2.5 years
Equipment, furniture and fittings	1.5 - 10 years
Plant and machinery	10 years
Motor vehicles	5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.9 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, an estimate is made of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statements of profit or loss and other comprehensive income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Investments in associates and joint ventures (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.11 Financial instruments

(i) Initial recognition and measurement

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

Current financial year

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

Previous financial year

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their 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 costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contract 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 2.12) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(b) Fair value through profit or loss

All financial assets not measured at amortised costs as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost 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 gain 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 investment in equity instrument measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2.12).

Previous financial year

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

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

Fair value through profit or loss category comprises financial assets that were held for trading, contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

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

(b) Loans and receivables

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (Note 2.12).

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Current financial year

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

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination and financial liabilities that are specifically designed 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:

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise; or

- 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 Company is provided internally on that basis to the Company's key management personnel.

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.

Previous financial year

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

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

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(iii) 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 expired or transferred, or control of the asset is not retained or substantially all of the risks and rewards of awards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. 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 asset transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

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

2.12 Impairment of financial assets

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at the 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 balances 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 recognised 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 and the Company'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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.12 Impairment of financial assets (continued)

Current financial year (continued)

The Group and the Company estimate the expected credit losses on trade receivables and contract assets 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.

An impairment loss in respect of debt instruments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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 flow of the financial assets have occurred.

The gross carrying amount of a financial assets 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 and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery amount due.

Previous financial year

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

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

2.13 Contract assets and contract liabilities

A contract asset is the right to consideration for goods or services transferred to the customer but not yet billed at reporting date. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received the consideration or have billed the customer. In the case of construction contracts, contract liability is the excess of the billing to-date over the cumulative revenue earned.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.15 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average and on a first-in-first-out basis. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.17 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Current financial year

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

Previous financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date, and the amount initially recognised less cumulative amortisation.

2.18 Employee benefits

(a) Defined contribution plans

The Group and the Company participate in the national pension scheme as defined by the laws of the country in which it has operations. The Group and the Company make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(b) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2.19 Leases

As lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Revenue

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good and service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

a) Rendering of services

Revenue from services rendered is recognised net of discounts as and when the services are performed.

b) Sale of goods

Revenue from sale of goods is measured based on the consideration specified in a contract with a customer in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) they transfer control over a product to customer. An asset is transferred when (or as) the customer obtains control over the asset.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Revenue (continued)

b) Sale of goods (continued)

The Group and the Company transfer control of a good at a point in time unless one of the following overtime criteria is met:

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

c) Construction contracts

Revenue from construction contracts is recognised over time by reference to the cost incurred over the estimated cost. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

d) Rental income

Revenue income from investment properties are recognised on a straight-line basis over the term of the lease.

e) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

f) Management fees

Management fees are recognised when services are rendered.

2.21 Taxes

a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

For Labuan trading activity, its profits would be subject to tax under Labuan Business Activity Tax 1990 under two options:

i) to be taxed at rate of 3% on audited profits; or
ii) upon election, to pay a flat tax of RM20,000.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Taxes (continued)

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Taxes (continued)

c) Sales and Services Tax ("SST") and Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of SST or GST except:

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of SST and GST included.

2.22 Current versus non-current classification

Assets and liabilities are presented in the statements of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.23 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.27 Fair value measurements

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability. The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

Notes to the Financial Statements (continued)

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1.5 years to 60 years. These are common life expectancies applied in the shipbuilding and ship chartering industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of the Group's and the Company's property, plant and equipment at the reporting date is disclosed in Note 13. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 8.52% (2017: 4.32%) and 0.002% (2017: 0.005%) variance in the Group's and in the Company's loss for the year.

b) Impairment of vessels

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on valuation performed by independent ship valuers, available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The Group and the Company performed a review of the recoverable amount of vessels with indicators of impairment and concluded that no impairment is required during the financial year.

4. Revenue

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Revenue from contracts with customers	**69,787,790**	75,184,805	**-**	-
Revenue from other source:				
- Management fee	**-**	-	**1,936,087**	2,498,822
	69,787,790	75,184,805	**1,936,087**	2,498,822

Notes to the Financial Statements (continued)

4. Revenue (continued)

(a) Disaggregation of the Group's revenue from contracts with customers

	Group 2018 RM	Group 2017 RM
Charter hire revenue	**44,756,205**	53,318,084
Sale of vessels	**21,991,135**	19,350,000
Contract services	**3,040,450**	2,516,721
	69,787,790	75,184,805

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Timing of revenue recognition:				
- at a point in time	**21,991,135**	19,350,000	**-**	-
- over time	**47,796,655**	55,834,805	**1,936,087**	2,498,822
	69,787,790	75,184,805	**1,936,087**	2,498,822

(b) Transaction prices allocated to the remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	Group 2018 RM	Group 2017 RM
Construction contracts		
- Within one year	**829,138**	833,938
Charter hire revenue		
- Within one year	**11,067,398**	20,378,765
- Over one year	**4,955,689**	13,076,996
	16,852,225	34,289,699

5. Other income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income from investment securities	**-**	1,630	**-**	-
Gain on disposal of a joint venture	**-**	249,193	**-**	-
Gain on disposal of property, plant and equipment	**682,581**	-	**-**	-
Gain on disposal of land use rights	**19,496,548**	-	**-**	-
Net gain on foreign exchange	**1,235,536**	-	**-**	-
Rental income	**182,000**	458,000	**-**	-
Reversal of inventory written down	**605,189**	7,750	**-**	-
Reversal of impairment loss on trade receivables (Note 19)	**437,090**	36,000	**-**	-
Reversal of deposit written off	**-**	186,000	**-**	-
Sundry income from ship operations	**1,801,109**	3,702,655	**48,016**	221,363
	24,440,053	4,641,228	**48,016**	221,363

Notes to the Financial Statements (continued)

6. Finance income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from:				
- Current account	**47,122**	59,489	**8,431**	13,804
- Short term deposits	**353,223**	428,575	**-**	-
- Associate	**985,844**	2,356,210	**-**	-
- Subsidiaries	**-**	-	**3,820,900**	1,606,147
- Others	**588,838**	184,301	**-**	-
	1,975,027	3,028,575	**3,829,331**	1,619,951

7. Finance costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expenses on:				
- Bank loans	**5,756,062**	6,832,055	**-**	-
- Bank overdrafts	**2,208,850**	2,175,155	**-**	-
- Islamic loans	**-**	291,197	**-**	291,197
- Loan from subsidiaries	**-**	-	**5,441,414**	2,013,353
- Obligations under finance leases	**1,617**	4,807	**-**	-
- Revolving credits	**2,515,710**	2,642,794	**-**	-
- Redeemable preference shares	**-**	(1,296,634)	**-**	-
	10,482,239	10,649,374	**5,441,414**	2,304,550
Less: Interest expenses capitalised in:				
- Vessels work-in-progress	**-**	(674,090)	**-**	-
- Completed vessel	**-**	(451,294)	**-**	-
	10,482,239	9,523,990	**5,441,414**	2,304,550

8. Loss before tax

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
The following items have been included in arriving at loss before tax:				
Employee benefits expense (Note 9)	**16,743,091**	18,900,971	**2,125,098**	2,586,579
Amortisation of land use rights (Note 14)	**507,427**	578,753	**-**	-
Auditors' remunerations				
- Current year	**233,630**	242,244	**64,000**	55,000
- (Over)/Underprovision in previous years	**(5,312)**	-	**9,000**	-
Charter expenses	**283,662**	966,576	**-**	-
Depreciation of property, plant and equipment (Note 13)	**38,787,854**	43,327,337	**1,153**	1,153
Impairment loss on amount due from a subsidiary	**-**	-	**-**	29,418
Impairment loss on trade and other receivables	**-**	629,324	**-**	-
Inventories written off	**63,938**	106,648	**-**	-
Loss on deregistration of subsidiaries	**-**	-	**263,616**	-
Loss on disposal of property, plant and equipment	**-**	13,411,305	**-**	-
Net loss on foreign exchange	**-**	485,425	**377**	5,280
Non-executive Directors' fees	**301,030**	303,230	**277,830**	277,830
Rental of premises	**227,799**	260,854	**12,000**	12,000
Property, plant and equipment written off	**203,429**	31,473	**-**	-

Notes to the Financial Statements (continued)

9. Employee benefits expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and wages	**14,993,322**	16,913,525	**1,905,011**	2,301,743
Social security contributions	**209,340**	166,906	**14,071**	15,561
Contributions to defined contribution plan	**1,537,790**	1,708,173	**206,016**	269,275
Other benefits	**2,639**	112,367	**-**	-
	16,743,091	18,900,971	**2,125,098**	2,586,579

Included in employee benefits expense of the Group and of the Company are the Executive Directors' remuneration amounting to RM913,568 (2017: RM934,038) and RM63,025 (2017: RM130,905) respectively as further disclosed in Note 10.

10. Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	**805,572**	819,509	**32,039**	84,637
Fees	**28,114**	39,690	**28,114**	39,690
Defined contribution plan	**79,882**	74,839	**2,872**	6,578
Total Executive Directors' remuneration (excluding benefits-in-kind)	**913,568**	934,038	**63,025**	130,905
Estimated money value of benefits-in-kind	**20,125**	18,943	**20,125**	18,943
Total Executive Directors' remuneration (including benefits-in-kind)	**933,693**	952,981	**83,150**	149,848
Non-Executive:				
Fees	**277,830**	277,830	**277,830**	277,830
	1,211,523	1,230,811	**360,980**	427,678
Directors of subsidiaries				
Salaries and other emoluments	**154,230**	-	**-**	-
Fees	**23,200**	25,400	**-**	-
Defined contribution plan	**3,960**	-	**-**	-
	181,390	25,400	**-**	-
Total Directors' remuneration	**1,392,913**	1,256,211	**360,980**	427,678

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

Notes to the Financial Statements (continued)

10. Directors' remuneration (continued)

	Number of Directors	
	2018	**2017**
Executive Directors:		
RM350,001 – RM400,000	**-**	1
RM550,001 – RM600,000	**1**	-
RM600,001 – RM650,000	**-**	1
Non-Executive Directors:		
RM50,001 – RM100,000	**4**	4

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Statements of profit or loss and other comprehensive income:				
Current income tax:				
Malaysian income tax	**547,975**	1,466,488	**-**	-
(Over)/Underprovision in respect of previous years	**(747,585)**	61,979	**-**	-
Real property gains tax	**788,485**	-	**-**	-
	588,875	1,528,467	**-**	-
Deferred income tax (Note 26):				
Reversal of temporary differences	**(3,249,985)**	(2,457,013)	**-**	-
Underprovision in respect of previous years	**313,607**	521,912	**-**	-
	(2,936,378)	(1,935,101)	**-**	-
Share of tax of a joint venture	**-**	83	**-**	-
Income tax expense recognised in profit or loss		**(2,347,503)**	(406,551)	**-**-

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Loss before tax	**(22,763,708)**	(50,136,181)	**(2,848,677)**	(1,303,670)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	**(5,463,290)**	(12,032,683)	**(683,682)**	(312,881)
Adjustments:				
Non-deductible expenses	**7,253,295**	11,269,333	**683,405**	312,604
Income not subject to taxation	**(6,859,673)**	(6,615,440)	**-**	-

Notes to the Financial Statements (continued)

11. Income tax expense (continued)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Deferred tax assets not recognised during the year	**3,155,866**	6,624,999	**-**	-
Reversal of deferred tax assets not recognised in previous years	**-**	(426,545)	**-**	-
Reversal of deferred tax liabilities not recognised in previous years	**277**	277	**277**	277
Effect of group relief	**-**	287,404	**-**	-
Underprovision of deferred tax in previous years	**313,607**	521,912	**-**	-
(Over)/Underprovision of income tax in previous years	**(747,585)**	61,979	**-**	-
Share of tax of a joint venture	**-**	83	**-**	-
Singapore statutory stepped income exemption	**-**	(80,684)	**-**	-
Tax incentive	**-**	(17,186)	**-**	-
Income tax expense recognised in profit or loss	**(2,347,503)**	(406,551)	**-**	-

Current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable loss for the year.

The profit arising from the shipping operations of subsidiaries in Singapore is partially exempted from income tax.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

12. Loss per share

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following reflect the loss and share data used in the computation of basic loss per share for the years ended 31 December:

	2018	**2017**
	RM	**RM**
Loss net of tax attributable to owners of the Company	**(20,416,205)**	(49,729,630)
Number of ordinary shares in issue during the year	**500,000,000**	500,000,000
	2018	**2017**
	Sen	**Sen**
Basic loss per share for loss for the year	**(4.08)**	(9.95)

There are no dilutive potential ordinary shares. As such the diluted earnings per share of the Group is equivalent to basic loss per share.

13. Property, plant and equipment

Group	Land, buildings and wharf* RM	Vessels, vessel equipment and docking expenses RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost:							
At 1.1.2017	72,574,553	805,937,920	8,563,229	40,518,003	4,182,579	6,267,445	938,043,729
Additions	-	218,767	51,214	3,990	-	853,521	1,127,492
Reclassification	-	-	3,747	(3,747)	-	-	-
Disposals	-	(37,662,589)	(50,801)	-	(244,740)	-	(37,958,130)
Written off	(1,365)	(37,584)	(29,814)	-	(2,580)	-	(71,343)
Exchange rate difference	-	(40,997,450)	(15,977)	-	-	-	(41,013,427)
At 31.12.2017 and 1.1.2018	72,573,188	727,459,064	8,521,598	40,518,246	3,935,259	7,120,966	860,128,321
Additions	-	811,550	209,257	-	-	38,644	1,059,451
Transfers	1,601,595	-	-	617,402	-	(2,218,997)	-
Disposals	-	(33,500,267)	(13,231)	(4,002,607)	(116,783)	(948,069)	(38,580,957)
Written off	-	(2,282,291)	(16,307)	-	-	(171,820)	(2,470,418)
Exchange rate difference	-	8,181,115	3,820	-	-	-	8,184,935
At 31.12.2018	**74,174,783**	**700,669,171**	**8,705,137**	**37,133,041**	**3,818,476**	**3,820,724**	**828,321,332**

Notes to the Financial Statements (continued)

13. Property, plant and equipment (continued)

Group	Land, buildings and wharf* RM	Vessels, vessel equipment and docking expenses RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Accumulated depreciation							
At 1.1.2017	24,329,334	254,408,881	7,308,356	34,974,266	3,974,113	3,820,724	328,815,674
Charge for the year (Note 8)	1,795,962	38,341,974	675,169	2,396,306	117,926	-	43,327,337
Reclassification	-	-	312	(312)	-	-	-
Disposals	-	(5,559,302)	(43,811)	-	(244,738)	-	(5,847,851)
Written off	(341)	(10,610)	(26,341)	-	(2,578)	-	(39,870)
Exchange rate difference	-	(12,663,555)	(15,118)	-	-	-	(12,678,673)
At 31.12.2017 and 1.1.2018	26,124,955	274,517,388	7,898,567	37,370,260	3,844,723	3,820,724	353,576,617
Charge for the year (Note 8)	1,804,723	34,883,685	401,687	1,648,135	49,624	-	38,787,854
Disposals	-	(16,247,744)	(6,435)	(3,385,204)	(75,909)	-	(19,715,292)
Written off	-	(2,254,469)	(12,520)	-	-	-	(2,266,989)
Exchange rate difference	-	2,816,411	1,985	-	-	-	2,818,396
At 31.12.2018	**27,929,678**	**293,715,271**	**8,283,284**	**35,633,191**	**3,818,438**	**3,820,724**	**373,200,586**
Net carrying amount:							
At 31.12.2017	46,448,233	452,941,676	623,031	3,147,986	90,536	3,300,242	506,551,704
At 31.12.2018	**46,245,105**	**406,953,900**	**421,853**	**1,499,850**	**38**	**-**	**455,120,746**

Notes to the Financial Statements (continued)

13. Property, plant and equipment (continued)

***Land, buildings and wharf**

Group	Leasehold land RM	Workshop and renovation RM	Wharf, yard and buildings RM	Total RM
Cost:				
At 1 January 2017	37,842,735	3,404,708	31,327,110	72,574,553
Written off	-	-	(1,365)	(1,365)
At 31 December 2017 and 1 January 2018	37,842,735	3,404,708	31,325,745	72,573,188
Transfers	-	1,601,595	-	1,601,595
At 31 December 2018	**37,842,735**	**5,006,303**	**31,325,745**	**74,174,783**
Accumulated depreciation:				
At 1 January 2017	6,927,776	2,366,128	15,035,430	24,329,334
Charge for the year	447,354	168,889	1,179,719	1,795,962
Written off	-	-	(341)	(341)
At 31 December 2017 and 1 January 2018	7,375,130	2,535,017	16,214,808	26,124,955
Charge for the year	620,462	129,407	1,054,854	1,804,723
At 31 December 2018	**7,995,592**	**2,664,424**	**17,269,662**	**27,929,678**
Net carrying amount:				
At 31 December 2017	30,467,605	869,691	15,110,937	46,448,233
At 31 December 2018	**29,847,143**	**2,341,879**	**14,056,083**	**46,245,105**

Company	Signboard RM	Office equipment RM	Total RM
Cost:			
At 1 January 2017, 31 December 2017 and 31 December 2018	7,390	9,050	16,440
Accumulated depreciation:			
At 1 January 2017	5,789	7,291	13,080
Charge for the year (Note 8)	739	414	1,153
At 31 December 2017 and 1 January 2018	6,528	7,705	14,233
Charge for the year (Note 8)	739	414	1,153
At 31 December 2018	**7,267**	**8,119**	**15,386**

Notes to the Financial Statements (continued)

13. Property, plant and equipment (continued)

Company	Signboard RM	Office equipment RM	Total RM
Net carrying amount:			
At 31 December 2017	862	1,345	2,207
At 31 December 2018	**123**	**931**	**1,054**

i) Assets held under finance leases

In 2017, the Group acquired property, plant and equipment with an aggregate cost of RM14,400 by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group amounted to RM1,059,451 (2017: RM1,113,092).

The carrying amount of property, plant and equipment held under finance leases at the reporting date was as follows:

Group	Motor vehicles RM	Total RM
Net carrying amount		
At 31 December 2017	71,123	71,123
At 31 December 2018	**-**	**-**

ii) Assets pledged as security

In addition to assets held under finance leases, the Group's vessels with a carrying amount of RM212,755,962 (2017: RM260,819,892) are mortgaged to secure the Group's bank loans (Note 24).

The Group's leasehold land with carrying amount of RM26,678,179 (2017: RM25,759,893) is mortgaged to secure the Group's bank loans (Note 24).

In view of the depressed economic conditions in the offshore marine sector, the Group performed an assessment during the financial year on the recoverable amount of the vessels to determine whether the carrying value of these vessels, which are in chartering segment, are recoverable. The review was carried out in accordance with MFRS 136 "Impairment of Assets". The estimated recoverable amount is determined based on the higher of an asset's value in use ("VIU") and fair value less costs to sell ("FV"). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

The Group considered each vessel as a cash-generating unit ("CGU"). However, they are grouped together for disclosure purposes. Value in use is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and a willing seller basis.

The Group has reviewed the carrying value of all the vessels owned by the Group and concluded that there is no impairment loss required for years 2018 and 2017.

Notes to the Financial Statements (continued)

14. Land use rights

	Group 2018 RM	Group 2017 RM
Cost:		
At 1 January	**16,686,200**	16,686,200
Disposals	**(9,296,676)**	-
At 31 December	**7,389,524**	16,686,200
Accumulated amortisation:		
At 1 January	**6,029,506**	5,450,753
Amortisation for the year (Note 8)	**507,427**	578,753
Disposals	**(3,241,293)**	-
At 31 December	**3,295,640**	6,029,506
Net carrying amount	**4,093,884**	10,656,694
Amount to be amortised:		
- Not later than one year	**258,178**	578,753
- Later than one year but not later than five years	**1,032,712**	2,315,012
- Later than five years	**2,802,994**	7,762,929

Land use rights pledged as security

Land use rights with an aggregate carrying value of RM2,072,334 (2017: RM8,585,914) are pledged as securities for bank borrowings as referred to in Note 24.

15. Investment in subsidiaries

	Company 2018 RM	Company 2017 RM
Unquoted shares, at cost:		
- Ordinary shares	**234,810,172**	242,060,174
- Redeemable convertible preference shares	**167,845,750**	167,845,750
	402,655,922	409,905,924
Impairment losses	**(17,319,899)**	(24,306,285)
	385,336,023	385,599,639

Notes to the Financial Statements (continued)

15. Investment in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Percentage of equity held 2018 %	2017 %
Cergas Majusama Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Era Sureway Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Era Surplus Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Midas Choice Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Godrimaju Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Euroedge Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Navitex Shipping Sdn. Bhd. **	Malaysia	Inactive	**-**	100
Seabright Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Sealink Engineering And Slipway Sdn. Bhd.	Malaysia	Shipbuilding	**100**	100
Sealink Management Sdn. Bhd.	Malaysia	Inactive	**100**	100
Sealink Marine Sdn. Bhd.	Malaysia	Inactive	**100**	100
Sealink Pacific Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Sealink Sdn. Bhd.	Malaysia	Chartering of marine vessels and letting of properties	**100**	100
Sutherfield Resources Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Sealink Shipyard Sdn. Bhd.	Malaysia	Shipbuilding	**100**	100
Sea-Good Pte Ltd. *	Singapore	Chartering of marine vessels	**100**	100
Sealink Offshore (L) Ltd.	Federal Territory of Labuan, Malaysia	Investment holding and chartering of marine vessels	**100**	100
Sea Alpha Sdn. Bhd. **	Malaysia	Inactive	**-**	100
Seabright (Singapore) Private Limited*	Singapore	Ship owner	**100**	100
Subsidiary of Sealink Shipyard Sdn. Bhd.				
Aliran Saksama Sdn. Bhd.	Malaysia	Letting of properties and investment holding	**100**	100

Notes to the Financial Statements (continued)

15. Investment in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Percentage of equity held 2018 %	2017 %
Subsidiary of Sealink Engineering And Slipway Sdn. Bhd.				
Baram Moulding Industries Sdn. Bhd.	Malaysia	Letting of property and investment holding	**100**	100
Subsidiary of Sealink Pacific Sdn. Bhd.				
Bristal View Sdn. Bhd.	Malaysia	Property holding	**100**	100
Subsidiary of Midas Choice Sdn. Bhd.				
Sea Legend Shipping Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Subsidiary of Sea Legend Shipping Sdn. Bhd.				
Mitra Angkasa Sdn. Bhd.	Malaysia	Chartering of marine vessels	**100**	100
Subsidiaries of Sealink Offshore (L) Ltd.				
Sealink Resources (L) Ltd. #	Federal Territory of Labuan, Malaysia	Inactive	**-**	100
Sealink Marine (L) Ltd. #	Federal Territory of Labuan, Malaysia	Inactive	**-**	100
Sealink Antarabangsa Ltd.	Federal Territory of Labuan, Malaysia	Chartering of marine vessel	**100**	100
Perkasa Asia Corporation Ltd.	Federal Territory of Labuan, Malaysia	Chartering of marine vessel	**100**	100
Hanvoir (L) Ltd.	Federal Territory of Labuan, Malaysia	Inactive	**100**	100

* Audited by a firm other than Ernst & Young.

** Pursuant to Section 550 of the Companies Act 2016, Sea Alpha Sdn. Bhd. and Navitex Shipping Sdn. Bhd. had on 4 July 2018 been struck off from the Register.

Pursuant to Section 151(4) of the Labuan Companies Act 1990, Sealink Resources (L) Ltd. and Sealink Marine (L) Ltd. had on 6 September 2017 been struck off from the Register.

Notes to the Financial Statements (continued)

16. Investment in an associate

The Group's interest in the associate is accounted for using the equity method in the consolidated financial statements. Reconciliation with the carrying amount of the investment in consolidated financial statements is set out below:

	Group 2018 RM	Group 2017 RM
Unquoted shares, at cost	**3,500,000**	3,500,000
Share of post acquisition reserves	**(2,119,208)**	295,158
	1,380,792	3,795,158

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activity	Percentage of equity held 2018 %	Percentage of equity held 2017 %
Logistine Sdn. Bhd. *	Malaysia	Providing offshore support vessels, equipment and engineering consultation for oil and gas activities	**25**	25

* Audited by a firm other than Ernst & Young.

The summarised financial information of the associate not adjusted for the proportion of ownership interest held by the Company is as follows:

	2018 RM	2017 RM
Assets and liabilities:		
Non-current assets	**29,789,631**	49,188,483
Current assets	**2,509,179**	4,205,434
Total assets	**32,298,810**	53,393,917
Non-current liabilities	**-**	(3,559,871)
Current liabilities	**(24,863,844)**	(23,744,782)
Total liabilities	**(24,863,844)**	(27,304,653)
Results:		
Revenue	**-**	298,480
Loss for the year	**(3,632,454)**	(4,086,609)

Notes to the Financial Statements (continued)

17. Investment in a joint venture

The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. Reconciliation with the carrying amount of the investment in consolidated financial statements is set out below:

	Group 2018 RM	Group 2017 RM
Unquoted shares, at cost		
- Ordinary shares	**1,959,998**	1,959,998
- Redeemable preference shares	**5,556,004**	5,556,004
	7,516,002	7,516,002
Share of post acquisition reserves	**(1,076,408)**	(777,450)
	6,439,594	6,738,552

Details of the joint venture are as follows:

Name of joint venture	Country of incorporation	Principal activities	Percentage of equity held 2018 %	Percentage of equity held 2017 %
Joint venture of Era Surplus Sdn. Bhd.				
Seasten Sdn. Bhd.	Malaysia	Vessel owner and operator	**49**	49

The summarised financial information of the joint venture not adjusted for the proportion of ownership interest held by the Company is as follows:

	2018 RM	2017 RM
Assets and liabilities:		
Non-current assets	**7,995,275**	8,945,859
Current assets	**3,599,026**	2,398,482
Total assets	**11,594,301**	11,344,341
Current liabilities	**(2,796,350)**	(1,936,271)
Total liabilities	**(2,796,350)**	(1,936,271)
Results:		
Revenue	**3,946,610**	4,617,012
Loss for the year	**(610,119)**	(1,519,859)

Notes to the Financial Statements (continued)

18. Inventories

	Group 2018 RM	Group 2017 RM
Cost		
Consumables	**1,813,236**	1,588,846
Machinery and equipment	**1,507,586**	1,461,855
Raw materials	**11,684,174**	11,563,331
Vessel parts and materials	**289,688**	314,862
Completed vessel	**-**	19,221,849
	15,294,684	34,150,743

Included in completed vessel and vessels work-in-progress are:

	Group 2018 RM	Group 2017 RM
Interest expense	**-**	451,294

19. Trade and other receivables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current				
Trade receivables				
Third parties	**19,711,736**	15,418,716	**-**	-
Amount due from a joint venture	**1,377,753**	1,729,767	**-**	-
Less: Allowance for impairment of third parties	**(615,213)**	(1,051,561)	**-**	-
Trade receivables, net	**20,474,276**	16,096,922	**-**	-
Other receivables				
Refundable deposits	**759,670**	725,806	**2,000**	2,000
Other receivables				
- Others	**2,040,803**	1,344,686	**-**	113,792
- Subsidiaries	**-**	-	**662,071**	840,671
Finance lease receivable	**8,004,322**	-	**-**	-
Amount due from an associate	**22,685,753**	21,159,256	**-**	-
Amount due from subsidiaries	**-**	-	**108,412,990**	66,763,386
Amount due from holding company	**1,559**	-	**-**	-
Amount due from a joint venture	**939,376**	135,184	**-**	-
	34,431,483	23,364,932	**109,077,061**	67,719,849
Less: Allowance for impairment of other receivables	**(536,154)**	(536,154)	**-**	-
	33,895,329	22,828,778	**109,077,061**	67,719,849
	54,369,605	38,925,700	**109,077,061**	67,719,849
Non-current				
Other receivables				
Amount due from an associate	**-**	394,251	**-**	-
Finance lease receivable	**13,541,559**	-	**-**	-
	13,541,559	394,251	**-**	-
Total trade and other receivables	**67,911,164**	39,319,951	**109,077,061**	67,719,849

Notes to the Financial Statements (continued)

19. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day (2017: 30 to 60 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables are partially secured.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2018 RM	Group 2017 RM
Neither past due nor impaired	**3,894,945**	4,529,299
1 to 30 days past due not impaired	**4,348,139**	4,731,831
31 to 60 days past due not impaired	**2,655,658**	2,416,869
61 to 90 days past due not impaired	**1,231,939**	1,931,696
91 to 120 days past due not impaired	**996,254**	742,697
More than 121 days past due not impaired	**7,347,341**	1,744,530
	16,579,331	11,567,623
Impaired	**615,213**	1,051,561
	21,089,489	17,148,483

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM16,579,331 (2017: RM11,567,623) that are past due at the reporting date but not impaired.

The balances of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group 2018 RM	Group 2017 RM
Total receivables	**615,213**	1,051,561
Less: Allowance for impairment	**(615,213)**	(1,051,561)
	-	-

Notes to the Financial Statements (continued)

19. Trade and other receivables (continued)

(a) Trade receivables (continued)

	Group 2018 RM	Group 2017 RM
Movement in allowance accounts:		
At 1 January	**1,051,561**	497,443
Charge for the year	**742**	608,508
Reversal of impairment losses (Note 5)	**(437,090)**	(36,000)
Written off	**-**	(18,390)
At 31 December	**615,213**	1,051,561

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments and there are doubts as to the recoverability. These receivables are not secured by any collateral or credit enhancements.

(b) Amount due from subsidiaries

This amount is unsecured and is repayable on demand.

Included in the amount due from subsidiaries of the Company is an amount of RM102,684,071 (2017: RM62,458,053) which bears interest at rates ranging from 3.43% - 5.62% (2017: 3.53%) per annum.

(c) Amount due from an associate

This amount is unsecured and is repayable on demand.

Included in the amount due from an associate of the Group is an amount of RM394,251 (2017: RM4,991,935) which bears interest charge at 6.95% (2017: 6.95%) per annum and is fully repayable by 2019.

(d) Amounts due from a joint venture and holding company

These amounts are unsecured, non-interest bearing and are repayable on demand.

(e) Other receivables

This amount is unsecured, non-interest bearing and is repayable on demand.

(f) Finance lease receivable

The Group is a lessor in connection with the leasing of a vessel, namely Harmoni Dua, which the Group provides to its customer the charter of the vessel with subsequent purchase. The Group recognises a receivable in the amount of the net investment in the lease. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as finance income in the profit or loss. The following table shows how the amount of the net investment in a finance lease is determined:

Notes to the Financial Statements (continued)

19. Trade and other receivables (continued)

(f) Finance lease receivable (continued)

	Group 2018 RM	Group 2017 RM
Minimum lease payments	**21,545,881**	-
Unearned finance income	**(3,711,666)**	-
Present value of the minimum lease payments	**17,834,215**	-

The following table presents the gross investment amounts and the present value of payable minimum lease payments:

	Group 2018 RM	Group 2017 RM
Minimum lease payments:		
Not later than 1 year	**8,004,322**	-
Later than 1 year but not later than 5 years	**13,541,559**	-
	21,545,881	-
Present value of minimum lease payments:		
Not later than 1 year	**5,851,145**	-
Later than 1 year but not later than 5 years	**11,983,070**	-
	17,834,215	-

The discount rate implicit in the finance lease is 14.13% (2017: Nil) per annum and is fully repayable by 2021.

20. Contract balances

	Group 2018 RM	Group 2017 RM
Contract assets		
At 1 January	**-**	-
Net revenue recognised during the year	**2,084,573**	-
At 31 December	**2,084,573**	-

Contract assets primarily relate to the Group's rights to consideration for work completed on ship repair contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 90 days.

Notes to the Financial Statements (continued)

20. Contract balances (continued)

	Group	
	2018 RM	2017 RM
Contract liabilities		
At 1 January	**-**	-
Payment received in advance	**(583,392)**	-
At 31 December	**(583,392)**	-

Contract liabilities primarily relate to advance consideration received from a customer for ship repair contracts for which revenue is recognised over time for the repair work. The contract liabilities are expected to be recognised as revenue over a period of 90 days.

There were no contract assets or contract liabilities as at 1 January 2017 and 31 December 2017.

21. Other current assets

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Prepayment for insurance	**197,214**	195,147	**-**	-
Other prepaid operating expenses	**244,582**	344,599	**-**	-
Contract assets for ship repair contracts (Note 20)	**2,084,573**	-	**-**	-
	2,526,369	539,746	**-**	-

22. Investment securities

	Group	
	2018 RM	2017 RM
Wholesale money market fund quoted in Malaysia, at market value	**66,434**	64,641

23. Cash and bank balances

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash at banks and on hand	**26,733,403**	17,974,007	**8,553,076**	234,231
Short term deposits with licensed banks	**2,042,579**	12,183,799	**-**	-
Cash and bank balances	**28,775,982**	30,157,806	**8,553,076**	234,231

Deposits of the Group with licensed banks amounting to RM1,803,262 (2017: RM12,183,799) are pledged to banks for bank guarantees issued to third parties and for short term facilities granted by the banks to the Group.

Notes to the Financial Statements (continued)

23. Cash and bank balances (continued)

Short term deposit with a licenced bank of the Group amounting to RM203,309 (2017: Nil) is pledged as security for the bank guarantee issued in favour of a third party.

In 2017, included in cash and bank balances was an amount of RM465,766 which was restricted in use as set by a bank in order to maintain the liquidity requirements.

The effective interest rates and the maturity of deposits of the Group as at the reporting date are as follows:

	Interest rate		Maturity	
	2018 %	**2017 %**	**2018 Days**	**2017 Days**
Deposits with licensed banks	**3.10 - 3.35**	2.90 - 3.10	**30 - 365**	15 - 365

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash and bank balances	**28,775,982**	30,157,806	**8,553,076**	234,231
Bank overdrafts (Note 24)	**(14,510,506)**	(28,775,830)	**-**	-
	14,265,476	1,381,976	**8,553,076**	234,231
Cash at bank restricted in use	**-**	(465,766)	**-**	-
Short term deposits restricted in use	**(209,159)**	-	**-**	-
Short term deposits pledged as security	**(1,803,262)**	(12,183,799)	**-**	-
Cash and cash equivalents	**12,253,055**	(11,267,589)	**8,553,076**	234,231

24. Loans and borrowings

		Group	
	Maturity	**2018 RM**	**2017 RM**
Current			
Secured:			
Bank overdrafts (Note 23)	On demand	**14,510,506**	28,775,830
Obligations under finance leases (Note 30(b))	2019	**4,800**	44,336
Revolving credits	2019	**44,799,482**	46,000,000
Term loans	2019	**27,897,507**	25,072,532
		87,212,295	99,892,698
Non-current			
Secured:			
Obligations under finance leases (Note 30(b))	2020	**1,200**	41,223
Term loans	2020-2022	**56,196,828**	87,803,708
		56,198,028	87,844,931
Total loans and borrowings		**143,410,323**	187,737,629

Notes to the Financial Statements (continued)

24. Loans and borrowings (continued)

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group	
	2018 RM	2017 RM
On demand or within one year	**87,212,295**	99,896,349
Later than 1 year but not later than 2 years	**19,902,766**	39,455,438
Later than 2 years but not later than 5 years	**36,295,262**	48,385,842
	143,410,323	187,737,629

Bank overdrafts

Bank overdrafts were secured by charges over leasehold land and buildings of the Group, legal mortgage on vessel and fixed deposits pledged to the bank.

Obligations under finance leases

This obligation was secured by a charge over the leased assets (Note 13).

Revolving credits

Revolving credits are secured by corporate guarantee by the holding company, a charge over the Group's leasehold land and buildings, fixed deposits pledged to the bank, and a freehold land owned by a subsidiary.

Term loans

These loans are secured by legal charges over certain vessels, assignment of time charter proceeds and leasehold land and buildings of the Group, corporate guarantee by holding company and a charge over fixed deposits of the subsidiaries.

The effective interest rates at 31 December for loans and borrowings are as follows:

	Group	
	2018 %	2017 %
Bank overdrafts	**7.40 – 7.54**	7.15 – 8.29
Obligations under finance leases	**-**	4.55 – 4.81
Term loans		
- Fixed rate	**6.17**	-
- Floating rates	**5.99 – 6.42**	4.74 – 6.72
Revolving credits	**5.33 – 5.62**	5.07 – 5.90

25. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	**8,375,634**	8,323,812	**-**	-

Notes to the Financial Statements (continued)

25. Trade and other payables (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables				
Accrued operating expenses	**6,061,741**	6,813,428	**636,403**	527,390
Deposits received	**59,000**	91,000	**-**	-
Other payables	**17,269,891**	13,142,802	**559,933**	574,394
Amount due to holding company	**14,916,189**	4,000,000	**14,016,189**	4,000,000
Amount due to subsidiaries	**-**	-	**123,667,729**	81,345,050
	38,306,821	24,047,230	**138,880,254**	86,446,834
Total trade and other payables	**46,682,455**	32,371,042	**138,880,254**	86,446,834

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2017: 30 to 90 day) terms.

(b) Other payables

These amounts are non-interest bearing. Included in other payables of the Group is an amount of RM9,695,770 (2017: RM10,066,543) due to companies in which certain Directors of the Group have substantial financial interests.

(c) Amount due to holding company

This amount is unsecured, non-interest bearing and is repayable on demand.

(d) Amount due to subsidiaries

This amount is unsecured and is repayable on demand.

Included in the amount due to subsidiaries of the Company is an amount of RM113,318,567 (2017: RM70,170,259) which bears interest at rates ranging from 3.43% to 8.89% (2017: 3.53% to 5.71%) per annum.

26. Deferred tax liabilities

Group	Property, plant and equipment RM	Unutilised tax losses RM	Unabsorbed capital allowances RM	Others RM	Total RM
At 1 January 2017	50,029,150	(9,545,330)	(12,109,464)	-	28,374,356
Recognised in profit or loss (Note 11)	(1,089,192)	863,417	(1,709,326)	-	(1,935,101)
At 31 December 2017 and 1 January 2018	48,939,958	(8,681,913)	(13,818,790)	-	26,439,255
Recognised in profit or loss (Note 11)	(5,986,454)	(146,397)	3,308,704	(112,231)	(2,936,378)
At 31 December 2018	**42,953,504**	**(8,828,310)**	**(10,510,086)**	**(112,231)**	**23,502,877**

Notes to the Financial Statements (continued)

26. Deferred tax liabilities (continued)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2018 RM	Group 2017 RM
Unutilised tax losses	**51,799,214**	40,719,376
Unabsorbed capital allowances	**12,859,878**	26,039,994
Others	**5,427,034**	5,427,034
	70,086,126	72,186,404

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom.

The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The unrecognised tax losses will expire in 2025. Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

27. Share capital

	Number of ordinary shares	Amount: Share capital RM	Amount: Share premium RM	Amount: Total RM
Issued and fully paid				
Group/Company				
Balance as at 1 January 2017	500,000,000	250,000,000	79,086,883	329,086,883
Transfer from share premium account pursuant to the Companies Act 2016	-	79,086,883	(79,086,883)	-
Balance as at 31 December 2017, 31 December 2018	**500,000,000**	**329,086,883**	**-**	**329,086,883**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

The Companies Act 2016 ("Act") which became effective on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium of RM79,086,883 for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Notes to the Financial Statements (continued)

28. Other reserves

Group	Foreign currency translation reserve RM	Total RM
At 1 January 2017	72,036,146	72,036,146
Other comprehensive income:		
Foreign currency translation	(19,588,334)	(19,588,334)
At 31 December 2017 and 1 January 2018	52,447,812	52,447,812
Other comprehensive income:		
Foreign currency translation	3,536,973	3,536,973
At 31 December 2018	**55,984,785**	**55,984,785**

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Transactions with holding company				
Loans from holding company	**-**	-	**10,000,000**	4,000,000
Transactions with subsidiaries				
Sundry income	**-**	-	**(48,000)**	(5,067)
Management fee	**-**	-	**(1,936,087)**	(2,498,822)
Interest income	**-**	-	**(3,820,900)**	(1,606,147)
Interest expenses	**-**	-	**5,441,414**	2,013,353
Loans (to)/from subsidiaries	**-**	-	**(5,798,811)**	5,082,242
Transactions with a related company				
Rental expense	**120,000**	120,000	**12,000**	12,000

Notes to the Financial Statements (continued)

29. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Transactions with companies in which certain Directors have interests				
Charter hire income	**(2,272,104)**	-	**-**	-
Contract revenue	**(42,909)**	-	**-**	-
Sundry income	**(442,135)**	-	**-**	-
Manpower supply	**-**	(20,758)	**-**	-
Charter hire fee	**210,000**	-	**-**	-
Rental expense	**65,544**	94,644	**-**	-
Legal and professional fees	**61,156**	60,564	**-**	-

<u>Related companies:</u>

Related companies are companies within Sealink Holdings Sdn. Bhd. group.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Short-term employee benefits	**3,292,616**	4,469,620	**1,731,541**	2,706,188
Defined contribution plan	**280,304**	435,610	**155,918**	282,537
	3,572,920	4,905,230	**1,887,459**	2,988,725

30. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2018 RM	Group 2017 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	**126,968,720**	126,968,720

(b) Finance lease commitments

The Group had finance leases for certain items of motor vehicles (Note 13). These leases do not have terms of renewal, but had purchase options at nominal values at the end of the lease term.

Notes to the Financial Statements (continued)

30. Commitments (continued)

(b) Finance lease commitments (continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	**4,800**	46,728
Later than 1 year but not later than 2 years	**1,200**	30,496
Later than 2 years but not later than 5 years	**-**	11,991
Total minimum lease payments	**6,000**	89,215
Less: Amounts representing finance charges	**-**	(3,656)
Present value of minimum lease payments	**6,000**	85,559
Present value of payments:		
Not later than 1 year	**4,800**	44,336
Later than 1 year but not later than 2 years	**1,200**	27,788
Later than 2 years but not later than 5 years	**-**	13,435
Present value of minimum lease payments	**6,000**	85,559
Less: Amount due within 12 months (Note 24)	**(4,800)**	(44,336)
Amount due after 12 months (Note 24)	**1,200**	41,223

31. Financial assets and financial liabilities

31.1 Financial assets

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Financial assets at fair value through profit or loss				
Investment securities	**66,434**	64,641	**-**	-
Debt instruments at amortised cost				
Trade and other receivables	**67,911,164**	39,319,951	**109,077,061**	67,719,849
Cash and bank balances	**28,775,982**	30,157,806	**8,553,076**	234,231
	96,687,146	69,477,757	**117,630,137**	67,954,080
Total financial assets	**96,753,580**	69,542,398	**117,630,137**	67,954,080

Notes to the Financial Statements (continued)

31. Financial assets and financial liabilities (continued)

31.2 Financial liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current interest-bearing loans and borrowings				
Bank overdrafts	**14,510,506**	28,775,830	**-**	-
Obligations under finance leases	**4,800**	44,336	**-**	-
Revolving credits	**44,799,482**	46,000,000	**-**	-
Term loans	**27,897,507**	25,072,532	**-**	-
	87,212,295	99,892,698	**-**	-
Non-current interest-bearing loans and borrowings				
Obligations under finance leases	**1,200**	41,223	**-**	-
Term loans	**56,196,828**	87,803,708	**-**	-
	56,198,028	87,844,931	**-**	-
Total interest-bearing loans and borrowings	**143,410,323**	187,737,629	**-**	-
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Trade and other payables	**46,682,455**	32,371,042	**138,880,254**	86,446,834
Total financial liabilities at amortised cost	**46,682,455**	32,371,042	**138,880,254**	86,446,834

31.3 Fair value

(a) Fair values of financial instruments not carried at fair value

Set out below, is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, other than those with carrying amounts which are reasonable approximations of fair values:

	Carrying amount 2018 RM	Carrying amount 2017 RM	Fair value 2018 RM	Fair value 2017 RM
Group				
Financial liabilities:				
Non-current:				
Interest-bearing loans and borrowings				
- Obligations under finance leases	**1,200**	41,223	**1,200**	41,165
- Fixed rate term loan	**27,911,296**	-	**27,207,125**	-

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

Notes to the Financial Statements (continued)

31. Financial assets and financial liabilities (continued)

31.3 Fair value (continued)

(a) Fair values of financial instruments not carried at fair value (continued)

Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(b) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables	19
Trade and other payables	25
Loans and borrowings (current and non-current, except non-current fixed rates loans and borrowings)	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

Financial guarantees

The fair value of financial guarantees is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default

32. Fair value measurement

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Notes to the Financial Statements (continued)

32. Fair value measurement (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
At 31 December 2018				
Assets measured at fair value:				
Wholesale money market fund	**66,434**	**-**	**-**	**66,434**
Liabilities for which fair values are disclosed: (Note 31.3(a))				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	**-**	**1,200**	**-**	**1,200**
- Non-current fixed rate term loan	**-**	**27,207,125**	**-**	**27,207,125**
At 31 December 2017				
Assets measured at fair value:				
Wholesale money market fund	64,641	-	-	64,641
Liabilities for which fair values are disclosed: (Note 31.3(a))				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	-	41,165	-	41,165

There have been no transfers between Level 1 and Level 2 during the financial year.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by the management. The audit committee of Sealink International Berhad provides independent oversight to the effectiveness of the risk management process.

It is and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Notes to the Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantee given to banks for credit facilities granted to subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
Group			
At 31 December 2018			
Financial liabilities:			
Trade and other payables	**46,682,455**	**-**	**46,682,455**
Loans and borrowings	**91,686,344**	**60,091,081**	**151,777,425**
Total undiscounted financial liabilities	**138,368,799**	**60,091,081**	**198,459,880**
At 31 December 2017			
Financial liabilities:			
Trade and other payables	32,371,042	-	32,371,042
Loans and borrowings	106,488,906	93,862,579	200,351,485
Total undiscounted financial liabilities	138,859,948	93,862,579	232,722,527

Notes to the Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Company	On demand or within one year RM	One to five years RM	Total RM
At 31 December 2018			
Financial liabilities:			
Trade and other payables	**138,880,254**	**-**	**138,880,254**
Financial guarantee contracts*	**143,758,918**	**-**	**143,758,918**
Total undiscounted financial liabilities	**282,639,172**	**-**	**282,639,172**
At 31 December 2017			
Financial liabilities:			
Trade and other payables	86,446,834	-	86,446,834
Financial guarantee contracts*	173,087,669	-	173,087,669
Total undiscounted financial liabilities	259,534,503	-	259,534,503

* Based on the maximum amount that can be called under the financial guarantee contracts.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their loans and borrowings.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been lower/higher by 10 basis points with all other variables held constant, the Group's loss net of tax would have been RM128,511 (2017: RM160,013) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia (RM), Singapore Dollar (SGD) and United States Dollars (USD). The foreign currencies in which these transactions are denominated are mainly Singapore Dollar (SGD), United States Dollars (USD) and Brunei Dollar (BND).

Notes to the Financial Statements (continued)

33. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

The Group uses forward currency contracts to minimise the exposures arising from sales after a firm commitment has been entered. It is the Group's policy not to enter into forward contracts until firm commitment is in place.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The Group maintains a natural hedge, whenever possible, by borrowing or holding cash and cash equivalents denominated in foreign currencies.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the SGD, USD and BND against RM exchange rate, RM and USD against SGD exchange rate and SGD and RM against USD exchange rate with all other variables held constant.

	Group Loss net of tax		**Company Loss net of tax**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
SGD/RM - strengthen by 5%	**(416,641)**	639,656	**34**	1,938
SGD/RM - weaken by 5%	**416,641**	(639,656)	**(34)**	(1,938)
USD/RM - strengthen by 5%	**(930,649)**	(1,123,819)	**57**	1,442
USD/RM - weaken by 5%	**930,649**	1,123,819	**(57)**	(1,442)
BND/RM - strengthen by 5%	**-**	(10,622)	**-**	-
BND/RM - weaken by 5%	**-**	10,622	**-**	-
RM/SGD - strengthen by 5%	**304,033**	(117,878)	**-**	-
RM/SGD - weaken by 5%	**(304,033)**	117,878	**-**	-
USD/SGD - strengthen by 5%	**2,758,936**	(870,627)	**-**	-
USD/SGD - weaken by 5%	**(2,758,936)**	870,627	**-**	-
SGD/USD - strengthen by 5%	**(342,448)**	(51,946)	**-**	-
SGD/USD - weaken by 5%	**342,448**	51,946	**-**	-
RM/USD - strengthen by 5%	**(652,255)**	(148,712)	**-**	-
RM/USD - weaken by 5%	**652,255**	148,712	**-**	-

Notes to the Financial Statements (continued)

34. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders value. In order to maintain or achieve an optimal capital structure, the Group may adjust the dividend payment, return capital to shareholders, obtain new financing facilities or dispose assets to reduce borrowings.

Management monitors capital based on the Group's and the Company's gearing ratio. The Group and the Company are also required by certain banks to maintain a gearing ratio of not exceeding certain percentage varying between 100% and 200%. The Group's and the Company's strategies are to maintain gearing ratio of not exceeding 100%.

The gearing ratio is calculated as total loans and borrowings divided by equity capital.

	Note	Group 2018 RM	Group 2017 RM
Loans and borrowings	24	**143,410,323**	187,737,629
Total equity		**368,256,221**	385,135,453
Gearing ratio		**38.94%**	48.75%

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

I. Shipbuilding

II. Chartering of vessels

III. Others consist of investment holding and letting of properties

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, are measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs recognised in profit or loss) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements (continued)

35. Segment information (continued)

	Shipbuilding 2018 RM	Shipbuilding 2017 RM	Chartering 2018 RM	Chartering 2017 RM	Others 2018 RM	Others 2017 RM	Adjustments and eliminations 2018 RM	Adjustments and eliminations 2017 RM	Notes	Per consolidated financial statements 2018 RM	Per consolidated financial statements 2017 RM
Revenue:											
External customers	**25,031,585**	21,866,721	**44,756,205**	53,318,084	**-**	-	**-**	-		**69,787,790**	75,184,805
Inter-segment	**4,382,404**	3,525,610	**18,313,521**	14,130,404	**2,196,087**	2,576,822	**(24,892,012)**	(20,232,836)	A	**-**	-
Total revenue	**29,413,989**	25,392,331	**63,069,726**	67,448,488	**2,196,087**	2,576,822	**(24,892,012)**	(20,232,836)		**69,787,790**	75,184,805
Results:											
Interest income	**5,786,627**	6,160,588	**3,290,096**	4,431,508	**5,046,996**	3,309,981	**(12,148,692)**	(10,873,502)		**1,975,027**	3,028,575
Depreciation and amortisation	**3,390,809**	4,245,529	**38,089,078**	42,139,796	**344,089**	367,365	**(2,528,695)**	(2,846,600)		**39,295,281**	43,906,090
Other non-cash expenses	**63,943**	131,479	**203,424**	815,408	**-**	-	**-**	(179,442)	B	**267,367**	767,445
Segment loss	**(1,601,682)**	(1,381,385)	**(20,455,553)**	(47,892,764)	**(3,319,306)**	(3,291,309)	**2,612,833**	2,429,277	C	**(22,763,708)**	(50,136,181)
Assets:											
Investment in an associate	**-**	-	**-**	-	**1,380,792**	3,795,158	**-**	-		**1,380,792**	3,795,158
Investment in a joint venture	**-**	-	**6,439,594**	6,738,552	**-**	-	**-**	-		**6,439,594**	6,738,552
Additions to non-current assets	**1,008,759**	565,348	**50,692**	14,417,744	**-**	-	**-**	(13,870,000)	D	**1,059,451**	1,113,092
Segment assets	**163,053,320**	183,329,139	**707,568,579**	759,636,596	**599,825,643**	548,553,515	**(887,796,182)**	(858,716,848)	E	**582,651,360**	632,802,402
Segment liabilities	**97,978,413**	117,194,265	**376,033,798**	410,725,046	**192,360,471**	138,486,218	**(451,977,543)**	(418,738,580)	F	**214,395,139**	247,666,949

Notes to the Financial Statements (continued)

35. Segment information (continued)

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2018 RM	2017 RM
Inventories written off	8	**63,938**	106,648
Property, plant and equipment written off	8	**203,429**	31,473
Impairment loss on trade and other receivables	8	**-**	629,324
		267,367	767,445

C The following items are added to/(deducted from) segment loss to arrive at "Loss before tax" presented in the Group's statements of profit or loss and other comprehensive income:

	2018 RM	2017 RM
Profit from inter-segment sales	**(7,431,414)**	(6,811,474)
Finance costs	**12,148,952**	10,830,981
Share of results of an associate	**(2,414,366)**	(1,021,652)
Share of results of a jointly controlled entity	**(298,958)**	(950,121)
Unallocated corporate expenses	**608,619**	381,543
	2,612,833	2,429,277

D Additions to non-current assets consist of:

	2018 RM	2017 RM
Property, plant and equipment	**1,059,451**	1,113,092

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the Group's statements of financial position:

	2018 RM	2017 RM
Investment in subsidiaries	**(395,499,558)**	(395,763,173)
Investment in an associate	**(2,119,208)**	295,158
Investment in a joint venture	**(1,076,408)**	(777,450)
Inter-segment assets	**(489,101,008)**	(462,471,383)
	(887,796,182)	(858,716,848)

Notes to the Financial Statements (continued)

35. Segment information (continued)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the Group's statements of financial position:

	2018 RM	2017 RM
Deferred tax liabilities	**10,725,475**	12,272,272
Inter-segment liabilities	**(462,703,018)**	(431,010,852)
	(451,977,543)	(418,738,580)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	**66,290,911**	71,776,956	**435,574,702**	491,052,621
Singapore	**3,496,879**	3,407,849	**23,639,928**	26,155,777
	69,787,790	75,184,805	**459,214,630**	517,208,398

Non-current assets information presented above consist of the following items as presented in the Group's statements of financial position:

	2018 RM	2017 RM
Property, plant and equipment	**455,120,746**	506,551,704
Land use rights	**4,093,884**	10,656,694
	459,214,630	517,208,398

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 12 April 2019.

Landed Properties

Land Identification / Postal Address	Description of Property	Usage	Area more or less (sq m)	Approximate Age of the Building (Years)	Tenure/Date of Expiry of Lease	Net Book Value as at 31.12.2018 (RM'000)
SEALINK SHIPYARD SDN BHD (195853-D)						
Lot 156, Block 5, Kuala Baram Land District / [Lot 156, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak]	Vacant agriculture land	N/A	8,050	N/A	60 years/ Lease term expires on 02.08.2071	175
Lot 816, Block 1, Kuala Baram Land District (formerly known as Lot 1282, Kuala Baram Land District) / [Lot 816, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak]	Industrial land and building	Shipyard, slipway and fabrication yard	116,170	11	60 years/ Lease term expires on 27.02.2056	21,444
Lot 1341, Miri Concession Land District / [Lot 1341, Jalan Cattleya 1, Krokop / Piasau Industrial Estate, 98000 Miri, Sarawak]	Industrial land and building	Vacant workshop and vacant workers quarters	1,971	10	60 years/ Lease term expires on 31.12.2027	337
Lot 2142, Block 4, Miri Concession Land District / [Lot 2142, Jalan Cattleya 1, Krokop / Piasau Industrial Estate, 98000 Miri, Sarawak]	Industrial land and building	Shipyard with one (1) detached building (workers quarters and vacant workshop)	4,700	10	60 years/ Lease term expires on 24.02.2052	1,495
Lot 1339, Miri Concession Land District / [Lot 1339, Jalan Cattleya 1, Krokop / Piasau Industrial Estate, 98000 Miri, Sarawak]	Industrial land and building	One (1) single storey office cum workshop	4,059	49	60 years/ Lease term expires on 31.12.2027	595
Lot 372, Block 1, Kuala Baram Land District / [Lot 372, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak]	Vacant industrial land	N/A	123,780	N/A	60 years/ Lease term expires on 07.04.2057	9,313
SEALINK SENDIRIAN BERHAD (20471-D)						
Lot 1340, Miri Concession Land District / [Lot 1340, Jalan Cattleya 1, Krokop / Piasau Industrial Estate, 98000 Miri, Sarawak]	Industrial land and building	Utilize as a shipyard with one (1) detached building (workshop and warehouse)	4,039	39	60 years/ Lease term expires on 31.12.2027	1,141

Landed Properties (continued)

Land Identification / Postal Address	Description of Property	Usage	Area more or less (sq m)	Approximate Age of the Building (Years)	Tenure/Date of Expiry of Lease	Net Book Value as at 31.12.2018 (RM'000)
SEALINK SENDIRIAN BERHAD (20471-D)						
Lot 8133, Block 1, Lambir Land District (formerly known as Lot 1802, Lambir Land District) [2/10th undivided right title share & interest] / [2 ½ Mile, Kilometre 4, Riam Road, Miri, Sarawak]	Vacant agriculture land	N/A	23,110	N/A	60 years/ Lease term expires on 02.10.2071	77
BARAM MOULDING INDUSTRIES SDN BHD (200873-D)						
Lot 323, Block 1, Kuala Baram Land District (formerly known as Provisional Lease Lot 2040, Kuala Baram Land District) / [Lot 323, Kuala Baram Industrial Estate, 98100 Miri, Sarawak]	Industrial land and buildings	Used for three (3) detached buildings utilized as office, storage yard & lathe workshop	19,750	10	60 years/ Lease term expires on 17.07.2058	3,443
BRISTAL VIEW SDN BHD (253385-T)						
Lot 8139, District of Labuan, Wilayah Persekutuan (Formerly known as Country Lease 205316669) / [Jalan Rancha-Rancha Lama, Kampung Rancha-Rancha, 87000 Labuan, Wilayah Persekutuan, Labuan]	Vacant industrial land	N/A	9,841	N/A	999 years/ Lease term expires on 02.08.2865	570
Lot 12039, District of Labuan, Wilayah Persekutuan (Formerly known as Country Lease 205316669) / [Jalan Rancha-Rancha Lama, Kampung Rancha-Rancha, 87000 Labuan, Wilayah Persekutuan, Labuan]	Vacant industrial land	N/A	31,330	N/A	999 years/ Lease term expires on 02.08.2865	1,814
ALIRAN SAKSAMA SDN BHD (473205-H)						
Lot 288, Block 1, Kuala Baram Land District / [Lot 288, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak]	Industrial land and building	Two (2) blocks of workers quarters	19,647	9	60 years/ Lease term expires on 22.10.2067	2,028

Analysis of Shareholdings

as at 01 April 2019

Class of Equity Security

Issued and paid up capital	:	RM250,000,000.00 comprising of 500,000,000 ordinary shares
Class of Shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share (on a poll)

Distribution of Shareholdings

	No. of Holders	%	No. of Holdings	%
1 - 99	5	0.16	209	0.00
100 - 1,000	729	23.97	155,991	0.03
1,001 - 10,000	1,032	33.94	6,771,400	1.35
10,001 - 100,000	1,053	34.63	38,167,400	7.63
100,001 - 24,999,999 *	219	7.20	82,725,001	16.55
25,000,000 and above **	3	0.10	372,179,999	74.44
Total	**3,041**	**100.00**	**500,000,000**	**100.00**

Remark : * less than 5% of issued holdings
: ** 5% And above of issued holdings

Directors' Shareholdings

Name Of Directors	No. of Shares Direct	%	No. of Shares Indirect	%
1. Eric Khoo Chuan Syn @ Khoo Chuan Syn	30,000	0.01	-	0.00
2. Datuk Sebastian Ting Chiew Yew	137,500	0.03	-	0.00
3. Toh Kian Sing	-	0.00	-	0.00
4. Wong Chie Bin	30,000	0.01	-	0.00
CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Wong Chie Bin (M73031)	-	0.00	60,000	0.01
5. Yong Kiam Sam	67,382,399	13.48	304,797,600 *	60.96
Total	**67,579,899**	**13.53**	**304,857,600**	**60.97**

Note :

* Deemed interest by virtue of his father, Yong Foh Cho's substantial shareholding in Sealink Holdings Sdn Bhd and also his father's shareholding in the Company

Substantial Shareholders

Name	No. of Shares Direct	%	No. of Shares Indirect	%
Sealink Holdings Sdn. Bhd. (164959-P)	259,080,800	51.82	-	-
Yong Kiam Sam	67,382,399	13.48	304,797,600	60.96
Yong Foh Choi	45,716,800	9.14	326,463,199	65.29

Analysis of Shareholdings (continued)

Thirty (30) Largest Shareholders

No.	Name	Shareholdings	%
1.	Sealink Holdings Sdn. Bhd.	259,080,800	51.82
2.	Yong Kiam Sam	67,382,399	13.48
3.	Yong Foh Choi	45,716,800	9.14
4.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Kong Sing Nguong (M05)*	6,832,900	1.37
5.	Ting Hua Ping	3,492,500	0.70
6.	Yii Siew Sang	3,330,000	0.67
7.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Tian An*	2,723,000	0.54
8.	Data Hasrat Sdn Bhd	2,000,000	0.40
9.	Lai Chun Lian	1,695,500	0.34
10.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An For DBS Bank Ltd (SFS)*	1,555,100	0.31
11.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Teh Poo Seng (M02)*	1,180,000	0.24
12.	Lee Chee Keong	1,150,000	0.23
13.	Hee Yuen Sang	1,100,000	0.22
14.	Tan Cheow Ho	1,100,000	0.22
15.	Tengku AB Malek Bin Tengku Mohamed	1,100,000	0.22
16.	Gan Lay Har	1,042,000	0.21
17.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ting Hua Kuok (ET)*	1,025,100	0.21
18.	Leasing Corporation Sdn Bhd	1,009,000	0.20
19.	Charles Yii	926,500	0.19
20.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Sin Huan Kwang (E-TWU)*	921,600	0.18
21.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Teh Poo Seng (CEB)*	900,000	0.18
22.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Voon Fook Soon (E-PDG/JPN)*	880,000	0.18
23.	Agrosegar Sdn Bhd	800,000	0.16
24.	Bahtera Offshore (M) Sdn Bhd	800,000	0.16
25.	Ng Wan Wa	750,000	0.15
26.	Public Invest Nominees (Asing) Sdn Bhd *Exempt An For Phillip Securities Pte Ltd (CLIENTS)*	705,000	0.14
27.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Kong Sing Nguong*	700,000	0.14
28.	Siow Chun Pau	674,000	0.13
29.	Teh Poh Guan	651,700	0.13
30.	Wong Ann Pang @ Seow Tun Sin	650,000	0.13
	Total	411,873,899	82.39
	Total Issued Shareholdings	500,000,000	

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Form of Proxy

No. of Shares Held :	

SEALINK INTERNATIONAL BERHAD
(800981-X)

I/We ____NRIC No./Company No.__________________________

of____

being *a member/members of **SEALINK INTERNATIONAL BERHAD** hereby appoint ____________________________

____NRIC No. ______________________________

of____

or failing him/her, ____NRIC No. ______________________________

of____

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Eleventh Annual General Meeting ("11th AGM") of the Company to be held at the Meeting Room, 1st Floor, Admin Block, Sealink Engineering and Slipway Sdn Bhd, Lot 816, Block 1, Kuala Baram Land District, 98100 Kuala Baram Miri, Sarawak, on Tuesday, 21 May 2019 at 11:00 a.m. and at any adjournment thereof for/against *the resolution(s) to be proposed thereat.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' Fees amounting to RM315,000.00 for the financial year ending 31 December 2019.		
2.	To re-elect Datuk Sebastian Ting Chiew Yew as Director of the Company.		
3.	To re-elect Mr Eric Khoo Chuan Syn @ Khoo Chuan Syn as Director of the Company.		
4.	To re-appoint Messrs Ernst & Young as the Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.		
5.	Continuation in office of Mr Wong Chie Bin as Independent Non-Executive Director.		
6.	Continuation in office of Mr Toh Kian Sing as Independent Non-Executive Director.		
7.	Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company.		

(Please indicate with (X) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote as he thinks fit or abstain from voting at his discretion).

Dated this ______ day of May, 2019.

____
Signature of Shareholder(s)/Common Seal

NOTES:

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 15 May 2019 be regarded as Members and shall be entitled to attend, speak and vote at the 11th AGM.

2. A Member entitled to attend, speak and vote at the 11th AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorized.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 1035, Block 4, MCLD, Piasau Industrial Area, 98000 Miri, Sarawak, not less than 48 hours before the time set for this 11th AGM or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
SEALINK INTERNATIONAL BERHAD (800981-X)
Lot 1035, Block 4, MCLD,
Piasau Industrial Area,
98000 Miri, Sarawak

1st fold here

Details of the Group

PLACES OF OPERATIONS / OFFICES

Headquarters

Lot 1035, Block 4, MCLD,
Piasau Industrial Area,
98000 Miri, Sarawak
Tel : 085-651 778
Fax : 085-652 480

Other Places of Operations

Lot 816, Block 1,
Kuala Baram Land District,
98100 Kuala Baram Miri, Sarawak
Tel : 085- 605 767
Fax : 085- 605 428

Lot 1339, Jalan Cattleya 1,
MCLD, Krokop, 98000 Miri, Sarawak
Tel : 085-605 767
Fax : 085-605 428

545 Orchard Road #09-07,
Far East Shopping Centre,
238882 Singapore
Tel : +65 6737 7911
Fax : +65 6737 4889

Lot 20, Manmohan's Warehouse,
Jalan Patau Patau,
87000 Wilayah Persekutuan Labuan
Tel : 087-581 686
Fax : 087-582 686

Lot 18234 Ground Floor & First Floor,
Jalan Air Putih, Kampung Jaya,
24000 Chukai Kemaman,
Terengganu
Tel : 09-850 4012
Fax : 09-850 4013

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INTERNATIONAL BERHAD
(800981-X)

asiasealink.com

SEALINK INTERNATIONAL BERHAD
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