SEALINK INTERNATIONAL BERHAD
(800981-X)

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

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Sealink International Berhad (800981-X)

Annual Report **2011**

SEALINK INTERNATIONAL BERHAD
(800981-X)

# Annual Report **2011**

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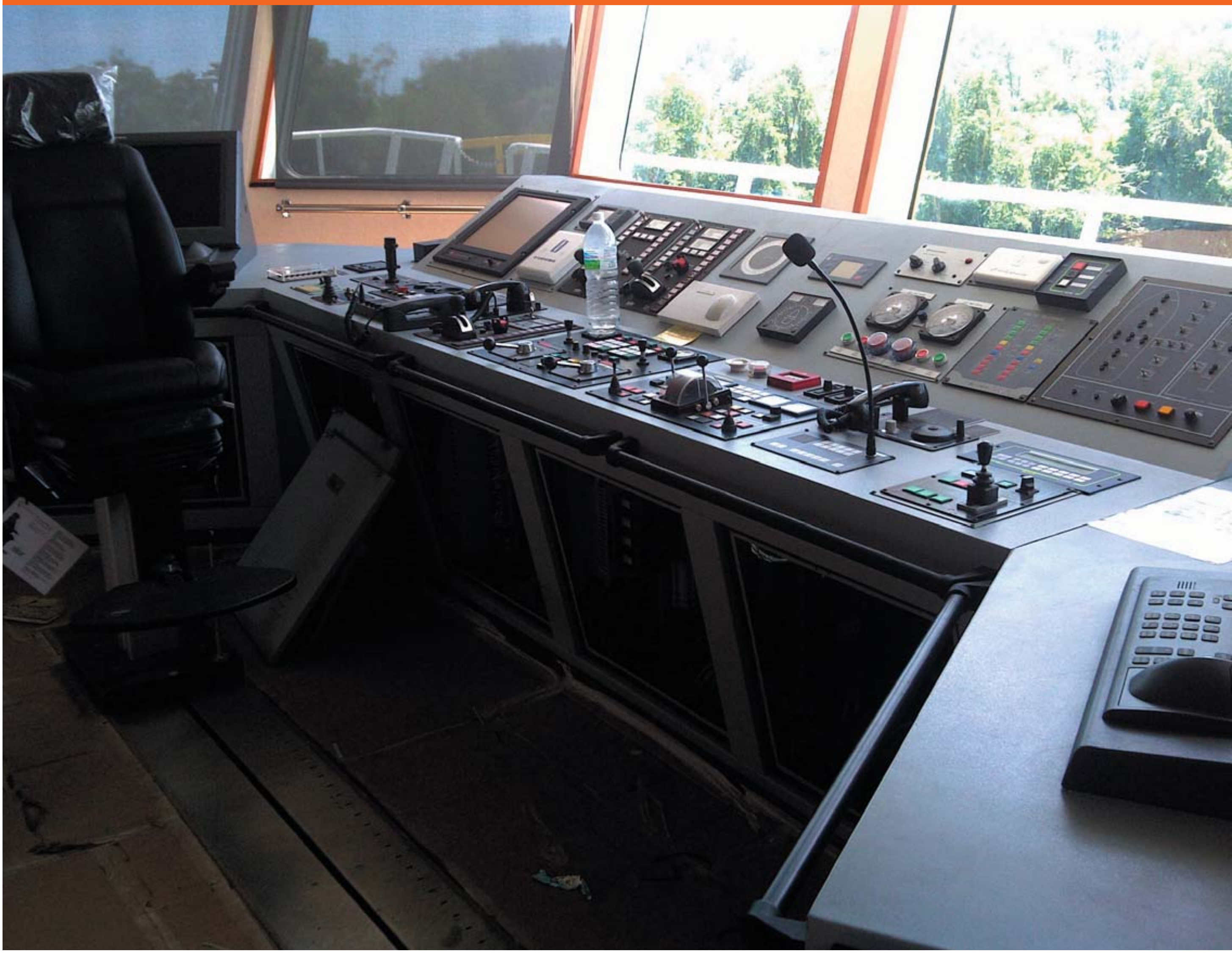

# Vision, Mission and Philosophy


**The Sealink Group**

We are a Malaysia-based Integrated Service Provider, being a Ship Owner / Charterer and Shipbuilder, having provided products and services to over 20 countries around the world. Sealink Group is an established Integrated Service Provider which builds, owns and operates a diverse fleet of offshore marine support vessels, serving mainly the global offshore oil and gas exploration and production industry. The majority of our products and services are derived overseas.

We are listed on the Main Market of Bursa Malaysia.

# Our Vision

A Leader in the Integrated Service Provider for the oil and gas offshore marine support vessels

# Our Mission

Constructing High Performance Global Class Vessels
Establishing, Maintaining and Serving a Network of Global Customers
Continuous Performance in Achieving International Accreditation in Maritime Safety Standards
Continuous Improvement of Management and Operational Efficiency and Optimisation of Systems

# Our Goal

Satisfying our Customers
Improving and sustaining our Growth in Market Share
Creating an Intelligent and Vibrant Workforce
Profitability

Quality Excellence without Compromising Integrity
Customers and Employees are our Company's Assets
Competitiveness
Environmental Friendliness
Social Consciousness

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Email: sealink@asiasealink.com
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# Corporate Information

## Board of Directors

| | |
|---|---|
| Datuk Michael Hardin | *Non-Independent Non-Executive Director*<br>*Chairman* |
| Yong Foh Choi | *Non-Independent Executive Director*<br>*Managing Director* |
| Yong Kiam Sam | *Non-Independent Executive Director*<br>*Chief Executive Officer cum Deputy Managing Director* |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | *Non-Independent Non- Executive Director* |
| Toh Kian Sing | *Independent Non Executive Director* |
| Wong Chie Bin | *Independent Non Executive Director* |

## Audit Committee

| | |
|---|---|
| Wong Chie Bin | *Chairman of Audit Committee* |
| Toh Kian Sing | *Member of Audit Committee* |
| Eric Khoo Chuan Syn @Khoo Chuan Syn | *Member of Audit Committee* |

## Nomination Commitee

| | |
|---|---|
| Wong Chie Bin | *Chairman of Nomination Committee* |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | *Member of Nomination Committee* |
| Toh Kian Sing | *Member of Nomination Committee* |

## Remuneration Committee

| | |
|---|---|
| Wong Chie Bin | *Chairman of Remuneration Committee* |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | *Member of Remuneration Committee* |
| Toh Kian Sing | *Member of Remuneration Committee* |

## Company Secretary

| | |
|---|---|
| Yeo Puay Huang (LS0000577) | *Company Secretary* |

## Registered Office and Corporate Office

Lot 1035, Block 4, MCLD, Piasau Industrial Area
98000 Miri, Sarawak
Telephone No. : 085 651 778
Facsimile No : 085 652 480
Email : sealink@asiasealink.com
Website : asiasealink.com

## Registrar

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara,
Damansara Heights, 50490 Kuala Lumpur
Telephone No. : 03-20849000
Facsimile No : 03-20949940

## Auditors

Ernst & Young (AF: 0039)
4th Floor, Unit 4.1, Lot 698
Wisma Yong Lung
Pelita Commercial Centre,
98000 Miri, Sarawak
Telephone No. : 085-423881
Facsimile No : 085-413921

## Principal Bankers

Malayan Banking Berhad (3813-K)
Miri Business Centre,
1st Floor, Lot 939 & 940, Jalan Asmara
MCLD, 98000 Miri, Sarawak
Telephone No. : 085-428766
Facsimile No : 085- 415766

CIMB Bank Berhad (13491-P)
2nd Floor, Lots 2691-2,
Block 10 KCLD, 3rd Mile Rock Road,
93250 Kuching,
Sarawak Malaysia
Telephone No. : 082-422025
Facsimile No : 082-422057

AmBank (M) Berhad (8515-D)
Regional Business Centre- Sarawak
No.164, 166 & 168, 1st Floor
Jalan Abell, 93100 Kuching Sarawak
Telephone No. : 082-244791
Facsimile No : 082-244718

Hong Leong Bank Berhad (97141-X)
Business Centre – Miri,
1st Floor, Lot 715, Merbau Road,
98000 Miri,
Sarawak, Malaysia
Telephone No. : 085-434510
Facsimile No : 085-420588

Standard Chartered Saadiq Berhad (823437-K)
Level 15, Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : 1 300 88 33 99
Facsimile No : 03-21428933

## Stock Exchange Listings

Listed on Main Board of Bursa Malaysia Securities Berhad
on 29th July 2008
Stock Code : 5145
Stock Name : SEALINK

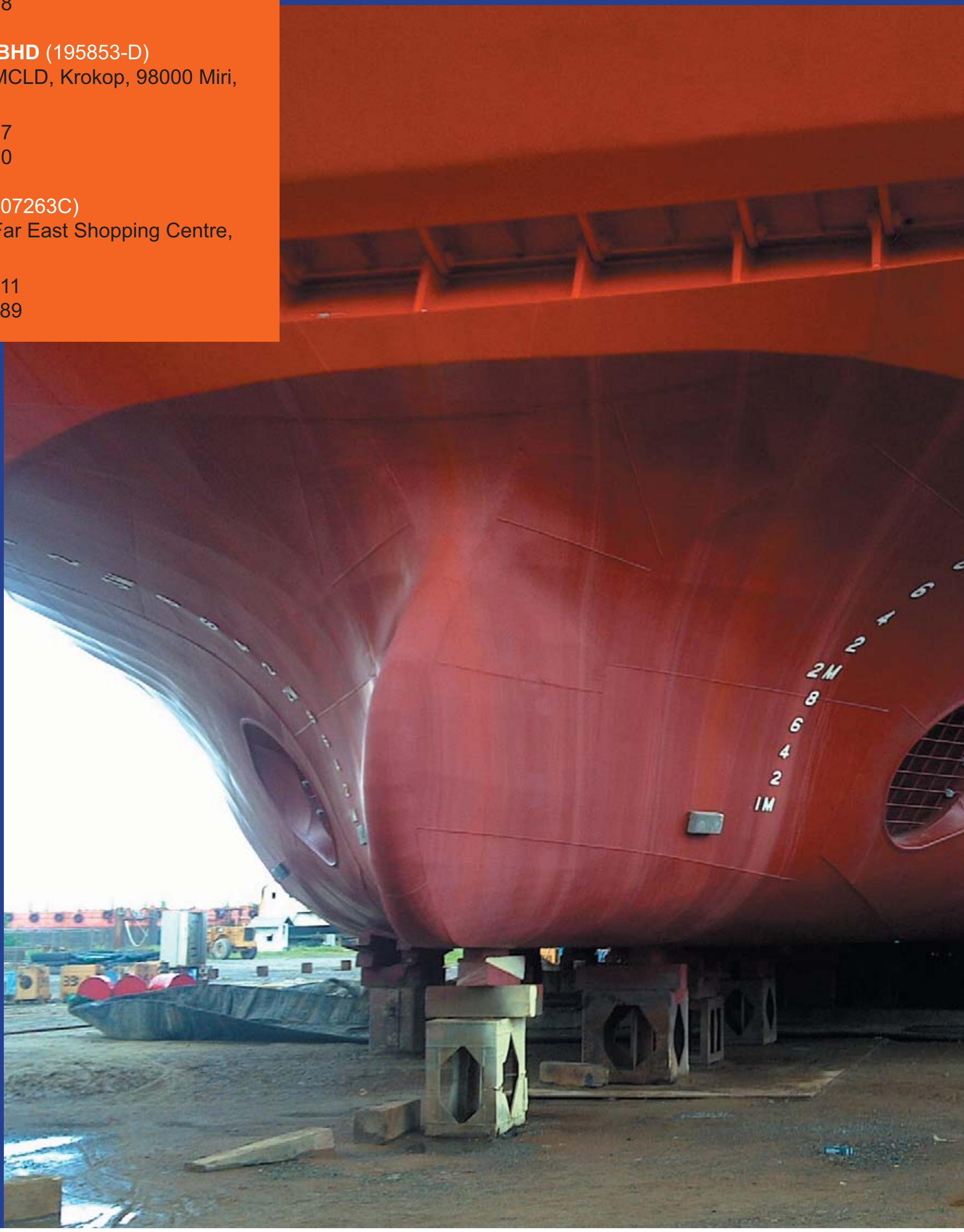
# Details of the Group - Places of Operations/Offices

**SEALINK INTERNATIONAL BERHAD** (800981-X)
Lot 1035, Block 4, MCLD, Piasau Industrial Area, 98000 Miri, Sarawak
Teleph.one No : 085-651778
Facsimile No : 085-652480

**SEALINK ENGINEERING AND SLIPWAY SDN BHD** (653820-H)
Lot 816, Block 1, Kuala Baram Land District, 98100 Kuala Baram Miri, Sarawak
Telephone No : 085-605767
Facsimile No : 085-605428

**SEALINK SHIPYARD SDN BHD** (195853-D)
Lot 1339, Jalan Cattleya 1, MCLD, Krokop, 98000 Miri, Sarawak
Telephone No : 085-660077
Facsimile No : 085-652520

**SEA-GOOD PTE LTD** (199707263C)
545 Orchard Road #09-07, Far East Shopping Centre, 238882 Singapore
Telephone No : 02 67377911
Facsimile No : 02 67374889



# Group Structure

**PLACE AND DATE OF INCORPORATION:** Sealink International Berhad was incorporated in Malaysia on 28th December, 2007
**Principal Activities:** Holding and Investment Company


| SEA-GOOD PTE LTD | GODRIMAJU SDN BHD | CERGAS MAJUSAMA SDN BHD | EUROEDGE SDN BHD | ERA SURPLUS SDN BHD | ERA SUREWAY SDN BHD |
|---|---|---|---|---|---|
| 100% | 100% | 100% | 100% | 100% | 100% |

| SUTHERFIELD RESOURCES SDN BHD | SEABRIGHT SDN BHD | SEALINK SDN BHD | NAVITEX SHIPPING SDN BHD | SEALINK MARINE SDN BHD | SEALINK MANAGEMENT SDN BHD |
|---|---|---|---|---|---|
| 100% | 100% | 100% | 100% | 100% | 100% |

| MIDAS CHOICE SDN BHD | SEALINK ENGINEERING & SLIPWAY SDN BHD | SEALINK DOCKYARD SDN BHD | SEALINK OFFSHORE (L) LIMITED | SEABRIGHT (SINGAPORE) PTD LTD | SEALINK SHIPYARD SDN BHD | SEALINK PACIFIC SDN BHD |
|---|---|---|---|---|---|---|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% |

| SEA LEGEND SHIPPING SDN BHD | BARAM MOULDING INDUSTRIES SDN BHD | SEALINK RESOURCES (L) LTD | SEALINK MARINE (L) LTD | ALIRAN SAKSAMA SDN BHD | BRISTAL VIEW SDN BHD |
|---|---|---|---|---|---|
| 100% | 100% | 100% | 100% | 100% | 100% |

| LOGISTINE SDN BHD | SEALINK ANTARABANGSA LTD | PERKASA ASIA CORPORATION LTD |
|---|---|---|
| 25% | 100% | 100% |

# Group Financial Highlights

## (A) Quarterly results

| | Quarter 1<br>RM'000 | Quarter 2<br>RM'000 | Quarter 3<br>RM'000 | Quarter 4<br>RM'000 | Year Ended 31 December 2011<br>RM'000 |
|---|---|---|---|---|---|
| Revenue | 51,201 | 47,199 | 68,093 | 35,526 | 202,019 |
| PBT | 10,702 | 7,093 | 3,623 | 379 | 21,797 |
| PAT | 9,351 | 5,236 | 2,303 | 830 | 17,720 |
| Attributable to ordinary equity holders of the Company | 9,351 | 5,236 | 2,303 | 830 | **17,720** |

## (B) Segmental performance - Revenue

| Revenue | 2007<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 |
|---|---|---|---|---|---|
| Chartering | 44,539 | 72,406 | 62,121 | 69,355 | 86,987 |
| Shipbuilding | 118,011 | 163,816 | 131,105 | 155,483 | 114,924 |
| Rental income | 120 | 40 | - | 54 | 108 |
| Total | 162,670 | 236,262 | 193,226 | 224,892 | **202,019** |

## (C) Segmental performance – NPBT

| Net profit before tax (NPBT) | 2007<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 |
|---|---|---|---|---|---|
| Chartering | 25,413 | 26,340 | 40,146 | 19,601 | 21,217 |
| Shipbuilding | 20,421 | 38,244 | 20,433 | 19,616 | (4,135) |
| Others ** | 32 | (76) | (2,345) | (1,760) | 4,715 |
| Total | 45,866 | 64,508 | 58,234 | 37,457 | **21,797** |

** Year 2008 exclude excess of fair value of assets and liabilities over the purchase consideration.

## (D) Financial Statistics

| | 2007<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 |
|---|---|---|---|---|---|
| Basic earnings per share (Sen) | - | 20.79 | 10.45 | 6.67 | 3.54 |
| Net dividend per share (Sen) | - | 4.00 | 4.00 | 2.70 | 1.00 |
| Operating profit margin (%) | - | 33.02 | 25.41 | 19.84 | 16.85 |
| Net assets per share attributable to ordinary holders of the Company (RM) | - | 0.79 | 0.85 | 0.88 | 0.89 |
| Return on average shareholders' equity (%) | - | 15.84 | 12.70 | 7.70 | **4.01** |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of Sealink International Berhad will be held at Danum Room, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak, on Wednesday, 20 June 2012 at 11:00 a.m. to transact the following businesses :-

## Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.

2. To declare a Final Single Tier Tax Exempt Dividend of one (1) sen per share for the financial year ended 31 December 2011. **(Resolution No. 1)**

3. To approve Directors' Fees for the financial year ending 31 December 2012. **(Resolution No. 2)**

4. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:

   (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y Bhg. Datuk Michael Hardin, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." **(Resolution No. 3)**

   (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Yong Foh Choi, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." **(Resolution No. 4)**

5. To re-elect Mr Eric Khoo Chuan Syn @ Khoo Chuan Syn, who retires in accordance with Article 89 of the Company's Articles of Association, as Director of the Company:- **(Resolution No. 5)**

6. To re-appoint Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution No. 6)**

## Special Business

To consider and, if thought fit, to pass the following ordinary resolutions:-

7. **Authority to Allot and Issue Shares Pursuant to Section 132D of The Companies Act, 1965** **(Resolution No. 7)**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act, 1965, the Articles of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issue."

8. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions of A Revenue Or Trading Nature.** **(Resolution No. 8)**

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("SIB Group") be and are hereby authorised to enter into the recurrent related party transactions as set out in the Circular to Shareholders dated 29 May 2012, which are necessary for SIB Group's day-to-day operations in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company;
(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier.

AND THAT the breakdown of the aggregate value of the recurrent related party transactions based on the type of recurrent transaction made and the names of the related parties involved in each type of the recurrent related party transaction made and their relationship with SIB Group, shall be disclosed in the Annual Report of the Company as may be required by the governing authority.

AND FURTHER THAT the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) in the interest of the Company, as they may consider expedient or necessary to complete and give effect to the aforesaid mandate."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

## Notice Of Dividend Entitlement

NOTICE IS HEREBY GIVEN that a Final Single Tier Tax Exempt Dividend of one (1) sen per share for the financial year ended 31 December 2011, will be paid on 18 September 2012 to depositors who are registered in the Record of Depositors at the close of business on 5 September 2012 if approved by members at the Annual General Meeting on 20 June 2012.

A depositor shall qualify for entitlement only in respect of :-

Shares transferred into the depositor's securities account before 5:00 p.m. on 5 September 2012 in respect of ordinary shares; and

Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By order of the Board,

**Yeo Puay Huang**
Company Secretary
(LS 0000577)

Dated: 29th May 2011

## Explanatory Notes To Special Business

1. **Ordinary Resolution No. 7**

   **Authority to Allot and Issue Shares Pursuant to Section 132D of The Companies Act, 1965**

   The Ordinary Resolution proposed under Resolution 7 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.

   The Proposed Ordinary Resolution 7, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of share issued does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual General Meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Third Annual General Meeting held on 29 June 2011 and which will lapse at the conclusion of the Fourth Annual General Meeting to be held on 20 June 2012.

   The General Mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares, for purposes of funding investment(s), working capital and/or acquisition(s).

2. **Ordinary Resolution No. 8**

   **Proposed Shareholders' Mandate On Recurrent Related Party Transactions of A Revenue Or Trading Nature**

   The Proposed Ordinary Resolution 8, if passed, will enable the Company and its subsidiaries ("SIB's Group") to enter into the recurrent related party transactions, which are necessary for SIB's Group day to day operations subject to the transaction being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

   For further information of Ordinary Resolution No. 8, please refer to the Circular to Shareholders dated 29 May, 2012.

### Notes:

A proxy may but need not be a member of the Company and the provisions of Section 149(1) (b) of the Act shall not apply to the Company.

To be valid, this form, duly completed must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting.

A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1) (c) of the Act are complied with.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorized.

Only Depositors whose names appear in the General Meeting Record of Depositors as at 14th June 2012 be regarded as Members and shall be entitled to attend, speak and vote at the Fourth Annual General Meeting.

# Profile of Directors

## DATUK MICHAEL HARDIN

***Chairman***
***Non-Independent Non-Executive Director***
***Malaysian***

**YBhg Datuk Michael Hardin, aged 77,** was appointed to the Board of Sealink International Berhad on 28 December 2007.

He obtained a Diploma in Public Administration from the Civil Service Training Centre in Canberra Australia in 1958 and later a certificate from Oxford University, United Kingdom in 1968.

He began his career in the early 1950s as Sarawak Administrative Officer in the Sarawak Civil Service. In the early 1960s, he served as an assistant private secretary to the Governor of Sarawak and one year later as a Private Secretary to the Chief Minister of Sarawak. In the 1970s, he served as Permanent Secretary in the Ministry of Forestry and Land in Kuching, Sarawak. In 1980s, he served as a Resident of the Fourth Division in Miri till his retirement from the civil services in 1984. Upon retiring from civil service, Datuk Michael Hardin ventured into private business and was involved in businesses including timber operations, general trading and shipping.

He has now been involved with our Group for the past 23 years, since 1988. Along with his extensive experience and involvement in the shipping industry, he has built a wide network of local and foreign business contacts over the years. Datuk has played a significant role in transforming our Group from a previously small shipowner into a respected shipbuilder and shipowner in Malaysia today.

He does not have any family relationship with any other director and / or major shareholder of the Company and has no conviction for any offences within the past ten (10) years other than traffic offences.

## YONG FOH CHOI

***Managing Director***
***Non-Independent Executive Director***
***Malaysian***

**Yong Foh Choi, aged 73,** was appointed to the Board of Sealink International Berhad on 28 December 2007.

A self-made businessman, he first gained working experience working in several companies from the logging and timber industries. Later, he incorporated Yong Foh Choi & Sons Enterprise Sdn Bhd (“YFC & Sons”) to spearhead his own business interests in timber extraction, imports and exports in the early 1960s. By the mid 1970s, the company diversified and branched out into property development, shipping and offshore logistics support services.

He was a shareholder and founding member of Bumi Armada Navigation [BANSB] (a major offshore oil and gas service provider), where he held the position of Managing Director form 1974 till 1993. In 1993, he sold his shares in BANSB, and began developing SSB. Initially, SSB provided chartering services of marine vessels to non-oil and gas industries. However, in 1997, YFC changed SSB’s business direction by venturing back into chartering OSVs to the offshore oil and gas industry.

As the founder of our Group, he brings with him over 34 years of hands-on operational experience, especially in maritime regulations, procedures and requirements. His technical and management experience has been instrumental in developing and expanding our Group to our current position today, as a leading shipbuilder and shipowner in the country.

He is the father of Yong Kiam Sam, who is a Director and also the CEO of Sealink International Berhad. He has not been convicted for any offences within the past ten (10) years other than traffic offences.

## YONG KIAM SAM

*Chief Executive Officer cum Deputy Managing Director*
*Non-Independent Executive Director*
*Malaysian*

**Yong Kiam Sam aged 41,** was appointed to the Board of Sealink International Berhad on 28 December 2007.

He graduated from the University of Melbourne, Australia with a Bachelor of Commerce in 1992. Later, he obtained a Master in Business Administration from the London Business School, United Kingdom.

He began his career as an accounts executive in Lambir Myanmar Investments Ltd, Myanmar, and later worked as a senior consultant with Ernst & Young Consultants, Singapore.

He has been with our Group since 1996 and sits on the boards of all our subsidiary companies. He has played a crucial role in changing the mind-set of our Group to become more customer-focused, while remaining business-centric. He has also played an important role in expanding our Group's overseas activities.

He is the son of Yong Foh Choi, who is a Director of Sealink International Berhad. He has not been convicted for any offences within the past ten (10) years other that traffic offences.

## ERIC KHOO CHUAN SYN @ KHOO CHUAN SYN

*Non-Independent Non-Executive Director*
*Malaysian*

**Eric Khoo Chuan Syn @ Khoo Chuan Syn, aged 56,** was appointed to the Board of Sealink International Berhad on 20 May 2008.

He is a practicing Advocate and Solicitor, having graduated with a Bachelor of Laws (LLB) Hons, from the University of Wolverhampton, England, United Kingdom in 1978 and as a Barrister-at-Law from Gray's Inn, London, England, UK in 1979. He worked as a Magistrate with the Judicial Department, from 1979 till 1982, after which he joined the private sector.

With over 30 years of experience as an advocate and solicitor, Mr Khoo has been our Group's main solicitor and legal advisor. As such, we believe that he will be a valuable asset to our Group.

He is also a member of the Audit Committee, Remuneration Committee and also the Nominating Committee of the Company.

He has no family relationship with any other Director and/ or major shareholder and has not been convicted for any offences within the past ten (10) years other than traffic offences.

## TOH KIAN SING

***Independent Non-Executive Director***
***Singaporean***

**Toh Kian Sing, aged 46,** was appointed to the Board of Sealink International Berhad on 23 May 2008. He is currently a partner of Rajah & Tann LLP, one of the largest law firms in Singapore, where he is the Head of the Admiralty and Shipping Practice Group.

He graduated at the top of his class in the Faculty of Law of the National University of Singapore, and holds a first class honors degree in civil law from the University of Oxford.

He has vast experience as a shipping litigation and arbitration lawyer, specialising in charterparty, bills of lading, ship sale and purchase, ship building and marine insurance disputes. He also handles commodity trading (particularly oil and minerals) and letters of credit disputes.

He is a practicing advocate and solicitor of the Supreme Court of Singapore, an arbitrator listed in the panel of arbitrators of the Singapore International Arbitration Centre as well as the China Maritime Arbitration Commission and was appointed a Senior Counsel of the Supreme Court of Singapore in January 2007. With his strong credentials, we are confident that he will play a significant role in the continued growth and development of our group.

He is a member of the Audit Committee, Remuneration Committee and also the Nominating Committee of the Company..

He has no family relationship with any other Director and/ or major shareholder and has not been convicted for any offences within the past ten (10) years.

## WONG CHIE BIN

***Independent Non-Executive Director***
***Malaysian***

**Wong Chie Bin, aged 55,** was appointed to the Board of Sealink International Berhad on 20 May 2008. He is currently a Senior Partner of one of the leading accounting firm in Malaysia.

He graduated from the University of Otago, New Zealand with a Bachelor Degree in Commerce. He is member of the Malaysian Institute of Accountants, a Fellow member of the Chartered Tax Institute of Malaysia and a Member of New Zealand Institute of Chartered Accountants.

He is currently a committee member of the Malaysian Institute of Accountants, Sarawak Branch. He has over thirty years of working experience in accounting, auditing, taxation and management consultancy services.

He is the Chairman of the Audit Committee, Remuneration Committee and also the Nominating Committee of the Company.

He has no family relationship with any other Director and/ or major shareholder and has not been convicted for any offences within the past ten (10) years other than traffic offences.

**NONE OF THE DIRECTORS HAVE ANY:**

1. Conflict of interest with the Company; and
2. Directorships in other public companies.

*The details of attendance of each Director at Board Meetings are set out on page 24 of the Annual Report.*

# Dear Valued Shareholders,

On behalf of the Board of Directors of Sealink International Berhad and its subsidiaries ("SIB Group"), it is my great honour and pleasure to present the Fourth Annual Report and Audited Financial Statements for the financial year ended 31 December 2011 ("FYE2011").

## Performance and Review

The year started off with a sluggish recovery as the maritime sector was affected by the European Union Crisis, uncertainty of the US market, earthquake in Japan, coupled with the slowdown in China and India. Despite the adverse economic environment, the SIB Group was able to deliver a modest profit before taxation of RM22 million, 42 per cent lower than FYE 2010. The Group reported a revenue of RM202 million for FYE2011, a downward slop showing a 10 percent or RM23 million compared to the financial year ended 31 December 2010 ("FYE2010"). During the same period, the profit after taxation for FYE2011 declined from RM33 million for FYE 2010 to RM18 million, a fall of 45 percent.

The decrease in the results of SIB Group was primarily due to lower contributions from the shipbuilding division, which recorded a lower revenue of RM115 million (2010: RM 155 million) and registered a loss of RM4 million PBT for FYE2011 as compared to a PBT of RM19 million in 2010. This decrease in the results is also attributable to SIB Group's shift from building smaller offshore support vessels towards the ultra-sophisticated multi-purpose platform supply vessels specifically to cater for deep water operations which are presently being embarked upon by the oil majors including Petronas. This shift by the shipbuilding division in the end of 2010 was drastic but vital for the Group to remain ahead of our competitors and to keep abreast with the shift to deep water operations. We believe this painful change will augur well for our group in the very near future to increase our profitability.

Our shipbuilding division was also operating on a slower pace due to new rules and regulations being imposed by the International Maritime Organisation in line with the World environmental protection of air and water / sea and International Association of Classification Societies in addition to the new requirements from major oil and gas players which affected the commencement of new projects. On the other hand, our Chartering division has shown an increased profit of 8% for SIB Group for FYE2011 as compared to 2010. This is due to the increased operations and demand for vessels after the second half of 2011 which has increased the utilization of our vessels. Furthermore, we were able to secure some long term contracts in early 2012.

Despite the economic uncertainty, our SIB Group which operates as a major offshore support vessel operator in Malaysia, still managed to register earnings per share of 3.52 sen a share and net assets per share of 3.54 sen.

## Dividend

Notwithstanding the above situation for the financial year 2011, the Board is pleased to recommend a final single tier tax exempt dividend of one (1) sen per ordinary share of RM0.50 each for the FYE2011 as a reward to its shareholders. The said proposed final dividend will be subject to the shareholders' approval in the forthcoming Annual General Meeting.

## The Oil and Gas Industry

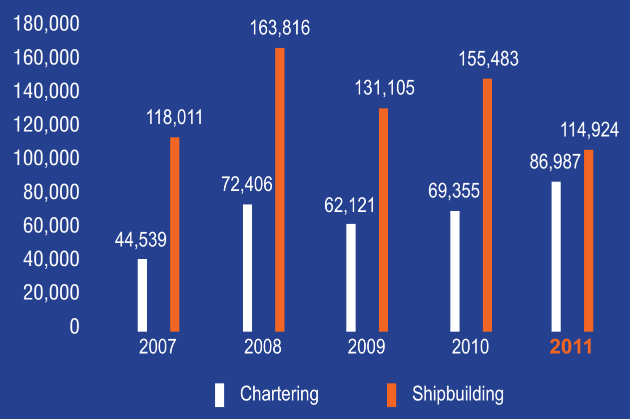
The economic uncertainty since 2008 / 2009 was unprecedented and this has led to many countries to a near state of economic collapse. But since then, the crude oil price as well as the oil and gas sector has been recovering steadily, as evidenced by the crude oil price staying above USD100 per barrel for the most part of 2011. International Oil Companies ("IOCs"), Independents and National Oil Companies ("NOCs") have been actively exploring new oil and gas reserves available in deepwater areas.

With advances in exploration and production technologies combined with a growing geological understanding of deepwater plays, IOCs and NOCs are all looking ahead to an increasing number of prospects within the deepwater market, in both established areas of deepwater development, and in areas previously deemed to be of marginal value.

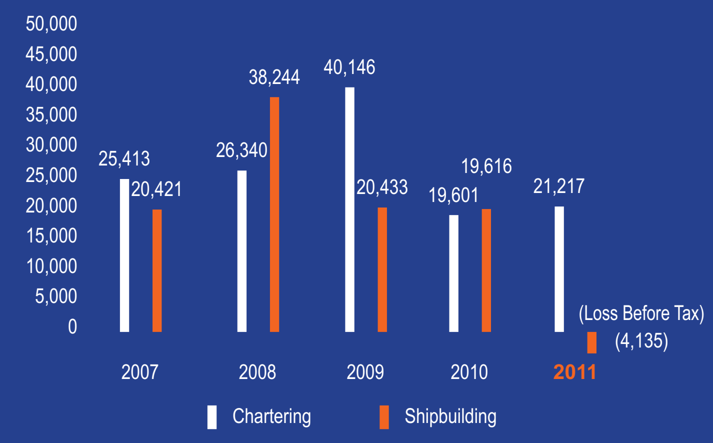
Under the Economic Transformation Program ("ETP") initiated by the Malaysian government on 21 September 2010 to turn Malaysia into a high income economy by the year of 2020 and managed by the Performance Management and Delivery Unit ("PEMANDU"), the Malaysian government

# Chairman's Statement

**Revenue** (RM'000)




**Net Profit (Loss) Before Tax (NPBT)** (RM'000)




plans to increase diversification of the energy industry, increase exploration for new oil and gas resources, enhance production from known reserves, and encourage the use of alternative energy source such as nuclear, solar, and hydro-electric.

Since last year, Petronas had planned to commit RM300 billion between 2011 to 2015 to develop and maintain its production level. Given Petronas's capital expenditure in 2011 at RM41 billion, we believe that there would be more contracts to be awarded over the remaining four years. Domestically, in Malaysia, there has been an increase among the oil majors to venture beyond the shallow waters to build up their oil reserves to maintain their reserve replacement ratios in view of the high crude oil prices. Another reason for the huge Petronas capital expenditure is that 60% of Petronas major producing fields are aged between 19-28 years.

## Outlook for 2012

The current crude oil price has exceeded US$100 per barrel since the beginning 2011 and is currently hovering above US$120 per barrel. This development is expected to be favourable for the sector, and PETRONAS and several other oil majors have already started their deeper water exploration and production activities, marginal oil field and enhanced oil recovery projects.

The award of the contract to a consortium last year to develop and operate an oil and gas field in Berantai, Terengganu estimated to cost a total of US$800mil also bodes well for the oil and gas sector. It is further expected that there will be more contracts to be announced over the next few months from Petronas' RM15bil fast-tracked programme to develop gas reserves from a cluster of fields in the North Malay basin, off Peninsular Malaysia as well as other enhanced oil recovery jobs in East Malaysia. Furthermore, the marginal oil fields awarded by Petronas should commence operations this year.

Presently, our chartering division is receiving a lot of vessel availability enquiries and we believe that this is due to the anticipated increase in the oil and gas activities and demand for offshore marine support vessels. Despite the expected increase in vessel utilisation, charter rates may however, remain relatively flat due to a current oversupply of offshore support vessels in the market. If demand for the offshore marine support vessels can be sustained in the near term, there may then be an upward trend pressure on charter rates, which would then have a positive impact for our SIB Group. To further bolster our ship charter sector, our SIB Group is currently working with several parties in the oil and gas sector with a view to forming strategic business alliances which would enable SIB Group to capture a higher share of the chartering business of offshore marine support vessels in Malaysia. This alliance would also positively benefit SIB Group in 2012 and beyond.


Following that, our shipbuilding division has also embarked into the newer vessel designs which are in compliance with most of the new requirements, rules and regulations. The new designs include the upcoming modern design of Platform supply vessels, Straight supply vessels, Utility vessels, Anchor handling tugs and supply bigger landing crafts targeting the oceanic market and various types of Offshore Support Vessels. Constructing these new designs would keep our shipbuilding division busy for the next few years, and would, as envisaged, increase its profitability in the very near future.

Currently, the SIB Group had committed itself on the construction of two ultra-sophisticated hybrid diesel electric propulsion multipurpose platform supply vessels cum anchor handling tugs that are worth approximately RM125 million each, to cater for the strong demand for shallow, deep and ultra deep water operations. These two units are expected to be delivered in the 1st Quarter 2013 and 2nd quarter respectively. We are also looking at two additional units of these sophisticated vessels possibly due for delivery in 2014.

With the additional two 5000DWT hybrid multipurpose platform supply vessels cum anchor handling tugs into Sealink's fleet, the revenue for the chartering division would also be further enhanced in 2013 and beyond.

However, the above notwithstanding, we anticipate that the results from the shipbuilding division for 2012 would remain flat due partly to increased equipment and material costs, and primarily due to depressed vessel prices. And, our two ultra-sophisticated multi-purpose platform supply vessels would only be completed and fully operational in 2013 .

Our shipbuilding and chartering divisions aside, our ship repairs facility which is well- equipped with a slipway which can accommodate up to 10,000DWT is doing very well, and is currently very busy. We anticipate that it would be busy throughout 2012. That would go a long way to generate revenue and boost profitability for the whole SIB Group.

On the whole, bearing any unforeseen circumstances, we do anticipate that the results of SIB Group for 2012 would be challenging as the improved performance from our chartering and ship repair divisions would be offset by possible mediocre results from the shipbuilding division.

## Corporate Development

There was no other corporate development during the year.

## Corporate Social Responsibility

We are continuously committed to fulfilling our part in achieving a good corporate social responsibility. Our main focuses are revolving around our Employees and the Environment. This initiative is undertaken to generate a sustainable value for our SIB Group and its shareholders. Today, our employees are engaged and motivated by their involvement in our corporate social responsibility initiatives. SIB Group organised various events to create a cohesive working environment amount the staff. We have set-up a gymnasium at the office and have organised regular games and competition amongst staff and with external parties to create a balanced working environment. We also value the comments and feedback from our employees to enable SIB Group to continuously improve our commitment to improve our corporate social responsibility.

In many other countries like China in particular, incentives and subsidies are given to the shipbuilding industry.


However, here in Malaysia, the Authorities does not provide any such incentives or subsidies to the industry players, and as such, shipbuilders in Malaysia would find themselves to be less competitive.

The above disadvantage notwithstanding, SIB will still continue to maintain a major shipbuilding presence despite the less than favourable conditions afforded to the shipbuilding industry in Malaysia since we are committed to maintaining employment for our staff.

As a result of our good corporate social responsibility, we had on 20 September 2011 also received a safety award, "Achieving 1614 Goal Zero Days" from Shell Malaysia.

## Corporate Governance

The Board believes in the maintenance of the highest standards of corporate governance practices within the Group as a fundamental part of discharging our responsibilities to protect and maximize shareholders' value and in enhancing the continued business prosperity of the Group. The positive measures implemented with the advice of our external auditor, have been highlighted in our Corporate Governance Report in this Annual Report.

## Investor Relations

During the year, we participated in various events to establish proactive and timely communication linkages with the investment community such as institutional investors, fund managers, analysts and media on our Company's financial performance and business operations. Our Company's website is also updated on a regular basis to reflect the latest developments and improve public awareness at the same time.

## Appreciation

On behalf of the Board, we wish to express our sincere appreciation to our committed management and staff for their wholehearted dedication and perseverance in reinforcing our position as one of the leading oil and gas offshore support vessel providers in Malaysia. Their efforts coupled with their high level of competency have contributed significantly to the Group's performance for FYE2011 amidst the adverse market situation.

We would also like to take this opportunity to thank our valued institutional and individual shareholders for your confidence and belief in the prospects of the SIB Group, the oil majors who have been supporting us in their upstream and downstream operations over the years, our business associates and principals for their successful collaboration with us in various business operations, our bankers and the Governmental Authorities for their vital role in our strategic planning and execution.

Lastly, my special thanks also to my colleagues on the Board of SIB Group for their invaluable support and guidance throughout the year.

.........................................................

**DATUK MICHAEL HARDIN**
Non-Independent Non-Executive Chairman

# Audit Committee Report

## MEMBERSHIP AND MEETINGS

The Audit Committee members and details of attendance of each member at the Audit Committee meetings during 2011 are as follows:

Committee Members Meeting Attendance

| Name of Audit Committee Members | Attendance at meeting | Percentage of Attendance (%) |
|---|---|---|
| **Non Executive Directors** | | |
| Wong Chie Bin<br>*- Chairman (Independent Non Executive Director)* | 5/5 | 100% |
| Toh Kian Sing<br>*- Member(Independent Non Executive Director)* | 5/5 | 100% |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn<br>*- Member (Non Independent Non Executive Director)* | 5/5 | 100% |

The Audit Committee convened five (5) meetings during the year, which were attended by all the members. Upon invitation by the Audit Committee, the CEO and certain senior managers of the group, a representative of the External Auditors and Internal Audit attended all the meetings. The meetings were held on 28 February 2011, 26 April 2011, 31 May 2011, 25 August 2011 and 24 November 2011.

## COMPOSITION AND TERMS OF REFERENCE

### 1 OBJECTIVE

The Audit Committee has been appointed with a view to establishing formal and transparent arrangements for considering how the Board will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

#### (a) Composition

The members of SEALINK INTERNATIONAL BERHAD Audit Committee shall be appointed by the Board from amongst its directors. The Audit Committee must be composed of no fewer than three members of whom all shall be non-executive directors with a majority of them being independent directors. At least one member of the committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 or he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy resulting in the non-compliance of above, the Board shall within three months of that event, appoint such number of new members required to fulfil the minimum requirement.

#### (b) Chairman

The members of SEALINK INTERNATIONAL BERHAD Audit Committee shall elect a Chairman from among their number who shall be an independent non-executive director.

#### (c) Review

The Board of Directors of SEALINK INTERNATIONAL BERHAD must review the term of office and performance of an audit committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

### (d) Quorum

In order to form a quorum in respect of a meeting of an audit committee, the majority of members present must be independent directors.

### (e) Authority

SEALINK INTERNATIONAL BERHAD must ensure that wherever necessary and reasonable for the performance of its duties, an audit committee shall, in accordance with a procedure to be determined by the board of directors and at the cost of the Company:

(i) Have authority to investigate any matter within its terms of reference;
(ii) Have full and unrestricted access to any information pertaining to the company and its subsidiaries;
(iii) Have the resources which are required to perform its duties;
(iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(v) Be able to obtain independent professional or other advice; and
(vi) Be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### (f) Proceedings

- The Secretary of SEALINK INTERNATIONAL BERHAD shall be the Secretary of the Audit Committee;
- SEALINK INTERNATIONAL BERHAD Audit Committee shall meet not less than four times a year. Prior to the meeting, the Secretary shall send notice to all Committee members at least seven days prior to the meeting;
- Minutes of each meeting shall be kept at the registered office of the Company and circulated to all members within 14 days after each meeting;
- Minutes shall be confirmed at the following meeting of the Committee;
- No Director or employee shall attend any meeting of the Committee except at the Audit Committee's invitation, specific to the relevant meeting; and
- Decisions of the Committee shall as far as possible be by consensus, failing which the decision will be by a simple majority.

## RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

### (a) Financial Reporting

To review the quarterly and annual financial statements of the Company, focusing particularly on:

– Any significant changes to accounting policies and practices;
– Significant adjustments arising from the audits;
– Compliance with accounting standards and other legal requirements; and
– going concern assumption.

### b) Related Party Transactions

To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

### (c) Audit Reports

To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an Internal Audit unit and summary of the activities of that unit for inclusion in the Annual Report; and

To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

## RESPONSIBILITIES AND DUTIES (cont'd)

### (d) Internal Control

- To consider annually the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximize opportunities;
- To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures;
- To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group; and
- To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself.

### (e) Internal Audit

To be satisfied that strategies, plans, manning and organisation for internal auditing are communicated down through the Group specifically:

- To review the internal audit plans and to be satisfied as to their consistency, adequacy and coverage;
- To be satisfied that the Internal Audit unit within the Group has the proper resources and understanding to enable them to complete their task as per the audit plans;
- To review status reports from Internal Audit and ensure that appropriate actions have been taken to implement the audit recommendations;
- To recommend any broader reviews deemed necessary as a consequence of the issues concerns identified;
- To ensure Internal Audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
- To request and review any special audit which it deems necessary.

### (f) External audit

To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors. The Audit Committee will consider a consolidated opinion on the quality of external auditing at one (1) of its meetings;

- To review with the external auditors the Statement on Internal Control of the Group fo inclusion in the Annual Report;
- To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;
- To review and evaluate factors related to the independence of the external auditors and assist them in preserving their independence;
- To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised; and
- To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

### (g) Other matters

To act on any other matters as may be directed by the Board.

# Audit Committee Report

## INTERNAL AUDIT FUNCTION

The Group has appointed a well established external Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the FYE 31 December 2011 included the following:

a) Reviewed the quarterly unaudited financial statements and annual audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Groups results to Bursa Malaysia Securities Bhd;
b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2011;
c) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised and management letter together with management's response;
d) Reviewed the internal audit plan;
e) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
f) Reviewed the effectiveness of the Group's system of internal control;
g) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
h) Reviewed the Company's compliance with the Bursa Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and
i) Report to the Board on its activities and significant findings and results. This Audit Committee Report is made in accordance with the resolution dated 20 April 2012.

# Statement on Internal Control

The Board of Directors recognizes its responsibilities over the Company's system of internal controls, covering all its financial and operating activities to safeguard shareholders' investment and the Company's assets. The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company. The Board of Directors and Audit Committee contribute to the effectiveness of the control environment.

They give opportunities for Management to rationalize and justify their initiatives and the Board requires justification for any decision plan by the management and supported by relevant reports. The Audit Committee meets every quarter, and deliberate reports from Management Committees under its authority. In view of the limitations inherent in any system of internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Company's corporate objectives.

The Audit Committee assists the Board to review the adequacy and integrity of the system of internal controls in the Company and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. In accordance with Paragraph 15.27(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group for the financial year ended 31 December 2011.

### (i) Control Environment

The Group has an organization structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Company. The Group Managing Director / Chief Executive Officer is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management on the manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and monitoring mechanism.

### (ii) Internal Audit

The Company's internal audit function is outsourced to external consultants. The Internal Audit team reviews the risk identification procedures and control processes implemented by the management, conducts audits that encompass reviewing critical areas that the Company faces, and reports to the Audit Committee on a periodic basis. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. Reports on internal audit findings, together with recommendations for Management actions, are reviewed by the Audit Committee. The internal audit reviews conducted did not revealed significant weaknesses which would result in material losses or contingencies requiring disclosure in this Annual Report.

The Internal audit fee incurred for the financial year ended 31 December 2011 was RM48,000.00.

### (iii) Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Company.

### (iv) Risk Management

Risk management is embedded in the Group's management system and is every employee's responsibility as the Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group.

This statement is based on the consideration of the audit work performed by both the External Auditors and the Internal Auditors on financial and non-financial matters.

# Statement on Corporate Governance

The Board of Directors ("the Board") of Sealink International Berhad ("SEALINK " or "the Company") believes that good corporate governance is fundamental to the Group's continued success. Therefore, the Board is committed to ensuring the highest standards of Corporate Governance are practiced throughout SEALINK , as a fundamental part of discharging its responsibilities to protect and enhance the shareholders' value and financial performance of the organization.

This statement sets out the commitment of the Board of SEALINK towards the Malaysian Code on Corporate Governance ("Code") and describes how the Group has applied the principles laid down in the Code. Save where otherwise identified specifically, the Group has complied with the Best Practices of the Code throughout the financial year.

## SECTION 1: THE BOARD OF DIRECTORS

### THE BOARD SIZE AND BALANCE

The Board is collectively responsible for promoting the success of the Group by directing and supervising its affairs. The key responsibilities include the primary responsibilities prescribed under the Best Practices as stipulated in the Provision AA I in Part 2 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

### COMPOSITION

The Board consists of six members comprising two (2) Non – Independent Executive Directors, two (2) Non- Independent Non- Executive Directors, and two (2) Independent Non-Executive Directors. The Company complies with the provision of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") which states that at least two directors or one-third of the board members, whichever is the higher, comprise Independent Directors. The profiles of each of the Directors are presented on pages 11 to 13 of this Annual Report.

The Directors together bring a wide range of business, financial and industrial experience to lead the Group in the area of business strategies, performance, and utilization of resources and standards of conduct.

Generally, the Managing Director and Deputy Managing Director/Chief Executive Officer ("CEO") are responsible for carrying out the day to day operational functions while the Non-Executive Directors play the supporting role by contributing their knowledge and experience in the business strategic plans.

The roles of the Chairman and Group Chief Executive Officer are distinct and separate to ensure the balance of power and authority so that no single individual has absolute power within the Group.

The Board is of the opinion that the appointment of Senior Independent Non-Executive Director to whom concerns may be conveyed, is not necessary at this stage as the Chairman fully encourages Board members to actively participate in Board meetings.

### DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board retains full and effective control over the affairs of the Company and the Group. This includes responsibility for determining the Company's and the Group's development and overall strategies direction which are as follows:

a. Reviewing and providing guidance on the Company's and Group's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long range business plans, reviewing major capital expenditures, acquisition and disposal;

b. Monitoring corporate performance and the conduct of the Group's business and to ensure compliances to best practices and principles of corporate governance;

c. Identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee;

d. Ensuring and reviewing the adequacy and soundness of the Group's financial system, internal control systems and management information system are in compliance with the applicable standards and laws and regulations; and

e. Ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the caliber of the Non-Executive Directors bring an independent judgment in the decision making process.

## BOARD MEETINGS

Board Meetings are scheduled for every quarter with additional meeting to be convened as and when required. During the financial year under review, the Board met a total of four times. The attendance of the Directors who held office during the financial year is set out below:

| Name of Audit Committee Members | No. of Meetings Attended | Percentage of Attendance (%) |
|---|---|---|
| Datuk Michael Hardin<br>*- Chairman (Non Independent Non Executive Director)* | 5/5 | 100% |
| Yong Foh Choi<br>*- Managing Director (Non Independent Executive Director)* | 4/5 | 80% |
| Yong Kiam Sam<br>*- Deputy Managing Director/CEO*<br>*(Non Independent Executive Director)* | 5/5 | 100% |
| Wong Chie Bin<br>*- Independent Non Executive Director* | 5/5 | 100% |
| Toh Kian Sing<br>*- Independent Non Executive Director* | 5/5 | 100% |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn<br>*- Non Independent Non Executive Director* | 5/5 | 100% |

## SUPPLY OF INFORMATION

All directors are given complete and timely information before each Board Meeting to be convened together with an agenda and a set of Board papers. Board papers are circulated seven (7) days prior to the Board meetings to accord sufficient time for the Directors to review the Board papers and obtain further explanation, if necessary, from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under other business. Generally, the Board papers circulated include minutes of the previous meeting, quarterly and annual financial statements, press release, corporate development, operations, and other related performance factors, minutes of Board committees, acquisition and disposal proposals, list of summary of directors' resolutions passed at subsidiary levels as well as the Company and report on the directors' dealings in securities, if any.

All Directors, whether as a full board or in their individual capacity, have unrestricted access to all information pertaining to the Group's business and affairs to enable them to carry out their duties effectively and diligently. They also have access to the advice of the Company Secretary, who also serve in that capacity in the various Board committees. The Company Secretary also serves notice to Directors on the closed period for dealing in the securities of the Company, as stipulated in Chapter 14 of the MMLR. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

All the Directors may obtain the advice of Independent Professional Advisors and Internal/External Auditors in appropriate circumstances in the furtherance of their duties, at the Company's expense.

## APPOINTMENT OF DIRECTORS

The Nominating Committee is responsible for recommending to the Board suitable candidate(s) for appointment as new Director(s). In making these recommendations, factors such as mix of skills, knowledge, experience, expertise, professionalism, integrity and contribution to the Company will be considered before the recommendation for appointment of the proposed director is put forward to the Board for consideration and approval.

## RE – ELECTION

In accordance with the Articles of Association of the Company and in compliance with the MMLR, all Directors are required to retire from office at least once every three years, and shall be eligible for re-election. The Company's Articles of Association also requires that at least one-third of the Board of Directors shall retire at each Annual General meeting and may offer themselves for re-election.

## BOARD COMMITTEES

The following principal Board Committees that have been established to assist the Board in discharging its duties effectively:

- Audit Committee
- Nominating Committee
- Remuneration Committee

The terms of reference of each Board Committee have been approved by the Board and, where applicable, comply with the recommendations of the Code. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The respective Committee reports to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

## AUDIT COMMITTEE

The Audit Committee was established on 28 May 2008, comprising three (3) Non-Executive Directors: Wong Chie Bin, Toh Kian Sing and Eric Khoo Chuan Syn @ Khoo Chuan Syn to assist the Board in discharging its duties. The Audit Committee works closely with the internal and external auditors and maintains a transparent professional relationship with them. The Chairman of the Audit Committee would inform the Directors at the Board meetings of any salient matters raised at the Audit Committee meetings which require the Board's notice or direction. The composition, other responsibilities, summarised terms of reference and summary of activities of the Audit Committee during the financial year are set out separately in the Audit Committee Report on pages 18 to 21 of this Annual Report.

## NOMINATING COMMITTEE

The Nominating Committee was established on 28 May 2008 and consists of three members who meets as and when required and at least once in a year. The members of the Nominating Committee are as follows:-

| | | |
|---|---|---|
| **Chairman:** | Eric Khoo Chuan Syn @ Khoo Chuan Syn | *(Resigned as the Chairman w.e.f 25 November 2011)* |
| | Wong Chie Bin | *(Appointed as the Chairman w.e.f 25 November 2011)* |
| **Members:** | Yong Kiam Sam | *(Resigned as the Member w.e.f 25 November 2011)* |
| | Toh Kian Sing | *(Appointed as the Member w.e.f 25 November 2011)* |
| | Eric Khoo Chuan Syn @ Khoo Chuan Syn | *(Remain as the Member)* |

The Nominating Committee shall be responsible for annual review of the Board's required mix of skills, experience, quality and core competencies of the Directors as well as the effectiveness of the Board as a whole and the contribution of each individual Director. The Nominating Committee is also responsible for making recommendations for new appointment to the Board.

## REMUNERATION COMMITTEE

In line with the Best Practices of the Code, the Board has set up a Remuneration Committee on 28 May 2008 to assist the Board in determining the Directors' remuneration. The Remuneration Committee meets at least once a year.

The members of the Remuneration Committee who served during the financial year are:

| | | |
|---|---|---|
| **Chairman:** | Eric Khoo Chuan Syn @ Khoo Chuan Syn | *(Resigned as the Chairman w.e.f 25 November 2011)* |
| | Wong Chie Bin | *(Appointed as the Chairman w.e.f 25 November 2011)* |
| **Members:** | Yong Kiam Sam | *(Resigned as the Member w.e.f 25 November 2011)* |
| | Toh Kian Sing | *(Appointed as the Member w.e.f 25 November 2011)* |
| | Eric Khoo Chuan Syn @ Khoo Chuan Syn | *(Remain as the Member)* |

## DIRECTORS' TRAINING AND EDUCATION

All the Directors have attended the Mandatory Accreditation Program (MAP) prescribed by Bursa Malaysia. Directors are regularly updated on the Group's business and the competitive and regulatory environment in which they operate. The Company Secretary and external auditors also updated the Directors on changes to the relevant guidelines on the regulatory and statutory requirements.

The Directors also complete other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group. During the year, some Directors have pursued relevant courses and seminars to keep abreast with industry, regulatory and compliance issues trends and best practices. Particulars of training programmes attended by the Directors are as follows:

| Directors | Seminar / Conference / Workshop | Date |
|---|---|---|
| Datuk Michael Hardin | • Boardroom Excellent | 6 August 2011 |
| Yong Foh Choi | • Boardroom Excellent | 24 November 2011 |
| Yong Kiam Sam | • Strategic Influencing Skills for Sales Leader | 24-25 February 2011 |
| | • 3rd Annual Offshore Supports Vessels | 11-12 April 2011 |
| | • Advanced Rig Moving Procedures including Jacking System | 18-20 April 2011 |
| | • Shipbuilding Contracts | 23-24 May 2011 |
| Wong Chie Bin | • Tax Audit, Incorrect Return and Tax Appeal | 12 January 2011 |
| | • Build your Business! Assessing Options, Building Capabilities, Competing for the future. | 13 January 2011 |
| | • ½ Day Directors' Session on Sustainability (Industrial Product) | 9 March 2011 |
| | • Optimising Cross Border Tax Efficiency Managing Withholding Tax Challenges and Avoiding Pitfalls | 20-21 April 2011 |
| | • National Tax Conference 2011 | 19 & 20 July 2011 |
| | • Updates of 2011 New and Revised FRSs, Amendments and IC Interpretations; and Accounting for Agriculture. | 26 & 27 September 2011 |
| | • Seminar Percukaian Kebangsaan 2011 | 25 October 2011 |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | • ½ Day Directors' Session on Sustainability (Industrial Product) | 9 March 2011 |
| | • HomeSmart-I Documentation Suite-Briefing to Panel and Ad Hoc Solicitors of HSBC Amanah Malaysia Berhad | 27 May 2011 |
| Toh Kian Sing | • Role of Bills of Lading in Trade Finance: Documents of Title and Security for Good for Standards Chartered Bank | 25 March 2011 |
| | • Drafting an Arbitration Agreement for the Japanese Association | 27 April 2011 |
| | • Ship Arrest in Singapore | 20 May 2011 |
| | • Role of Bills of Lading in Trade Finance: Documents of Title and Security for Good for BNP Paripas | 25 June 2011 |
| | • International Arbitration in Singapore and the SIAC Rules | 22 October 2011 |
| | • Contracts of Sale of Commodity for Suzhou Kaiyun Commercial Co. Ltd. | 2 November 2011 |

## SECTION 2: DIRECTORS' REMUNERATION

The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary caliber relevant to the achievement of the Company's strategic achievements. The remuneration is structured to link experience, expertise and level of responsibility undertakings by the Directors.

The Remuneration Committee is entrusted with the responsibilities to make recommendations to the Board the remuneration package for the Executive Director and the annual review of the overall remuneration policy for the Directors in the Group. It is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration.

The details of the remuneration of Directors of the Company during the financial year ended 31 December 2011 are as follows:

Aggregate Remuneration categorized into appropriate components:

| | Fees (RM) | Salaries and Allowances, inclusive of EPF contributions (RM) | Bonus (RM) | Benefits-in-kind (RM) | Total (RM) |
|---|---|---|---|---|---|
| Executive Directors | 36,000 | 1,008,999 | 140,104 | 14,925 | 1,200,028 |
| Non-Executive Directors | 291,000 | - | - | 3,500 | 294,500 |
| Total | 327,000 | 1,008,999 | 140,104 | 18,425 | 1,494,528 |

*Note: The fees are recommended by the Board of Directors for approval of the shareholders at the Annual General Meeting.*

### Remuneration Bands

| Range of Remuneration | Executive Directors | Non-Executive Directors | Total |
|---|---|---|---|
| RM1-RM50,000 | - | - | - |
| RM50,001-RM100,000 | - | 3 | 165,000 |
| RM101,000-RM150,000 | - | 1 | 129,500 |
| RM150,001-RM200,000 | - | - | - |
| RM200,001-RM250,000 | - | - | - |
| RM250,001-RM300,000 | - | - | - |
| RM300,001-RM350,000 | - | - | - |
| RM350,001-RM400,000 | - | - | - |
| RM400,001-RM450,000 | - | - | - |
| RM450,001-RM500,000 | - | - | - |
| RM500,001-RM550,000 | 1 | - | 527,378 |
| RM550,001-RM600,000 | - | - | - |
| RM600,001-RM650,000 | - | - | - |
| RM650,001-RM700,000 | 1 | - | 672,650 |
| Total | 2 | 4 | 1,494,528 |

For security and confidential reasons, the details of individual Directors' remuneration are not shown. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosure made above.

## SECTION 3: SHAREHOLDERS

Recognizing the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of all important issues and major developments of the Company and the information is communicated to them in the following manner:

- Issuance of Annual Report;
- Various disclosures and announcements made to Bursa Malaysia including the Quarterly Reports and Annual Financial Statements;
- Shareholders may obtain the Company's latest announcements via the Bursa Malaysia's website at www bursamalaysia.com;
- Reports, announcements, presentations also available for download at the Group's website at www.asiasealink.com; and
- Periodic roadshows and investor briefings between members of the senior management with financial analysts, institutional shareholders and fund managers.

### THE ANNUAL GENERAL MEETING ("AGM")

Notice of AGM which is contained in the Annual Report is sent out at least twenty-one (21) days prior to the date of the AGM. There will be commentary by the Chairman at the AGM regarding the Company's performance for each financial year and a brief review on current business conditions. At each AGM, a platform is available for shareholders to participate in the question and answer session. Extraordinary General Meetings are held when required.

## SECTION 4: ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Directors are responsible to ensure that financial statements prepared are drawn up in accordance with the provisions of the Companies Act, 1965 ("the Act") and Applicable Accounting Standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistencies applied and supported by reasonable judgments and estimates.

The quarterly results were reviewed by the Audit Committee and approved by the Board of Directors before being released to the Bursa Malaysia. By presenting the quarterly results and financial statements, the Company is mindful of the necessity to present a balanced assessment of the Group's financial position. The details of the Company and the Group's financial statements for the financial year ended 31 December 2011 can be found on pages 31 to 84 of the Annual Report.

### INTERNAL CONTROL

The Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets.

Information on the Group's internal control is presented in the Statement on Internal Control on page 22.

The Company also has in place a Whistle Blowing Policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Company's policies and guidelines in a safe and confidential manner. A designated person is handling the matter and report directly to the Audit Committee of the Company.

### RELATIONSHIP WITH THE AUDITORS

The Board via the Audit Committee maintains an appropriate, formal and transparent relationship with the Group's external auditors. The Audit Committee meets with the external auditors without the presence of the management, wherever necessary, and at least twice a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the Audit Committee on matters that may require their attention.

# Statement on Corporate Governance

The role of Audit Committee in relation to dealing with the auditors is described in the Audit Committee Report set out on pages 18 to 21 of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Act to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and the provisions of the Act. The Board of Directors is responsible to take reasonable steps to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and of their results and cash flows for the financial year then ended.

The Board of Directors are required under Paragraph 15.26 of the MMLR to issue a statement explaining their responsibility for preparing the annual audited financial statements.

In preparing the financial statements of the Group and the Company for the year ended 31 December 2011, the Board of Directors has:

- adopted suitable accounting polices and applied them consistently;
- where applicable, made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been followed; and
- confirmed that the financial statements have been prepared on a going concern basis.

The Directors have ensured that the Group and Company keep proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.

This Directors' Responsibility Statement was tabled and approved at the Board Meeting on 20 April 2012.

## CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Mindful of the need to be a corporately responsible organization, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. SIB Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy and community services. However, the Group endeavors to broaden its scope of CSR initiatives over time and will plan accordingly.

SIB Group has also emphasized CSR within the organization, by focusing on the following:

- Occupational health and safety at the workplace. Staff are equipped with the necessary equipment and accessories at the various worksites and factory to promote safety;
- Staff are constantly sent to training / refresher courses to keep our staff abreast with the latest technologies, procedures and standards; and
- Looking after the welfare of its employees, example successful insurance and Socso claims for the unfortunate, provision of staff dinner and sports events.

The Group has also organized a HSE Safety day in Borneo Tropical Rainforest in 2011 entitled "Do the right thing" to instill awareness of HSE compliance and to foster a closer working relationship and increase team cohesion amongst the staff in Sealink Sdn Bhd.

# Statement on Corporate Governance

## 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.

### 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 2011 amounted to RM71,799.00

### Variation in Results

There is no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2011.

### 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.

### Profi t Forecast Variance

There was no profit forecast issued in respect of the financial result ended 31 December 2011.

### Recurrent related Party Transactions

The related party transactions are disclosed in page 75 of this Annual Report.

# Financial Statements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# 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 2011.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are shipping business, shipbuilding, letting of properties and trading of vessels. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

| | Group<br>RM | Company<br>RM |
|---|---|---|
| Profit net of tax | 17,719,663 | 5,583,159 |
| Profit attributable to:<br>Equity holders of the Company | 17,719,663 | 5,583,159 |

There were no material transfers to or from reserves or provisions during the financial year, other than as 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.

## DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2010 were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 December 2010 as reported in the Directors' report of that year | |
| Final single tier tax exempt dividend of RM0.027 per share, paid on 28 September 2011 | 13,500,000 |

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2011, of 2.0% on 500,000,000 ordinary shares, amounting to a dividend payable of RM5,000,000 (1.0 sen per ordinary share) shall be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

## DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Michael Hardin
Yong Foh Choi
Yong Kiam Sam
Wong Chie Bin
Eric Khoo Chuan Syn @ Khoo Chuan Syn
Toh Kian Sing

In accordance with the Company's Articles of Association, Eric Khoo Chuan Syn @ Khoo Chuan Syn retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Datuk Michael Hardin and Yong Foh Choi, having attained the age of seventy, retire pursuant to Section 129(2) of the Companies Act, 1965 and resolutions are being proposed for their re-appointment as Directors under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

## 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 11 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 32 to the financial statements.

## 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 of RM0.50 Each At 1 January 2011 and at 31 December 2011 |
|---|---|
| **The Company:** | |
| **Direct interest** | |
| Datuk Michael Hardin | 300,001 |
| Yong Foh Choi | 45,716,800 |
| Yong Kiam Sam | 67,382,399 |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | 30,000 |
| Wong Chie Bin | 60,000 |
| **Deemed interest through holding company** | |
| Datuk Michael Hardin | 259,080,800 |
| Yong Foh Choi | 259,080,800 |
| **Holding company:** | |
| **Direct interest** | |
| Datuk Michael Hardin | 525,001 |
| Yong Foh Choi | 974,999 |

Datuk Michael Hardin, Yong Foh Choi and Yong Kiam Sam, by virtue of their interests in shares of the Company, are deemed to have an interest in the shares of all subsidiaries under the Company to the extent that the Company has an interest.

The other Director in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

a) Before the statements of 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.

## 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.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 April 2012

**Datuk Michael Hardin** **Yong Foh Choi**

# STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Datuk Michael Hardin** and **Yong Foh Choi**, 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 37 to 84 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 April 2012

**Datuk Michael Hardin** **Yong Foh Choi**

## STATUTORY DECLARATION
## PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Low Wai Har**, 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 37 to 84 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 **Low Wai Har** at Miri in the
State of Sarawak on 20 April 2012

**Low Wai Har**

Before me,

**Dr. Dominic Lai Yew Hock**
Commissioner For Oaths (No. Q047)
Lot 2451, 1st & 2nd Floors, Boulevard Commercial Centre
Jalan Miri, Pujut, 98000 Miri, Sarawak

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF SEALINK INTERNATIONAL BERHAD

## Report on the financial statements

We have audited the financial statements of Sealink International Berhad, which comprise the statements of financial position as at 31 December 2011, and the statements of 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 84.

*Directors' responsibility for the financial statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the year then ended.

## Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Other matters

The supplementary information set out in Note 41 on page 84 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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
2708/04/12 (J)
Chartered Accountant

Miri, Malaysia
20 April 2012

# STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Revenue** | 4 | 202,019,177 | 224,891,857 | 8,100,462 | 17,616,633 |
| Cost of sales | 5 | (150,146,244) | (167,426,583) | - | - |
| **Gross profit** | | 51,872,933 | 57,465,274 | 8,100,462 | 17,616,633 |
| **Other items of income** | | | | | |
| Interest income | 6 | 3,508,668 | 550,418 | 1,350,304 | 282,555 |
| Other income | 7 | 12,667,515 | 12,649,432 | 48 | 317,449 |
| **Other items of expense** | | | | | |
| Administrative expenses | | (24,743,835) | (22,562,178) | (3,639,480) | (4,158,135) |
| Finance costs | 8 | (16,677,446) | (8,524,773) | (184,963) | (166,967) |
| Other expenses | | (5,798,455) | (2,120,704) | - | - |
| Share of results of an associate | | 967,656 | - | - | - |
| Profit before tax | 9 | 21,797,036 | 37,457,469 | 5,626,371 | 13,891,535 |
| Income tax expense | 12 | (4,077,373) | (4,083,888) | (43,212) | (104,888) |
| **Profit net of tax** | | 17,719,663 | 33,373,581 | 5,583,159 | 13,786,647 |
| **Other comprehensive income** | | | | | |
| Foreign currency translation | | 1,130,967 | (1,107,729) | - | - |
| **Other comprehensive income for the year, net of tax** | | 1,130,967 | (1,107,729) | - | - |
| **Total comprehensive income for the year** | | 18,850,630 | 32,265,852 | 5,583,159 | 13,786,647 |
| **Profit attributable to:** | | | | | |
| Equity holders of the Company | | 17,719,663 | 33,373,581 | 5,583,159 | 13,786,647 |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the Company | | 18,850,630 | 32,265,852 | 5,583,159 | 13,786,647 |
| **Earnings per share attributable to equity holders of the Company (sen):** | | | | | |
| Basic | 13 | 3.54 | 6.67 | | |

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

# STATEMENTS OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2011

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 414,834,098 | 450,816,357 | 11,479 | 6,035 |
| Land use rights | 15 | 49,825,027 | 50,203,901 | - | - |
| Investment in subsidiaries | 16 | - | - | 227,327,172 | 212,132,172 |
| Investment in an associate | 17 | 2,183,792 | - | - | - |
| Other receivables | 19 | 47,505,689 | 4,287,224 | - | - |
| | | 514,348,606 | 505,307,482 | 227,338,651 | 212,138,207 |
| **Current assets** | | | | | |
| Inventories | 18 | 202,373,717 | 205,018,915 | - | - |
| Trade and other receivables | 19 | 71,519,054 | 84,825,466 | 162,833,720 | 188,577,269 |
| Other current assets | 20 | 18,282,176 | 12,646,393 | 17,607 | - |
| Cash and bank balances | 22 | 81,703,139 | 78,150,871 | 1,150,761 | 1,473,309 |
| Tax recoverable | | 1,324,263 | 674,644 | 27,788 | 87,581 |
| | | 375,202,349 | 381,316,289 | 164,029,876 | 190,138,159 |
| Non-current asset classified as held for sale | 23 | 36,912,835 | - | - | - |
| | | 412,115,184 | 381,316,289 | 164,029,876 | 190,138,159 |
| **Total assets** | | 926,463,790 | 886,623,771 | 391,368,527 | 402,276,366 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Provisions | 24 | 2,000,000 | - | - | - |
| Loans and borrowings | 25 | 152,871,755 | 203,140,331 | 6,140,000 | 6,140,000 |
| Trade and other payables | 26 | 73,795,407 | 66,731,760 | 14,507,592 | 11,358,590 |
| Other current liabilities | 27 | - | 4,860,524 | - | - |
| Income tax payable | | 538,552 | 389,738 | - | - |
| | | 229,205,714 | 275,122,353 | 20,647,592 | 17,498,590 |
| **Net current assets** | | 182,909,470 | 106,193,936 | 143,382,284 | 172,639,569 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 25 | 196,929,216 | 119,186,082 | 33,055,000 | 39,195,000 |
| Deferred tax liabilities | 28 | 55,276,374 | 52,613,480 | - | - |
| | | 252,205,590 | 171,799,562 | 33,055,000 | 39,195,000 |
| **Total liabilities** | | 481,411,304 | 446,921,915 | 53,702,592 | 56,693,590 |
| **Net assets** | | 445,052,486 | 439,701,856 | 337,665,935 | 345,582,776 |
| **Equity** | | | | | |
| Share capital | 29 | 250,000,000 | 250,000,000 | 250,000,000 | 250,000,000 |
| Share premium | 29 | 79,086,883 | 79,086,883 | 79,086,883 | 79,086,883 |
| Retained earnings | 30 | 114,791,153 | 110,571,490 | 8,579,052 | 16,495,893 |
| Other reserves | 31 | 1,174,450 | 43,483 | - | - |
| **Total equity** | | 445,052,486 | 439,701,856 | 337,665,935 | 345,582,776 |
| **Total equity and liabilities** | | 926,463,790 | 886,623,771 | 391,368,527 | 402,276,366 |

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

# STATEMENTS OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2011

| 2011 Group | Note | Equity, total RM | Share capital RM | Non-distributable Share premium RM | Distributable Retained earnings RM | Non-distributable Foreign currency translation reserve RM |
|---|---|---|---|---|---|---|
| | | ← Attributable to Equity Holders of the Company → | | | | |
| Opening balance at 1 January 2011 | | 439,701,856 | 250,000,000 | 79,086,883 | 110,571,490 | 43,483 |
| Total comprehensive income | | 18,850,630 | - | - | 17,719,663 | 1,130,967 |
| Transactions with owners | | | | | | |
| Dividend on ordinary shares | 39 | (13,500,000) | - | - | (13,500,000) | - |
| Closing balance at 31 December 2011 | | 445,052,486 | 250,000,000 | 79,086,883 | 114,791,153 | 1,174,450 |
| **2010 Group** | | | | | | |
| Opening balance at 1 January 2010 | | 427,436,004 | 250,000,000 | 79,086,883 | 97,197,909 | 1,151,212 |
| Total comprehensive income | | 32,265,852 | - | - | 33,373,581 | (1,107,729) |
| Transactions with owners | | | | | | |
| Dividend on ordinary shares | 39 | (20,000,000) | - | - | (20,000,000) | - |
| Closing balance at 31 December 2010 | | 439,701,856 | 250,000,000 | 79,086,883 | 110,571,490 | 43,483 |

| | Note | Equity, total RM | Share capital RM | Non-distributable Share premium RM | Distributable Retained earnings RM |
|---|---|---|---|---|---|
| **2011 Company** | | | | | |
| Opening balance at 1 January 2011 | | 345,582,776 | 250,000,000 | 79,086,883 | 16,495,893 |
| Total comprehensive income | | 5,583,159 | - | - | 5,583,159 |
| Transactions with owners | | | | | |
| Dividends on ordinary shares | 39 | (13,500,000) | - | - | (13,500,000) |
| Closing balance at 31 December 2011 | | 337,665,935 | 250,000,000 | 79,086,883 | 8,579,052 |
| **2010 Company** | | | | | |
| Opening balance at 1 January 2010 | | 351,796,129 | 250,000,000 | 79,086,883 | 22,709,246 |
| Total comprehensive income | | 13,786,647 | - | - | 13,786,647 |
| Transactions with owners | | | | | |
| Dividends on ordinary shares | 39 | (20,000,000) | - | - | (20,000,000) |
| Closing balance at 31 December 2010 | | 345,582,776 | 250,000,000 | 79,086,883 | 16,495,893 |

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

# STATEMENTS OF CASH FLOWS
# FOR THE YEAR ENDED 31 DECEMBER 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **Operating activities** | | | | | |
| Profit before tax | | 21,797,036 | 37,457,469 | 5,626,371 | 13,891,535 |
| Adjustments for: | | | | | |
| Interest income | 6 | (3,508,668) | (550,418) | (1,350,304) | (282,555) |
| Dividend income | 4 | - | - | (5,600,000) | (15,500,000) |
| Amortisation of land use rights | 15 | 1,282,376 | 1,259,130 | - | - |
| Bad debts recovered | 7 | (803) | - | - | - |
| Deposits written off | 9 | 5,524,706 | - | - | - |
| Depreciation of property, plant and equipment | 14 | 30,018,776 | 25,057,196 | 1,537 | 739 |
| Gain on disposal of non-current asset held for sale | 7 | (447,295) | - | - | - |
| Impairment loss on trade receivables | 9 | 260,096 | 1,829,072 | - | - |
| Interest expenses | 8 | 14,092,236 | 10,361,402 | 184,963 | 166,967 |
| Net gain on disposal of property, plant and equipment | 7,9 | (637,473) | (1,087,091) | - | - |
| Property, plant and equipment written off | 9 | 21,983 | 108,940 | - | - |
| Provision for maintenance warranties | 9 | 2,000,000 | - | - | - |
| Reversal of impairment loss | 7 | (195,451) | - | - | - |
| Reversal of provisions | 9 | - | (3,810,695) | - | - |
| Share of results of an associate | | (967,656) | - | - | - |
| Unrealised loss/(gain) on foreign exchange | 7,8,9 | 3,068,775 | (2,274,103) | 28,021 | (317,447) |
| Total adjustments | | 50,511,602 | 30,893,433 | (6,735,783) | (15,932,296) |
| **Operating cash flows before changes in working capital** | | 72,308,638 | 68,350,902 | (1,109,412) | (2,040,761) |
| Changes in working capital | | | | | |
| Decrease in inventories | | 5,709,340 | 127,882,253 | - | - |
| Decrease/(Increase) in trade and other receivables | | 19,524,780 | (26,651,542) | 27,429 | (21,026) |
| Increase in other current assets | | (5,635,783) | (9,314,227) | (17,607) | - |
| Increase/(Decrease) in trade and other payables | | 6,062,155 | (11,768,811) | (161,090) | 175,874 |
| Decrease in other current liabilities | | (4,860,524) | (4,906,311) | - | - |
| Net change in associate balances | | (56,503,502) | - | - | - |
| Net change in holding company balances | | 95,113 | (148,718) | - | - |
| Net change in subsidiaries balances | | - | - | 28,998,191 | (38,015,183) |
| Total changes in working capital | | (35,608,421) | 75,092,644 | 28,846,923 | (37,860,335) |
| **Cash flows from/(used in) operations** | | 36,700,217 | 143,443,546 | 27,737,511 | (39,901,096) |
| Interest received | | - | - | 1,260,060 | - |
| Interest paid | | (16,857,813) | (12,746,046) | (184,963) | (166,967) |
| Income tax paid | | (2,623,192) | (2,575,359) | (73,445) | (23,305) |
| Income tax refunded | | 707,081 | 2,193,888 | 90,026 | - |
| **Net cash flows from/(used in) operating activities** | | 17,926,293 | 130,316,029 | 28,829,189 | (40,091,368) |

# STATEMENTS OF CASH FLOWS
# FOR THE YEAR ENDED 31 DECEMBER 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **Investing activities** | | | | | |
| Decrease/(Increase) in other receivable | | 3,500,000 | (3,500,000) | - | - |
| Increase in non-current asset held for sale | | (50,213,453) | - | - | - |
| Interest received | | 3,770,352 | 782,332 | 90,244 | 282,555 |
| Purchase of property, plant and equipment | | (42,600,072) | (130,561,919) | (6,981) | - |
| Increase in land use rights | | (903,502) | - | - | - |
| Proceeds from disposal of property, plant and equipment | | 11,327,675 | 10,372,039 | - | - |
| Proceeds from disposal of non-current asset held for sale | | 52,449,081 | - | - | - |
| Acquisition of investment in an associate | | (3,450,000) | - | - | - |
| Acquisition of additional investment in subsidiaries | | - | - | (15,195,000) | (24,170) |
| Dividend received | | - | - | 5,600,000 | 15,500,000 |
| **Net cash flows (used in)/from investing activities** | | (26,119,919) | (122,907,548) | (9,511,737) | 15,758,385 |
| **Financing activities** | | | | | |
| Dividend paid on ordinary shares | | (13,500,000) | (20,000,000) | (13,500,000) | (20,000,000) |
| Proceeds from loans and borrowings | | 128,839,700 | 90,774,702 | - | 49,120,000 |
| Repayments of loans and borrowings | | (37,637,671) | (31,163,333) | (6,140,000) | (3,785,000) |
| Repayment of obligations under finance leases | | (456,250) | (2,389,587) | - | - |
| Net movement in trade financing | | (69,817,192) | - | - | - |
| Net movement in fixed deposit pledged | | (6,859,601) | (23,168,759) | - | - |
| Net movement in cash at bank restricted in use | | (921,512) | - | - | - |
| **Net cash flows (used in)/from financing activities** | | (352,526) | 14,053,023 | (19,640,000) | 25,335,000 |
| **Net (decrease)/increase in cash and cash equivalents** | | (8,546,152) | 21,461,504 | (322,548) | 1,002,017 |
| **Effect of exchange rate changes on cash and cash equivalents** | | 1,084,519 | (2,786,617) | - | - |
| **Cash and cash equivalents at 1 January** | | 45,880,745 | 27,205,858 | 1,473,309 | 471,292 |
| **Cash and cash equivalents at 31 December** | 22 | 38,419,112 | 45,880,745 | 1,150,761 | 1,473,309 |

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

## 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 shipping business, shipbuilding, letting of properties and trading of vessels.

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 Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

- Amendments to FRS 132: Classification of Rights Issues
- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners
- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-Based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 'Improvements to FRS (2010)'
- IC Interpretation 4: Determining Whether An Arrangement Contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- TR i-4: Shariah Compliant Sale Contracts

## 2. Summary of significant accounting policies (Continued)

### 2.2 Changes in accounting policies (Continued)

Adoption of the above FRS and IC Interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The adoption of the two revised standards affects the way in which the Group accounts for business combinations and the preparation of its consolidated financial statements. Under the revised FRS 3, all acquisition-related costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred. All considerations transferred, including contingent considerations, are measured at fair value as at the acquisition date. Any equity interests held prior to the date control is obtained is remeasured at fair value, with the resulting gains or losses recognised in the statement of comprehensive income. There is now an option on a case to case basis to measure non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the net identifiable assets of the assets acquired.

Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interests in the acquiree and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liablilites) at acquisition date.

The revised FRS 127 requires that changes in ownership interest which do not result in a loss of control be accounted for as equity transactions, instead of in the statement of comprehensive income. Where changes in ownership interest results in loss of control, any remaining interest in the entity is remeasured at fair value and any resulting gains or losses is recognised in the statement of comprehensive income. Total comprehensive income will be proportionately allocated to non-controlling interests, even if it results in the non-controlling interests being in a deficit position.

### 2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

### 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 to like transactions and events in similar circumstances.

## 2. Summary of significant accounting policies (Continued)

### 2.4 Basis of consolidation (Continued)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

### 2.5 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.

#### 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.

## 2. Summary of significant accounting policies (Continued)

### 2.5 Foreign currency (Continued)

#### b) Foreign currency transactions (Continued)

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.

### 2.6 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 and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment except vessels 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, the Group recognises such parts 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. Vessels are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the vessels at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

| | |
|---|---|
| Buildings and wharf | 10 - 55 years |
| Vessels | 20 years |
| Vessel equipment | 1.5 - 10 years |
| Dry docking expenses | 2.5 years |
| Equipment, furniture and fittings | 5 - 10 years |
| Plant and machinery | 10 years |
| Motor vehicles | 5 - 6.25 years |

## 2. Summary of significant accounting policies (Continued)

### 2.6 Property, plant and equipment (Continued)

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.

### 2.7 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.

### 2.8 Impairment of non-financial assets

The Group assesses 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, the Group makes an estimate 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 except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

## 2. Summary of significant accounting policies (Continued)

### 2.10 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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 profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

In the Company's separate financial statements, investments in associates are stated 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.

### 2.11 Financial assets

Financial assets are 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 financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables.

#### Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

## 2. Summary of significant accounting policies (Continued)

### 2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.13 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.

### 2.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### 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. Summary of significant accounting policies (Continued)

### 2.16 Provisions

Provisions are recognised when the Group has 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.

### 2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria.  Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

#### b) Other financial liabilities

The Group’s and the Company’s financial liabilities include trade payables, other payables, loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.18 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.

## 2. Summary of significant accounting policies (Continued)

### 2.18 Financial guarantee contracts (Continued)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is 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.

### 2.19 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.

### 2.20 Employee benefits

#### Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee 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.

### 2.21 Leases

#### As lessee

Finance leases, which transfer to the Group 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 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.

### 2.22 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediate before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

## 2. Summary of significant accounting policies (Continued)

### 2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### a) Rendering of services

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

#### b) Construction contracts

Revenue from construction contracts is accounted for by percentage of completion method as described in Note 2.14.

#### c) Rental income

Rental income is recognised as the rental accrued unless collectability is in doubt.

#### d) Dividend income

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

#### e) Management fees

Management fees are recognised when services are rendered.

### 2.24 Income 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.

#### 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.

## 2. Summary of significant accounting policies (Continued)

### 2.24 Income taxes (Continued)

#### b) Deferred tax (Continued)

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.

### 2.25 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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of 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. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.27 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.

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

## 3. Significant accounting judgements and estimates

The preparation of the Group'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

#### 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 to 55 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 property, plant and equipment at the reporting date is disclosed in Note 14. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 6.9% (2010: 3.3%) variance in the Group's profit for the year.

#### b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 19.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM | 2010<br>RM | 2011<br>RM | 2010<br>RM |
| Construction revenue | 114,923,652 | 152,523,553 | - | - |
| Charter and hiring charges | 86,987,525 | 72,314,304 | - | - |
| Dividend income | - | - | 5,600,000 | 15,500,000 |
| Management fee | - | - | 2,500,462 | 2,116,633 |
| Rental income | 108,000 | 54,000 | - | - |
| | 202,019,177 | 224,891,857 | 8,100,462 | 17,616,633 |

## 5. Cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM | 2010<br>RM | 2011<br>RM | 2010<br>RM |
| Construction contract costs | 100,491,825 | 127,609,853 | - | - |
| Cost of services rendered | 49,654,419 | 39,816,730 | - | - |
| | 150,146,244 | 167,426,583 | - | - |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Interest income from: | | | | |
| - short term deposits | 1,033,160 | 777,983 | 90,244 | 98,853 |
| - associate | 2,733,437 | - | - | - |
| - subsidiaries | - | - | 1,260,060 | 183,702 |
| - others | 3,755 | 4,349 | - | - |
| | 3,770,352 | 782,332 | 1,350,304 | 282,555 |
| Less: Interest income capitalised in: | | | | |
| - Work-in-progress (Note 18) | (261,684) | (204,975) | - | - |
| - Construction contract costs (Note 21) | - | (26,939) | - | - |
| | 3,508,668 | 550,418 | 1,350,304 | 282,555 |

Interest income capitalised is from fixed deposits pledged with banks for credit facilities, and is calculated based on the related finance costs capitalised.

## 7. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Bad debts recovered | 803 | - | - | - |
| Charter income | 726,893 | - | - | - |
| Gain on foreign exchange | | | | |
| - Realised | 4,850,826 | 1,515,878 | 48 | 2 |
| - Unrealised | 1,187,167 | 1,647,427 | - | 317,447 |
| Gain on forward contract | 224,250 | 385,485 | - | - |
| Gain on disposal of property, plant and equipment | 637,829 | 1,087,091 | - | - |
| Gain on disposal of non-current asset held for sale | 447,295 | - | - | - |
| Rental income | 10,500 | 9,000 | - | - |
| Reversal of impairment loss (Note 19) | 195,451 | - | - | - |
| Sundry income | 4,386,501 | 8,004,551 | - | - |
| | 12,667,515 | 12,649,432 | 48 | 317,449 |

## 8. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Interest expenses on: | | | | |
| - Bankers acceptances | 744,628 | 529,551 | - | - |
| - Bank loans | 6,621,534 | 3,432,761 | - | - |
| - Bank overdrafts | 795,671 | 804,336 | - | - |
| - Loan from subsidiary | - | - | 218,915 | 9,812 |
| - Obligations under finance leases | 8,125 | 110,042 | - | - |
| - Revolving credits | 8,664,231 | 7,863,185 | 2,344,627 | 1,606,326 |
| - Revolving credits recharged to subsidiaries | - | - | (2,378,579) | (1,449,171) |
| - Other interest | 23,624 | 6,171 | - | - |
| | 16,857,813 | 12,746,046 | 184,963 | 166,967 |

## 8. Finance costs (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Less Interest expense capitalised in: | | | | |
| - Work-in-progress (Note 18) | (2,573,650) | (2,225,180) | - | - |
| - Capital work-in-progress (Note 14) | (85,345) | - | - | - |
| - Construction contract cost (Note 21) | - | (159,464) | - | - |
| - Non-current asset held for sale (Note 23) | (106,582) | - | - | - |
| | 14,092,236 | 10,361,402 | 184,963 | 166,967 |
| (Gain)/loss on foreign exchange: | | | | |
| - Realised | (746,990) | (496,068) | - | - |
| - Unrealised | 3,332,200 | (1,340,561) | - | - |
| | 16,677,446 | 8,524,773 | 184,963 | 166,967 |

## 9. Profit before tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| The following items have been included in arriving at profit before tax: | | | | |
| Amortisation of land use rights (Note 15) | 1,282,376 | 1,259,130 | - | - |
| Auditors' remuneration | | | | |
| - Current year | 226,058 | 246,816 | 40,000 | 35,000 |
| - Under/(Over)provision in prior years | 12,891 | (26,815) | 5,000 | - |
| Depreciation of property, plant and equipment (Note 14) | 30,018,776 | 25,057,196 | 1,537 | 739 |
| Deposits written off | 5,524,706 | - | - | - |
| Employee benefits expense (Note 10) | 31,122,036 | 26,642,282 | 2,843,280 | 2,090,387 |
| Impairment loss on trade receivables (Note 19) | 260,096 | 1,829,072 | - | - |
| Loss on disposal of property, plant and equipment | 356 | - | - | - |
| Loss on foreign exchange: | | | | |
| - Realised | 2,077,870 | 1,653,831 | - | - |
| - Unrealised | 923,742 | 713,885 | 28,021 | - |
| Loss on forward contract | 36,240 | - | - | - |
| Non-executive Directors' fee (Note 11) | 291,000 | 250,800 | 291,000 | 250,800 |
| Office rental expenses | - | - | 7,200 | 7,200 |
| Rental of machinery | 23,041 | 26,130 | - | - |
| Rental of premises | 354,323 | 326,001 | - | - |
| Property, plant and equipment written off | 21,983 | 108,940 | - | - |
| Provision for maintenance warranties | 2,000,000 | - | - | - |
| Reversal of provision for maintenance warranties | - | (3,810,695) | - | - |

## 10. Employee benefits expense

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Salaries and wages | 28,174,844 | 24,164,138 | 2,571,992 | 1,847,634 |
| Social security contributions | 227,952 | 204,365 | 7,519 | 6,955 |
| Contributions to defined contribution plan | 2,621,968 | 2,270,122 | 263,769 | 235,798 |
| Other benefits | 97,272 | 3,657 | - | - |
| | 31,122,036 | 26,642,282 | 2,843,280 | 2,090,387 |

Included in employee benefits expense of the Group and of the Company are the Executive Directors' remuneration amounting to RM1,185,103 (2010: RM1,059,594) and RM312,240 (2010: RM277,548) respectively as further disclosed in Note 11.

## 11. Directors' remuneration

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

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Executive: | | | | |
| Salaries and other emoluments | 924,696 | 874,098 | 199,656 | 181,500 |
| Fees | 36,000 | 26,400 | 36,000 | 26,400 |
| Bonus | 140,104 | 83,500 | 47,850 | 43,500 |
| Defined contribution plan | 84,303 | 75,596 | 28,734 | 26,148 |
| Total Executive Directors' remuneration (excluding benefits-in-kind) (Note 10) | 1,185,103 | 1,059,594 | 312,240 | 277,548 |
| Estimated money value of benefits-in-kind | 14,925 | 14,925 | 14,925 | 14,925 |
| Total Executive Directors' remuneration (including benefits-in-kind) | 1,200,028 | 1,074,519 | 327,165 | 292,473 |
| Non-executive: | | | | |
| Fees (Note 9) | 291,000 | 250,800 | 291,000 | 250,800 |
| Total Non-Executive Directors' remuneration (excluding benefits-in-kind) | 291,000 | 250,800 | 291,000 | 250,800 |
| Estimated money value of benefits-in-kind | 3,500 | 9,500 | 3,500 | - |
| Total Non-Executive Directors' remuneration (including benefits-in-kind) | 294,500 | 260,300 | 294,500 | 250,800 |
| Total Director's remuneration | 1,494,528 | 1,334,819 | 621,665 | 543,273 |

## 11. Directors' remuneration (Continued)

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

| | Number of Directors | |
|---|---|---|
| | 2011 | 2010 |
| Executive Directors: | | |
| RM450,001 – RM500,000 | - | 1 |
| RM500,001 – RM550,000 | 1 | - |
| RM550,001 – RM600,000 | - | 1 |
| RM650,001 – RM700,000 | 1 | - |
| Non-Executive Directors: | | |
| Below RM50,000 | - | 3 |
| RM50,001 – RM100,000 | 3 | - |
| RM100,001 – RM150,000 | 1 | 1 |

## 12. Income tax expense

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Statement of comprehensive income:** | | | | |
| Current income tax: | | | | |
| Labuan business activity tax | 40,000 | - | - | - |
| Malaysian income tax | 1,229,506 | 1,491,990 | 43,212 | - |
| Under/(Over)provision in respect of previous years | 144,973 | (304,681) | - | 104,888 |
| | 1,414,479 | 1,187,309 | 43,212 | 104,888 |
| Deferred income tax (Note 28): | | | | |
| Origination or reversal of temporary differences | 3,106,227 | 2,946,785 | - | - |
| Overprovision in previous years | (443,333) | (50,206) | - | - |
| | 2,662,894 | 2,896,579 | - | - |
| Income tax expense recognised in profit and loss | 4,077,373 | 4,083,888 | 43,212 | 104,888 |

## 12. Income tax expense (Continued)

### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Profit before tax | 21,797,036 | 37,457,469 | 5,626,371 | 13,891,535 |
| Tax at Malaysian statutory tax rate of 25% (2010: 25%) | 5,449,259 | 9,364,367 | 1,406,593 | 3,472,884 |
| Adjustments: | | | | |
| Non-deductible expenses | 2,856,279 | 5,487,944 | 36,593 | 43,993 |
| Income not subject to tax | (4,161,521) | (10,585,356) | (1,399,992) | (3,585,236) |
| Effect of tax incentive | - | (245,473) | - | - |
| Deferred tax assets not recognised during the years | 273,153 | 435,528 | 18 | 68,359 |
| Overprovision of deferred tax in previous years | (443,333) | (50,206) | - | - |
| Under/(Over)provision of tax expense in previous years | 144,973 | (304,681) | - | 104,888 |
| Others | (41,437) | (18,235) | - | - |
| Income tax expense recognised in profit and loss | 4,077,373 | 4,083,888 | 43,212 | 104,888 |

Income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

For Labuan Trading Activity, the Company elects to pay RM20,000 of income tax in accordance with Section 7(1) of the Labuan Business Activity Tax Act 1990.

One of the subsidiaries has been granted Pioneer Status Incentive under the Promotion of Investments Act, 1986 with effect from 20 November 2006 for a period of 5 years.

The profit arising from the shipping operations of a subsidiary in Singapore is not subject to income tax.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group have unutilised tax losses and unabsorbed capital allowances available for carrying forward of approximately:

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Unutilised tax losses | 4,068,200 | 2,119,068 |
| Unabsorbed capital allowances | 59,530,366 | 39,085,732 |
| | 63,598,566 | 41,204,800 |

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits are subject to no substantial changes in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 13. Earning per share

### Continuing operations

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

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

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company | 17,719,663 | 33,373,581 |

| | 2011 | 2010 |
|---|---|---|
| Number of ordinary shares in issue during the year | 500,000,000 | 500,000,000 |

| | 2011<br>Sen | 2010<br>Sen |
|---|---|---|
| Basic earnings per share for profit for the year | 3.54 | 6.67 |

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

## 14. Property, plant and equipment

| Group | Buildings and wharf*<br>RM | Vessels and vessel equipment<br>RM | Equipment, furniture and fittings<br>RM | Plant and machinery<br>RM | Motor vehicles<br>RM | Total<br>RM |
|---|---|---|---|---|---|---|
| **Cost or valuation:** | **At cost** | **At valuation** | | | **At cost** | |
| At 1.1.2010 | 32,366,750 | 261,094,678 | 7,331,615 | 39,047,310 | 4,194,489 | 344,034,842 |
| Transfer from capital work in progress | - | - | - | 224,102 | - | 224,102 |
| Additions | 674,483 | 113,528,581 | 577,876 | 739,088 | 320,200 | 115,840,228 |
| Disposals | - | (10,125,528) | (17,282) | - | (63,155) | (10,205,965) |
| Written off | - | (600,778) | - | - | - | (600,778) |
| Exchange rate difference | - | (803,447) | (1,154) | - | - | (804,601) |
| At 31.12.2010 and 1.1.2011 | 33,041,233 | 363,093,506 | 7,891,055 | 40,010,500 | 4,451,534 | 448,487,828 |
| Transfer from capital work in progress | | | | | | |
| Additions | 67,728 | 29,094,940 | 628,793 | 2,543,296 | 4,500 | 32,339,257 |
| Disposals | (58,373) | (8,701,538) | (4,618) | - | (66,534) | (8,831,063) |
| Reclassification | (34,300) | - | - | 34,300 | - | - |
| Written off | - | (2,080) | (30,901) | (2,135) | - | (35,116) |
| Exchange rate difference | - | 1,460,579 | 1,077 | - | - | 1,461,656 |
| At 31.12.2011 | 33,016,288 | 384,945,407 | 8,485,406 | 42,585,961 | 4,389,500 | 473,422,562 |

## 14. Property, plant and equipment (Continued)

| Group | Buildings and wharf* RM At cost | Vessels and vessel equipment RM At valuation | Equipment, furniture and fittings RM | Plant and machinery RM | Motor vehicles RM At cost | Total RM |
|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment loss:** | | | | | | |
| At 1.1.2010 | 5,368,748 | 23,443,524 | 2,773,449 | 11,062,252 | 2,690,432 | 45,338,405 |
| Charge for the year (Note 9) | 1,822,452 | 17,985,931 | 761,329 | 3,989,094 | 498,390 | 25,057,196 |
| Disposals | - | (1,067,108) | (14,835) | - | (63,154) | (1,145,097) |
| Written off | - | (491,838) | - | - | - | (491,838) |
| Exchange rate difference | - | (53,381) | (855) | - | - | (54,236) |
| At 31.12.2010 and 1.1.2011 | 7,191,200 | 39,817,128 | 3,519,088 | 15,051,346 | 3,125,668 | 68,704,430 |
| Charge for the year (Note 9) | 1,846,580 | 22,823,685 | 819,204 | 4,140,157 | 389,150 | 30,018,776 |
| Disposals | - | (585,397) | (807) | - | (56,554) | (642,758) |
| Written off | - | (568) | (10,430) | (2,135) | - | (13,133) |
| Exchange rate difference | - | 101,800 | 712 | - | - | 102,512 |
| At 31.12.2011 | 9,037,780 | 62,156,648 | 4,327,767 | 19,189,368 | 3,458,264 | 98,169,827 |
| **Net carrying amount:** | | | | | | |
| At 31.12.2010 | 25,850,033 | 323,276,378 | 4,371,967 | 24,959,154 | 1,325,866 | 379,783,398 |
| Capital Work-In Progress | | | | | | |
| At 1.1.2010 | | | | | | 96,994,099 |
| Additions | | | | | | 14,497,589 |
| Transfer to property, plant and equipment | | | | | | (224,102) |
| Reclassification | | | | | | (40,564,813) |
| Exchange rate difference | | | | | | 330,186 |
| At 31.12.2010 | | | | | | 71,032,959 |
| | | | | | | 450,816,357 |
| At 31.12.2011 | 23,978,508 | 322,788,759 | 4,157,639 | 23,396,593 | 931,236 | 375,252,735 |
| Capital Work-In Progress | | | | | | |
| At 1.1.2011 | | | | | | 71,032,959 |
| Additions | | | | | | 10,346,160 |
| Disposals | | | | | | (2,501,897) |
| Reclassified to non-current asset held for sale (Note 23) | | | | | | (38,594,586) |
| Reclassified to work-in-progress | | | | | | (746,776) |
| Exchange rate difference | | | | | | 45,503 |
| At 31.12.2011 | | | | | | 39,581,363 |
| | | | | | | 414,834,098 |

## 14. Property, plant and equipment (Continued)

### *Buildings and Wharf

| Group | Workshop and renovation RM | Wharf, yard and buildings RM | Total RM |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2010 | 1,782,502 | 30,584,248 | 32,366,750 |
| Additions | 287,659 | 386,824 | 674,483 |
| At 31 December 2010 and 1 January 2011 | 2,070,161 | 30,971,072 | 33,041,233 |
| Additions | 62,128 | 5,600 | 67,728 |
| Disposals | - | (58,373) | (58,373) |
| Reclassification | - | (34,300) | (34,300) |
| At 31 December 2011 | 2,132,289 | 30,883,999 | 33,016,288 |
| **Accumulated depreciation and impairment loss:** | | | |
| At 1 January 2010 | 981,107 | 4,387,641 | 5,368,748 |
| Charge for the year | 179,939 | 1,642,513 | 1,822,452 |
| At 31 December 2010 and 1 January 2011 | 1,161,046 | 6,030,154 | 7,191,200 |
| Charge for the year | 201,725 | 1,644,855 | 1,846,580 |
| At 31 December 2011 | 1,362,771 | 7,675,009 | 9,037,780 |
| **Net carrying amount:** | | | |
| At 31 December 2010 | 909,115 | 24,940,918 | 25,850,033 |
| At 31 December 2011 | 769,518 | 23,208,990 | 23,978,508 |

| Company | Signboard RM | Office equipment RM | Total RM |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2010 and 31 December 2010 | 7,390 | - | 7,390 |
| Additions | - | 6,981 | 6,981 |
| At 31 December 2011 | 7,390 | 6,981 | 14,371 |
| **Accumulated depreciation:** | | | |
| At 1 January 2010 | 616 | - | 616 |
| Charge for the year (Note 9) | 739 | - | 739 |
| At 31 December 2010 and 1 January 2011 | 1,355 | - | 1,355 |
| Charge for the year (Note 9) | 739 | 798 | 1,537 |
| At 31 December 2011 | 2,094 | 798 | 2,892 |
| **Net carrying amount:** | | | |
| At 31 December 2010 | 6,035 | - | 6,035 |
| At 31 December 2011 | 5,296 | 6,183 | 11,479 |

Included in Capital work-in-progress incurred during the year is interest expense amounting to RM85,345 (2010: Nil).

## 14. Property, plant and equipment (Continued)

Revaluation of vessels

Vessels have been revalued on 6 June 2008 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis. The Directors are of the opinion that the carrying amount does not differ materially from the fair value of the vessels at the reporting date.

The carrying amount of acquisitions after the last revaluation date approximates fair value at the reporting date and therefore has not been revalued.

At 31 December 2011, had the revalued vessels of the Group been carried under cost model, the carrying amount would have been RM275,255,309 (2010: RM209,520,756).

Assets held under finance leases

The net carrying amount of property, plant and equipment held under finance leases are as follows:

| Group | Plant and machinery RM | Motor vehicles RM | Total RM |
|---|---|---|---|
| **Net carrying amount** | | | |
| At 31 December 2010 | 4,993,400 | 1,665,551 | 6,658,951 |
| At 31 December 2011 | - | 1 | 1 |

Assets pledged as security

In addition to assets held under finance leases, the Group's vessels and plant and machinery with a carrying amount of RM260,961,495 (2010: RM210,916,014) and RM4,031,167 (2010: Nil) respectively are mortgaged to secure the Group's bank loans (Note 25).

## 15. Land use rights

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Cost:** | | |
| At 1 January | 55,433,678 | 54,999,147 |
| Additions | 903,502 | 434,531 |
| At 31 December | 56,337,180 | 55,433,678 |
| **Accumulated amortisation:** | | |
| At 1 January | 5,229,777 | 3,970,647 |
| Amortisation for the year (Note 9) | 1,282,376 | 1,259,130 |
| At 31 December | 6,512,153 | 5,229,777 |
| **Net carrying amount** | 49,825,027 | 50,203,901 |
| Amount to be amortised: | | |
| - Not later than one year | 1,282,376 | 3,625,298 |
| - Later than one year but not later than five years | 5,129,504 | 4,839,596 |
| - Later than five years | 43,413,147 | 41,739,007 |

Land use rights pledged as security

Land use rights with an aggregate carrying value of RM45,498,524 (2010: RM18,748,067) are pledged as securities for bank borrowings as referred to in Note 25.

## 16. Investment in subsidiaries

| | Company 2011 RM | Company 2010 RM |
|---|---|---|
| Unquoted shares, at cost | 227,327,172 | 212,132,172 |

Details of the subsidiaries are as follows:

| Name of companies | Country of incorporation | Principal activities | Percentage of equity held 2011 % | Percentage of equity held 2010 % |
|---|---|---|---|---|
| Cergas Majusama Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Era Sureway Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Era Surplus Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Midas Choice Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Godrimaju Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Euroedge Sdn. Bhd. | Malaysia | Regional and coasta shipping business | 100 | 100 |
| Navitex Shipping Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Seabright Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Sealink Engineering And Slipway Sdn. Bhd. | Malaysia | Shipbuilding | 100 | 100 |
| Sealink Management Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Sealink Marine Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Sealink Pacific Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Sealink Sdn. Bhd. | Malaysia | Regional and coastal shipping business and letting of properties | 100 | 100 |
| Sutherfield Resources Sdn. Bhd. | Malaysia | Regional and coastal shipping business | 100 | 100 |
| Sealink Shipyard Sdn. Bhd. | Malaysia | Shipbuilding | 100 | 100 |
| Sea-Good Pte Ltd* | Singapore | Investment holding in shares, ship and boat leasing with operator (including chartering) | 100 | 100 |
| Sealink Offshore (L) Ltd. | Federal Territory of Labuan, Malaysia | Investment holding and leasing of vessels | 100 | 100 |
| Sealink Dockyard Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Seabright (Singapore) Private Limited* | Singapore | Ship owner | 100 | 100 |

## 16. Investment in subsidiaries (Continued)

| Name of companies | Country of incorporation | Principal activities | Percentage of equity held 2011 % | 2010 % |
|---|---|---|---|---|
| **Subsidiary of Sealink Shipyard Sdn. Bhd.** | | | | |
| Aliran Saksama Sdn. Bhd. | Malaysia | Letting of properties | 100 | 100 |
| **Subsidiary of Sealink Engineering And Slipway Sdn. Bhd.** | | | | |
| Baram Moulding Industries Sdn. Bhd. | Malaysia | Letting of properties | 100 | 100 |
| **Subsidiary of Sealink Pacific Sdn. Bhd.** | | | | |
| Bristal View Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| **Subsidiary of Midas Choice Sdn. Bhd.** | | | | |
| Sea Legend Shipping Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| **Subsidiary of Sealink Offshore (L) Ltd.** | | | | |
| Sealink Resources (L) Ltd. | Federal Territory of Labuan, Malaysia | Ship owner and trading of vessels | 100 | 100 |
| Sealink Marine (L) Ltd. | Federal Territory of Labuan, Malaysia | Ship owner and trading of vessels | 100 | 100 |
| Sealink Antarabangsa Ltd. | Federal Territory of Labuan, Malaysia | Ship owner and trading of vessels | 100 | 100 |
| Perkasa Asia Corporation Ltd. | Federal Territory of Labuan, Malaysia | Inactive | 100 | 100 |

* Audited by a firm other than Ernst & Young.

### Acquisition of subsidiaries

#### Sealink Dockyard Sdn. Bhd.

In 2010, the Company acquired 100% equity interest in Sealink Dockyard Sdn. Bhd., an unlisted company incorporated in Malaysia for a cash consideration of RM2.

#### Seabright (Singapore) Private Limited

In 2010, the Company acquired 100% equity interest in Seabright (Singapore) Private Limited, an unlisted company incorporated in Singapore for a cash consideration of SGD10,000.

#### Sealink Antarabangsa Ltd.

In 2010, the Company acquired 100% equity interest in Sealink Antarabangsa Ltd., an unlisted company incorporated in the Federal Territory of Labuan, Malaysia for a cash consideration of USD1.

## 16. Investment in subsidiaries (Continued)

### Acquisition of subsidiaries (Continued)

### Perkasa Asia Corporation Ltd.

In 2010, the Company acquired 100% equity interest in Perkasa Aasia Corporation Ltd., an unlisted company incorporated in Federal Territory of Labuan, Malaysia for a cash consideration of USD1.

### Sealink Offshore (L) Ltd.

During the year, the Company acquired additional 5,000,000 units of ordinary shares in Sealink Offshore (L) Ltd., an unlisted company incorporated in the Federal Territory of Labuan, Malaysia for cash consideration of USD1 each.

The acquisition of Sealink Dockyard Sdn. Bhd., Seabright (Singapore) Private Limited, Sealink Antarabangsa Ltd., and Perkasa Asia Corporation Ltd. in 2010 had contributed the following results to the Group:

The fair values of the identifiable assets and liabilities of subsidiaries as at the date of acquisition were:

| | Fair value/ Carrying amount | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Cash and bank balances | - | 24,176 |
| Net identifiable assets | - | 24,176 |

<u>Total cost of business combination</u>

The total cost of the business acquisition is as follows:

| | 2011 RM | 2010 RM |
|---|---|---|
| Cash paid | - | 24,176 |

The effect of the acquisition on cash flows is as follows:

| | 2011 RM | 2010 RM |
|---|---|---|
| Total cost of the business combination | - | 24,176 |
| Less: Cash and cash equivalents of subsidiary acquired | - | (24,176) |
| Net cash outflow on acquisition | - | - |

## 17. Investment in an associate

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Unquoted shares, at cost | 3,450,000 | - |
| Share of post acquisition profits and reserves | (1,266,208) | - |
| | 2,183,792 | - |

## 17. Investment in an associate (Continued)

| Name of associate | Country of incorporation | Principal activity | Proportion of ownership interest 2011 % | 2010 % |
|---|---|---|---|---|
| Logistine Sdn. Bhd. * | Malaysia | Regional and coastal shipping business | 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:

| | 2011 RM |
|---|---|
| **Assets and liabilities:** | |
| Non-current assets | 62,551,042 |
| Current assets | 9,252,614 |
| Total assets | 71,803,656 |
| Non-current liabilities | (63,022,369) |
| Current liabilities | (3,913,362) |
| Total liabilities | (66,935,731) |
| **Results:** | |
| Revenue | 14,785,306 |
| Profit for the year | 3,870,624 |

## 18. Inventories

| | Group 2011 RM | 2010 RM |
|---|---|---|
| **Cost** | | |
| Consumables | 966,413 | 586,375 |
| Machinery and equipment | 22,577,565 | 41,587,924 |
| Raw materials | 19,400,300 | 24,981,461 |
| Vessel parts and materials | 390,131 | 539,680 |
| Work-in-progress | 159,039,308 | 137,323,475 |
| | 202,373,717 | 205,018,915 |

Included in work-in-progress incurred during the financial year are:

| | Group 2011 RM | 2010 RM |
|---|---|---|
| Interest income | (261,684) | (204,975) |
| Interest expense | 2,573,650 | 2,225,180 |

## 19. Trade and other receivables

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | | | | |
| Third parties | 37,839,043 | 57,519,186 | - | - |
| Less: Allowance for impairment third parties | (5,675,086) | (5,737,926) | - | - |
| Trade receivable, net | 32,163,957 | 51,781,260 | - | - |
| **Other receivables** | | | | |
| Refundable deposits | 17,858,415 | 29,325,132 | - | - |
| Other receivables | 9,947,929 | 3,719,074 | 15,552 | 42,246 |
| Amount due from an associate | 11,548,753 | - | - | - |
| Amounts due from subsidiaries | - | - | 162,818,168 | 188,535,023 |
| | 39,355,097 | 33,044,206 | 162,833,720 | 188,577,269 |
| | 71,519,054 | 84,825,466 | 162,833,720 | 188,577,269 |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Refundable deposits | 317,076 | 787,224 | - | - |
| Amount due from an associate | 47,188,613 | - | - | - |
| Share application money for investment in associate company | - | 3,500,000 | - | - |
| | 47,505,689 | 4,287,224 | - | - |
| Total trade and other receivables | 119,024,743 | 89,112,690 | 162,833,720 | 188,577,269 |
| Add: Cash and bank balances (Note 22) | 81,703,139 | 78,150,871 | 1,150,761 | 1,473,309 |
| Total receivables | 200,727,882 | 167,263,561 | 163,984,481 | 190,050,578 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day (2010: 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 2011 RM | Group 2010 RM |
|---|---|---|
| Neither past due nor impaired | 5,478,039 | 16,971,559 |
| 1 to 30 days past due not impaired | 5,076,941 | 6,257,115 |
| 31 to 60 days past due not impaired | 4,661,715 | 14,241,216 |
| 61 to 90 days past due not impaired | 3,542,143 | 2,822,096 |
| 91 to 120 days past due not impaired | 3,063,700 | 2,190,019 |
| More than 121 days past due not impaired | 10,341,419 | 9,299,255 |
| | 26,685,918 | 34,809,701 |
| Impaired | 5,675,086 | 5,737,926 |
| | 37,839,043 | 57,519,186 |

## 19. Trade and other receivables (Continued)

### (a) Trade receivables (Continued)

**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 RM26,685,918 (2010: RM34,809,701) 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 | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Total receivables | 5,675,086 | 5,737,926 |
| Less: Allowance for impairment | (5,675,086) | (5,737,926) |
| At 31 December | - | - |
| Movement in allowance accounts: | | |
| At 1 January | 5,737,926 | 3,908,854 |
| Charge for the year (Note 9) | 260,096 | 1,829,072 |
| Reversal of impairment losses (Note 7) | (195,451) | - |
| Written off | (127,485) | - |
| At 31 December | 5,675,086 | 5,737,926 |

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) Amounts due from subsidiaries

These amounts are unsecured and are repayable on demand.

Included in the amounts due from subsidiaries is an amount of RM99,146,972 (2010: RM60,646,922) which bears interest from 3.49% - 6.16% (2010: 5.76% - 5.79%) per annum.

### (c) Amount due from an associate

This amount is unsecured and is fully repayable by 2017.

Included in the amount due from an associate is an amount of RM56,586,139 which bears interest charge at 6.50% per annum.

### (d) Other receivables

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

## 20. Other current assets

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Prepaid operating expenses | 1,827,287 | 2,728,835 | 17,607 | - |
| Amount due from customers on contracts (Note 21) | 16,454,889 | 9,917,558 | - | - |
| | 18,282,176 | 12,646,393 | 17,607 | - |

## 21. Amount due from/(to) customers for contract work-in-progress

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Construction contract costs incurred to date | 71,586,532 | 139,267,621 |
| Attributable profits | 22,709,839 | 40,716,315 |
| | 94,296,371 | 179,983,936 |
| Less: Progressive billings | (77,841,482) | (174,926,902) |
| | 16,454,889 | 5,057,034 |
| Presented as: | | |
| Amount due from customers on contract work (Note 20) | 16,454,889 | 9,917,558 |
| Amount due to customers on contract work (Note 27) | - | (4,860,524) |
| | 16,454,889 | 5,057,034 |

The cost incurred to date on construction contracts includes:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Interest income | - | (26,939) |
| Interest expense | - | 159,464 |

## 22. Cash and bank balances

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Cash at banks and on hand | 40,259,166 | 47,082,335 | 1,150,761 | 1,473,309 |
| Short term deposits with licensed banks | 41,443,973 | 31,068,536 | - | - |
| Cash and bank balances | 81,703,139 | 78,150,871 | 1,150,761 | 1,473,309 |

Deposits of the Group with licensed banks amounting to RM35,668,098 (2010: RM28,789,480) are pledged to banks for bank guarantees issued to third parties and for short term facilities granted by the banks to the Group.

## 22. Cash and bank balances (Continued)

Fixed deposits of the Group amounting to RM835,150 (2010: RM810,649) are registered under the name of a Director. The fixed deposit is used as security for bank guarantee facility granted by a bank to one of the subsidiary.

Included in cash and bank balances is an amount of RM921,512 which is 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 balance sheet date are as follows:

| | Interest rate | | Maturity | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | % | % | Days | Days |
| Deposits with licensed banks | 2.10 – 3.15 | 1.00 - 3.00 | 4 - 365 | 1 - 365 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Cash and bank balances | 81,703,139 | 78,150,871 | 1,150,761 | 1,473,309 |
| Bank overdrafts (Note 25) | (6,694,417) | (3,480,646) | - | - |
| | 75,008,722 | 74,670,225 | 1,150,761 | 1,473,309 |
| Cash at bank restricted in use | (921,512) | - | - | - |
| Fixed deposits pledged as security | (35,668,098) | (28,789,480) | - | - |
| | 38,419,112 | 45,880,745 | 1,150,761 | 1,473,309 |

## 23. Non-current asset held for sale

Included in non-current asset classified as held for sale on the statement of financial position as at 31 December 2011 is a vessel under construction with a carrying amount of RM36,912,835, for which an agreement to dispose of the vessel has been entered into. The disposal will be recognised upon delivery of the vessel.

Included in non-current asset held for sale incurred during the year is interest expense capitalised amounting to RM106,582.

## 24. Provisions

The Group gives 180 days warranties on defective workmanship and/or materials not discoverable on delivery of the vessel which become apparent during the warranty period. Specific provision is made according to the terms of each shipbuilding agreement or sale agreement.

## 25. Loans and borrowings

| | Maturity | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Secured: | | | | | |
| Bankers acceptances | 2012 | 6,467,000 | 6,717,000 | - | - |
| Bank overdrafts (Note 22) | On demand | 6,412,028 | 3,480,646 | - | - |
| Obligations under finance leases (Note 33(b)) | 2012 | 41,040 | 456,250 | - | - |
| Revolving credits | 2012 | 38,640,000 | 108,207,192 | 6,140,000 | 6,140,000 |
| Term loans | 2012 | 41,029,298 | 24,279,243 | - | - |
| | | 92,589,366 | 143,140,331 | 6,140,000 | 6,140,000 |
| **Unsecured:** | | | | | |
| Bankers acceptances | 2012 | 10,000,000 | 10,000,000 | - | - |
| Bank overdrafts | 2012 | 282,389 | - | - | - |
| Revolving credits | 2012 | 50,000,000 | 50,000,000 | - | - |
| | | 60,282,389 | 60,000,000 | - | - |
| | | 152,871,755 | 203,140,331 | 6,140,000 | 6,140,000 |
| **Non-current** | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 33(b)) | 2013 | - | 41,040 | - | - |
| Revolving credits | 2013-2018 | 33,055,000 | 39,195,000 | 33,055,000 | 39,195,000 |
| Term loans | 2013-2021 | 163,874,216 | 79,950,042 | - | - |
| | | 196,929,216 | 119,186,082 | 33,055,000 | 39,195,000 |
| Total loans and borrowings | | 349,800,971 | 322,326,413 | 39,195,000 | 45,335,000 |

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

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| On demand within one year | 152,871,755 | 203,140,331 | 6,140,000 | 6,140,000 |
| Later than 1 year but not later than 2 years | 45,213,430 | 30,176,641 | 6,140,000 | 6,140,000 |
| Later than 2 years but not later than 5 years | 106,611,567 | 68,433,696 | 18,420,000 | 18,420,000 |
| Later than 5 years | 45,104,219 | 20,575,745 | 8,495,000 | 14,635,000 |
| | 349,800,971 | 322,326,413 | 39,195,000 | 45,335,000 |

Bankers acceptances

Bankers acceptances are guaranteed by the holding company and charges over the Group's leasehold land and buildings.

## 25. Loans and borrowings (Continued)

Bank overdrafts

Bank overdrafts are secured by charges over the Group's vessels and charges over leasehold land and buildings of the Group and a company in which certain Directors of the Company have substantial financial interests.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14).

Revolving credits

Revolving credits are guaranteed by the holding company, a charge over the Group's leasehold land and buildings, fixed deposits in the name of the Group and holding company and a charge over a freehold land owned by a subsidiary.

Term loans

These loans are secured by first party first preferred statutory mortgage over the vessels of the Subsidiary (Note 14), corporate guarantees, charge over the leasehold land and buildings.

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

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | % | % |
| Banker acceptances | 3.68 – 5.05 | 3.33 – 4.65 |
| Bank overdrafts | 6.60 – 8.10 | 6.80 |
| Obligation under finance leases | 4.42 | 4.42 – 7.96 |
| Term loans | | |
| - Fixed rates | 5.40 | 5.47 – 6.50 |
| - Floating rates | 2.10 – 8.10 | 2.10 – 7.55 |
| Revolving credits | 4.65 – 5.70 | 4.31 – 5.29 |

## 26. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Trade payables** | | | | |
| Third parties | 20,790,866 | 22,733,696 | - | 78,219 |
| **Other payables** | | | | |
| Accrued operating expenses | 15,749,721 | 8,943,510 | 423,284 | 415,615 |
| Deposits received | 16,541,695 | 1,627,120 | - | - |
| Land premium payables | 434,531 | 612,332 | - | - |
| Other payables | 20,149,482 | 32,781,103 | 6,788 | 94,334 |
| Amount due to holding company | 129,112 | 33,999 | - | - |
| Amounts due to subsidiaries | - | - | 14,077,520 | 10,770,422 |
| | 53,004,541 | 43,998,064 | 14,507,592 | 11,280,371 |
| | 73,795,407 | 66,731,760 | 14,507,592 | 11,358,590 |

## 26. Trade and other payables (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Total trade and other payables | 73,795,407 | 66,731,760 | 14,507,592 | 11,358,590 |
| Add: Loans and borrowings (Note 25) | 349,800,971 | 322,326,413 | 39,195,000 | 45,335,000 |
| Total finance liabilities carried at amortised cost | 423,596,378 | 389,058,173 | 53,702,592 | 56,693,590 |

### a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2010: 30 to 90 day) terms. Included in trade payables is an amount of RM661,858 (2010: RM1,860,509) due to companies in which certain Directors have substantial financial interests.

### b) Other payables

These amounts are non-interest bearing. Included in other payables is an amount of RM13,343,825 (2010: RM13,009,522) due to companies in which certain Directors of the Company have substantial financial interests.

### c) Amount due to holding company

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

### d) Amounts due to subsidiaries

These amounts are unsecured and are repayable on demand.

Included in the amounts due to subsidiaries is an amount of RM7,800,000 (2010: RM3,809,812) which bears interest at 3.49% (2010: 3.25%) p.a.

## 27. Other current liabilities

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Amount due to customers for contract work (Note 21) | - | 4,860,524 |

## 28. Deferred tax liabilities

| Group | As at 1 January 2010 RM | Recognised in profit or loss RM | As at 31 December 2010 RM | Recognised in profit or loss RM | As at 31 December 2011 RM |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 52,812,606 | 9,976,557 | 62,789,163 | 8,763,704 | 71,552,867 |
| Provision for maintenance warranty | - | - | - | (375,000) | (375,000) |
| | 52,812,606 | 9,976,557 | 62,789,163 | 8,388,704 | 71,177,867 |
| **Deferred tax assets:** | | | | | |
| Unutilised tax losses | (166,892) | (163,230) | (330,122) | (686,928) | (1,017,050) |
| Unabsorbed capital allowances | (2,928,813) | (6,916,748) | (9,845,561) | (5,038,882) | (14,884,443) |
| | (3,095,705) | (7,079,978) | (10,175,683) | (5,725,810) | (15,901,493) |
| | 49,716,901 | 2,896,579 | 52,613,480 | 2,662,894 | 55,276,374 |

## 29. Share capital and share premium

| Group/Company | Number of ordinary shares of RM0.50 each share capital (Issued and fully paid) | Amount: Share capital (Issued and fully paid) RM | Amount: Share premium RM | Amount: Total Share capital and share premium RM |
|---|---|---|---|---|
| At 1 January 2010 and 31 December 2011 | 500,000,000 | 250,000,000 | 79,086,883 | 329,086,883 |

| | Number of ordinary shares of RM0.50 each | | Amount | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 RM | 2010 RM |
| **Authorised share capital** | | | | |
| At 1 January and 31 December | 1,000,000,000 | 1,000,000,000 | 500,000,000 | 500,000,000 |

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 regard to the Company residual assets.

## 30. Retained earnings

As at 31 December 2011, the Company did not have any tax credits to frank tax-paid dividends. The Company may distribute dividends out of its entire retained earnings under Section 108 of the Income Tax Act, 1967 as single tier tax exempt dividends.

## 31. Other reserves

| Group | Foreign currency translation reserve RM | Total RM |
|---|---|---|
| **At 1 January 2010** | 1,151,212 | 1,151,212 |
| Other comprehensive income: | | |
| Foreign currency translation | (1,107,729) | (1,107,729) |
| **At 31 December 2010 and 1 January 2011** | 43,483 | 43,483 |
| Other comprehensive income: | | |
| Foreign currency translation | 1,130,967 | 1,130,967 |
| **At 31 December 2011** | 1,174,450 | 1,174,450 |

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.

## 32. 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 Company and related parties took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Transactions with holding company | | | | |
| Dividend paid | 6,995,182 | 10,363,232 | 6,995,182 | 10,363,232 |
| Transactions with subsidiaries | | | | |
| Dividend income | - | - | (5,600,000) | (15,500,000) |
| Management fee | - | - | (2,500,462) | (2,116,633) |
| Interest income | - | - | (1,260,060) | (183,702) |
| Revolving credit recharged | - | - | (2,378,579) | (1,449,171) |
| Interest expense | - | - | 218,915 | 9,812 |
| Transaction with related company | | | | |
| Rental expense | 105,600 | 105,600 | 7,200 | 7,200 |
| Transactions with companies in which certain Directors have substantial interests | | | | |
| Rental paid | 143,603 | 139,499 | - | - |
| Hiring charges | 210,000 | 210,000 | - | - |
| Legal and professional fees | 250,043 | 498,502 | - | - |
| Transaction with a Director | | | | |
| Rental paid | 6,000 | 6,000 | - | - |

Related companies:
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 | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Short-term employee benefits | 4,227,038 | 3,092,318 | 2,263,297 | 1,250,872 |
| Defined contribution plan | 411,395 | 312,363 | 232,634 | 150,001 |
| | 4,638,433 | 3,404,681 | 2,495,931 | 1,400,873 |

## 33. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Capital expenditure: | | |
| Approved and contracted for: | | |
| Property, plant and equipment | 23,515,857 | 20,176,557 |
| Approved but not contracted for: | | |
| Property, plant and equipment | 77,116,450 | 114,461,000 |
| | 100,632,307 | 134,637,557 |

### (b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery, and motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Minimum lease payments:** | | |
| Not later than 1 year | 41,664 | 464,371 |
| Later than 1 year but not later than 2 years | - | 41,664 |
| Total minimum lease payments | 41,664 | 506,035 |
| Less: Amounts representing finance charges | (624) | (8,745) |
| Present value of minimum lease payments | 41,040 | 497,290 |
| **Present value of payments:** | | |
| Not later than 1 year | 41,040 | 456,250 |
| Later than 1 year but not later than 2 years | - | 41,040 |
| Present value of minimum lease payments | 41,040 | 497,290 |
| Less: Amount due within 12 months (Note 25) | (41,040) | (456,250) |
| Amount due after 12 months (Note 25) | - | 41,040 |

## 34. Derivatives

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts were used to hedge the Group's sales denominated in USD during the year (Note 36(d)). There were no balances outstanding at year end.

During the financial year, the Group recognised a net gain of RM188,010 (2010: RM385,485) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 35.

## 35. Fair value of financial instruments

### Determination of fair value

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

#### (a) Cash and bank deposits, other receivables and other payables

The carrying amounts of these balances approximate fair value due to their short term nature.

#### (b) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate fair value because they are subject to normal trade credit terms.

#### (c) Amounts due from/to associate, subsidiaries and holding companies

The carrying values of amounts due from/to associate, subsidiaries and holding companies in current assets and current liabilities approximate fair value due to their short term nature.

#### (d) Loans and borrowings

The carrying values of loans and borrowings approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

#### (e) Derivatives

Forward currency contracts are valued using a valuation technique with market observation inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

#### (f) Financial guarantees

Fair value 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.

## 36. 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 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.

## 36. 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 and the Company's exposure to credit risk arises primarily from trade and other receivables.

**Exposure to credit risk**

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

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 | Over five years RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| At 31 December 2011 | | | | |
| Financial liabilities: | | | | |
| Trade and other payables, excluding financial guarantees* | 73,795,407 | - | - | 73,795,407 |
| Loans and borrowings | 152,871,755 | 151,824,997 | 45,104,219 | 349,800,971 |
| Total undiscounted financial liabilities | 226,667,162 | 151,824,997 | 45,104,219 | 423,596,378 |
| **Company** | | | | |
| At 31 December 2011 | | | | |
| Financial liabilities: | | | | |
| Trade and other payables, excluding financial guarantees* | 14,507,592 | - | - | 14,507,592 |
| Loans and borrowings | 6,140,000 | 24,560,000 | 8,495,000 | 39,195,000 |
| Total undiscounted financial liabilities | 20,647,592 | 24,560,000 | 8,495,000 | 53,702,592 |

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

## 36. Financial risk management objectives and policies (Continued)

### (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.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been lower/higher by 10 basis points with all other variables held constant, the Group's profit net of tax would have been RM208,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate short term 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 RM, Singapore Dollar (SGD) and United States Dollars (USD). The foreign currencies in which these transactions are denominated are mainly Euro (EURO), Norwegian Krone (NOK), Singapore Dollar (SGD) and United States Dollars (USD).

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 profit net of tax to a reasonably possible change in the EURO, NOK, SGD and USD against RM exchange rate, RM and USD against SGD exchange rate and SGD against USD exchange rate with all other variables held constant.

| | | 2011<br>RM |
|---|---|---|
| EURO/RM | - strengthen by 5% | 19,872 |
| EURO/RM | - weaken by 5% | (19,872) |
| NOK/RM | - strengthen by 5% | (34,741) |
| NOK/RM | - weaken by 5% | 34,741 |
| SGD/RM | - strengthen by 5% | (634,048) |
| SGD/RM | - weaken by 5% | 634,048 |

## 36. Financial risk management objectives and policies (Continued)

### (d) Foreign currency risk (Continued)

| | | 2011 RM |
|---|---|---|
| USD/RM | - strengthen by 5% | (1,187,967) |
| USD/RM | - weaken by 5% | 1,187,967 |
| RM/SGD | - strengthen by 5% | 30,187 |
| RM/SGD | - weaken by 5% | (30,187) |
| USD/SGD | - strengthen by 5% | 95,696 |
| USD/SGD | - weaken by 5% | (95,696) |
| SGD/USD | - strengthen by 5% | 148,858 |
| SGD/USD | - weaken by 5% | (148,858) |

## 37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. No changes were made in the objective, policies and processes during the years ended 31 December 2011 and 2010.

## 38. 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

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, is 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.

## 38. Segment information (Continued)

| | Shipbuilding | | Chartering | | Others | | Adjustments and Eliminations | | | Per Consolidated Financial Statements | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| | RM | RM | RM | RM | RM | RM | RM | RM | Notes | RM | RM |
| **Revenue:** | | | | | | | | | | | |
| External customers | 114,923,652 | 155,482,636 | 87,095,525 | 69,409,221 | - | - | - | - | | 202,019,177 | 224,891,857 |
| Inter-segment | 93,270,962 | 187,446,023 | 4,534,373 | 8,572,827 | 8,178,462 | - | (105,983,797) | (196,018,850) | A | - | - |
| Total revenue | 208,194,614 | 342,928,659 | 91,629,898 | 77,982,048 | 8,178,462 | - | (105,983,797) | (196,018,850) | | 202,019,177 | 224,891,857 |
| **Results:** | | | | | | | | | | | |
| Interest income | 456,228 | 256,454 | 3,363,681 | 261,629 | 1,351,180 | 283,305 | (1,662,421) | (250,970) | | 3,508,668 | 550,418 |
| Depreciation and amortisation | 7,486,964 | 7,280,472 | 25,132,621 | 19,789,674 | 55,472 | 561,670 | (1,373,905) | (1,315,490) | | 31,301,152 | 26,316,326 |
| Other non-cash expenses | 7,785,414 | - | 21,371 | 193,299 | - | - | - | 1,744,713 | B | 7,806,785 | 1,938,012 |
| Segment (loss)/profit | (2,146,276) | 36,616,505 | 21,299,931 | 16,436,201 | 8,855,194 | 15,948,246 | (6,211,813) | (31,543,483) | C | 21,797,036 | 37,457,469 |
| **Assets:** | | | | | | | | | | | |
| Investment in an associate | - | - | - | - | 3,450,000 | - | - | - | | 3,450,000 | - |
| Additions to non-current assets | 3,612,525 | 2,010,648 | 33,076,132 | 80,776,766 | 979,875 | 60,762,509 | 5,920,387 | (12,777,575) | D | 43,588,919 | 130,772,348 |
| Segment assets | 369,412,946 | 447,796,804 | 596,716,953 | 463,837,615 | 562,725,282 | 526,517,616 | (602,391,391) | (551,528,264) | E | 926,463,790 | 886,623,771 |
| **Segment liabilities** | 269,022,367 | 329,365,071 | 335,004,868 | 230,563,318 | 222,207,983 | 194,295,641 | (344,823,914) | (307,302,115) | F | 481,411,304 | 446,921,915 |

## 38. 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 | 2011 RM | 2010 RM |
|---|---|---|---|
| Deposits written off | 9 | 5,524,706 | - |
| Provision for maintenance warranties | 9 | 2,000,000 | - |
| Property, plant and equipment written off | 9 | 21,983 | 108,940 |
| Impairment loss on financial assets | 9 | 260,096 | 1,829,072 |
| | | 7,806,785 | 1,938,012 |

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income:

| | 2011 RM | 2010 RM |
|---|---|---|
| Dividend from subsidiaries | (5,600,000) | (15,500,000) |
| Profit from inter-segment sales | (929,737) | (13,548,100) |
| Finance costs | 1,058,366 | 250,970 |
| Share of results of an associate | 967,656 | - |
| Unallocated corporate expenses | (1,708,098) | (2,746,353) |
| | (6,211,813) | (31,543,483) |

D Additions to non-current assets consist of:

| | 2011 RM | 2010 RM |
|---|---|---|
| Property, plant and equipment | 42,685,417 | 130,337,817 |
| Land use rights | 903,502 | 434,531 |
| | 43,588,919 | 130,772,348 |

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

| | 2011 RM | 2010 RM |
|---|---|---|
| Investment in subsidiaries | (231,346,099) | (216,151,098) |
| Investment in an associate | (1,266,208) | - |
| Inter-segment assets | (369,779,084) | (335,377,166) |
| | (602,391,391) | (551,528,264) |

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

| | 2011 RM | 2010 RM |
|---|---|---|
| Deferred tax liabilities | 1,273,118 | 1,285,918 |
| Inter-segment liabilities | (346,097,032) | (308,588,033) |
| | (344,823,914) | (307,302,115) |

## 38. Segment information (Continued)

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 | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Malaysia | 196,479,953 | 216,749,676 | 438,803,375 | 469,410,209 |
| Singapore | 5,539,224 | 8,142,181 | 25,855,750 | 31,610,049 |
| | 202,019,177 | 224,891,857 | 464,659,125 | 501,020,258 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | 2011 RM | 2010 RM |
|---|---|---|
| Property, plant and equipment | 414,834,098 | 450,816,357 |
| Land use rights | 49,825,027 | 50,203,901 |
| | 464,659,125 | 501,020,258 |

## 39. Dividends

| | Dividends in respect of Year | | Dividends recognised in Year | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Recognised during the financial year:** | | | | |
| Final single tier tax exempt dividend for 2010: 5.4% on 500,000,000 ordinary shares of RM0.50 each (4 sen per ordinary share) | - | - | 13,500,000 | 20,000,000 |
| **Proposed but not recognised as a liability as at 31 December:** | | | | |
| Final single tier tax exempt dividend for 2011: 2.0% on 500,000,000 ordinary shares of RM0.50 each (2.7 sen per ordinary share) | 5,000,000 | 13,500,000 | - | - |

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2011, of 2.0% on 500,000,000 ordinary shares, amounting to a dividend payable of RM5,000,000 (1.0 sen per ordinary share) shall be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

## 40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 20 April 2012.

## 41. Supplementary information - breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM | 2010<br>RM | 2011<br>RM | 2010<br>RM |
| **Recognised during the financial year:** | | | | |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - Realised | 325,161,299 | 329,218,807 | 8,607,073 | 16,178,446 |
| - Unrealised | (44,286,327) | (50,709,915) | (28,021) | 317,447 |
| | 280,874,972 | 278,508,892 | 8,579,052 | 16,495,893 |
| Less: Consolidation adjustments | (166,083,819) | (167,937,402) | - | - |
| Retained earnings as per financial statements | 114,791,153 | 110,571,490 | 8,579,052 | 16,495,893 |

# LANDED PROPERTIES

| NO | LAND IDENTIFICATION / POSTAL ADDRESS | DESCRIPTION OF PROPERTY / USAGE | OWNER | AREA (sq m) | APPROXIMATE AGE OF THE BUILDING / TENURE/DATE OF EXPIRY OF LEASE | ADJUSTED NBV AS AT 31.12.2011 (RM) |
|---|---|---|---|---|---|---|
| 1 | Lot 156 Block 5 Kuala Baram Land District / No 156, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak | Vacant agriculture land / N/A | SEALINK SHIPYARD SDN BHD (195853-D) | 8,050 more or less | [N/A] / [60 years] / Lease term expires on 2nd August, 2071 | 177,412 |
| 2 | 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 warehouse | SEALINK SHIPYARD SDN BHD (195853-D) | 116,170 more or less | [4 years] / [60 years] /Lease term expires on 27th February, 2056 | 24,981,491 |
| 3 | Lot 1341 Miri Concession Land District / Lot 1341 Jalan Cattleya 1, Krokop/Piasau Industrial Estate, 98000 Miri, Sarawak | Industrial land and building/ Warehouse | SEALINK SHIPYARD SDN BHD (195853-D) | 1,971 more or less | [60 years] / Lease term expires on 31st December, 2027 | 596,784 |
| 4 | 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 (office) | SEALINK SHIPYARD SDN BHD (195853-D) | 4,700 more or less | [60 years] / Lease term expires on 24th February, 2052 | 1,793,519 |
| 5 | 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 detached building (office) | SEALINK SENDIRIAN BERHAD (20471-D) | 4,039 more or less | [32 years] /[60 years] / Lease term expires on 31st December, 2027 | 1,867,184 |

# LANDED PROPERTIES

| NO | LAND IDENTIFICATION / POSTAL ADDRESS | DESCRIPTION OF PROPERTY / USAGE | OWNER | AREA (sq m) | APPROXIMATE AGE OF THE BUILDING / TENURE/DATE OF EXPIRY OF LEASE | ADJUSTED NBV AS AT 31.12.2011 (RM) |
|---|---|---|---|---|---|---|
| 6 | Lot 1359 Block 3 Miri Concession Land District/ Lot 1359 Jalan Piasau Utara 1, Piasau Industrial Estate, 98000 Miri, Sarawak | Industrial land and building / Detached building (office-cum warehouse) | SEALINK SENDIRIAN BERHAD (20471-D) | 4,244 more or less | [23 years] /[60 years] / Lease term expires on 20th December, 2047 | 1,307,440 |
| 7 | Lot 482 Block 4 Miri Concession Land District/ Lot 482 Block 4 Miri Concession Land District, 98009 Miri, Sarawak | Vacant industrial land / N/A | SEALINK SENDIRIAN BERHAD (20471-D) | 19,441 more or less | [N/A] / [60 years] / Lease term expires on 11th June, 2036 | 8,228,092 |
| 8 | 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, Riam Road, Miri, Sarawak] | Vacant agricultural land / N/A | SEALINK SENDIRIAN BERHAD (20471-D) | 23,110 more or less | [N/A] / [60 years] / Lease term expires on 2nd October, 2071 | 86,700 |
| 9 | 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 Building] | SEALINK SHIPYARD SDN BHD (195853-D) | 4,059 more or less | [42 years] /[60 years] / Lease term expires on 31st December, 2027 | 1,716,663 |
| 10 | Lot 372 Block 1 Kuala Baram Land District/ Lot 372 Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak | Vacant industrial land/ [N/A] | SEALINK SHIPYARD SDN BHD (195853-D) | 123,780 more or less | [N/A] /[60 years] / Lease term expires on 7th April, 2057 | 10,940,940 |

# LANDED PROPERTIES

| NO | LAND IDENTIFICATION / POSTAL ADDRESS | DESCRIPTION OF PROPERTY / USAGE | OWNER | AREA (sq m) | APPROXIMATE AGE OF THE BUILDING / TENURE/DATE OF EXPIRY OF LEASE | ADJUSTED NBV AS AT 31.12.2011 (RM) |
|---|---|---|---|---|---|---|
| 11 | 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 & fabrication yard | BARAM MOULDING INDUSTRIES SDN BHD ( 200873-D) | 19,750 more or less | [3 years] / [60 years] / Lease term expires on 17th July, 2058 | 6,746,060 |
| 12 | Country Lease 205316669/ CL 205316669, Jalan Rancha-Rancha Lama, Kampung Rancha-Rancha, 87000 Labuan, Wilayah Persekutuan, Labuan | Vacant land /N/A | BRISTAL VIEW SDN BHD (253385-T) | 41,156 more or less | [N/A] / [999 years] / Lease term expires on 2nd August, 2865 | 5,147,549 |
| 13 | Lot 288 Block 1 Kuala Baram Land District/ Lot 288 Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak | Industrial land and building / Workers quarters | ALIRAN SAKSAMA SDN BHD (473205-H) | 19,647 more or less | [2 years] / [60 years] / Lease term expires on 22nd October, 2067 | 3,714,203 |

# ANALYSIS OF SHAREHOLDINGS
## (Ordinary Shares) As at 30 April 2012

### ANALYSIS OF ORDINARY SHAREHOLDINGS

**Class of Equity Security**

| | | |
|---|---|---|
| Authorised share capital | : | RM 1,000, 000,000.00 |
| Issued & fully paid-up capital | : | RM 250,000,000.00 |
| Class of shares | : | Ordinary shares of RM0.50 each |
| Voting rights | : | One vote per ordinary share |

**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 | 0.00 |
| 2 | DATUK MICHAEL HARDIN | 300,001 | 0.06 | 259,080,800[(a)] | 0.00 |
| 3 | TOH KIAN SING | 0 | 0.00 | 0 | 0.00 |
| 4 | WONG CHIE BIN | 60,000 | 0.01 | 0 | 0.00 |
| | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG CHIE BIN (M73031) | 0 | 0.00 | 0 | 0.01 |
| 5 | YONG FOH CHOI | 45,716,800 | 9.14 | 326,463,199[(b)] | 0.00 |
| 6 | YONG KIAM SAM | 67,382,399 | 13.48 | 304,797,600[(c)] | 0.00 |
| | **TOTAL** | **113,459,200** | **22.69** | **890,341,599** | **0.01** |

**Note:**

(a) Deemed interested by virtue of his substantial shareholding in Sealink Holdings Sdn Bhd.

(b) Deemed interested by virtue of his substantial shareholding in Sealink Holdings Sdn Bhd and his son, Yong Kiam Sam's shareholding in the Company.

(c) Deemed interested by virtue of, his father Yong Foh Choi substantial shareholding in Sealink Holdings Sdn Bhd and also his father's shareholding in the Company.

**Distribution of Shareholdings**

| | NO. OF HOLDERS | % | NO. OF HOLDINGS | % |
|---|---|---|---|---|
| 1-99 | 3 | 0.10 | 187 | 0.00 |
| 100-1,000 | 757 | 26.23 | 188,100 | 0.04 |
| 1,001-10,000 | 1,048 | 36.31 | 6,587,513 | 1.32 |
| 10,001-100,000 | 891 | 30.87 | 30,504,500 | 6.10 |
| 100,001-24,999,999 (*) | 184 | 6.38 | 90,539,701 | 18.11 |
| 25,000,000 AND ABOVE (**) | 3 | 0.10 | 372,179,999 | 74.44 |
| **TOTAL** | **2,886** | **100.00** | **500,000,000** | **100.00** |

REMARK: *-LESS THAN 5% OF ISSUED HOLDINGS
: **-5% AND ABOVE OF ISSUED HOLDINGS

**Substantial Shareholders**

| Name | Direct No. of Shares held | %* | Indirect No. of Shares held | % |
|---|---|---|---|---|
| Sealink Holdings Sdn Bhd | 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 | 326,463,119 | 65.29 |

# ANALYSIS OF SHAREHOLDINGS
## (Ordinary Shares) As at 30 April 2012

### Thirty (30) Largest Shareholders

| | HOLDER NAME AND ADDRESS | Shareholdings | %* |
|---|---|---|---|
| 1 | SEALINK HOLDINGS SDN. BHD.<br>LOT 1035, BLOCK 4, MCLD, PIASAU INDUSTRIAL AREA,<br>98000 MIRI | 259,080,800 | 51.82 |
| 2 | YONG KIAM SAM<br>LOT 1035,BLK 4,MCLD,PIASAU INDUSTRIAL AREA, CDT 139<br>98009 MIRI | 67,382,399 | 13.48 |
| 3 | YONG FOH CHOI<br>LOT 1035 BLK 4 MCLD PIASAU INDUSTRIAL<br>AREA CDT 139<br>98009 MIRI | 45,716,800 | 9.14 |
| 4 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)<br>LEVEL 13 MENARA OCBC<br>18 JALAN TUN PERAK<br>50050 KUALA LUMPUR | 6,990,000 | 1.40 |
| 5 | HDM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>KONG SING NGUONG (M05)<br>LEVELS 2,3,4,7&8 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 6,832,900 | 1.37 |
| 6 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)<br>LEVEL 13 MENARA OCBC<br>18 JALAN TUN PERAK<br>50050 KUALA LUMPUR | 6,310,000 | 1.26 |
| 7 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)<br>LEVEL 13 MENARA OCBC<br>18 JALAN TUN PERAK<br>50050 KUALA LUMPUR | 6,170,500 | 1.23 |
| 8 | HDM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>TOH PIK CHAI (M05)<br>LEVELS 2,3,4,7&8 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 2,258,500 | 0.45 |
| 9 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)<br>44TH FLOOR MENARA CITIBANK 165 JALAN AMPANG<br>50450 KL | 2,244,100 | 0.45 |
| 10 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)<br>LEVEL 13 MENARA OCBC<br>18 JALAN TUN PERAK<br>50050 KUALA LUMPUR | 2,196,500 | 0.44 |
| 11 | HDM NOMINEES (TEMPATAN) SDN BHD<br>HDM CAPITAL SDN BHD FOR<br>LO GA LUNG<br>LEVELS 2,3,4,7 & 8 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 2,099,000 | 0.42 |

# ANALYSIS OF SHAREHOLDINGS
## (Ordinary Shares) As at 30 April 2012

### Thirty (30) Largest Shareholders

| | HOLDER NAME AND ADDRESS | Shareholdings | %* |
|---|---|---|---|
| 12 | DATA HASRAT SDN BHD<br>25TH FLOOR BANGUNAN AMBANK GROUP<br>JALAN RAJA CHULAN<br>50200 KUALA LUMPUR | 2,000,000 | 0.40 |
| 13 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>LAI BOON KHEE (E-PDG/JPN)<br>7 8 & 9 JALAN CHAN BEE KIEW<br>OFF JALAN PADUNGAN<br>93100 KUCHING | 1,718,700 | 0.34 |
| 14 | HDM NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>HWANG AI MOR (M05)<br>LEVELS 2,3,4,7 & 8 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 1,676,700 | 0.34 |
| 15 | LAI CHUN LIAN<br>NO 77 PASAR BATU 7<br>JALAN PENRISSEN<br>93250 KUCHING | 1,205,500 | 0.24 |
| 16 | TENGKU AB MALEK BIN TENGKU MOHAMED<br>NO 46 JALAN BUNGA MELATI 2/2<br>40000 SHAH ALAM | 1,100,000 | 0.22 |
| 17 | LEASING CORPORATION SDN BHD<br>NO 18 LORONG YAP KWAN SENG<br>50450 KUALA LUMPUR | 1,009,000 | 0.20 |
| 18 | AMANAH SAHAM MARA BERHAD<br>TINGKAT 3 & 5 WISMA ASMB<br>NO 1A JALAN LUMUT PETI SURAT 10701<br>50722 KUALA LUMPUR | 1,000,000 | 0.20 |
| 19 | KOPERASI PERMODALAN FELDA MALAYSIA BERHAD<br>BLOK J ANJUNG FELDA<br>JALAN MAKTAB<br>54000 KUALA LUMPUR | 900,000 | 0.18 |
| 20 | TING HUA PING<br>NO 15-B JLN SAWI<br>96000 SIBU | 825,200 | 0.17 |
| 21 | BAHTERA OFFSHORE (M) SDN BHD<br>NO 39A JALAN USJ 21/11<br>UEP SUBANG JAYA<br>47600 PETALING | 800,000 | 0.16 |
| 22 | EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>PLEDGED SECURITIES ACCOUNT FOR<br>AGROSEGAR SDN. BHD. (SFC)<br>25TH FLOOR MENARA EON BANK<br>288 JALAN RAJA LAUT<br>50350 KUALA LUMPUR | 800,000 | 0.16 |
| 23 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>KONG SING NGUONG<br>15TH FLOOR BANGUNAN AMBANK GROUP<br>55 JALAN RAJA CHULAN<br>50200 KUALA LUMPUR | 700,000 | 0.14 |

# ANALYSIS OF SHAREHOLDINGS
## (Ordinary Shares) As at 30 April 2012

### Thirty (30) Largest Shareholders

| | HOLDER NAME AND ADDRESS | Shareholdings | %* |
|---|---|---|---|
| 24 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>CHIENG YOU PING<br>8TH FLOOR KENANGA INTERNATIONAL<br>JALAN SULTAN ISMAIL<br>50250 KUALA LUMPUR | 700,000 | 0.14 |
| 25 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>CIMB ISLAMIC TRUSTEE BERHAD FOR<br>AMANAH SAHAM PEKERJA-PEKERJATNB (50148 TR01)<br>LEVEL 7 WISMA AMANAH RAYA BERHAD<br>JALAN SEMANTAN DAMANSARA HEIGHTS<br>50490 KUALA LUMPUR | 680,000 | 0.14 |
| 26 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>ML MARKETING SDN. BHD.<br>8TH FLOOR KENANGA INTERNATIONAL<br>JALAN SULTAN ISMAIL<br>50250 KUALA LUMPUR | 675,500 | 0.14 |
| 27 | AIBB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>NG ONN TEE @ NG CHONG TANN<br>LEVEL 17, MENARA MULTI-PURPOSE<br>CAPITAL SQUARE, 8 JALAN MUNSHI ABDULLAH<br>50100 KUALA LUMPUR | 671,600 | 0.13 |
| 28 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PHUA KIAP WITE<br>14TH FLOOR, MENARA MAYBANK<br>100, JALAN TUN PERAK<br>50050 KUALA LUMPUR | 664,900 | 0.13 |
| 29 | LEE CHOON HOOI<br>13 JALAN 5/39<br>46000 PETALING JAYA | 661,800 | 0.13 |
| 30 | KENANGA NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR<br>PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)<br>8TH FLOOR KENANGA INTERNATIONAL<br>JALAN SULTAN ISMAIL<br>50250 KUALA LUMPUR | 650,000 | 0.13 |
| | **TOTAL** | **425,720,399** | **85.14** |
| | TOTAL ISSUED HOLDINGS | 500,000,000 | |

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# SEALINK INTERNATIONAL BERHAD

(Company No. 800981-X)

| No. of Shares Held : |
|---|
| |

## FORM OF PROXY

I/We .............................................................................................................................................. NRIC No./ Company No. ....................................................
*(Full Name in Capital Letters)*

of ..........................................................................................................................................................................................................................
*(Full Address in Capital Letter)*

being a member/members of SEALINK INTERNATIONAL BERHAD hereby appoint .........................................................................................................
*(Full Name in Capital Letters)*

I/C No. .................................................... of ..........................................................................................................................................................

..............................................................................................................................................................................................................................
*(Full Address in Capital Letter)*

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at Danum Room, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak, on 20th June 2012 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 declare a Final Single Tier Tax Exempt Dividend of one (1) sen per share for the financial year ended 31st December 2011 | | |
| 2. | To approve Directors' Fees for the financial year ending 31st December 2012. | | |
| 3. | To re-appoint Y Bhg. Datuk Michael Hardin, who shall retire pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 4. | To re-appoint Mr Yong Foh Choi, who shall retire pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 5. | 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. | | |
| 6. | To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. | | |
| 7. | To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 8. | Proposed Shareholders' Mandate On Recurrent Related Party Transactions of A Revenue Or Trading Nature. | | |

(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 of abstain from voting at his discretion).

Dated this

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

**NOTES:**

A proxy may but need not be a member of the Company and the provisions of Section 149(1) (b) of the Act shall not apply to the Company.

To be valid, this form, duly completed must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting.

A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1) (c) of the Act are complied with.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation this form must be executed under its common seal of under the hand of an officer or attorney duly authorized.

Only Depositors whose names appear in the General Meeting Record of Depositors as at 14 June 2012 be regarded as Members and shall be entitled to attend, speak and vote at the Fourth Annual General Meeting.

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AFFIX
STAMP

**REGISTERED OFFICE/**
**PRINCIPAL PLACE OF BUSINESS**

Lot 1035, Block 4, MCLD
Piasau Industrial Area
98000 Miri Sarawak

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