SEALINK INTERNATIONAL BERHAD
(800981-X)


ANNUAL REPORT

# 2016

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SEALINK INTERNATIONAL BERHAD
(800981-X)

# The Sealink Group

We are a Ship Owner / Charterer, Shipbuilder and Ship Repairer. Sealink Group builds, owns and operates a diverse fleet of marine support vessels, include serving the global exploration and marine industry.

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

We are listed on the Main Market of Bursa Malaysia.

# Our Vision

A Leading Integrated Service Provider for the Marine Industry

# Our Mission

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

# Our Goals

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

# Our Values

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

**Sealink International Berhad**
(Company No. 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

# CORPORATE INFORMATION

| | |
|---|---|
| **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** | Independent-Non Executive Director |
| **Dato' Sebastian Ting Chiew Yew** | 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

**Dato' Sebastian Ting Chiew Yew**
Member of Audit Committee

## NOMINATING COMMITEE

**Eric Khoo Chuan Syn @ Khoo Chuan Syn**
Chairman of Nominating Committee

**Toh Kian Sing**
Member of Nominating Committee

**Wong Chie Bin**
Member of Nominating Committee

**Dato' Sebastian Ting Chiew Yew**
Member of Nominating Committee

## REMUNERATION COMMITTEE

**Toh Kian Sing**
Chairman of Remuneration Committee

**Eric Khoo Chuan Syn @ Khoo Chuan Syn**
Member of Remuneration Committee

**Wong Chie Bin**
Member of Remuneration Committee

**Dato' Sebastian Ting Chiew Yew**
Member of Remuneration Committee

## COMPANY SECRETARY

**Yeo Puay Huang** (f)
(LS 0000577)

## 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** : www.asiasealink.com

## REGISTRAR

**Securities Services (Holdings) Sdn Bhd** (36869-T)
Level 7,
Menara Milenium,
Jalan Damanlela
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan
**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

## STOCK EXCHANGE LISTINGS

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

## PRINCIPAL BANKERS

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

**AmBank (M) Berhad** (8515-D)
Boulevard Commercial Centre,
Km 3, Jalan Miri-Pujut,
98000 Miri, Sarawak
**Telephone No.** : 085-411580
**Facsimile No.** : 085-439788

**CIMB Bank Berhad** (13491-P)
Commercial Banking Centre- Miri
Lot 2382 1st Floor,
Block 5, Miri Concession Land District,
Boulevard Commercial Centre,
98000 Miri, Sarawak
**Telephone No.** : 085-433559
**Facsimile No.** : 085- 432149

**United Overseas Bank (Malaysia) Bhd**
(271809K)
Corporate Banking – Miri Branch
No. 108 & 110, Jalan Bendahara,
98000 Miri, Sarawak, Malaysia.
**Telephone No.** : 085-433322
**Facsimile No.** : 085-422221

**Standard Chartered Saadiq Berhad** (823437-K)
Commercial Banking
Level 9, Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur, Wilayah Persekutuan
**Telephone No.** : 1 300 88 33 99
**Facsimile No.** : 03-21428933

**Malayan Banking Berhad** (3813-K)
Regional Corporate Banking, Sarawak
6th Floor, Crown Towers,
88, Jalan Pending,
93450 Kuching, Sarawak
**Telephone No.** : 082-332552
**Facsimile No.** : 082-332915

**DBS Bank Ltd** (196800306E)
12 Marina Boulevard Level 43
DBS Asia Central @ Marina Bay
Financial Centre Tower 3
Singapore 018982
**Telephone No.** : +65 68788888
**Facsimile No.** : +65 68786444

SEALINK INTERNATIONAL BERHAD
(800981-X)

### A. HEADQUARTERS

Lot 1035, Block 4,
MCLD, Piasau Industrial Area,
98000 Miri, Sarawak
**Telephone No.** : 085-651778
**Facsimile No.** : 085-652480

### B. OTHER PLACES OF OPERATIONS

Lot 816, Block 1,
Kuala Baram Land District,
98100 Kuala Baram Miri, Sarawak
**Telephone No.** : 085-605767
**Facsimile No.** : 085-605428

Lot 1339, Jalan Cattleya 1,
MCLD, Krokop,
98000 Miri, Sarawak
**Telephone No.** : 085-605767
**Facsimile No.** : 085-605428

545 Orchard Road #09-07,
Far East Shopping Centre,
238882 Singapore
**Telephone No.** : +65 67377911
**Facsimile No.** : +65 67374889

Lot 20, Manmohan's Warehouse,
Jalan Patau Patau,
87000 Wilayah Persekutuan Labuan
**Telephone No.** : 087-581686
**Facsimile No.** : 087-582686

Lot 18234 Ground Floor & First Floor,
Jalan Air Putih, Kampung Jaya,
24000 Chukai Kemaman,
Terengganu
**Telephone No.** : 09-8504012
**Facsimile No.** : 09-8504013

# GROUP STRUCTURE

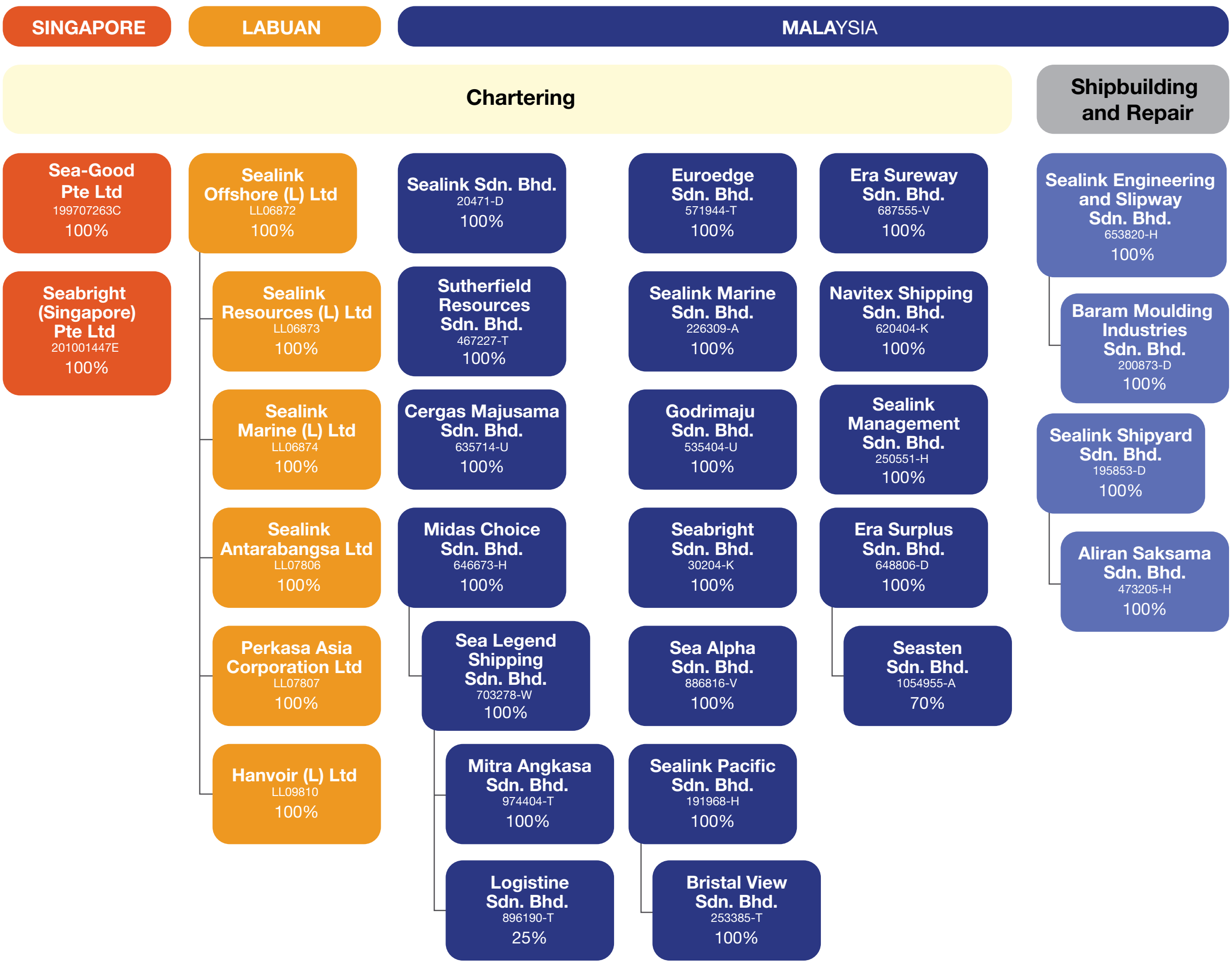
**PLACE AND DATE OF INCORPORATION:**
Sealink International Berhad was incorporated in Malaysia on 28th December, 2007

Effective Equity Interest 100%

Principal Activities: Holding and Investment Company

SEALINK INTERNATIONAL BERHAD
(800981-X)

**Issued and paid-up capital: RM 250,000,000.00 comprising of 500,000,000 ordinary shares**



## (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<br>31 December<br>RM'000 |
|---|---|---|---|---|---|
| Revenue | 55,498 | 40,385 | 13,857 | 13,162 | 122,902 |
| Loss before tax | (8,020) | (9,663) | (7,830) | (37,562) | (63,075) |
| Loss after tax | (6,205) | (8,874) | (7,303) | (34,273) | (56,655) |
| Attributable to ordinary equity holders of the Company | (6,205) | (8,874) | (7,303) | (34,273) | (56,655) |

## (B) Segmental performance - Revenue

| Revenue | 2012<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 |
|---|---|---|---|---|---|
| Chartering | 98,557 | 115,740 | 121,304 | 119,096 | 61,949 |
| Shipbuilding | 22,765 | 92,902 | 6,704 | 22,240 | 60,785 |
| Rental income | 108 | 108 | 86 | 168 | 168 |
| Total | 121,430 | 208,750 | 128,094 | 141,504 | 122,902 |

## (C) Segmental performance – Net profit/(loss) before tax

| Net profit/(loss) before tax | 2012<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 |
|---|---|---|---|---|---|
| Chartering | 26,013 | 20,832 | 30,762 | 591 | (38,007) |
| Shipbuilding | (27,454) | (4,373) | (29,873) | (16,269) | (18,613) |
| Others | (3,532) | 452 | 2,772 | (1,383) | (6,455) |
| Total | (4,973) | 16,911 | 3,661 | (17,061) | (63,075) |

## (D) Financial Statistics

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Basic earnings/(loss) per share (Sen) | (1.82) | 2.71 | 1.65 | (1.51) | (11.33) |
| Net dividend per share (Sen) | - | 1.00 | - | - | - |
| Operating profit margin (%) | 12.58 | 16.94 | 17.28 | 5.64 | (23.02) |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | 0.87 | 0.90 | 0.92 | 1.00 | 0.91 |
| Return on average shareholders' equity (%) | (2.07) | 3.07 | 1.81 | (1.57) | (11.88) |

# CALENDAR OF EVENTS IN 2016

| Month | Events |
|---|---|
| January | SHELL ‘GOAL ZERO AWARD’ for Achieving 365 Goal Zero Days in 2015 in Sarawak Shell Berhad and Sabah Shell Petroleum Limited<br>Delivery of Two (2) Landing Crafts to UAE |
| February | 2015 SAFETY AWARD FOR EXCELLENCE (S.A.F..E) PLATINUM Category from CARIGALI HESS<br>New Charter of Utility Vessel<br>Contract Extension for Tugboat/AHT |
| March | New Charter of Utility Vessel<br>New Charter of Tugboat/AHT |
| April | Lost Time Injury (LTI) Free Days Award (730 Days)<br>Delivery of Landing Craft to Cuba<br>New Charter of Barge |
| August | Purchase of Shares in Mitra Angkasa Sdn. Bhd. (Company No.974404-T) by Sea Legend Shipping Sdn. Bhd. (Company No. 703278-W) from Malaysian Engineering and Oilfield Services Sdn. Bhd. (Company No. 476682-A) |
| October | Health, Safety and Environment (HSE) Day 2016 |
| December | New Charter of Utility Vessel |

**NOTICE OF NINTH ANNUAL GENERAL MEETING** of Sealink International Berhad will be held at the Meeting Room, 1st Floor, Admin Block, Sealink Engineering and Slipway Sdn Bhd, Lot 816, Block 1, Kuala Baram Land District, 98100 Kuala Baram Miri, Sarawak, on Tuesday, 30th May 2017 at 11:00 a.m. for the following purposes :

**AS ORDINARY BUSINESS**

| | | |
|---|---|---|
| 1. | To receive the Directors' Report and Audited Financial Statements for the financial year ended 31st December 2016 together with the Report of the Auditors thereon. | |
| 2. | To approve the payment of Directors' Fees of RM317,520.00 for the financial year ending 31st December 2017. | **Resolution No. 1** |
| 3. | To re-elect Mr Yong Kiam Sam who shall retire in accordance with Article 89 of the Company's Articles of Association, as a Director of the Company. | **Resolution No. 2** |
| 4. | To re-elect Mr Eric Khoo Chuan Syn @ Khoo Chuan Syn who shall retire in accordance with Article 89 of the Company's Articles of Association, as a Director of the Company. | **Resolution No. 3** |
| 5. | To re-appoint Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. | **Resolution No. 4** |

**AS SPECIAL BUSINESS**

6. **To consider and, if thought fit, to pass the following ordinary resolutions :**

7. **Re-Appointment of Director**

| | |
|---|---|
| "That Mr Yong Foh Choi be hereby re-appointed as Director of the Company." | **Resolution No. 5** |

8. **Retention of Independent Directors**

| | | |
|---|---|---|
| (i) | "That Mr Wong Chie Bin be hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting, in accordance with the Malaysian Code on Corporate Governance 2012." | **Resolution No. 6** |
| (ii) | "That Mr Toh Kian Sing be hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting, in accordance with the Malaysian Code of Corporate Governance 2012." | **Resolution No. 7** |

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

By order of the Board,

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

**Dated : 28th April 2017**

**NOTES:**

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 23rd May 2017 be regarded as Members and shall be entitled to attend, speak and vote at the Ninth Annual General Meeting ("AGM").

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

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

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

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

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

**Explanatory Note on Ordinary Business:**

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act, 2016. Hence, this Agenda item will not be put for voting.

**Explanatory Notes on Special Business:**

**1. Re-Appointment of Director**

The proposed Resolution No. 5 is to seek shareholders' approval on the re-appointment of Mr Yong Foh Choi, who had been re-appointed in the previous AGM held on 26th May 2016 as Director under Section 129(6) of the Companies Act 1965 which was then in force and whose term would expire at the conclusion of the Ninth AGM, as director of the Company. If passed, the proposed Resolution No. 5 will authorize the continuation of the Director in office from the date of the Ninth AGM onwards.

**2. Retention of Independent Directors**

The proposed Resolution No. 6 and Resolution No. 7 are to seek shareholders' approval to retain Mr Wong Chie Bin and Mr Toh Kian Sing as Independent Directors. They have served the Company as Independent Non-Executive Directors since May 2008 for more than nine (9) years as at 30th May 2017. The Nominating Committee has made the necessary assessment pursuant to Recommendation 3.2 of the MCCG 2012. They have met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has determined that both Mr Wong Chie Bin and Mr Toh Kian Sing are able to bring independent and objective judgements to the Board and strongly recommended them be retained as Independent Directors of the Company.

The proposed Resolution No. 6 would also allow Mr Wong Chie Bin to serve as Chairman of the Audit Committee pursuant to the requirements of Paragraph 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**Yong Foh Choi**
*Managing Director*
*Non-Independent Executive Director*

**Nationality/Age/Gender:**

Malaysian/78/Male

**Date of Appointment:**
28 December 2007

**Number of board meetings attended in the financial year:**
5/5

**Academic/Professional Qualification(s):**

- Founding member of Bumi Armada Navigation Sdn Bhd (BANSB)
- Founder of Sealink Group of Companies
- Prominent businessman

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

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

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

**Nationality/Age/Gender:**

Malaysian/46/Male

**Date of Appointment:**
28 December 2007

**Number of board meetings attended in the financial year:**
5/5

**Academic/Professional Qualification(s):**

- Bachelor of Commerce, University of Melbourne, Australia
- Master of Business Administration, London Business School, United Kingdom

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

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

# PROFILES OF DIRECTOR

## Wong Chie Bin

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

**Nationality/Age/Gender:**

Malaysian/61/Male

**Date of Appointment:**
20 May 2008

**Number of board meetings attended in the financial year:**
5/5

**Academic/Professional Qualification(s):**

- Member of Chartered Accountants Australia and New Zealand
- Fellow member of Chartered Tax Institute of Malaysia
- Member of Malaysian Institute of Accountants
- Bachelor Degree in Commerce, University of Otago, New Zealand

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

- Senior Partner, Crowe Horwath
- Over 30 years' experience in accounting, auditing, taxation and management consultancy services

## Toh Kian Sing

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

**Nationality/Age/Gender:**

Singaporean/52/Male

**Date of Appointment:**
23 May 2008

**Number of board meetings attended in the financial year:**
4/5

**Academic/Professional Qualification(s):**

- Bachelor of Law, National University of Singapore
- Bachelor of Civil Law, University of Oxford

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

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

## Eric Khoo Chuan Syn @ Khoo Chuan Syn

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

**Nationality/Age/Gender:**

Malaysian/61/Male

**Date of Appointment:**

20 May 2008

**Number of board meetings attended in the financial year:**
5/5

**Academic/Professional Qualification(s):**

- Bachelor of Laws (LLB) Hons, University of Wolverhampton, England, United Kingdom

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

- Practising Advocate and Solicitor, Khoo & Co (1982-present)
- Magistrate, Judicial Department (1979 – 1982)
- Barrister-at-Law, Gray's Inn, London, England (1979)

## Dato' Sebastian Ting Chiew Yew

*Independent Non - Executive Director*
*Member of Audit Committee*
*Member of Nominating Committee*
*Member of Remuneration Committee*

**Nationality/Age/Gender:**

Malaysian/62/Male

**Date of Appointment:**

20 August 2013

**Number of board meetings attended in the financial year:**
5/5

**Academic/Professional Qualification(s):**

- Bachelor of Law (LLB) Hons (Second Class Upper), North London Polytechnic (now known as University of North London)
- Master of Law (LLM), University of Cambridge (Darwin College) England

**Present Directorship(s):**

Listed Issuer
- Sealink International Berhad

Other Public Companies
Nil

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

**Working Experience:**

- Commissioner for National Water Commission by the Minister of Energy Green Technology and Water Malaysia (May 2016 – present)
- Member of Piasau Nature Reserve Implementation and Endowment Committee (February 2015 – present)
- Political Secretary to Minister of Energy Green Technology and Water Malaysia (April 2009 – 2013)
- Political Secretary to Minister of Plantation Industries and Commodities (May 2004 -April 2009)
- Councillor, Miri Municipal Council, Miri Sarawak (1989-1999)
- Barrister-at-law, Council of Legal Education Lincoln's Inn London England (1983)

*Note:*
*(i) Yong Foh Choi is father of Yong Kiam Sam. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of Sealink International Berhad.*
*(ii) None of the Directors has any conflicts of interest with Sealink International Berhad.*
*(iii) None of the Directors has been convicted of any offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during the financial year 2016.*

# PROFILE OF KEY SENIOR MANAGEMENT

**Lau Soo Moi**
*Group Director of the Subsidiaries of Sealink International Berhad*

**Nationality/Age/Gender:**

Malaysian/62/Female

**Date of Appointment:**

04 June 2010

**Academic/Professional Qualification(s):**

- Bachelor of Science, London University, United Kingdom
- Diploma in Ship Management, National Sea Training Centre, United Kingdom (Distance Learning)

**Present Directorship(s):**

Listed Issuer
Nil

Other Public Companies
Nil

**Working Experience:**

- Company Director, Subsidiaries of Sealink International Berhad Group in the Marine Division (2010 – Present)
- General Manager, Sealink Sdn Bhd (2008-2010)
- Assistant General Manager, Sealink Sdn Bhd (2002 – 2008)
- Operations, Administration and Business Development Manager, Sealink Sdn Bhd (1994 – 2002)
- Administration Manager, Bumi Armada Navigation Sdn Bhd and Sealink Sdn Bhd (1985 –1994)
- Manager, Layang Layang Services Sdn Bhd , aviation branch (1981-Present)

**Yong Kiam Miaw**
*General Manager for Sealink Shipyard Sdn Bhd*

**Nationality/Age/Gender:**

Malaysian/50/Male

**Date of Appointment:**

01 August 2015

**Academic/Professional Qualification(s):**

- Licensed Secretary
- Business Administration

**Present Directorship(s):**

Listed Issuer
Nil

Other Public Companies
Nil

**Working Experience:**

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

**Capt. Bernard Anak Idit**
*Health, Safety and Environment (HSE) Manager cum Designated Person Ashore (DPA)*

**Nationality/Age/Gender:**

Malaysian/48/Male

**Date of Appointment:**

02 May 2012

**Academic/Professional Qualification(s):**

- Master of Foreign Going Ships – (COC, Class 1) – Maritime Academy Malaysia (ALAM) (Degree in Nautical Science -World Maritime University/ALAM)
- Safety And Health Officer Certificate (NIOSH)
- He is also a Certified Safety and Health officer and has obtained his green book in 2008 from Department of Occupational Safety and Health (DOSH) Malaysia. Register SHO (DOSH)SHO-JKKP IS 127/438/2/4992
- Member of Institute Kelautan Malaysia (IKMAL)
- Member of National Institute of Occupational Safety and Health (NIOSH)

**Present Directorship(s):**

Listed Issuer
Nil

Other Public Companies
Nil

**Working Experience:**

- Throughout his sea career since 1990, he had clocked sea service of more than 15 years sailing to all parts of the world and served onboard various Merchant Ships.
- He decided to quit sailing in 2005 and worked in the Oil and Gas Company based in Miri. During his tenure as the HSE Manager, he has received a number of achievements and awards from charterers, authorities and professional affiliations.
- Borneo Occupational Safety and Health Practitioners' Society (Boshps) serving as vice chairman

**Low Wai Har**
*General Manager, Group Finance*

**Nationality/Age/Gender:**

Malaysian/50/Female

**Date of Appointment:**

June 2012

**Academic/Professional Qualification(s):**

- Associate member of Chartered Institute of Management Accountants (ACMA, CIMA)
- Associate member of Chartered Tax Institute of Malaysia (CTIM)
- Member of Malaysian Institute of Accountants (CA, MIA)
- Member of Chartered Global Management Accountant (CGMA)

**Present Directorship(s):**

Listed Issuer
Nil

Other Public Companies
Nil

**Working Experience:**

- Group Finance Manager, Sealink Group (2008-2012)
- Finance Manager, Sealink Group (2001-2008)
- Accountant, Sealink Group (1999-2001)
- Assistant Finance Manager, Sungei Wang Plaza Sdn Bhd

# PROFILE OF KEY SENIOR MANAGEMENT

## Angelia Chong Pei Cheng

*Head of Treasury / Corporate Compliance*

**Nationality/Age/Gender:**

Malaysian/41/Female

**Date of Appointment:**

16 March 2015

**Academic/Professional Qualification(s):**

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

**Present Directorship(s):**

Listed Issuer
Nil

Other Public Companies
Nil

**Working Experience:**

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

*Note:*

*(i) Yong Kiam Miaw is the son of Yong Foh Choi and brother of Yong Kiam Sam. Save as disclosed herein, none of the Key Senior Management has any family relationship with any other Director and/or major shareholder of Sealink International Berhad.*

*(ii) None of the Key Senior Management has any conflicts of interest with Sealink International Berhad.*

*(iii) None of the Key Senior Management has been convicted of any offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during the financial year 2016 save for Lau Soo Moi who was penalised by Suruhanjaya Syarikat Malaysia (SSM) in December 2016 pertaining to the inadvertent non-submission of Audited Financial Statements by an associate Company amounting to RM4,000 which has since been paid in full.*

## Dear Valued Shareholders,

**Sealink Group faced another challenging year and registered a turnover of RM122.9 million, a decline of 13% or RM18.6 million compared to RM141.5 million in FY 2015. Despite a higher loss suffered, net cash flows provided by operating activities amounted to RM46.3 million, which exceeded the corresponding FY 2015 figure by RM14.8 million.**

2016 was a challenging year for the oil and gas industry globally. Worldwide, the financial results of oil and gas service providers were impacted by the continued low price environment and excess capacity.

Lower oil prices sharply impacted investments by oil companies. It was the first time since the 1980s that the world has seen a third consecutive year of decline in global exploration and production investments, which fell by approximately 20% annually. Market conditions combined with the outlook described above gave rise to expenditure rationalization by the oil companies and over capacity of vessels, resulting in impairment of vessel carrying values particularly the offshore support vessels.

Despite the market overhang in offshore support vessels, Sealink group sold all three (3) of our newly constructed landing crafts in the 1st half of 2016 delivered to clients in the UAE and Cuba. Although the Group suffered a pre-tax loss of RM63.1 million (after a non cash impairment charge of RM30.5 million), the Group's total liabilities reduced by RM94.7 million with gearing reduced from 65% to 55% as at 31st December 2016. During the FY 2016, the group acquired the remaining 50% ordinary shares of Mitra Angkasa Sdn Bhd, a jointly controlled company. The Group anticipates that it will continue to be able to meet all financial obligations in the coming years and have surplus cash flow for extra expenditures and possible acquisitions.

*Pictures of some of the vessels delivered in FY 2016*

*Landing Craft "Godri 10"*

# CHIEF EXECUTIVE OFFICER'S MESSAGE

*Landing Craft "Godri 11"*

Although the industry is facing a challenging business environment, we are optimistic on the medium to long term outlook of our business. With the right focus and optimization of our existing portfolio, we believe we can successfully steer the Group through this difficult period. We continue to align our strategy for long-term growth and continue to drive down cost as we position the group to reaccelerate production to capitalize on new opportunities once demand returns.

**Appreciation**

I wish to express my sincere appreciation to our committed management and staff for their hard work and tireless efforts in maintaining our position as one of the leading oil and gas offshore support vessel providers and shipbuilders in Malaysia. Their dedication and professionalism has definitely helped the Group to compete in a challenging and difficult operating environment.

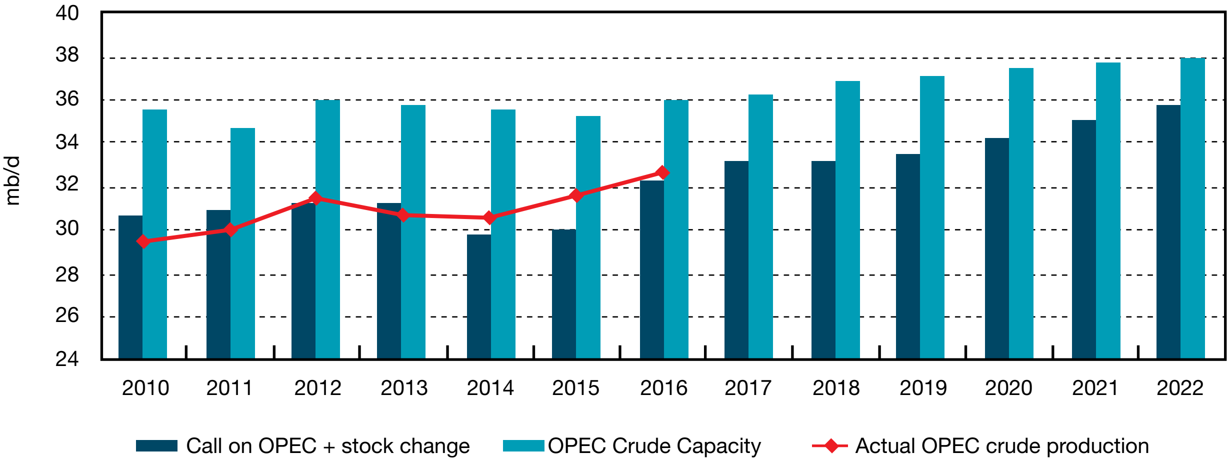
On behalf of the Board, I would like to take this opportunity to thank our valued institutional and individual shareholders for their confidence and belief in the prospects of the group, the oil companies and clients who have been supporting us over the years, our business associates and principals for the successful collaboration with us in various business operations, our bankers for their continued support in extending the banking facilities and the authorities for their vital role in our strategic planning and execution.

Last but not least, my special thanks to my fellow Directors for their invaluable contributions throughout the financial year.

**YONG KIAM SAM**
Chief Executive Officer

The crude oil price down cycle started in mid-2014, then accelerated when OPEC increased its production instead of curtailing volumes **(Graph 1)**. This resulted in an oversupplied market throughout 2016 with storage levels moderately increasing. Rampant oversupply coupled with concerns over slowing growth in China pushed the price of crude oil down by about 50% from the height of about USD100 per barrel in mid-2014. The freefall in crude oil prices continued into 2016, marking the transition from a period of growth and prosperity to one of stagnation and rationalization. Worldwide, the industry experienced unparalleled market volatility.

Graph 1 Global oil market balance



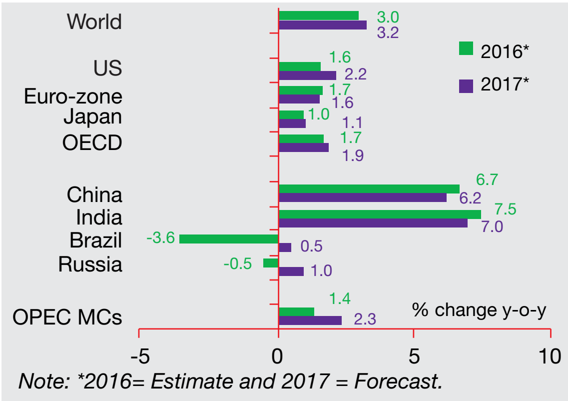

*Source: International Energy Agency (IEA) 'OIL 2017 Market Report Series' <www.iea.org>*

Although rig count has risen from a low of 1,490 in 2Q 2016 to 2,107 in February 2017, the increase was primarily in the United States and Canada where majority of the rigs were onshore with the biggest increase in the Permian Basin in Texas, USA while the rig count of OPEC countries increased by only 12 from the low of 542 in 3Q 2016. *Source : (Baker Hughes Rig Count Data) <http://phx.corporate-ir.net/phoenix.zhtml>*

On a positive note, the improvement in the global economy that have started in the second half of 2016 is likely to continue on a stronger pace in 2017. Global economic growth in 2016 (estimated at 3%) is expected to pick up in 2017 to reach 3.2% **(Graph 2)**. Support is coming from the OECD group of countries with growth of 1.9% in 2017, compared to 1.7% in the previous year. GDP growth in China and India are forecast to slightly decelerate, yet still remain strong. *Source : OPEC 'Monthly Oil Market Report' - (March 2017)* Confidence in the upstream oil and gas industry seems to have improved with the gradual recovery in crude oil prices which nearly doubled from a 12-year low of US$28 per barrel in February 2016 **(Graph 3)**. The stabilization of oil markets is seen since the OPEC – Non-OPEC Declaration of Cooperation has helped to support upstream Capex spending and improve oil producers' income, adding to global economic growth.

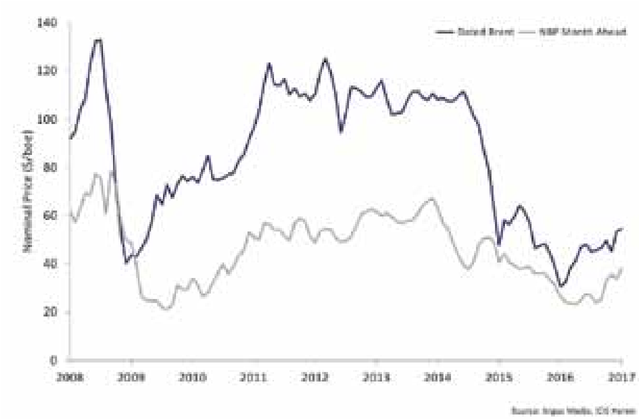
# MARKET OVERVIEW
# AND STRATEGY

Graph 2 – Global Economic Growth




*Source : OPEC 'Monthly Oil Market Report – March 2017' <www.opec.org>*

Graph 3 – Monthly Oil and Gas Prices




*Source : Argus Media, ICIS Heren 'Oil and Gas UK' (Business Outlook 2017) <http://oilandgasuk.co.uk>*

If the trend persists, there will still be many opportunities for Malaysian oil and gas players to explore. The oil and gas industry will continue to be an important component of the Malaysian economy due to its extensive secondary and tertiary activities. The secondary activities include the manufacturing of petroleum and related products while the tertiary activities relates to exploration, production and various support and ancillary services.

**Global oil demand**

In 2015, demand grew by 2.0 million barrels a day (mb/d) , the biggest year-on-year growth since the exceptional post-financial crisis recovery year of 2010, which was followed with very robust growth of 1.6 mb/d in 2016, including growth in the mature OECD markets partly due to colder than normal winter weather and higher demand from industrial fuel users. Global oil demand is expected to grow on average 1.2 mb/d each year to 2022. *Souce : International Energy Agency (IEA) 'Oil 2017 Market Report Series'*

Thus, supply/demand surplus should eventually shift to a deficit.

As the Group does not expect the shift to happen overnight, rapid recovery in the offshore market is not expected. We are adapting the group to this new reality with further improvements in efficiency and effectiveness through ongoing cost rationalization while at the same time beefing up efficiency and productivity to capitalize on the subsequent upcycle.

The International Energy Agency (IEA) has expressed concern in the OIL 2017 market report and cautioned that a supply deficit looms unless drilling picks up. IEA further commented that more investment is needed in oil production capacity to avoid the risk of a sharp increase in oil prices post 2020.

**Demand for offshore support vessels**

Demand for Offshore Support Vessels (OSV's) is driven by production support, rig support and to some extent, offshore and subsea construction support. Continuous production support is by far the most important driver for OSV's, while rig support is the main driver for the Anchor Handling Tug Supply segment.

With the low level of new projects currently, demand from construction support will be limited as well. Therefore, the demand for OSV's caused by production support will be even more important.

With oil price recovering we believe that the demand for oil services will come back first for the shallow water segments, as these typically have a lower break even cost. This will benefit Sealink Group as most of our fleet are for shallow waters.

### Outlook

The outlook seems to be improving in anticipation of a shipping recovery. However, margins will remain tight as there is still excess capacity. Contracts tenures are mostly short term as oil companies are evaluating their capital investments in mega offshore projects.

Prospect on the industry is also dependent on OPEC members continuing to fulfill the production cut.

Whereas for shipbuilding, the management forecast that the competition from China yards might be reduced as the Chinese shipbuilding industry has shrunk from over 3,000 yards in early-2012 to 1,600 at the end of 2014, to fewer than 100 currently.
*Souce : DBS Group Research 'Shipyards, Industry Outlook' (13 February 2017) <www.dbs.com>*

### Strategy

As explained in the Management and Discussion Analysis on page 22 and 23 of this Annual Report, the Group will continue to redouble its efforts and commitment to deliver high value products and services with emphasis on safe operations and to maintain the group's position as one of the leading integrated service providers in the offshore marine services segment.

As margins are squeezed due to competition from other vessel owners, the Group will continue with the cost rationalization. At the same time with reduced gearing the group will have a stronger balance sheet to take on additional financing to fund expansion when the industry turns around.

The Group's shipbuilding division will continue its emphasis on ship repair. Apart from construction of landing crafts, the Group is diversifying into the construction of harbor tugs and other non-oil and gas vessels.

The Board is cautiously optimistic that demand for offshore support vessels will improve with increased expenditure in offshore oil field development and maintenance work by the oil majors. With the ongoing initiatives in cost rationalization we believe the group is well positioned to tide over the current business challenges.

### Dividend

The Company has not paid any dividend for the FY 2016. The declaration and payment of dividends is subject to the discretion of the Company's Board of Directors and to certain limitations imposed under the Companies Act 2016. The timing and amount of dividends, if any, will depend upon, among other things, the Company's results of operations, financial condition, cash requirements, capital commitments and other factors deemed relevant by the Board of Directors. Due to the aforesaid losses incurred, the Board does not recommend any dividend for the FY 2016.

### Overview of the business

The Group is principally involved in the business of chartering of marine vessels, shipbuilding and ship repair.

Our shipyard is located in Kuala Baram, Sarawak and the workshop in Krokop Miri, Sarawak. Our shipyard achieved the first milestone when it constructed the first new built, a landing craft known as "Sealink Victoria" in the year 1999. To-date, our shipyard has constructed in total sixty eight (68) vessels (including fabrication of 2 (two) work barges) with total value amounted to about RM1.4 billion. Armed with the technical knowhow and management capabilities, our Group is able to offer a sophisticated array of vessels designed to meet our customer's needs.

Our ship operations are based in Miri, Sarawak with branch offices located in Labuan, Kemaman and Singapore. The shipping arm has a fleet of thirty five (35) vessels providing a broad range of services to the marine sector with the highest standards of safety and technology available in the industry.

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

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

### KEY FIGURES AND HIGHLIGHTS

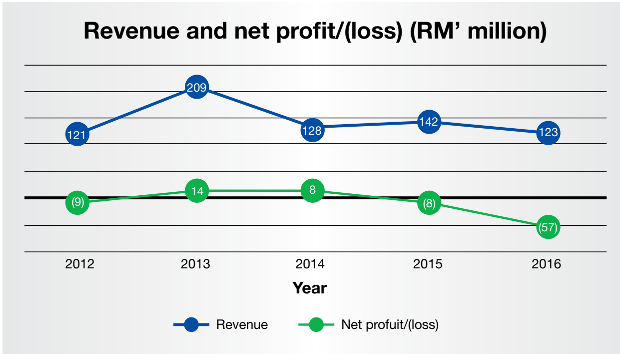
| No. | Item | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 |
|---|---|---|---|---|---|---|
| 1 | Revenue | 121,430 | 208,750 | 128,094 | 141,504 | 122,902 |
| 2 | Profit/(loss) before interest and tax | 1,654 | 26,622 | 13,367 | (2,411) | (52,262) |
| 3 | Finance costs | 12,294 | 14,900 | 15,011 | 15,643 | 12,529 |
| 4 | Net (loss)/profit | (9,093) | 13,558 | 8,258 | (7,529) | (56,655) |
| 5 | Shareholders' equity | 432,587 | 450,642 | 460,077 | 499,622 | 454,453 |
| 6 | Total assets | 955,898 | 972,266 | 903,249 | 904,126 | 764,233 |
| 7 | Borrowings | 401,203 | 416,156 | 349,426 | 324,067 | 251,586 |
| 8 | Net cash flows (used in)/from operations | (23,318) | (636) | 90,944 | 31,532 | 46,282 |
| 9 | Net cash flows from/(used in) investing activities | 7,390 | (42,494) | (8,164) | 6,401 | 1,764 |
| 10 | Net cash flows from/(used in) financing activities | 32,145 | 20,946 | (65,556) | (70,486) | (82,344) |
| 11 | Cash and cash equivalents | 53,928 | 33,660 | 52,775 | 30,608 | (3,898) |
| 12 | Working capital | 225,904 | 44,131 | 5,843 | 406 | (34,623) |

| No. | Item | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| 13 | Debt/Equity (%) | 93 | 92 | 76 | 65 | 55 |
| 14 | (Losses)/Earnings per share (Sen) | (1.82) | 2.71 | 1.65 | (1.51) | (11.33) |
| 15 | Net assets per share (RM) | 0.87 | 0.90 | 0.92 | 1.00 | 0.91 |
| 16 | Dividend per share (Sen) | - | 1.00 | - | - | - |

### Overview of Financial Performance

#### Revenue

The offshore support services continues to be impacted by excess capacity due to reduced activity in upstream oil and gas related activity which resulted in decline in average vessel utilization rate from 53% in FY 2015 to 43% in FY 2016 as some vessels completed their contracts which were awarded a few years ago.




Revenue for FY 2016 was RM122.9 million, a decline of 13% or RM18.7 million compared to RM141.5 million in FY 2015 primarily due to the reduced charter hire income. Although vessel sales increased by RM41.4 million or 246%, the increase was not sufficient to offset the drop in ship charter income which reduced by RM57.1 million or 48%.

#### Financial results

Against the back-drop of another difficult year, the Group recorded loss before interest and tax of RM52.3 million for FY 2016 against RM2.4 million in FY 2015 due to the reasons stated above and also non cash impairment charges of RM30.5 million on property, plant and equipment. The impairments were carried out in accordance with MFRS 136. As per MFRS 136, the estimated recoverable amount is determined based on the higher of an asset's value-in-use less cost to sell ("FV"). The FV of the assets were assessed based on valuation by independent valuers.

Ongoing cost rationalization implemented in FY 2016 has helped reduced administrative expenses by about RM3.9 million while finance cost reduced by RM2.4 million with the repayment of some of the borrowings.

The market situation was reassessed at the beginning of the year. As vessel utilization decreased, the management made a tough decision to sign off some of the excess crew during the periods when vessels are offhired and only maintain minimal crew for maintenance purposes. Seafarers' headcount was reduced by 36% from 290 in January 2016 to 187 in December 2016. It was a difficult choice but was well coordinated by our Human Resource personnel. To ensure we have adequate crew to support the operations, our crewing team maintains a database ready to sign them on board once vessel is mobilised.

Despite the various cost rationalization exercises implemented during the year under review, mission-critical functions like our maintenance team were not sacrificed. Hence they were well equipped with the required resources to attend to any equipment malfunction and to carry out all necessary preventive maintenance as required. On top of that our DPA (Designated Person Ashore) was on call 24/7 to attend to any critical maintenance required by the vessel(s) to ensure seamless support to our clients.

#### Awards and Recognition

Safety is still our priority. In January 2016, we received the "**GOAL ZERO AWARD**" from **SHELL** as we achieved 365 goal ZERO days in the year 2015 and in February 2016, we received the "**SAFETY AWARD FOR EXCELLENCE- PLATINUM**" category for the year 2015 from **CARIGALI HESS**. The awards we received are testimony of our commitment to safety. Internally we reached another milestone as our team achieved **730 LTI (lost time injury) free days** in **April 2016**.


### Liquidity & Resources

Despite a higher loss suffered, net cashflow provided by operating activities amounted to RM46.3 million and exceeded FY 2015 by RM14.8 million.

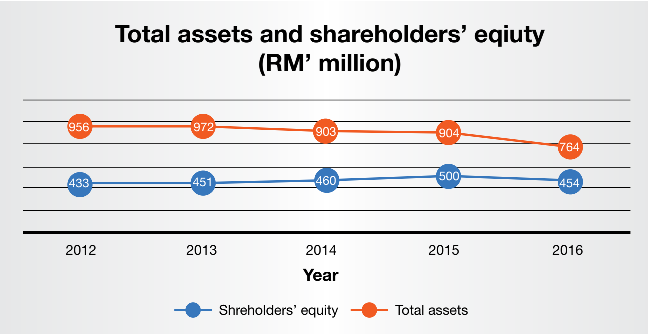
The increase stems from changes in working capital primarily from utilization of inventories which contributed cashflow of about RM37.0 million and increased collection from trade and other receivables. As at 31st December 2016, the trade and other receivables reduced by RM18.8 million.

Based on available cashflow and bank facilities as at 31st December 2016, the Group has a total of RM31.7 million for extra expenditures, new project(s) or possible acquisitions.

Cashflow for FY 2017 is expected to be derived from the contributions from charter hire income and also the sale of the two (2) harbor tugs which are at advanced stages of construction as at 31st December 2016. Management expects the two vessels to be completed by middle of 2017.

### Total Assets

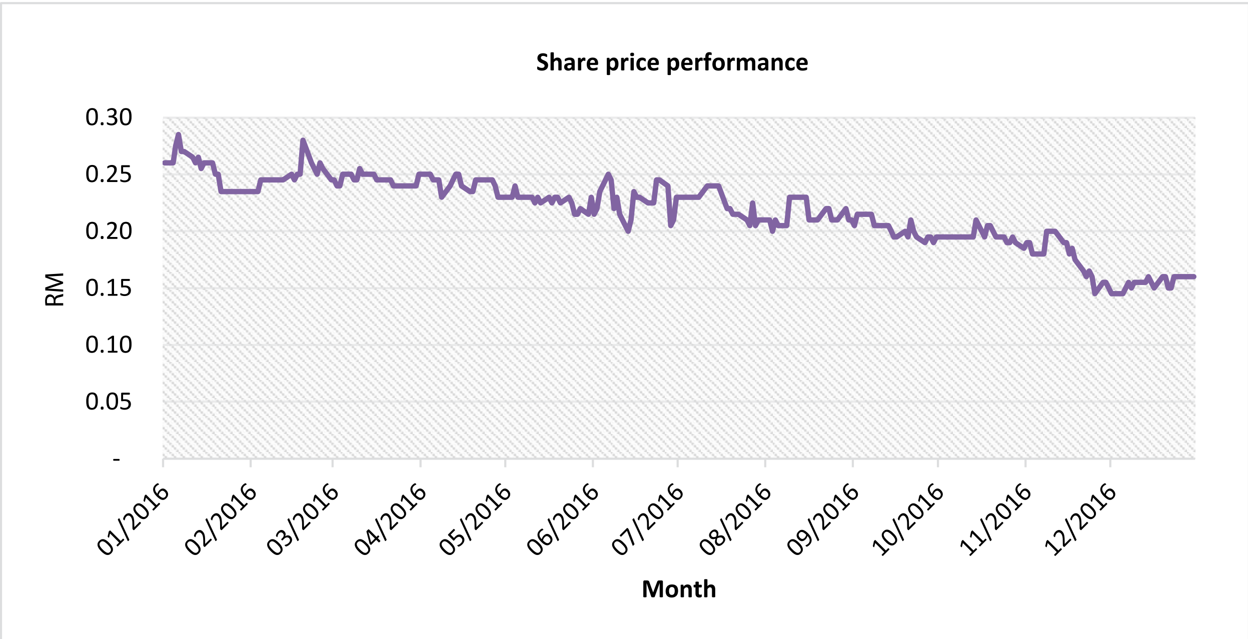
Total assets reduced by RM139.9 million compared to 31st December 2015 mainly due to impairment charges of RM30.5 million on vessel carrying values, reduction in inventory by RM34.4 million on the sale of the three (3) landing crafts, reduction in trade and other receivables balance by RM17.2 million whilst cash and cash equivalents reduced by RM34.5 million as loans were paid off when due.




### Other Comprehensive Income Statement – foreign currency translation

Foreign exchange gain / (loss) on translation of foreign operations on consolidation were based on exchange rate at the financial year end. For FY 2016 and 2015, the group recognized unrealized foreign exchange gain on translation of foreign operations amounted to RM11.5 million and RM47.1 million respectively attributed to the weak Ringgit.

### Share Price of Sealink International Berhad



## 1. COMPOSITION

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

| | | |
|---|---|---|
| Chairman | : | Wong Chie Bin (Independent Non-Executive Director and member of the Malaysian Institute of Accountants) |
| Members | : | Toh Kian Sing (Independent Non-Executive Director) |
| | : | Eric Khoo Chuan Syn @ Khoo Chuan Syn (Independent Non-Executive Director) |
| | : | Dato' Sebastian Ting Chiew Yew (Independent Non-Executive Director) |

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

The Audit Committee had five (5) meetings during the financial year ended 31 December 2016. The Attendance of members at the meeting convened at the tabulated below:

| Audit Committee member | Attendance |
|---|---|
| (a) Wong Chie Bin | 5/5 |
| (b) Toh Kian Sing | 4/5 |
| (c) Eric Khoo Chuan Syna @ Khoo Chuan Syn | 5/5 |
| (d) Dato' Sebastian Ting Chiew Yew | 5/5 |

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

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

- reviewed the quarterly financial announcements of the Group before recommending the same for the Board of Directors' approval, focusing on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements;
- reviewed the annual budget of the Group;
- reviewed the audit plan of the external auditors, including the areas of audit emphasis and summary of planned audit procedures and evaluated the internal control system;
- reviewed the external auditors' reports arising from the audit and any updates on new financial reporting standards issued by the Malaysian Accounting Standards Board;
- reviewed the performance of the external auditors in terms of their capability, professionalism, and independence before recommending them to the Board to be considered for re-appointment at the Annual General Meeting;
- met with a representative of the external auditors in the absence of Management to assess if there were issues of concerns that the external auditors faced in carrying out their work;
- reviewed the audited annual financial statements of the Group and the Company before recommending the same to the Board for approval;
- reviewed the report on risk assessment for the year 2016 tabled by Risk Management Committee, which provided the top five (5) significant risks, control issues and summary of risk assessment;
- reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. This includes determining whether the internal audit function deploys internal auditing standards promulgated by the Institute of Internal Auditors, Inc. a global professional body advocating standards for the international auditing profession;
- reviewed the internal audit reports and recommendations on internal audit findings, including follow-up by the internal audit function on the status of Management's implementation of action plans to address issues highlighted in previous internal audit reports;

- reviewed related party transactions of the Group and any conflict of interest situation that may arise within the Company and Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- reviewed dormant / inactive companies to be wound up / struck off;
- reviewed the impairment of assets of the Group;
- reviewed the material bank reconciliations of the Group;
- reviewed the Group's trade receivables and trade payables and sought relevant explanations from Management to better understand how receivables and payables were managed;
- reviewed the Company's Corporate Governance Statement, Audit Committee Report, the Statement on Risk Management and Internal Control Statement and Statement on Corporate Social Responsibility, before recommending them for approval by the Board for inclusion in this Annual Report; and
- reported to the Board on its activities and significant findings and results.

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

## 3. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit function to KPMG, an independent professional firm, which reported directly to the Audit Committee. Upon expiry and pending renewal of contract at the end of the financial year, the Committee shall evaluate the performance of the outsourced internal audit service provider.

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

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

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

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 28 March 2017.

**Introduction**

The Board of Directors (the "Board") is pleased to present the Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of the risk management and internal control systems in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2016 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. This is in line with Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which stipulates that a listed issuer must ensure that its Board of Directors issues a statement about the state of internal control of the listed issuer as a group. For the purpose of disclosure, this Statement has considered the "Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers" (the "Guidelines"), a publication of Bursa Securities, in particular the requirements under paragraphs 41 and 42 of the said Guidelines.

The Board acknowledges and affirms its overall responsibility for the Group's risk management and internal control systems to safeguard shareholders' investment and the Group's assets, including the need to review the adequacy and operating effectiveness of these systems in meeting the Group's objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Recommendation 1.2 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), in particular, its principal responsibilities as outlined in the Commentaries of the same Recommendation with respect to the following:

- to identify principal business risks faced by the Group and ensure the implementation of appropriate controls and mitigation measures to address the risks; and
- to review the adequacy and integrity of the management information and internal control system of the Group.

The Board is also committed of its role in establishing a sound framework to manage the risks as stipulated in Recommendation 6.1 of the MCCG 2012. The Group has formalized in writing an Enterprise Risk Management framework, which incorporates, inter-alia, a structured risk management process to identify, evaluate and manage business risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's objectives. The system can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent practices.

**Risk Management Framework and Process**

The Board provides full support to implement the risk management framework and processes with an appropriate organizational structure and ensure that roles, responsibilities and accountabilities are clearly defined and communicated at all levels. Understanding the risks we face and managing them appropriately will enhance our ability to make better decisions, an improved performance to achieve objectives and subsequently assist in the creation, protection and maximization of value. This will also assist the Board and Management in maintaining a sound internal control system within the Group and safeguard shareholders' investment and the Group's assets.

It is the general duty and responsibility of all personnel of the Group to adhere to the framework and at all times be conscious of the risks related to their actions and decisions that may adversely affect the operations, reputation and assets of the Group. This includes carrying out jobs in a careful and conscientious manner that contributes to the high ethics and culture within the Group.

For each risk identified, it was scored in relation to its likelihood of occurrence and the impact thereof should it occur. The metrics used in quantifying the risks were based on risk parameters considered appropriate to reflect the risk appetite of the Group.

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

**Internal Control System**

The Group has an established organizational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including limits of authority. Key duties are segregated amongst different personnel of major business divisions and key processes, such as shipbuilding and chartering operations, financial management and reporting, treasury, capital expenditure management, human resource management and information management.

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

Other relevant key features of the Group's internal control system include the following:

- pertinent delegation of duties and responsibilities from the Board to the Managing Director, Chief Executive Officer and Senior Management (collectively, the "Management"), who comprises personnel with significant years of experience to identify and manage relevant business risks faced by the Group;
- segregation of duties amongst different personnel is in place such that no one personnel is involved in the entire business of the Group from requisition for goods or services, ordering from vendors, receiving or having custody of the goods or services, recording of transactions and approval of payments;
- specific group limits of authority approved by the Board, including clear mandates to execute transactions which are reviewed periodically;
- ISO certification for the Group's shipbuilding division that provides for an orderly processes and documentation system on its activities;
- Group's policies and procedures are formalized in writing on key processes progressively and are reviewed and revised periodically to meet the changes in the business and operational needs as well as regulatory requirements; and
- job descriptions in writing are accorded to personnel for better understanding of their roles and responsibilities;

**Internal Audit Function**

The Group's Internal Audit Function is outsourced to an independent professional firm, which reports directly to the Audit Committee. The Internal Audit Function assists the Board, via its reporting to the Audit Committee, in assessing the adequacy and operating effectiveness of the Group's risk management and internal control systems established by Management, based on an agreed scope of work as outlined in an Annual Internal Audit Plan tabled to, and approved by, the Audit Committee during the financial year.

The areas covered by the Internal Audit Function for the financial year under review encompassed key processes such as financial and treasury management, operations (covering purchasing, logistics, information management, inventory management, human resource management, safety and security, chartering and operations management), regulatory compliance and strategic management undertaken by significant companies in the Group involved in the shipbuilding and chartering operations.

Reports on internal audit findings highlighting the areas of weaknesses or gaps, together with recommendations for improvements and Management's response thereto, were issued directly to the Audit Committee. The Internal Audit Function also followed up and reported to the Audit Committee the status of implementation by Management on the recommendations highlighted in its previous findings. At the Audit Committee meetings where the reports of the Internal Audit function were tabled, pertinent clarification were sought from Management and representatives of the Internal Audit Function, as the case may be, following a presentation by the Internal Audit Function on the issues reported. This enabled the Audit Committee to apprise on the adequacy and operating effectiveness of the Group's risk management and internal control systems in meeting the corporate objectives. The Audit Committee in turn briefed the Board on any critical issues highlighted by the Internal Audit Function, including remedial measures to be implemented by Management.

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

During the financial year under review, the Audit Committee reviewed the work of the Internal Audit Function, its observations and recommendations as a means to gauge the competency of the Internal Audit Function as well as to obtain the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls.

The costs incurred on the Internal Audit Function for the financial year under review amounted to approximately RM126,111.

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

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

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

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

The Board is of the view that there have been no significant weaknesses in the risk management and internal control systems that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report. Notwithstanding this, the Board, through Management, continues to take measures to strengthen the Group's risk management and internal control systems from time to time based on recommendations of the Internal Audit Function as well as the External Auditors.

**Review of Statement by the External Auditors**

The External Auditors have reviewed this Statement according to Paragraph 15.23 of the MMLR of Bursa Securities and reported that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, to be set out, nor was it factually inaccurate.

*This Statement is issued in accordance with a resolution of the Board dated 28 March 2017.*

# STATEMENT ON CORPORATE GOVERNANCE

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

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

Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board to provide a narrative statement ("Statement") on how the Company has applied the 8 Principles and observed the 26 Recommendations of the Malaysian Code on Corporate Governance ("MCCG 2012) for the financial year ended 31 December 2016. Where a specific Recommendation of the MCCG 2012 has not been observed, the non-observation, including reasons thereof, and the alternative practice adopted, if any, is mentioned in this Statement.

**Principle 1 - Establish clear roles and responsibilities of the Board and Management**

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

- review and adopt a strategic or business plan, as developed by Management, incorporating the development of risk policy, annual budgets and long-term business plans, taking into account the sustainability of the Company's business, with consideration given to the environmental, social and governance elements of the business;
- oversee the conduct and governance of the Group's businesses and evaluate whether or not they are being properly managed to achieve corporate objectives – this process is normally carried out at scheduled Board meetings with the proceedings and outcome thereof recorded;
- identify principal business risks faced by the Group, and ensure the implementation of appropriate internal controls and mitigating measures to manage such risks;
- succession planning - ensure that all candidates appointed to Senior Management and Board positions are of sufficient calibre and that there are processes to provide for the orderly succession of Senior Management and members of the Board. Positions of key personnel are normally discussed by Directors, via the Nominating Committee, whenever vacancies arise, in particular the positions of Board Chairman and female Director;
- oversee the development and implementation of a shareholder communication policy – apart from the usual engagement and communication with shareholders via the General Meetings and announcements uploaded in the Company's website, this process is augmented by a General Manager who oversees investor relations;
- review the adequacy and integrity of Group's management information and internal control systems, ensuring there is a sound framework of reporting internal control and regulatory compliance issues; and
- oversee the Group's adherence to high standards of conduct and corporate behavior, including the Code of Ethics for Directors of the Company and Employee Handbook for employees of the Group.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board, and for them to report to the Board their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

*Board Charter*

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded to designated personnel, in order to provide clarity and guidance to Directors and Management. To achieve this, the Board has adopted a Board Charter in financial year 2011 and which was revised in financial year 2014, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management, taking into consideration the principal responsibilities as mentioned under Principle 1 above.

The Charter, which serves as a reference point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also contains a formal schedule of matters reserved to the Board for deliberation and decision, for example discussion on strategic matters, so that the control and direction of the Company's businesses are in its hands. Based on the Charter, the Managing Director and the Chief Executive Officer oversee the day-to-day operations of the Group's business. The Non-Executive Directors, which comprise exclusively Independent Directors, provide the relevant checks and balance by reviewing the Group's performance against budget and inquiring from the Executive Directors as well as Senior Management personnel explanations, as needed, at scheduled Board and Audit Committee meetings. All the four (4) Independent Directors sit on the three (3) Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee – the Executive Directors are invited to attend Board Committee meetings to provide the relevant input and insights to the agenda items. To augment the Charter, the Board has also formalised in writing Group limits of authority to streamline the approval process for commitments as well as transactions.

The Board Charter is subject to periodic review to ensure it continues to be relevant, especially when there is a need to revise the clauses in tandem with changes in regulatory requirements which affect the Board's role. Briefings by the Company Secretary to the Board on regulatory changes is one of the sources to determine if the Charter needs to be revised. In line with Recommendation of 1.7 of the MCCG 2012 to make public the Board Charter, the Company has uploaded the Board Charter on its website at www.asiasealink.com.

*Code of Conduct and Whistle-Blower Policy*

The Board recognises the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. The Board Charter sets out a Code of Ethics to be observed by Directors. As for the conduct of employees, the Board has formalised an Employee Handbook to be observed by employees across the Group. The Board has also adopted Whistle-Blowing Policies and Procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employee, Management or Director in the Group. To assess adherence to the Code of Conduct and Employee Handbook by Directors of the Company and employees in the Group respectively, the Company appointed a Compliance Officer who also doubles up as a Risk Coordinator for the Group's risk management initiatives. The Code of Conduct has been uploaded on the Company's website.

*Sustainability of business*

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is considered. Accordingly, the Board has formalised the Company's sustainability policy during the financial year under review that addresses environment, social and governance elements in its strategic initiatives.

*Supply of, and access to, information*

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

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

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

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

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

**Principle 2 - Strengthen composition of the Board**

At the date of this Statement, the Board consists of six (6) members, comprising two (2) Executive Directors and four (4) Independent Directors. This composition fulfills the requirements as set out under MMLR of Bursa Securities, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. Based on an assessment of its skills matrix, the Board is of the view that the Directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; legal; and marketing and operations, which are considered adequate for the Group's needs.

*Nominating Committee – selection and assessment of Directors*

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

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

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

The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the Board. The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Director. During the financial year under review and as at the date of this Statement, the Nominating Committee met thrice (3 times), attended by all members. During the meetings, the Nominating Committee carried out the following activities within its terms of reference and reported the outcome to the Board:

- considered the Board Diversity policy for adoption by the Board;
- reviewed training undertaken by Directors as well as those training that are available for Directors for the ensuing year;
- discussed the search for a Board Chairman and female Director;
- reviewed and approved the Directors'/Key Officers' Evaluation Form, Board Skills Matrix Form and Board & Board Committee Evaluation Form used in the annual assessment and evaluation of the Board, Board Committees and individual Directors. These evaluation forms took into consideration the competency, experience, character, integrity and time availability of the officers concerned as well as the evaluation criteria set out in the relevant exhibits of the Corporate Governance Guide – Towards Boardroom Excellence 2nd Edition on assessment of the Board, Board Committees and individual Directors. For the purpose of assessing the independence of Independent Directors, the criteria set out in Paragraph 1.01 of the MMLR of Bursa were used; and

- following the assessment of the Board, Board Committees and individual Directors, recommended for the Board's consideration to move for shareholders' approval the re-appointment and/or re-election of those Directors retiring at the forthcoming Annual General Meeting. In assessing whether or not to recommend retiring Directors for re-appointment or re-election by shareholders, the Nominating took into consideration pertinent evaluation criteria provided in the relevant exhibits of Corporate Governance Guide – Towards Boardroom Excellence 2nd Edition.

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

*Directors' remuneration*

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

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

The Remuneration Committee is entrusted by the Board to:

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

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

Details of Directors' remuneration for the financial year ended 31 December 2016 are as follows:

| **Types of remuneration** | **Executive Directors (RM)** | **Non-Executive Directors (RM)** | **Total (RM)** |
|---|---|---|---|
| Directors' fees | 32,075 | 257,830 | 289,905 |
| Salaries | 1,002,290 | - | 1,002,290 |
| Benefits-in-kind | 28,176 | - | 28,176 |
| **Total** | **1,062,541** | **257,830** | **1,320,371** |

The number of Directors whose remuneration falls into the following bands is as follows:

| Range of remuneration (RM) | Executive Directors | Non-Executive Directors |
|---|---|---|
| 50,001 – 100,000 | | 4 |
| 400,001 – 450,000 | 1 | |
| 600,001 – 650,000 | 1 | |

**Principle 3 – Reinforce Independence of the Board**

The Board is in the midst of identifying a Director to helm the Board Chairman position since the demise of its former Chairman. At each meeting of the Board, the Directors appoint from amongst them a Director to chair the meeting. For the five (5) meetings convened during the financial year under review, the Director who chaired the meetings was an Independent Director. The current composition of Independent Non-Executive Directors in the Board, which comprises a majority of Board members, provides for pertinent checks and balance in the Board such that no one Director has unfettered powers in decision making.

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

Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Directors. The definition on independence accords with the MMLR of Bursa Securities. At end of the financial year under review, two of the Independent Directors have served for a cumulative period exceeding nine (9) years.

**Principle 4 – Foster commitment of Directors**

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the reference of Directors to assist them in making informed decisions. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational, compliance and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters deliberated by the Audit Committee and which require the Board's attention or direction, including approval, as the case may be. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings, which are confirmed by the Chairman at the next meeting.

*Board Meetings*

There were five (5) Board meetings held during the financial year ended 31 December 2016, with details of Directors' attendance set out below:

| | Name of Director | Attendance |
|---|---|---|
| (a) | Yong Foh Choi | 5/5 |
| (b) | Yong Kiam Sam | 5/5 |
| (c) | Wong Chie Bin | 5/5 |
| (d) | Toh Kian Sing | 4/5 |
| (e) | Eric Khoo Chuan Syn @ Khoo Chuan Syn | 5/5 |
| (f) | Dato' Sebastian Ting Chiew Yew | 5/5 |

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

*Directors' Training – Continuing Education Programmes*

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

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

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

| Name of Director and designation | Training topics and duration |
|---|---|
| Yong Foh Choi – *Managing Director, Non-Independent Executive Director* | • Bursa Malaysia's Corporate Governance Breakfast Series For Director: "Improving Board Risk Oversight Effectiveness with COSO"<br>• Fraud Risk Management "Diffusing Corporate Landmines" by Mr Lee Min On |
| Yong Kiam Sam – *Chief Executive Officer cum Deputy Managing Director, Non-Independent Executive Director* | • Fraud Risk Management "Diffusing Corporate Landmines" by Mr Lee Min On<br>• Asian Offshore Support Journal Conference, Singapore<br>• Risk & Returns Investing In Indonesia |
| Wong Chie Bin – *Audit Committee Chairman, Independent Non-Executive Director* | • GST Audits and Investigations<br>• Seminar on "Contentious And Contemporary Transfer Pricing Issues On Group Of Companies"<br>• Managing Tax Audits in Present Regime<br>• "Incorrect GST-03: Are You Ready To Be Audited?"<br>• National Tax Conference 2016<br>• GST Conference 2016<br>• Company Law 2016: Total Revamp with Huge Tax Planning Opportunities<br>• Independent Directors Programme: The Essence of Independence (organised by Bursa Malaysia)<br>• MAICSA Symposium 2016: Companies Act 2016-Navigating the changes |

| Name of Director and designation | Training topics and duration |
|---|---|
| Toh Kian Sing – *Remuneration Committee Chairman, Independent Non-Executive Director* | • Participated in Senior Executive Programme organised by the Hong Kong University. Topic of the talk, "Developments in Admiralty Practice"<br>• Participated in 2016 China Annual Survey of LC Law & Practice and Guarantee Forum organised by Institute of International Banking Law & Practice. Topic of the talk, "The Effect of Preclusion on Ownership of A Presented B/L"<br>• Participated in Asia Pacific Diploma Course in International Commercial Association organised by CIArb Australia, East Asia and Singapore Branch. Topic of the talk, "International Maritime Arbitration"<br>• Participated in International Maritime Arbitration Seminar co-hosted by China Maritime Arbitration Commission and Vancouver Maritime Arbitrators Association. Topic of the talk, "Interim Measures in Arbitration"<br>• Participated in the 2016 International Maritime Law Seminar and International Shipping Law and Policy High-end Forum in Guangzhou. Topic of the talk, "A Survey of Maritime Liens Across Common Law Jurisdictions"<br>• Participated in the Thematic colloquium on the Arrest Conventions to be hosted by the Centre for Maritime Law (CML) at the National University of Singapore. Topic of the talk, "Wrongful Arrest of Ships" |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn - *Nominating Committee Chairman, Independent Non-Executive Director* | • International Islamic Banking and Finance Law Conference 2016<br>• Fraud Risk Management "Diffusing Corporate Landmines" by Mr Lee Min On<br>• Independent Directors Programme: The Essence of Independence (organised by Bursa Malaysia)<br>• MAICSA Symposium 2016: Companies Act 2016-Navigating the changes |
| Dato' Sebastian Ting Chiew Yew - *Independent Non-Executive Director* | • Fraud Risk Management "Diffusing Corporate Landmines" by Mr Lee Min On<br>• Bursa Malaysia's Breakfast Series: Future of Auditor Reporting - The Game Changer for Boardroom |

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

**Principle 5 – Uphold integrity in financial reporting by the Company**

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

*Audit Committee*

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Independent Directors, chaired by Mr. Wong Chie Bin, who is a member of the Malaysian Institute of Accountants. The composition of the Audit Committee, including its roles and responsibilities enshrined in its terms of reference approved by the Board, are set out in the Audit Committee Report included in this Annual Report. One of the key responsibilities of the Audit Committee in its terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements. In discharging this role, meetings are scheduled with formal items on the agenda focusing on interim and year-end financial reporting, the auditing process and related party transactions. The relevant papers for the agenda are furnished to Committee members well before the meetings. At such meetings, questions raised by members of the Committee to better understand the Group's financial performance and situation are responded by the Head of Group Finance before the Committee recommended the financial performance and reporting to the Board for approval to issue to regulators and/or shareholders.

The terms of reference of the Audit Committee include a policy on the types and nature of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity.

In assessing the independence of external auditors, the Audit Committee obtains assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws of the Malaysian Institute of Accountants ("MIA"). For the financial year under review, this assurance was provided by the external auditors when they presented their audit plan to the Audit Committee, confirming that they complied with the By-Laws of MIA on professional ethics, conduct and practice which addressed, amongst others, the criteria on, and threats against, professional independence.

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

**Principle 6 – Recognise and manage risks of the Group**

The Board has established a Risk Management Committee which is entrusted to formalise a risk management process to identify, evaluate, control, report and monitor significant risks faced by the Group. Periodic reporting of risks identified and evaluated, which are scored for their likelihood of occurrence and the impact thereof based on pre-set risk measuring metrics, including mitigating measures, is made to the Audit Committee as part of a holistic approach on risk management following the appointment of an independent professional firm, namely KPMG Management & Risk Consulting Sdn Bhd to develop a comprehensive Enterprise Risk Framework to enhance the Group's existing risk management activities and initiatives. Personnel of the Group have been trained to periodically identify and evaluate risks, supported by pertinent evidence corroborating the risk profiles of various business units, and ultimately the Group risk profile, for upward reporting to the Risk Management Committee, which is chaired by the Chief Executive Officer helmed by the Head of Marine Division, Head of Shipbuilding Division, Head of Group Finance and the Head of Corporate Compliance. The risk profile of the Group, following a review by the Risk Management Committee is tabled to the Audit Committee and questions, if any, are fielded by the Head of Corporate Compliance, who also acts as the Group's Risk Coordinator.

The internal audit function of the Group is outsourced to an independent professional firm, namely KPMG, who undertakes regular reviews of the adequacy and operating effectiveness of the Group's system of internal controls. The internal audit function reports directly to the Audit Committee.

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

**Principle 7 – Ensure timely and high quality disclosure**

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

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

**Principle 8 – Strengthen relationship between the Company and its shareholders**

*Shareholder participation at general meeting*

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. Going forward, the Board will adopt poll voting and will appoint a scrutineer to validate the votes cast at the AGM.

*Communication and engagement with shareholders*

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

This Statement is issued in accordance with a resolution of the Board dated 28 March 2017.

## ADDITIONAL COMPLIANCE INFORMATION

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

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

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

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

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

**Audit Fees**
The amount of audit fees paid and payable to external auditors by the Company and the Group for the financial year ended 31 December 2016 amounted to RM64,000 and RM261,319 respectively.

**Non-Audit Fees**
The amount of non-audit fees paid and payable to external auditors by the Group for the financial year ended 31 December 2016 amounted to RM53,300.

**Variation in Results**
There is no material variance between the financial results and the unaudited results previously made for the financial year ended 31 December 2016.

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

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

**Profit Forecast Variance**
There was no profit forecast issued in respect of the financial result ended 31 December 2016.

**Recurrent related Party Transactions**
The related party transactions are disclosed in page 103 of this annual report.

# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors ("Board") of Sealink International Berhad ("Company") is committed in corporate social responsibility (CSR) to achieve its strategic objectives and enhance shareholders value in the long term. In accomplishing its CSR, the Board has adopted a sustainability policy which outlines our approach in developing the Group's business strategy, a copy of this policy is uploaded on the Company's website at www.asiasealink.com.

The Board also takes into consideration how the Group's business operations impact the four (4) core sustainability elements, ie, the Marketplace, the Workplace, the Environment and the Community in which the Group operates. The following activities were carried in conjunction with the Group's operations for the financial year under review.

**The Marketplace**

The Board has formalized in writing a Code of Conduct and an Employee Handbook that emphasize, amongst others, zero tolerance for unethical practices. The Group conducts business in an honest and ethical way to protect all the stakeholders. The Code of Conduct, which applies also to Directors, and the Group's whistle-blowing policies and procedures have been uploaded to the Company's website.

The Group has also been progressively developing pertinent policies and procedures addressing its key business operations to ensure that business is conducted above board at all times.

**The Workplace**

In order to be sustainable as an integrated service provider for the offshore marine support vessels, the Group strived to maintain a stable and experienced workforce to meet the myriad needs in operations of the Group. Accordingly, the following imperatives have been put in place by the Group:

- *Safety and Health*

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

**The Group was proudly awarded by oil majors for two commendable achievements, ie, 365 Goal Zero Days (in 2015) and Safety Award For Excellence-Platinum. Internally, we reached another milestone as our team achieved 730 lost time injury (LTI) free days in April 2016.**

The Group's operations personnel as well as contract workers are provided with, and are required to wear personal protective equipment when carrying out their work at the shipyard, on vessels or at the warehouse in order to achieve zero loss time injury or fatality arising from workplace accidents. Apart from the need to be briefed on safety issues upon arrival, visitors to the Shipyard and vessels are also required to put on safety helmets and boots before venturing to the sites.

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

The Group has a Safety Officer, who is responsible for overseeing matters concerning safety and health of employees. A Safety and Health Committee has also been established since 2005 to deliberate on issues relating to hazards at the workplace so that appropriate remedial measures may be taken to address any gaps, all with a view of sustaining a safe working environment in the Group.

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

- *Training and Development*

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

**The Environment**

We are accredited and maintain Safety Management System (SMS) for running of Marine Operations and we strictly comply with The International Convention for the Prevention of Pollution from Ships (MARPOL). Management is minimising the use of paper in print via scanning of documents and only print when necessary. The Group's environmental policy to "go-green" is carried out on an ongoing basis to avoid and reduce waste and using recycling and environmentally-friendly disposal methods instead.

**The Community**

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

# FINANCIAL STATEMENTS

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 2016.

## PRINCIPAL ACTIVITIES

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

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss net of tax | (56,655,369) | (1,294,062) |
| Loss attributable to: | | |
| Owners of the Company | (56,655,369) | (1,294,062) |

There were no material transfers to or from reserves or provisions during the financial year.

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

## DIRECTORS

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

Yong Foh Choi
Yong Kiam Sam
Wong Chie Bin
Eric Khoo Chuan Syn @ Khoo Chuan Syn
Toh Kian Sing
Dato' Sebastian Ting Chiew Yew

## DIRECTORS' BENEFITS

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

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

## 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 2016** | **Acquired** | **Sold** | **At 31 December 2016** |
| **The Company:** | | | | |
| **Direct interest** | | | | |
| Yong Foh Choi | 45,716,800 | - | - | 45,716,800 |
| Yong Kiam Sam | 67,382,399 | - | - | 67,382,399 |
| Eric Khoo Chuan Syn @ Khoo Chuan Syn | 30,000 | - | - | 30,000 |
| Wong Chie Bin | 90,000 | - | - | 90,000 |
| Dato' Sebastian Ting Chiew Yew | 137,500 | - | - | 137,500 |
| **Deemed interest through holding company** | | | | |
| Yong Foh Choi | 259,080,800 | - | - | 259,080,800 |
| Yong Kiam Sam | 259,080,800 | - | - | 259,080,800 |
| **Holding company:** | | | | |
| **Direct interest** | | | | |
| Yong Foh Choi | 1,237,500 | - | - | 1,237,500 |
| Yong Kiam Sam | 262,500 | - | - | 262,500 |

Yong Foh Choi and Yong Kiam Sam by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## OTHER STATUTORY INFORMATION

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

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

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

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.

**OTHER STATUTORY INFORMATION (Continued)**

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

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

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

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

f) In the opinion of the Directors:

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

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

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 April 2017

**Yong Kiam Sam** **Yong Foh Choi**

# STATEMENT BY DIRECTORS / STATUTORY DECLARATION

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **Yong Kiam Sam** 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 50 to 115 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 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 11 April 2017

**Yong Kiam Sam**

**Yong Foh Choi**

## STATUTORY DECLARATION
## PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

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 50 to 116 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 11 April 2017.

**Low Wai Har**

Before me,

**Lee Chuan Ann**
Commissioner For Oaths (No. Q046)
1st Floor, Lot 809,
Bintang Jaya Commercial Centre,
Jalan Bintang, 98000 Miri Sarawak.

**Report on the financial statements**

*Opinion*

We have audited the financial statements of Sealink International Berhad, which comprise statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 115.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

*Recoverability of carrying amounts of vessels*

In view of the depressed economic conditions in the offshore marine sector, the Group performed an assessment on the recoverable amount on the vessels stated at RM551,529,039 as at 31 December 2016 which represented 90.53% of the Group's total assets, to determine whether the carrying value of these vessels are recoverable.

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

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

Based on the outcome of the impairment assessment, the Group made an impairment charge of RM30.5 million during the year. The impairment loss was recognised in the Statement of Profit or Loss.

The impairment assessment of the vessels is significant to our audit due to its magnitude and the use of significant estimates in determining the recoverable amount. We evaluated management's assessment of impairment indications for vessels. Our audit procedures included considering the objectivity, independence and expertise of the external valuer and assessing the valuation model and significant estimates used by the external valuer, including comparisons with recent transactions involving other similar vessels. In addition, we evaluated the adequacy of the Group's disclosures regarding the impairment of these vessels as disclosed in Note 2.9, Note 3(c) and Note 13 to the financial statements.

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

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

**Other reporting responsibilities**

The supplementary information set out in Note 38 on page 116 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

**Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Ernst & Young**
AF: 0039
Chartered Accountants

**Yong Nyet Yun**
2708/04/18 (J)
Chartered Accountant

Miri, Malaysia
11 April 2017

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Revenue** | 4 | 122,901,656 | 141,503,932 | 3,577,821 | 44,140,803 |
| Cost of sales | | (127,306,731) | (111,175,727) | - | - |
| **Gross (loss)/profit** | | (4,405,075) | 30,328,205 | 3,577,821 | 44,140,803 |
| Other income | 5 | 9,775,394 | 8,629,678 | - | 623,887 |
| Administrative expenses | | (26,114,708) | (27,594,447) | (4,320,355) | (5,392,437) |
| Other expenses | | (31,517,841) | (13,774,307) | - | (24,306,285) |
| **Operating (loss)/profit** | | (52,262,230) | (2,410,871) | (742,534) | 15,065,968 |
| Finance income | 6 | 2,695,583 | 2,592,392 | 1,085,684 | 2,409,703 |
| Finance costs | 7 | (12,529,091) | (15,643,277) | (1,781,763) | (1,678,901) |
| Share of results of joint ventures | | 391,017 | (1,255,857) | - | - |
| Share of results of an associate | | (1,370,159) | (343,420) | - | - |
| **(Loss)/Profit before tax** | 8 | (63,074,880) | (17,061,033) | (1,438,613) | 15,796,770 |
| Income tax expense | 11 | 6,419,511 | 9,532,385 | 144,551 | (131,133) |
| **(Loss)/Profit net of tax** | | (56,655,369) | (7,528,648) | (1,294,062) | 15,665,637 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | | | |
| Foreign currency translation, net of tax | | 11,487,102 | 47,073,575 | - | - |
| **Other comprehensive income for the year, net of tax** | | 11,487,102 | 47,073,575 | - | - |
| **Total comprehensive income for the year, net of tax** | | (45,168,267) | 39,544,927 | (1,294,062) | 15,665,637 |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the Company | | (56,655,369) | (7,528,648) | (1,294,062) | 15,665,637 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | (45,168,267) | 39,544,927 | (1,294,062) | 15,665,637 |
| **Loss per share attributable to owners of the Company (sen per share):** | | | | | |
| Basic | 12 | (11.33) | (1.51) | | |

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

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 609,228,055 | 658,191,777 | 3,360 | 2,939 |
| Land use rights | 14 | 11,235,447 | 11,814,212 | - | - |
| Investment in subsidiaries | 15 | - | - | 385,469,639 | 353,969,639 |
| Investment in an associate | 16 | 4,724,774 | 6,002,896 | - | - |
| Investment in joint ventures | 17 | 7,539,563 | 9,153,116 | - | - |
| Other receivables | 19 | 4,991,935 | 3,916,271 | - | - |
| | | 637,719,774 | 689,078,272 | 385,472,999 | 353,972,578 |
| **Current assets** | | | | | |
| Inventories | 18 | 49,864,589 | 84,289,286 | - | - |
| Trade and other receivables | 19 | 32,382,837 | 49,595,272 | 30,749,867 | 60,546,356 |
| Other current assets | 20 | 556,371 | 756,495 | 3,500 | - |
| Investment securities | 21 | 63,011 | 329,008 | - | - |
| Tax recoverable | | 1,310,407 | 1,418,664 | 117,580 | - |
| Cash and bank balances | 22 | 42,336,149 | 78,659,210 | 1,723,946 | 1,120,819 |
| | | 126,513,364 | 215,047,935 | 32,594,893 | 61,667,175 |
| **Total assets** | | 764,233,138 | 904,126,207 | 418,067,892 | 415,639,753 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 23 | 131,316,796 | 169,028,512 | 6,140,000 | 6,140,000 |
| Trade and other payables | 24 | 29,738,536 | 44,592,501 | 41,531,770 | 31,614,268 |
| Income tax payable | | 81,074 | 1,020,987 | - | 55,301 |
| | | 161,136,406 | 214,642,000 | 47,671,770 | 37,809,569 |
| **Net current (liabilities)/assets** | | (34,623,042) | 405,935 | (15,076,877) | 23,857,606 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 23 | 120,268,959 | 155,038,772 | 1,945,000 | 8,085,000 |
| Deferred tax liabilities | 25 | 28,374,356 | 34,823,751 | - | - |
| | | 148,643,315 | 189,862,523 | 1,945,000 | 8,085,000 |
| **Total liabilities** | | 309,779,721 | 404,504,523 | 49,616,770 | 45,894,569 |
| **Net assets** | | 454,453,417 | 499,621,684 | 368,451,122 | 369,745,184 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 26 | 250,000,000 | 250,000,000 | 250,000,000 | 250,000,000 |
| Share premium | 26 | 79,086,883 | 79,086,883 | 79,086,883 | 79,086,883 |
| Retained earnings | 27 | 53,330,388 | 109,985,757 | 39,364,239 | 40,658,301 |
| Other reserves | 28 | 72,036,146 | 60,549,044 | - | - |
| **Total equity** | | 454,453,417 | 499,621,684 | 368,451,122 | 369,745,184 |
| **Total equity and liabilities** | | 764,233,138 | 904,126,207 | 418,067,892 | 415,639,753 |

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

| | | Attributable to Equity Holders of the Company | | | | |
|---|---|---|---|---|---|---|
| | | | | Non-distributable | Distributable | Non-distributable |
| **2016 Group** | **Note** | **Equity, total RM** | **Share capital RM** | **Share premium RM** | **Retained earnings RM** | **Foreign currency translation reserve RM** |
| Opening balance at 1 January 2016 | | 499,621,684 | 250,000,000 | 79,086,883 | 109,985,757 | 60,549,044 |
| Loss for the year | | (56,655,369) | - | - | (56,655,369) | - |
| Other comprehensive income | 28 | 11,487,102 | - | - | - | 11,487,102 |
| Total comprehensive income | | (45,168,267) | - | - | (56,655,369) | 11,487,102 |
| Closing balance at 31 December 2016 | | 454,453,417 | 250,000,000 | 79,086,883 | 53,330,388 | 72,036,146 |
| **2015 Group** | | | | | | |
| Opening balance at 1 January 2015 | | 460,076,757 | 250,000,000 | 79,086,883 | 117,514,405 | 13,475,469 |
| Loss for the year | | (7,528,648) | - | - | (7,528,648) | - |
| Other comprehensive income | 28 | 47,073,575 | - | - | - | 47,073,575 |
| Total comprehensive income | | 39,544,927 | - | - | (7,528,648) | 47,073,575 |
| Closing balance at 31 December 2015 | | 499,621,684 | 250,000,000 | 79,086,883 | 109,985,757 | 60,549,044 |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| 2016<br>Company | Equity,<br>total<br>RM | Non-<br>distributable<br>Share<br>capital<br>RM | Non-<br>distributable<br>Share<br>premium<br>RM | Distributable<br>Retained<br>earnings<br>RM |
|---|---|---|---|---|
| Opening balance at<br>1 January 2016 | 369,745,184 | 250,000,000 | 79,086,883 | 40,658,301 |
| Total comprehensive income | (1,294,062) | - | - | (1,294,062) |
| Closing balance at<br>31 December 2016 | 368,451,122 | 250,000,000 | 79,086,883 | 39,364,239 |
| **2015**<br>**Company** | | | | |
| Opening balance at<br>1 January 2015 | 354,079,547 | 250,000,000 | 79,086,883 | 24,992,664 |
| Total comprehensive income | 15,665,637 | - | - | 15,665,637 |
| Closing balance at<br>31 December 2015 | 369,745,184 | 250,000,000 | 79,086,883 | 40,658,301 |

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM | RM | RM | RM |
| **Operating activities** | | | | | |
| (Loss)/Profit before tax | | (63,074,880) | (17,061,033) | (1,438,613) | 15,796,770 |
| Adjustments for: | | | | | |
| Finance income | 6 | (2,695,583) | (2,592,392) | (1,085,684) | (2,409,703) |
| Dividend income | 4 | - | - | - | (40,000,000) |
| Dividend income from investment securities | 5 | (1,658) | (7,162) | - | - |
| Amortisation of land use rights | 14 | 578,765 | 578,753 | - | - |
| Deposits written off | 8 | - | 157,360 | - | - |
| Depreciation of property, plant and equipment | 13 | 46,499,443 | 45,059,278 | 1,648 | 2,135 |
| Fair value gain on investment securities | 5 | - | (2,441) | - | - |
| Impairment loss on trade and other receivables | 8 | 89,998 | 741,519 | - | - |
| Impairment loss on property, plant and equipment | 8 | 30,487,178 | 6,974,532 | - | - |
| Impairment loss on investment in subsidiaries | 8 | - | - | - | 24,306,285 |
| Finance costs | 7 | 12,443,099 | 14,133,871 | 1,781,763 | 1,678,901 |
| Inventories written down | 8 | - | 2,595,858 | - | - |
| Inventories written off | 8 | 543,670 | 878,949 | - | - |
| Gain on disposal of property, plant and equipment | 5 | (44,999) | (270,682) | - | - |
| Property, plant and equipment written off | 8 | 564,465 | 134,115 | - | - |
| Reserve on consolidation | 5 | (1,011,604) | - | - | - |
| Reversal of inventory written down | 5,8 | (1,269,538) | (1,569,915) | - | - |
| Reversal of impairment loss on trade receivables | 5 | (295,599) | - | - | - |
| Reversal of impairment on property, plant and equipment | 5 | (6,154,500) | - | - | - |
| Share of results of joint ventures | | (391,017) | 1,255,857 | - | - |
| Share of results of an associate | | 1,370,159 | 343,420 | - | - |
| Unrealised loss/(gain) on foreign exchange | | 1,049,676 | 14,383,590 | (1,722) | 17,582 |
| Total adjustments | | 81,761,955 | 82,794,510 | 696,005 | (16,404,800) |
| **Operating cash flows before changes in working capital** | | 18,687,075 | 65,733,477 | (742,608) | (608,030) |
| Changes in working capital | | | | | |
| Decrease/(Increase) in inventories | | 36,987,378 | (1,459,375) | - | - |
| Decrease/(Increase) in trade and other receivables | | 18,781,335 | 594,615 | 154,380 | (92,738) |
| Decrease/(Increase) in other current assets | | 368,111 | 262,142 | (3,500) | - |
| Decrease in trade and other payables | | (16,519,731) | (18,065,642) | (108,599) | (385,419) |
| Net change in subsidiaries balances | | - | - | 39,668,210 | 76,604,207 |
| Total changes in working capital | | 39,617,093 | (18,668,260) | 39,710,491 | 76,126,050 |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM | RM | RM | RM |
| **Cash flows from operations** | | 58,304,168 | 47,065,217 | 38,967,883 | 75,518,020 |
| Interest received | | 2,695,583 | 2,592,392 | 1,085,684 | 2,409,703 |
| Interest paid | | (14,223,837) | (16,653,046) | (1,781,763) | (1,678,901) |
| Income tax paid | | (957,660) | (2,468,576) | (28,330) | (569,092) |
| Income tax refunded | | 464,235 | 996,321 | - | - |
| **Net cash flows from operating activities** | | 46,282,489 | 31,532,308 | 38,243,474 | 75,679,730 |
| **Investing activities** | | | | | |
| Acquisition of a subsidiary, net of cash | 15 | 711,698 | - | - | - |
| Purchase of property, plant and equipment | | (770,836) | (2,960,945) | (2,069) | - |
| Proceeds from disposal of property, plant and equipment | | 45,000 | 18,261,689 | - | - |
| Acquisition of investment in a joint venture | | - | (8,900,000) | - | - |
| Acquisition of additional shares in subsidiaries | | - | - | - | (2,499,999) |
| Acquisition of redeemable convertible preference shares in subsidiaries | | - | - | (31,500,000) | (109,845,750) |
| Proceeds from disposal of redeemable convertible preference shares in a joint venture | | 1,200,000 | - | - | - |
| Dividend received from a joint venture | | 577,961 | - | - | 2 |
| Dividend received from subsidiaries | | - | - | - | 40,000,000 |
| **Net cash flows from/(used in) investing activities** | | 1,763,823 | 6,400,744 | (31,502,069) | (72,345,747) |
| **Financing activities** | | | | | |
| Proceeds from loans and borrowings | | - | 24,969,997 | - | - |
| Purchase of investment securities | | - | (61,353) | - | - |
| Sales of investment securities | | 267,655 | - | - | - |
| Repayments of loans and borrowings | | (79,250,667) | (77,829,010) | (6,140,000) | (6,140,000) |
| Repayment of finance leases | | (52,478) | (40,676) | - | - |
| Net movement in trade financing | | (2,100,000) | (22,300,000) | - | - |
| Net movement in fixed deposit pledged | | (357,132) | 30,744 | - | - |
| Net movement in cash at bank restricted in use | | (851,033) | 4,744,388 | - | - |
| **Net cash flows used in financing activities** | | (82,343,655) | (70,485,910) | (6,140,000) | (6,140,000) |
| **Net (decrease)/increase in cash and cash equivalents** | | (34,297,343) | (32,552,858) | 601,405 | (2,806,017) |
| **Effect of exchange rate changes on cash and cash equivalents** | | (209,681) | 10,386,607 | 1,722 | (17,582) |
| **Cash and cash equivalents at 1 January** | | 30,608,590 | 52,774,841 | 1,120,819 | 3,944,418 |
| **Cash and cash equivalents at 31 December** | 22 | (3,898,434) | 30,608,590 | 1,723,946 | 1,120,819 |

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 disclosed in Note 15 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

### 2.2 Changes in accounting policies

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

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2016.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to MFRSs 2012 - 2014 Cycle | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| MFRS 14: Regulatory Deferral Accounts | 1 January 2016 |

**(a) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group and the Company as the Group and the Company have not used a revenue-based method to depreciate its non-current assets.

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

**2.2 Changes in accounting policies (Continued)**

**(b) Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception**

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated.

In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

**(c) Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have a material impact on the Group's and the Company's financial statements.

**(d) Amendments to MFRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS.

These amendments do not have any impact on the Group's and the Company's financial statements.

**(e) Annual Improvements to MFRSs 2012 - 2014 Cycle**

The Annual Improvements to MFRSs 2012 - 2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

**(i) MFRS 5: Non-current Assets Held for Sale and Discontinued Operations**

The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

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

**2.2 Changes in accounting policies (Continued)**

**(e) Annual Improvements to MFRSs 2012 - 2014 Cycle (Continued)**

**(ii) MFRS 7: Financial Instruments - Disclosures**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

**(iii) MFRS 134: Interim Financial Reporting**

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

**(f) MFRS 14: Regulatory Deferral Accounts**

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard would not apply.

**2.3 Standards issued but not yet effective**

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Annual Improvements to MFRSs 2014 - 2016 Cycle: | |
| (i) Amendments to MFRS 1: First-time Adoption of Financial Reporting Standards | 1 January 2018 |
| (ii) Amendments to MFRS 12: Disclosure of Interests in Other Entities | 1 January 2017 |
| (iii) Amendments to MFRS 128: Investments in Associates and Joint Ventures | 1 January 2018 |

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

### 2.3 Standards issued but not yet effective (Continued)

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 107: Disclosures Initiatives | 1 January 2017 |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property | 1 January 2018 |
| MFRS 15: Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9: Financial Instruments | 1 January 2018 |
| IC Interpretation 22: Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| MFRS 16: Leases | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

**(a) Amendments to MFRS 107: Disclosures Initiatives**

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

**(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

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

**2.3 Standards issued but not yet effective (Continued)**

**(c) Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions**

The amendments to MFRS 2 address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

**(d) MFRS 15: Revenue from Contracts with Customers**

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

**(e) MFRS 9: Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

**2.3 Standards issued but not yet effective (Continued)**

**(f) MFRS 16: Leases**

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

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

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will assess the impact of MFRS 16 on its financial statements in the period of initial application.

**(g) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

**2.4 Basis of consolidation**

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

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

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

### 2.4 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

***Business combinations***

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

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

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

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

### 2.5 Subsidiaries

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

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

### 2.6 Foreign currency

#### a) Functional and presentation currency

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

#### b) Foreign currency transactions

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

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

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

#### c) Foreign operations

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

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

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

### 2.7 Property, plant and equipment

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

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, 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.

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

| | |
|---|---|
| Leasehold land | 47 - 60 years |
| Buildings and wharf | 10 - 50 years |
| Vessels | 20 years |
| Vessel equipment | 1.5 - 10 years |
| Dry docking cost | 2.5 years |
| Equipment, furniture and fittings | 5 - 10 years |
| Plant and machinery | 10 years |
| Motor vehicles | 5 - 6.25 years |

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

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

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

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

### 2.8 Land use rights

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

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

### 2.9 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.

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

### 2.10 Investments in associates and joint ventures

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

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

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

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

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

**2.10 Investments in associates and joint ventures (Continued)**

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

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

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

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

**2.11 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 financial assets at fair value through profit and loss and loans and receivables.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

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

### 2.11 Financial assets (Continued)

#### (b) 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.

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

**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.

**2.16 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 MFRS 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 other financial liabilities.

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

**2.16 Financial liabilities (Continued)**

**Other financial liabilities**

The Group's and the Company's financial liabilities include trade payables, other payables and 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.

**2.17 Financial guarantee contracts**

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

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.

**2.18 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.

**2.19 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. Summary of significant accounting policies (Continued)**

**2.20 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.

**2.21 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) Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**c) Construction contracts**

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

**d) Rental income**

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

**e) Dividend income**

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

**f) Management fees**

Management fees are recognised when services are rendered.

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

**2.22 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.

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.

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

**2.22 Income taxes (Continued)**

**b) Deferred tax (Continued)**

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.

**2.23 Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

**2.24 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.25 Share capital and share issuance expenses**

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

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

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

### 2.26 Contingencies

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

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

### 2.27 Fair value measurements

The Group measures financial instruments at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values in measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

| | | |
|---|---|---|
| Level 1 | - | Quoted (unadjusted) market prices in active markets for identical assets or liabilities |
| Level 2 | - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. |

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

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

## 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**

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

**a) Useful lives of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1.5 to 50 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 13. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 3.69% (2015: 13.21%) variance in the Group's loss 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 or 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 to the financial statements.

**c) Impairment of vessels**

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

The Group performed a review of the recoverable amount of vessels with indication of impairment during the financial year. The review resulted in to the recognition of impairment losses as disclosed in Note 13. A 5% difference in the fair value less cost to sale ("FVLCS") of vessels would result in increase/(decrease) in the Group's loss for the year as follows:

| | **2016** | **2015** |
|---|---|---|
| | **%** | **%** |
| Increase in FVLCS | (18.74) | (9.85) |
| Reduction in FVLCS | 21.91 | 11.47 |

## 4. Revenue

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Charter hire revenue | 61,949,393 | 119,095,701 | - | - |
| Sale of vessels | 58,181,592 | 16,804,261 | - | - |
| Contract services | 2,602,671 | 5,435,970 | - | - |
| Dividend income from subsidiaries | - | - | - | 40,000,000 |
| Management fee | - | - | 3,577,821 | 4,140,803 |
| Rental income | 168,000 | 168,000 | - | - |
| | 122,901,656 | 141,503,932 | 3,577,821 | 44,140,803 |

## 5. Other income

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Dividend income from investment securities | 1,658 | 7,162 | - | - |
| Fair value gain on investment securities | - | 2,441 | - | - |
| Net gain on foreign exchanges | - | 5,088,706 | - | 623,887 |
| Gain on disposal of property, plant and equipment | 44,999 | 270,682 | - | - |
| Reserve on consolidation | 1,011,604 | - | - | - |
| Reversal of impairment on property, plant and equipment | 6,154,500 | - | - | - |
| Reversal of impairment loss on trade receivables (Note 19) | 295,599 | - | - | - |
| Reversal of inventory written down in previous year | - | 1,569,915 | - | - |
| Sundry income from ship operations | 2,267,034 | 1,690,772 | - | - |
| | 9,775,394 | 8,629,678 | - | 623,887 |

## 6. Finance income

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Interest income from: | | | | |
| - Current account | 72,887 | 67,087 | - | 114,008 |
| - Short term deposits | 580,016 | 575,114 | - | - |
| - Associate | 1,895,830 | 1,899,552 | - | - |
| - Subsidiaries | - | - | 1,085,684 | 1,633,624 |
| - Others | 108,293 | 50,639 | - | - |
| - Redeemable convertible preference shares interest from a joint venture | 38,557 | - | - | - |
| - Redeemable convertible preference shares interest from subsidiaries | - | - | - | 662,071 |
| | 2,695,583 | 2,592,392 | 1,085,684 | 2,409,703 |

## 7. Finance costs

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Interest expenses on: | | | | |
| - Bankers acceptances | - | 5,914 | - | - |
| - Bank loans | 7,959,199 | 10,054,957 | - | - |
| - Bank overdrafts | 2,280,276 | 1,850,110 | - | - |
| - Islamic loans | 702,202 | 1,106,544 | 702,202 | 1,106,544 |
| - Loan from subsidiaries | - | - | 1,079,561 | 969,407 |
| - Obligations under finance leases | 7,378 | 7,133 | - | - |
| - Revolving credits | 3,274,782 | 3,627,594 | - | - |
| - Interest recharged to subsidiaries | - | - | - | (397,050) |
| - Others | - | 794 | - | - |
| | 14,223,837 | 16,653,046 | 1,781,763 | 1,678,901 |
| Less: Interest expense capitalised in: | | | | |
| - Vessels work-in-progress | (1,780,738) | (2,519,175) | - | - |
| | 12,443,099 | 14,133,871 | 1,781,763 | 1,678,901 |
| Net loss on foreign exchanges | 85,992 | 1,509,406 | - | - |
| | 12,529,091 | 15,643,277 | 1,781,763 | 1,678,901 |

## 8. (Loss)/Profit before tax

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| The following items have been included in arriving at (loss)/profit before tax: | | | | |
| Employee benefits expense (Note 9) | 21,035,193 | 27,818,020 | 3,620,486 | 4,485,037 |
| Amortisation of land use rights (Note 14) | 578,765 | 578,753 | - | - |
| Auditors' remuneration | | | | |
| - Current year | 261,319 | 276,263 | 64,000 | 67,000 |
| - Overprovision in previous years | (1,000) | (26,000) | - | - |
| Charter expenses | 238,782 | - | - | - |
| Depreciation of property, plant and equipment (Note 13) | 46,499,443 | 45,059,278 | 1,648 | 2,135 |
| Deposits written off | - | 157,360 | - | - |

## 8. (Loss)/Profit before tax (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016<br>RM | 2015<br>RM | 2016<br>RM | 2015<br>RM |
| The following items have been included in arriving at (loss)/profit before tax: | | | | |
| Impairment loss on trade and other receivables | 89,998 | 741,519 | - | - |
| Impairment loss on property, plant and equipment (Note 13) | 30,487,178 | 6,974,532 | - | - |
| Impairment loss on investment in subsidiaries | - | - | - | 24,306,285 |
| Inventories written off | 543,670 | 878,949 | - | - |
| Inventories written down | - | 2,595,858 | - | - |
| Reversal of inventories written down | (1,269,538) | - | - | - |
| Net loss on foreign exchanges | 1,392,421 | - | 1,334 | - |
| Loss on forward contract | - | 27,000 | - | - |
| Non-executive Directors' fees | 307,412 | 359,430 | 257,830 | 277,830 |
| Rental of premises | 296,546 | 389,113 | 12,000 | 7,500 |
| Property, plant and equipment written off | 564,465 | 134,115 | - | - |

## 9. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2016<br>RM | 2015<br>RM | 2016<br>RM | 2015<br>RM |
| Salaries and wages | 18,802,588 | 25,053,931 | 3,207,785 | 3,990,907 |
| Social security contributions | 183,517 | 202,755 | 31,371 | 19,773 |
| Contributions to defined contribution plan | 1,945,695 | 2,485,775 | 381,330 | 474,357 |
| Other benefits | 103,393 | 75,559 | - | - |
| | 21,035,193 | 27,818,020 | 3,620,486 | 4,485,037 |

Included in employee benefits expense of the Group and of the Company are the Executive Directors' remuneration amounting to RM1,034,365 (2015: RM1,237,360) and RM70,718 (2015: RM92,007) respectively as further disclosed in Note 10.

**10. Directors' remuneration**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Executive: | | | | |
| Salaries and other emoluments | 923,000 | 1,111,607 | 35,797 | 44,410 |
| Fees | 32,075 | 44,100 | 32,075 | 44,100 |
| Defined contribution plan | 79,290 | 81,653 | 2,846 | 3,497 |
| Total Executive Directors' remuneration (excluding benefits-in-kind) | 1,034,365 | 1,237,360 | 70,718 | 92,007 |
| Estimated money value of benefits-in-kind | 28,176 | 26,892 | 28,176 | 26,892 |
| Total Executive Directors' remuneration (including benefits-in-kind) | 1,062,541 | 1,264,252 | 98,894 | 118,899 |
| Non-Executive: | | | | |
| Fees | 257,830 | 277,830 | 257,830 | 277,830 |
| Total Directors' remuneration | 1,320,371 | 1,542,082 | 356,724 | 396,729 |

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

| | Number of Directors | |
|---|---|---|
| | 2016 | 2015 |
| Executive Directors: | | |
| RM400,001 – RM450,000 | 1 | - |
| RM500,001 – RM550,000 | - | 1 |
| RM600,001 – RM650,000 | 1 | - |
| RM700,001 – RM750,000 | - | 1 |
| Non-Executive Directors: | | |
| RM50,001 – RM100,000 | 4 | 4 |

## 11. Income tax expense

**Major components of income tax expense**

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Statement of profit or loss:** | | | | |
| Current income tax: | | | | |
| Labuan business activity tax | - | 52,848 | - | - |
| Malaysian income tax | 268,821 | 1,572,044 | - | 144,551 |
| Overprovision in respect of previous years | (607,855) | (209,706) | (144,551) | (13,418) |
| | (339,034) | 1,415,186 | (144,551) | 131,133 |
| Deferred income tax (Note 25): | | | | |
| Origination or reversal of temporary differences | (6,293,730) | (11,519,304) | - | - |
| (Over)/Underprovision in respect of previous years | (155,665) | 744,860 | - | - |
| | (6,449,395) | (10,774,444) | - | - |
| Share of tax of an associate | - | (155,498) | - | - |
| Share of tax of joint ventures | 368,918 | (17,629) | - | - |
| | 368,918 | (173,127) | - | - |
| Income tax expense recognised in profit or loss | (6,419,511) | (9,532,385) | (144,551) | 131,133 |

**Reconciliation between tax expense and accounting (loss)/profit**

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| (Loss)/Profit before tax | (63,074,880) | (17,061,033) | (1,438,613) | 15,796,770 |
| Tax at Malaysian statutory tax rate of 24% (2015: 25%) | (15,137,971) | (4,265,258) | (345,267) | 3,949,193 |
| Adjustments: | | | | |
| Non-deductible expenses | 23,093,816 | 6,570,890 | 345,545 | 6,363,481 |
| Income not subject to taxation | (14,860,613) | (15,110,401) | - | (10,168,657) |
| Deferred tax assets not recognised during the years | 1,398,691 | 3,387,335 | - | 534 |
| Reversal of deferred tax assets not recognised in previous year | (1,041) | (145,068) | (278) | - |
| Effect of reduction in tax rates | - | (312,226) | - | - |
| Effect of Group relief | (548,106) | - | - | - |

**11. Income tax expense (Continued)**

**Reconciliation between tax expense and accounting (loss)/profit (Continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| (Over)/Underprovision of deferred tax in previous years | (155,665) | 744,860 | - | - |
| Overprovision of income tax in previous years | (607,855) | (209,706) | (144,551) | (13,418) |
| Share of tax of an associate | - | (155,498) | - | - |
| Share of tax of joint ventures | 368,918 | (17,629) | - | - |
| Others | 30,315 | (19,684) | - | - |
| Income tax expense recognised in profit or loss | (6,419,511) | (9,532,385) | (144,551) | 131,133 |

Current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable (loss)/profit for the year.

In 2015, for Labuan business activity, the subsidiaries elected to pay RM20,000 of income tax in accordance with Section 7(1) of the Labuan Business Activity Tax Act 1990.

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

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

**12. Loss per share**

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

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

| | **2016 RM** | **2015 RM** |
|---|---|---|
| Loss attributable to ordinary equity holders of the Company | (56,655,369) | (7,528,648) |
| Number of ordinary shares in issue during the year | 500,000,000 | 500,000,000 |

| | **2016 Sen** | **2015 Sen** |
|---|---|---|
| Basic loss per share for loss for the year | (11.33) | (1.51) |

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

## 13. Property, plant and equipment

| Group | Land, buildings and wharf* RM | Vessels, vessel equipment and docking expenses RM | Equipment, furniture and fittings RM | Plant and machinery RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1.1.2015 | 72,192,312 | 704,046,489 | 8,197,770 | 41,319,756 | 4,584,506 | 18,792,345 | 849,133,178 |
| Additions | 124,236 | 1,423,796 | 1,207,011 | 163,000 | 116,783 | 33,019 | 3,067,845 |
| Reclassification | (6,685) | 12,557,919 | 201,795 | 86,104 | (281,214) | (12,557,919) | - |
| Disposals | - | (24,999,171) | (445,514) | (247,562) | - | - | (25,692,247) |
| Written off | - | (1,238,091) | (13,220) | - | - | - | (1,251,311) |
| Exchange rate difference | - | 83,774,107 | 25,725 | - | - | - | 83,799,832 |
| At 31.12.2015 and 1.1.2016 | 72,309,863 | 775,565,049 | 9,173,567 | 41,321,298 | 4,420,075 | 6,267,445 | 909,057,297 |
| Acquisition of a subsidiary | - | 12,898,224 | - | - | - | - | 12,898,224 |
| Additions | 264,690 | 412,065 | 55,798 | 38,283 | - | - | 770,836 |
| Reclassification | - | (840) | 840 | - | - | - | - |
| Disposals | - | - | (62,400) | - | (214,146) | - | (276,546) |
| Written off | - | (2,231,881) | (619,065) | (841,578) | (23,350) | - | (3,715,874) |
| Exchange rate difference | - | 19,295,303 | 14,489 | - | - | - | 19,309,792 |
| At 31.12.2016 | 72,574,553 | 805,937,920 | 8,563,229 | 40,518,003 | 4,182,579 | 6,267,445 | 938,043,729 |

**13. Property, plant and equipment (Continued)**

| Group | Land, buildings and wharf* RM | Vessels, vessel equipment and docking expenses RM | Equipment, furniture and fittings RM | Plant and machinery RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment loss:** | | | | | | | |
| At 1.1.2015 | 20,118,456 | 135,147,967 | 5,915,989 | 28,999,405 | 4,133,528 | - | 194,315,345 |
| Charge for the year | 2,161,433 | 39,723,454 | 1,251,297 | 3,596,729 | 193,734 | - | 46,926,647 |
| Reclassification | (3,073) | - | 82,701 | 180,683 | (260,311) | - | - |
| Disposals | - | (7,254,482) | (291,199) | (155,559) | - | - | (7,701,240) |
| Written off | - | (1,106,515) | (10,681) | - | - | - | (1,117,196) |
| Impairment loss (Note 8) | - | 3,153,808 | - | - | - | 3,820,724 | 6,974,532 |
| Exchange rate difference | - | 11,442,872 | 24,560 | - | - | - | 11,467,432 |
| At 31.12.2015 and 1.1.2016 | 22,276,816 | 181,107,104 | 6,972,667 | 32,621,258 | 4,066,951 | 3,820,724 | 250,865,520 |
| Charge for the year | 2,052,518 | 40,259,275 | 933,845 | 3,109,150 | 144,655 | - | 46,499,443 |
| Reclassification | - | (721) | 721 | - | - | - | - |
| Disposals | - | - | (62,400) | - | (214,145) | - | (276,545) |
| Written off | - | (1,821,309) | (550,610) | (756,142) | (23,348) | - | (3,151,409) |
| Impairment loss (Note 8) | - | 30,487,178 | - | - | - | - | 30,487,178 |
| Exchange rate difference | - | 4,377,354 | 14,133 | - | - | - | 4,391,487 |
| At 31.12.2016 | 24,329,334 | 254,408,881 | 7,308,356 | 34,974,266 | 3,974,113 | 3,820,724 | 328,815,674 |
| **Net carrying amount:** | | | | | | | |
| At 31.12.2015 | 50,033,047 | 594,457,945 | 2,200,900 | 8,700,040 | 353,124 | 2,446,721 | 658,191,777 |
| At 31.12.2016 | 48,245,219 | 551,529,039 | 1,254,873 | 5,543,737 | 208,466 | 2,446,721 | 609,228,055 |

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

***Land, buildings and wharf**

| Group | Leasehold land RM | Workshop and renovation RM | Wharf, yard and buildings RM | Total RM |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2015 | 37,629,735 | 3,228,782 | 31,333,795 | 72,192,312 |
| Additions | - | 124,236 | - | 124,236 |
| Reclassification | - | - | (6,685) | (6,685) |
| At 31 December 2015 and 1 January 2016 | 37,629,735 | 3,353,018 | 31,327,110 | 72,309,863 |
| Additions | 213,000 | 51,690 | - | 264,690 |
| At 31 December 2016 | 37,842,735 | 3,404,708 | 31,327,110 | 72,574,553 |
| **Accumulated depreciation and impairment loss:** | | | | |
| At 1 January 2015 | 5,628,978 | 1,943,959 | 12,545,519 | 20,118,456 |
| Charge for the year | 649,371 | 224,996 | 1,287,066 | 2,161,433 |
| Reclassification | - | - | (3,073) | (3,073) |
| At 31 December 2015 and 1 January 2016 | 6,278,349 | 2,168,955 | 13,829,512 | 22,276,816 |
| Charge for the year | 649,427 | 197,173 | 1,205,918 | 2,052,518 |
| At 31 December 2016 | 6,927,776 | 2,366,128 | 15,035,430 | 24,329,334 |
| **Net carrying amount:** | | | | |
| At 31 December 2015 | 31,351,386 | 1,184,063 | 17,497,598 | 50,033,047 |
| At 31 December 2016 | 30,914,959 | 1,038,580 | 16,291,680 | 48,245,219 |

**13. Property, plant and equipment (Continued)**

| Company | Signboard RM | Office equipment RM | Total RM |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2015 and 1 January 2016 | 7,390 | 6,981 | 14,371 |
| Additions | - | 2,069 | 2,069 |
| At 31 December 2016 | 7,390 | 9,050 | 16,440 |
| **Accumulated depreciation:** | | | |
| At 1 January 2015 | 4,311 | 4,986 | 9,297 |
| Charge for the year (Note 8) | 739 | 1,396 | 2,135 |
| At 31 December 2015 and 1 January 2016 | 5,050 | 6,382 | 11,432 |
| Charge for the year (Note 8) | 739 | 909 | 1,648 |
| At 31 December 2016 | 5,789 | 7,291 | 13,080 |
| **Net carrying amount:** | | | |
| At 31 December 2015 | 2,340 | 599 | 2,939 |
| At 31 December 2016 | 1,601 | 1,759 | 3,360 |

i) Assets held under finance leases

In 2015, the Group acquired property, plant and equipment with an aggregate cost RM106,900 by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group amounted to RM770,836 (2015: RM2,960,945).

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

| Group | Motor vehicles RM | Total RM |
|---|---|---|
| **Net carrying amount** | | |
| At 31 December 2015 | 197,637 | 197,637 |
| At 31 December 2016 | 134,380 | 134,380 |

**13. Property, plant and equipment (Continued)**

ii) 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 RM444,246,242 (2015: RM528,926,868) and RM5,739,826 (2015: RM1,994,367) respectively are mortgaged to secure the Group's bank loans (Note 23).

The Group's leasehold land with carrying amount of RM27,743,104 (2015: RM28,391,086) is mortgaged to secure the Group's bank loans (Note 23).

iii) Depreciation charge for the year is allocated as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **RM** | **RM** |
| Statement of profit or loss (Note 8) | 46,499,443 | 45,059,278 |
| Recognised in inventories (Note 18) | - | 1,867,369 |
| | 46,499,443 | 46,926,647 |

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

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

The Group has reviewed the carrying value of all the vessels owned by the Group and has made an impairment charge of RM30.5 million (2015: RM7 million). The impairment loss was recognised in the Statement of Comprehensive Income. FV of the vessels at RM258.1 million (2015: RM33.6 million) was determined using the market comparable method. The valuations have been performed by an independent valuer and are based on proprietary databases of prices of transactions for vessels of similar nature and condition. The FV is at Level 3 of the fair value hierarchy.

## 14. Land use rights

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| **Cost:** | | |
| At 1 January 2015 and 31 December 2016 | 16,686,200 | 16,686,200 |
| **Accumulated amortisation:** | | |
| At 1 January | 4,871,988 | 4,293,235 |
| Amortisation for the year (Note 8) | 578,765 | 578,753 |
| At 31 December | 5,450,753 | 4,871,988 |
| **Net carrying amount** | 11,235,447 | 11,814,212 |
| Amount to be amortised: | | |
| - Not later than one year | 578,753 | 578,753 |
| - Later than one year but not later than five years | 2,315,012 | 2,315,012 |
| - Later than five years | 8,341,682 | 8,920,447 |

Land use rights pledged as security

Land use rights with an aggregate carrying value of RM7,035,915 (2015: RM7,393,716) are pledged as securities for bank borrowings as referred to in Note 23.

## 15. Investment in subsidiaries

| | Company 2016 RM | Company 2015 RM |
|---|---|---|
| Unquoted shares, at cost: | | |
| - Ordinary shares | 241,930,174 | 241,930,174 |
| - Redeemable convertible preference shares | 167,845,750 | 136,345,750 |
| | 409,775,924 | 378,275,924 |
| Impairment losses | (24,306,285) | (24,306,285) |
| | 385,469,639 | 353,969,639 |

**15. Investment in subsidiaries (Continued)**

Details of the subsidiaries are as follows:

| Name of companies | Country of incorporation | Principal activities | Percentage of equity held 2016 % | 2015 % |
|---|---|---|---|---|
| Cergas Majusama Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Era Sureway Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Era Surplus Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Midas Choice Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Godrimaju Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Euroedge Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Navitex Shipping Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Seabright Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Sealink Engineering And Slipway Sdn. Bhd. | Malaysia | Shipbuilding | 100 | 100 |
| Sealink Management Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Sealink Marine Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Sealink Pacific Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Sealink Sdn. Bhd. | Malaysia | Chartering of marine vessels and letting of properties | 100 | 100 |
| Sutherfield Resources Sdn. Bhd. | Malaysia | Chartering of marine vessels | 100 | 100 |
| Sealink Shipyard Sdn. Bhd. | Malaysia | Shipbuilding | 100 | 100 |
| Sea-Good Pte Ltd* | Singapore | Chartering of marine vessels | 100 | 100 |

**15. Investment in subsidiaries (Continued)**

Details of the subsidiaries are as follows:

| Name of companies | Country of incorporation | Principal activities | Percentage of equity held 2016 % | 2015 % |
|---|---|---|---|---|
| Sealink Offshore (L) Ltd. | Federal Territory of Labuan, Malaysia | Investment holding and chartering of marine vessels | 100 | 100 |
| Sea Alpha Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Seabright (Singapore) Private Limited* | Singapore | Ship owner | 100 | 100 |
| **Subsidiary of Sealink Shipyard Sdn. Bhd.** | | | | |
| Aliran Saksama Sdn. Bhd. | Malaysia | Letting of property | 100 | 100 |
| **Subsidiary of Sealink Engineering And Slipway Sdn. Bhd.** | | | | |
| Baram Moulding Industries Sdn. Bhd. | Malaysia | Letting of property | 100 | 100 |
| **Subsidiary of Sealink Pacific Sdn. Bhd.** | | | | |
| Bristal View Sdn. Bhd. | Malaysia | Property holding | 100 | 100 |
| **Subsidiary of Midas Choice Sdn. Bhd.** | | | | |
| Sea Legend Shipping Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| **Subsidiary of Sea Legend Shipping Sdn. Bhd.** | | | | |
| Mitra Angkasa Sdn. Bhd. | Malaysia | Ship owner and chartering of vessels | 100 | -# |
| **Subsidiaries of Sealink Offshore (L) Ltd.** | | | | |
| Sealink Resources (L) Ltd. | Federal Territory of Labuan, Malaysia | Inactive | 100 | 100 |
| Sealink Marine (L) Ltd. | Federal Territory of Labuan, Malaysia | Inactive | 100 | 100 |
| Sealink Antarabangsa Ltd. | Federal Territory of Labuan, Malaysia | Chartering of marine vessel | 100 | 100 |
| Perkasa Asia Corporation Ltd. | Federal Territory of Labuan, Malaysia | Chartering of marine vessel | 100 | 100 |

**15. Investment in subsidiaries (Continued)**

Details of the subsidiaries are as follows:

| Name of companies | Country of incorporation | Principal activities | Percentage of equity held 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries of Sealink Offshore (L) Ltd.** | | | | |
| Hanvoir (L) Ltd. | Federal Territory of Labuan, Malaysia | Inactive | 100 | 100 |

* Audited by a firm other than Ernst & Young.
# Refer Note 17

**Impairment of investment in subsidiaries**

In 2015, the Directors recognised impairment losses amounting to RM24,306,285 on the Company's investment in certain subsidiaries. The impairment losses had been recognised in the "other expenses" line item in the Company's profit or loss for the year ended 31 December 2015.

**Acquisition of a subsidiary**

On 30 August 2016, Sea Legend Shipping Sdn Bhd, a subsidiary of Sealink International Berhad acquired by additional 499,999 ordinary shares and 2,500,000 redeemable preference shares in Mitra Angkasa Sdn. Bhd. for a total cash consideration of RM585,604. Consequently, Mitra Angkasa Sdn. Bhd. becomes a wholly-owned subsidiary.

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

| | Fair Value 2016 RM | 2015 RM |
|---|---|---|
| Property, plant and equipment | 14,573,905 | - |
| Trade and other receivables | 747,036 | - |
| Inventories | 50,549 | - |
| Cash and bank balances | 1,297,302 | - |
| | 16,668,792 | - |
| Loans and borrowings | (6,903,000) | - |
| Trade and other payables | (6,571,376) | - |
| | (13,474,376) | - |
| Net identifiable assets | 3,194,416 | - |
| Less: Previously accounted for as a joint venture | (1,597,208) | - |
| Net identifiable assets acquired | 1,597,208 | - |

**15. Investment in subsidiaries (Continued)**

**Acquisition of a subsidiary (Continued)**

| | 2016 RM | 2015 RM |
|---|---|---|
| The effect of the acquisitions on cash flows is as follows: | | |
| Total cost of the business combination | (585,604) | - |
| Less: Cash and cash equivalents of subsidiaries acquired | 1,297,302 | - |
| Net cash inflow on acquisitions | 711,698 | - |
| Reserve arising on acquisition | | |
| Group's interest in fair value of net identifiable assets | 1,597,208 | - |
| Reserve on acquisition | (1,011,604) | - |
| Cost of business combination | 585,604 | - |

**16. Investment in an associate**

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

| | Group | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Unquoted shares, at cost | 3,500,000 | 3,500,000 |
| Share of post acquisition reserves | 1,224,774 | 2,502,896 |
| | 4,724,774 | 6,002,896 |

Details of the associate are as follows:

| Name of associate | Country of incorporation | Principal activity | Proportion of ownership interest 2016 % | 2015 % |
|---|---|---|---|---|
| Logistine Sdn. Bhd. * | Malaysia | Providing offshore support vessels, equipment and engineering consultation for oil and gas activities | 25 | 25 |

* Audited by a firm other than Ernst & Young.

**16. Investment in an associate (Continued)**

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

| | 2016 RM | 2015 RM |
|---|---|---|
| **Assets and liabilities:** | | |
| Non-current assets | 51,591,775 | 53,189,793 |
| Current assets | 5,819,440 | 4,223,540 |
| Total assets | 57,411,215 | 57,413,333 |
| Non-current liabilities | (15,411,718) | (21,211,445) |
| Current liabilities | (16,821,308) | (9,881,574) |
| Total liabilities | (32,233,026) | (31,093,019) |
| **Results:** | | |
| Revenue | 6,826,508 | 9,736,410 |
| Loss for the year | (1,142,125) | (397,217) |

**17. Investment in joint ventures**

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

| | Group | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Unquoted shares, at cost | | |
| - Ordinary shares | 2,799,998 | 3,299,999 |
| - Redeemable preference shares | 4,900,004 | 8,600,004 |
| | 7,700,002 | 11,900,003 |
| Share of post acquisition reserves | (160,439) | (2,746,887) |
| | 7,539,563 | 9,153,116 |

**17. Investment in joint ventures (Continued)**

Details of the joint ventures are as follows:

| Name of joint ventures | Country of incorporation | Principal activity | Proportion of ownership interest 2016 % | 2015 % |
|---|---|---|---|---|
| **Joint venture of Sea Legend Shipping Sdn. Bhd.** | | | | |
| Mitra Angkasa Sdn. Bhd. | Malaysia | Ship owner and chartering of vessels | -* | 50.0001 |
| **Joint venture of Era Surplus Sdn. Bhd.** | | | | |
| Seasten Sdn. Bhd. | Malaysia | Vessel owner and operator | 70 | 70 |

* Refer to Note 15

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

| | 2016 RM | 2015 RM |
|---|---|---|
| **Assets and liabilities:** | | |
| Non-current assets | 9,753,646 | 25,977,355 |
| Current assets | 2,293,654 | 1,950,460 |
| Total assets | 12,047,300 | 27,927,815 |
| Non-current liabilities | (7,000,004) | (18,403,004) |
| Current liabilities | (1,119,371) | (6,417,457) |
| Total liabilities | (8,119,375) | (24,820,461) |
| **Results:** | | |
| Revenue | 4,046,492 | 1,549,020 |
| Profit/(Loss) for the year | 875,824 | (2,088,105) |

## 18. Inventories

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| **Cost** | | |
| Consumables | 1,535,501 | 1,013,849 |
| Machinery and equipment | 1,574,095 | 1,905,079 |
| Raw materials | 12,462,764 | 13,589,465 |
| Vessel parts and materials | 317,577 | 522,579 |
| Vessels work-in-progress | 33,974,652 | 31,385,256 |
| | 49,864,589 | 48,416,228 |
| **Net realisable value** | | |
| Vessel work-in-progress | - | 35,873,058 |
| | 49,864,589 | 84,289,286 |

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

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| Depreciation of property, plant and equipment (Note 13) | - | 1,867,369 |
| Interest expense | 1,525,621 | 2,519,175 |

## 19. Trade and other receivables

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 16,212,724 | 22,875,232 | - | - |
| Less: Allowance for impairment third parties | (497,443) | (743,569) | - | - |
| Trade receivables, net | 15,715,281 | 22,131,663 | - | - |
| **Other receivables** | | | | |
| Refundable deposits | 951,204 | 3,814,572 | 2,000 | 1,250 |
| Other receivables | | | | |
| - Others | 1,153,361 | 1,838,063 | 136,502 | 291,632 |
| - Subsidiaries | - | - | 880,371 | 662,071 |
| Amount due from an associate | 14,994,012 | 19,564,563 | - | - |
| Amount due from subsidiaries | - | - | 29,730,994 | 59,591,403 |
| Amount due from a joint venture | 355,810 | 3,171,999 | - | - |
| | 17,454,387 | 28,389,197 | 30,749,867 | 60,546,356 |
| Less: Allowance for impairment other receivables | (786,831) | (925,588) | - | - |
| | 16,667,556 | 27,463,609 | 30,749,867 | 60,546,356 |
| | 32,382,837 | 49,595,272 | 30,749,867 | 60,546,356 |

## 19. Trade and other receivables (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Amount due from an associate | 4,991,935 | 3,916,271 | - | - |
| Total trade and other receivables | 37,374,772 | 53,511,543 | 30,749,867 | 60,546,356 |
| Add: Cash and bank balances (Note 22) | 42,336,149 | 78,659,210 | 1,723,946 | 1,120,819 |
| Total loans and receivables | 79,710,921 | 132,170,753 | 32,473,813 | 61,667,175 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day (2015: 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.

<u>Ageing analysis of trade receivables</u>

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | RM | RM |
| Neither past due nor impaired | 4,126,115 | 6,617,265 |
| 1 to 30 days past due not impaired | 4,239,499 | 7,679,601 |
| 31 to 60 days past due not impaired | 3,206,293 | 4,264,169 |
| 61 to 90 days past due not impaired | 1,261,755 | 1,220,122 |
| 91 to 120 days past due not impaired | 1,473,885 | 1,273,518 |
| More than 121 days past due not impaired | 1,407,734 | 1,076,988 |
| | 11,589,166 | 15,514,398 |
| Impaired | 497,443 | 743,569 |
| | 16,212,724 | 22,875,232 |

**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 RM11,589,166 (2015: RM15,514,398) 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **RM** | **RM** |
| Total receivables | 497,443 | 743,569 |
| Less: Allowance for impairment | (497,443) | (743,569) |
| | - | - |
| Movement in allowance accounts: | | |
| At 1 January | 743,569 | 992,188 |
| Charge for the year | 49,473 | 741,519 |
| Reversal of impairment losses (Note 5) | (295,599) | - |
| Written off | - | (990,138) |
| At 31 December | 497,443 | 743,569 |

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

**(b) Amount due from subsidiaries**

This amount is unsecured and is repayable on demand.

Included in the amount due from subsidiaries is an amount of RM16,809,530 (2015: RM21,607,085) which bears interest at rates ranging from 3.52% - 5.40% (2015: 3.76% - 5.65%) per annum.

## 19. Trade and other receivables (Continued)

### (c) Amount due from an associate

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

Included in the amount due from an associate is an amount of RM12,747,063 (2015: RM16,068,410) which bears interest at rate of 6.95% (2015: 6.70%) per annum and is fully repayable by 2019.

### (d) Amount due from a joint venture

This amount is unsecured and is repayable on demand.

In 2015, included in the amount due from a joint venture was an amount of RM3,026,125 which bore interest at rate of 9.10% per annum.

### (e) Other receivables

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

## 20. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Prepayment for insurance | 288,668 | 340,786 | - | - |
| Other prepaid operating expenses | 267,703 | 415,709 | 3,500 | - |
| | 556,371 | 756,495 | 3,500 | - |

## 21. Investment securities

| | Group | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Wholesale money market fund quoted in Malaysia, at market value | 63,011 | 329,008 |

## 22. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Cash at banks and on hand | 20,890,920 | 61,283,384 | 1,723,946 | 1,120,819 |
| Short term deposits with licensed banks | 21,445,229 | 17,375,826 | - | - |
| Cash and bank balances | 42,336,149 | 78,659,210 | 1,723,946 | 1,120,819 |

## 22. Cash and bank balances (Continued)

Deposits of the Group with licensed banks amounting to RM17,819,554 (2015: RM17,329,244) are pledged to banks for bank guarantees issued to third parties and for short term facilities granted by the banks to the Group.

Included in cash and bank balances is an amount of RM2,072,999 (2015: RM1,121,653) 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 reporting date are as follows:

| | Interest rate | | Maturity | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | % | % | Days | Days |
| Deposits with licensed banks | 1.55 - 3.30 | 0.32 - 3.30 | 31 - 365 | 31 - 365 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Cash and bank balances | 42,336,149 | 78,659,210 | 1,723,946 | 1,120,819 |
| Bank overdrafts (Note 23) | (26,342,030) | (29,599,723) | - | - |
| | 15,994,119 | 49,059,487 | 1,723,946 | 1,120,819 |
| Cash at bank restricted in use | (2,072,999) | (1,121,653) | - | - |
| Fixed deposits pledged as security | (17,819,554) | (17,329,244) | - | - |
| Cash and cash equivalents | (3,898,434) | 30,608,590 | 1,723,946 | 1,120,819 |

## 23. Loans and borrowings

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Maturity | 2016 | 2015 | 2016 | 2015 |
| | | RM | RM | RM | RM |
| **Current** | | | | | |
| Secured: | | | | | |
| Bank overdrafts (Note 22) | On demand | 26,342,030 | 29,599,723 | - | - |
| Obligations under finance leases (Note 30(b)) | 2017 | 55,049 | 52,478 | - | - |
| Revolving credits | 2017 | 54,200,000 | 56,300,000 | - | - |
| Islamic loans | 2017 | 6,140,000 | 6,140,000 | 6,140,000 | 6,140,000 |
| Term loans | 2017 | 44,579,717 | 76,936,311 | - | - |
| | | 131,316,796 | 169,028,512 | 6,140,000 | 6,140,000 |

## 23. Loans and borrowings (Continued)

| | Maturity | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 30(b)) | 2018-2020 | 74,359 | 129,408 | - | - |
| Islamic loans | 2018 | 1,945,000 | 8,085,000 | 1,945,000 | 8,085,000 |
| Term loans | 2018-2021 | 118,249,600 | 146,824,364 | - | - |
| | | 120,268,959 | 155,038,772 | 1,945,000 | 8,085,000 |
| Total loans and borrowings | | 251,585,755 | 324,067,284 | 8,085,000 | 14,225,000 |

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

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| On demand or within one year | 131,316,796 | 169,028,512 | 6,140,000 | 6,140,000 |
| Later than 1 year but not later than 2 years | 72,337,873 | 60,630,735 | 1,945,000 | 6,140,000 |
| Later than 2 years but not later than 5 years | 47,931,086 | 94,011,775 | - | 1,945,000 |
| Later than 5 years | - | 396,262 | - | - |
| | 251,585,755 | 324,067,284 | 8,085,000 | 14,225,000 |

Bankers acceptances

Bankers acceptances are secured by charges over the Group's leasehold land and buildings.

Bank overdrafts

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

Obligations under finance leases

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

Revolving credits

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

Islamic loans

Islamic loans are secured by corporate guarantee of three subsidiaries, fixed deposits in the name of the subsidiaries, and the subsidiaries' vessels.

**23. Loans and borrowings (Continued)**

Term loans

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **%** | **%** | **%** | **%** |
| Bank overdrafts | 6.65 - 8.31 | 7.60 - 8.35 | - | - |
| Obligations under finance leases | 4.55 - 4.81 | 4.55 - 4.81 | - | - |
| Term loans | | | | |
| - Floating rates | 2.72 - 6.72 | 2.32 - 6.85 | - | - |
| Islamic loans | 5.94 | 6.25 - 6.36 | 5.94 | 6.25 - 6.36 |
| Revolving credits | 5.07 - 5.90 | 5.27 - 6.16 | - | - |

**24. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **RM** | **RM** | **RM** | **RM** |
| **Trade payables** | | | | |
| Third parties | 9,120,654 | 13,505,038 | - | - |
| **Other payables** | | | | |
| Accrued operating expenses | 8,674,845 | 19,188,906 | 689,653 | 780,245 |
| Deposits received | 63,000 | 349,928 | - | - |
| Other payables | 11,850,037 | 11,548,629 | 4,928 | 22,935 |
| Amount to a related company | 30,000 | - | - | - |
| Amounts due to subsidiaries | - | - | 40,837,189 | 30,811,088 |
| | 20,617,882 | 31,087,463 | 41,531,770 | 31,614,268 |
| Total trade and other payables | 29,738,536 | 44,592,501 | 41,531,770 | 31,614,268 |
| Add: Loans and borrowings (Note 23) | 251,585,755 | 324,067,284 | 8,085,000 | 14,225,000 |
| Total finance liabilities carried at amortised cost | 281,324,291 | 368,659,785 | 49,616,770 | 45,839,268 |

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2015: 30 to 90 day) terms.

**24. Trade and other payables (Continued)**

**(b) Other payables**

These amounts are non-interest bearing. Included in other payables of the Group is an amount of RM10,247,230 (2015: RM9,983,232) due to companies in which certain Directors of the Group have substantial financial interests.

**(c) Amount due to subsidiaries**

This amount is unsecured and is repayable on demand.

Included in the amount due to subsidiaries is an amount of RM14,089,223 (2015: RM15,017,500) which bears interest at rates ranging from 3.52% to 5.40% (2015: 3.76% to 5.65%) per annum.

**(d) Amount due to a related company**

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

**25. Deferred tax liabilities**

| Group | Property, plant and equipment RM | Unutilised tax losses RM | Unabsorbed capital allowances RM | Total RM |
|---|---|---|---|---|
| At 1 January 2015 | 58,383,137 | (8,513,522) | (4,271,420) | 45,598,195 |
| Recognised in profit or loss (Note 11) | (6,418,898) | (1,606,327) | (2,749,219) | (10,774,444) |
| At 31 December 2015 and 1 January 2016 | 51,964,239 | (10,119,849) | (7,020,639) | 34,823,751 |
| Recognised in profit or loss (Note 11) | (1,935,089) | (589,650) | (3,924,656) | (6,449,395) |
| At 31 December 2016 | 50,029,150 | (10,709,499) | (10,945,295) | 28,374,356 |

Unrecognised tax losses and capital allowances

At the reporting date, the Group has unutilised tax losses and unabsorbed capital allowances of approximately RM33,937,661 and RM26,466,939 respectively (2015: RM25,691,398 and RM20,968,123) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

Unutilised tax losses and unabsorbed capital allowances

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

### 26. Share capital and share premium

| | Number of ordinary shares of RM0.50 each share capital (Issued and fully paid) | ← Amount → Share capital (Issued and fully paid) RM | Share premium RM | Total Share capital and share premium RM |
|---|---|---|---|---|
| **Group/Company** | | | | |
| At 1 January 2015 and 31 December 2016 | 500,000,000 | 250,000,000 | 79,086,883 | 329,086,883 |

| | Number of ordinary shares of RM0.50 each 2016 | 2015 | Amount 2016 RM | 2015 RM |
|---|---|---|---|---|
| **Group/Company** | | | | |
| **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.

### 27. Retained earnings

As at 31 December 2016, the Company may distribute dividends out of its entire retained earnings under the single tier system.

### 28. Other reserves

| Group | Foreign currency translation reserve RM | Total RM |
|---|---|---|
| **At 1 January 2015** | 13,475,469 | 13,475,469 |
| Other comprehensive income: | | |
| Foreign currency translation | 47,073,575 | 47,073,575 |
| **At 31 December 2015 and 1 January 2016** | 60,549,044 | 60,549,044 |
| Other comprehensive income: | | |
| Foreign currency translation | 11,487,102 | 11,487,102 |
| **At 31 December 2016** | 72,036,146 | 72,036,146 |

**28. Other reserves (Continued)**

**Foreign currency translation reserve**

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

**29. Related party transactions**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Transactions with subsidiaries** | | | | |
| Dividend income | - | - | - | (40,000,000) |
| Management fee | - | - | (3,577,821) | (4,140,803) |
| Interest income | - | - | (1,103,984) | (1,633,624) |
| Revolving credit interest recharged | - | - | - | (397,050) |
| Interest expense | - | - | 1,079,561 | 969,407 |
| Redeemable convertible preference shares interest | - | - | - | (662,071) |
| **Transactions with a related company** | | | | |
| Rental expense | 120,000 | 105,000 | 12,000 | 7,500 |
| **Transactions with companies in which certain Directors have substantial interests** | | | | |
| Rental expense | 90,217 | 160,544 | - | - |
| Hiring charges | 210,000 | 210,000 | - | - |
| Legal and professional fees | 241,969 | 210,543 | - | 38,600 |
| Sales of property, plant and equipment | (41,000) | - | - | - |
| Manpower supply | (7,481) | - | - | - |
| **Transaction with a Director** | | | | |
| Rental expense | 3,900 | 6,000 | - | - |

Related companies:
Related companies are companies within Sealink Holdings Sdn. Bhd. Group.

## 29. Related party transactions (Continued)

### (b) Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Short-term employee benefits | 4,181,401 | 4,976,008 | 2,235,115 | 2,426,582 |
| Defined contribution plan | 378,253 | 414,129 | 233,469 | 250,076 |
| | 4,559,654 | 5,390,137 | 2,468,584 | 2,676,658 |

## 30. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | |
|---|---|---|
| | 2016 RM | 2015 RM |
| Approved but not contracted for: | | |
| Property, plant and equipment | 126,968,720 | 126,968,720 |

### (b) Finance lease commitments

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

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

| | Group | |
|---|---|---|
| | 2016 RM | 2015 RM |
| **Minimum lease payments:** | | |
| Not later than 1 year | 59,856 | 59,856 |
| Later than 1 year but not later than 2 years | 41,928 | 59,856 |
| Later than 2 years but not later than 5 years | 36,087 | 78,015 |
| Total minimum lease payments | 137,871 | 197,727 |
| Less: Amounts representing finance charges | (8,463) | (15,841) |
| Present value of minimum lease payments | 129,408 | 181,886 |

**30. Commitments (Continued)**

**(b) Finance lease commitments (Continued)**

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| **Present value of payments:** | | |
| Not later than 1 year | 55,049 | 52,478 |
| Later than 1 year but not later than 2 years | 39,536 | 55,049 |
| Later than 2 years but not later than 5 years | 34,823 | 74,359 |
| Present value of minimum lease payments | 129,408 | 181,886 |
| Less: Amount due within 12 months (Note 23) | (55,049) | (52,478) |
| Amount due after 12 months (Note 23) | 74,359 | 129,408 |

**31. 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. There were no balances outstanding at year end.

**32. Fair value of financial instruments**

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

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

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Non-current: | | | | |
| Interest-bearing loans and Borrowings | | | | |
| - Obligations under finance leases | 74,359 | 129,408 | 74,219 | 129,146 |

**32. Fair value of financial instruments (Continued)**

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

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

Loans, advances and financing

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

**(b) Determination of fair value**

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

| | **Note** |
|---|---|
| Loans and borrowings | 23 |
| Trade and other receivables | 19 |
| Trade and other payables | 24 |

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

**33. Fair value measurement**

**Fair value hierarchy**

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

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

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

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

## 33. Fair value measurement (Continued)

### Fair value hierarchy (Continued)

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

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

| | Level 1<br>RM | Level 2<br>RM | Level 3<br>RM | Total<br>RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2016** | | | | |
| **Liabilities for which fair values are disclosed: (Note 32(a))** | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | - | 74,219 | - | 74,219 |
| **At 31 December 2015** | | | | |
| **Liabilities for which fair values are disclosed: (Note 32(a))** | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | - | 129,146 | - | 129,146 |

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

## 34. Financial risk management objectives and policies

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

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

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

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

## 34. 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.

- A nominal amount of RM564,097,803 (2015: RM520,282,778) relating to corporate guarantees provided by the Company to banks on a subsidiary's bank loans and borrowings.

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 2016 | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 29,738,536 | - | - | 29,738,536 |
| Loans and borrowings | 138,650,730 | 123,502,211 | - | 262,152,941 |
| Total undiscounted financial liabilities | 168,389,266 | 123,502,211 | - | 291,891,477 |

**34. Financial risk management objectives and policies (Continued)**

**(b) Liquidity risk (Continued)**

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| At 31 December 2015 | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 44,592,501 | - | - | 44,592,501 |
| Loans and borrowings | 179,777,661 | 164,312,431 | 407,202 | 344,497,294 |
| Total undiscounted financial liabilities | 224,370,162 | 164,312,431 | 407,202 | 389,089,795 |

| | On demand or within one year RM | One to five years RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| At 31 December 2016 | | | |
| Financial liabilities: | | | |
| Trade and other payables, excluding financial guarantees* | 41,531,770 | - | 41,531,770 |
| Loans and borrowings | 6,508,855 | 1,979,697 | 8,488,552 |
| Total undiscounted financial liabilities | 48,040,625 | 1,979,697 | 50,020,322 |
| At 31 December 2015 | | | |
| Financial liabilities: | | | |
| Trade and other payables, excluding financial guarantees* | 31,614,268 | - | 31,614,268 |
| Loans and borrowings | 6,881,773 | 8,488,020 | 15,369,793 |
| Total undiscounted financial liabilities | 38,496,041 | 8,488,020 | 46,984,061 |

* 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 MFRS 139 are not included in the above maturity profile analysis.

**34. 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 loss net of tax would have been RM191,107 (2015: RM242,914) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

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

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

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

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

Sensitivity analysis for foreign currency risk

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

| | Group Loss net of tax | | Company (Loss)/Profit net of tax | |
|---|---|---|---|---|
| | **2016 RM** | **2015 RM** | **2016 RM** | **2015 RM** |
| SGD/RM - strengthen by 5% | (475,241) | (504,337) | 1,983 | 1,918 |
| SGD/RM - weaken by 5% | 475,241 | 504,337 | (1,983) | (1,918) |
| USD/RM - strengthen by 5% | (833,115) | 277,143 | 1,600 | 1,985 |
| USD/RM - weaken by 5% | 833,115 | (277,143) | (1,600) | (1,985) |
| RM/SGD - strengthen by 5% | 377,811 | 17,337 | - | - |
| RM/SGD - weaken by 5% | (377,811) | (17,337) | - | - |

**34. Financial risk management objectives and policies (Continued)**

**(d) Foreign currency risk (Continued)**

Sensitivity analysis for foreign currency risk (Continued)

| | Group Loss net of tax | | Company (Loss)/Profit net of tax | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| USD/SGD - strengthen by 5% | 1,208,782 | 937,053 | - | - |
| USD/SGD - weaken by 5% | (1,208,782) | (937,053) | - | - |
| SGD/USD - strengthen by 5% | (69,473) | (202,645) | - | - |
| SGD/USD - weaken by 5% | 69,473 | 202,645 | - | - |
| RM/USD - strengthen by 5% | (589) | (3,861) | - | - |
| RM/USD - weaken by 5% | 589 | 3,861 | - | - |
| AUD/USD - strengthen by 5% | 10,613 | 45,205 | - | - |
| AUD/USD - weaken by 5% | (10,613) | (45,205) | - | - |

**35. Capital management**

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

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

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Loans and borrowings | 23 | 251,585,755 | 324,067,284 | 8,085,000 | 14,225,000 |
| Total equity | | 454,453,417 | 499,621,684 | 368,451,122 | 369,745,184 |
| Gearing ratio | | 55.36% | 64.86% | 2.19% | 3.85% |

## 36. Segment information

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

I. Shipbuilding

II. Chartering of vessels

III. Others consist of investment holding and letting of properties

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, 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.

## 36. Segment information (Continued)

| | Shipbuilding | | Chartering | | Others | | Adjustments and eliminations | | | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM | 2016 RM | 2015 RM | 2016 RM | 2015 RM | Notes | 2016 RM | 2015 RM |
| **Revenue:** | | | | | | | | | | | |
| External customers | 60,784,263 | 22,240,231 | 62,117,393 | 119,263,701 | - | - | - | - | | 122,901,656 | 141,503,932 |
| Inter-segment | 5,501,554 | 10,721,405 | 19,056,849 | 46,758,552 | 3,655,821 | 44,218,803 | (28,214,224) | (101,698,760) | A | - | - |
| Total revenue | 66,285,817 | 32,961,636 | 81,174,242 | 166,022,253 | 3,655,821 | 44,218,803 | (28,214,224) | (101,698,760) | | 122,901,656 | 141,503,932 |
| **Results:** | | | | | | | | | | | |
| Interest income | 4,538,730 | 4,008,770 | 3,438,827 | 2,882,502 | 1,526,387 | 2,588,804 | (6,808,361) | (6,887,684) | | 2,695,583 | 2,592,392 |
| Depreciation and amortisation | 5,417,964 | 4,466,020 | 44,340,780 | 43,728,073 | 327,970 | 325,069 | (3,008,506) | (2,881,131) | | 47,078,208 | 45,638,031 |
| Other non-cash expenses | (527,003) | 4,019,272 | 30,409,406 | 4,701,066 | 910 | - | 532,460 | 2,761,995 | B | 30,415,773 | 11,482,333 |
| Segment (loss)/profit | (8,608,006) | (15,475,886) | (49,904,407) | (851,277) | (25,813,956) | 41,051,722 | 21,251,489 | (41,785,592) | C | (63,074,880) | (17,061,033) |
| **Assets:** | | | | | | | | | | | |
| Investment in an associate | - | - | - | - | 4,724,774 | 6,002,896 | - | - | | 4,724,774 | 6,002,896 |
| Investment in joint ventures | - | - | - | - | 7,539,563 | 9,153,116 | - | - | | 7,539,563 | 9,153,116 |
| Additions to non-current assets | 42,486 | 1,074,902 | 36,772,554 | 28,058,090 | 215,069 | 200,000 | (36,259,273) | (26,265,147) | D | 770,836 | 3,067,845 |
| Segment assets | 201,538,827 | 223,829,144 | 843,723,259 | 804,135,029 | 492,012,444 | 588,862,226 | (773,041,392) | (712,700,192) | E | 764,233,138 | 904,126,207 |
| Segment liabilities | 133,433,313 | 147,115,624 | 405,075,208 | 515,300,186 | 108,382,530 | 37,657,022 | (337,111,330) | (295,568,309) | F | 309,779,721 | 404,504,523 |

**36. 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 | 2016 RM | 2015 RM |
|---|---|---|---|
| Deposits written off | 8 | - | 157,360 |
| Inventories written down | 8 | - | 2,595,858 |
| Inventories written off | 8 | 543,670 | 878,949 |
| Property, plant and equipment written off | 8 | 564,465 | 134,115 |
| Impairment loss on trade and other receivables | 8 | 89,998 | 741,519 |
| Impairment loss on property, plant and equipment | 8 | 30,487,178 | 6,974,532 |
| Reversal of inventories written off | 8 | (1,269,538) | - |
| | | 30,415,773 | 11,482,333 |

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

| | 2016 RM | 2015 RM |
|---|---|---|
| Dividend from subsidiaries | - | (40,000,000) |
| Profit from inter-segment sales | (4,561,158) | 1,037,701 |
| Finance costs | 6,740,030 | 7,156,401 |
| Share of results of an associate | (1,370,159) | (343,420) |
| Share of results of jointly controlled entities | 391,017 | (1,255,857) |
| Unallocated corporate expenses | 20,051,759 | (8,380,417) |
| | 21,251,489 | (41,785,592) |

D Additions to non-current assets consist of:

| | | |
|---|---|---|
| Property, plant and equipment | 770,836 | 3,067,845 |

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

| | 2016 RM | 2015 RM |
|---|---|---|
| Investment in subsidiaries | (395,633,175) | (382,294,856) |
| Investment in an associate | 1,224,774 | 2,502,896 |
| Investment in joint ventures | (160,439) | (2,746,887) |
| Inter-segment assets | (378,472,552) | (330,161,345) |
| | (773,041,392) | (712,700,192) |

**36. Segment information (Continued)**

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

| | 2016 RM | 2015 RM |
|---|---|---|
| Deferred tax liabilities | 10,924,871 | 3,497,537 |
| Inter-segment liabilities | (348,036,201) | (299,065,846) |
| | (337,111,330) | (295,568,309) |

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 | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Malaysia | 52,993,771 | 108,724,942 | 563,494,137 | 609,658,613 |
| Singapore | 11,726,293 | 15,974,729 | 56,969,365 | 60,347,376 |
| United Arab Emirates | 58,181,592 | 16,804,261 | - | - |
| | 122,901,656 | 141,503,932 | 620,463,502 | 670,005,989 |

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

| | 2016 RM | 2015 RM |
|---|---|---|
| Property, plant and equipment | 609,228,055 | 658,191,777 |
| Land use rights | 11,235,447 | 11,814,212 |
| | 620,463,502 | 670,005,989 |

**37. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 11 April 2017.

**38. 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 2016 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 | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Recognised during the financial year:** | | | | |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - Realised | 295,618,545 | 395,745,376 | 39,362,517 | 40,657,594 |
| - Unrealised | (18,499,161) | (45,709,804) | 1,722 | 707 |
| | 277,119,384 | 350,035,572 | 39,364,239 | 40,658,301 |
| Less: Consolidation adjustments | (223,788,996) | (240,049,815) | - | - |
| Total retained earnings | 53,330,388 | 109,985,757 | 39,364,239 | 40,658,301 |

| NO | LAND IDENTIFICATION / POSTAL ADDRESS | DESCRIPTION OF PROPERTY / USAGE | OWNER | AREA (sq m) | APPROXIMATE AGE OF THE BUILDING / TENURE/DATE OF EXPIRY OF LEASE | AUDITED ADJUSTED NBV AS AT 31.12.2016 (RM) |
|---|---|---|---|---|---|---|
| 1 | Lot 156, Block 5, Kuala Baram Land District / [Lot 156, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak] | Vacant agriculture land / N/A | SEALINK SHIPYARD SDN BHD (195853-D) | 8,050 square metres, more or less | [N/A] / [60 years] / Lease term expires on 2nd August, 2071 | **182,998** |
| 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 fabrication yard | SEALINK SHIPYARD SDN BHD (195853-D) | 116,170 square metres, more or less | [9 years] / [60 years] / Lease term expires on 27th February, 2056 | **20,167,359** |
| 3 | Lot 1341, Miri Concession Land District / [Lot 1341, Jalan Cattleya 1, Krokop / Piasau Industrial Estate, 98000 Miri, Sarawak] | Industrial land and building / Vacant workshop and vacant workers quarters | SEALINK SHIPYARD SDN BHD (195853-D) | 1,971 square metres, more or less | [8 years] / [60 years] Lease term expires on 31st December, 2027 | **410,709** |
| 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 (workers quarters and vacant workshop) | SEALINK SHIPYARD SDN BHD (195853-D) | 4,700 square metres, more or less | [8 years] / [60 years] Lease term expires on 24th February, 2052 | **1,637,560** |
| 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 (1) detached building (workshop and warehouse) | SEALINK SENDIRIAN BERHAD (20471-D) | 4,039 square metres, more or less | [37 years] / [60 years] / Lease term expires on 31st December, 2027 | **1,348,521** |
| 6 | 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 square metres, more or less | [N/A] / [60 years] / Lease term expires on 11th June, 2036 | **6,625,206** |
| 7 | Lot 8133, Block 1, Lambir Land District (formerly known as Lot 1802, Lambir Land District) [2/10th undivided right title share & interest] / [2 ½ Mile, Kilometre 4, Riam Road, Miri, Sarawak] | Vacant agriculture land / N/A | SEALINK SENDIRIAN BERHAD (20471-D) | 23,110 square metres, more or less | [N/A] / [60 years] / Lease term expires on 2nd October, 2071 | **79,475** |

# 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 | AUDITED ADJUSTED NBV AS AT 31.12.2016 (RM) |
|---|---|---|---|---|---|---|
| 8 | 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 | SEALINK SHIPYARD SDN BHD (195853-D) | 4,059 square metres, more or less | [47 years] / [60 years] / Lease term expires on 31st December, 2027 | **827,163** |
| 9 | 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 square metres, more or less | [N/A] / [60 years] / Lease term expires on 7th April, 2057 | **9,778,247** |
| 10 | Lot 323, Block 1, Kuala Baram Land District (formerly known as Provisional Lease Lot 2040, Kuala Baram Land District) / [Lot 323, Kuala Baram Industrial Estate, 98100 Miri, Sarawak] | Industrial land and buildings / Used for three (3) detached buildings utilized as office, storage yard & lathe workshop | BARAM MOULDING INDUSTRIES SDN BHD (200873-D) | 19,750 square metres, more or less | [8 years] / [60 years] / Lease term expires on 17th July, 2058 | **5,638,810** |
| 11 | Lot 8139, District of Labuan, Wilayah Persekutuan (Formerly known as Country Lease 205316669) [Jalan Rancha-Rancha Lama, Kampung Rancha-Rancha, 87000 Labuan, Wilayah Persekutuan, Labuan] | Vacant industrial land / N/A | BRISTAL VIEW SDN BHD (253385-T) | 9,841 square metres, more or less | [N/A] / [999 years] / Lease term expires on 2nd August, 2865 | **1,230,406** |
| 12 | Lot 12039, District of Labuan, Wilayah Persekutuan (Formerly known as Country Lease 205316669) [Jalan Rancha-Rancha Lama, Kampung Rancha-Rancha, 87000 Labuan, Wilayah Persekutuan, Labuan] | Vacant industrial land / N/A | BRISTAL VIEW SDN BHD (253385-T) | 31,330 square metres, more or less | [N/A] / [999 years] / Lease term expires on 2nd August, 2865 | **4,130,143** |
| 13 | Lot 288, Block 1, Kuala Baram Land District / [Lot 288, Kuala Baram Industrial Estate, 98100 Kuala Baram, Miri, Sarawak] | Industrial land and building / two (2) blocks of workers quarters | ALIRAN SAKSAMA SDN BHD (473205-H) | 19,647 square metres, more or less | [7 years] / [60 years] / Lease term expires on 22nd October, 2067 | **2,576,481** |

## ANALYSIS OF ORDINARY SHAREHOLDINGS

### Class of Equity Security

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

### Distribution of Shareholdings

| | NO. OF HOLDERS | % | NO. OF HOLDINGS | % |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.17 | 201 | 0.00 |
| 100 - 1,000 | 720 | 24.11 | 153,500 | 0.03 |
| 1,001 - 10,000 | 1,002 | 33.56 | 6,502,299 | 1.30 |
| 10,001 - 100,000 | 1,033 | 34.59 | 37,933,900 | 7.59 |
| 100,001 - 24,999,999 | 223 | 7.47 | 83,230,101 | 16.65 |
| 25,000,000 AND ABOVE | 3 | 0.10 | 372,179,999 | 74.44 |
| **TOTAL** | **2,986** | **100.00** | **500,000,000** | **100.00** |

### 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 | DATO' SEBASTIAN TING CHIEW YEW | 137,500 | 0.03 | 0 | 0.00 |
| 3 | TOH KIAN SING | 0 | 0.00 | 0 | 0.00 |
| 4 | WONG CHIE BIN | 30,000 | 0.01 | 0 | 0.00 |
| | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG CHIE BIN (M73031) | 0 | 0.00 | 60,000 | 0.01 |
| 5 | YONG FOH CHOI | 45,716,800 | 9.14 | 326,463,199 [(a)] | 65.29 |
| 6 | YONG KIAM SAM | 67,382,399 | 13.48 | 304,797,600 [(b)] | 60.96 |
| | **TOTAL** | **113,296,699** | **22.66** | **631,320,799** | **126.26** |

Note :
(a) Deemed interest by virtue of his substantial shareholding in Sealink Holdings Sdn Bhd and his son, Yong Kiam Sam's shareholding in the Company
(b) Deemed interest by virtue of his father, Yong Foh Cho's substantial shareholding in Sealink Holdings Sdn Bhd and also his father's shareholding in the Company

### Substantial Shareholders

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

# ANALYSIS OF SHAREHOLDINGS

(Ordinary Shares) As at 31 March 2017

**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,<br>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 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR<br>KONG SING NGUONG (M05)<br>LEVEL 3 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 6,832,900 | 1.37 |
| 5 | TING HUA PING<br>NO 15-B JLN SAWI<br>96000 SIBU | 3,392,500 | 0.68 |
| 6 | YII SIEW SANG<br>LOT 732 JALAN LIMAU 4<br>PUJUT 5B<br>98000 MIRI | 3,180,000 | 0.64 |
| 7 | DATA HASRAT SDN BHD<br>25TH FLOOR BANGUNAN AMBANK GROUP<br>JALAN RAJA CHULAN<br>50200 KUALA LUMPUR | 2,000,000 | 0.40 |
| 8 | LAI CHUN LIAN<br>NO 77 PASAR BATU 7<br>JALAN PENRISSEN<br>93250 KUCHING | 1,695,500 | 0.34 |
| 9 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR<br>TOH PIK CHAI (M05)<br>LEVEL 3 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 1,606,000 | 0.32 |
| 10 | TAN CHEOW HO<br>12 JALAN SS1/38<br>47300 PETALING JAYA | 1,250,000 | 0.25 |

**Thirty (30) Largest Shareholders**

| | HOLDER NAME AND ADDRESS | Shareholdings | % |
|---|---|---|---|
| 11 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR<br>TEH POO SENG (M02)<br>LEVEL 3 WISMA SRI PINANG<br>60 GREEN HALL<br>10200 GEORGETOWN | 1,180,000 | 0.24 |
| 12 | TENGKU AB MALEK BIN TENGKU MOHAMED<br>NO 46 JALAN BUNGA MELATI 2/2<br>40000 SHAH ALAM | 1,100,000 | 0.22 |
| 13 | LEE CHEE KEONG<br>5 JLN 8/91<br>TMN SHAMELIN PERKASA<br>56100 CHERAS | 1,010,000 | 0.20 |
| 14 | LEASING CORPORATION SDN BHD<br>NO 18 LORONG YAP KWAN SENG<br>50450 KUALA LUMPUR | 1,009,000 | 0.20 |
| 15 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>TING HUA KUOK (ET)<br>LEVEL 15 KENANGA TOWER<br>237 JALAN TUN RAZAK<br>50400 KUALA LUMPUR | 980,000 | 0.20 |
| 16 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>TEH POO SENG (CEB)<br>LEVEL 4, TOWER THREE ,RHB CENTRE,<br>JALAN TUN RAZAK,<br>50400 KUALA LUMPUR | 900,000 | 0.18 |
| 17 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>KWAN WING HUNG (071595)<br>LEVEL 4, TOWER THREE ,RHB CENTRE,<br>JALAN TUN RAZAK,<br>50400 KUALA LUMPUR | 891,700 | 0.18 |
| 18 | SP JUTAJAYA SDN BHD<br>10-1 1ST FLOOR KOMPLEKS UDARAMA<br>JALAN 3/64A OFF JALAN IPOH<br>50350 KUALA LUMPUR | 873,100 | 0.17 |
| 19 | LAU KA TEE<br>LOT 320 1ST FLOOR JALAN NAHKODA GAMPAR<br>P O BOX 1665<br>98008 MIRI | 850,000 | 0.17 |
| 20 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>LEE TIAN AN<br>579, 580 & 581<br>TAMAN MELAKA RAYA<br>75000 MELAKA | 815,000 | 0.16 |

**Thirty (30) Largest Shareholders**

| | HOLDER NAME AND ADDRESS | Shareholdings | % |
|---|---|---|---|
| 21 | AGROSEGAR SDN BHD<br>NO 20A TINGKAT 1 JALAN TENGKU AMPUAN ZABEDAH<br>A/9A SEKSYEN 9<br>40100 SHAH ALAM | 800,000 | 0.16 |
| 22 | BAHTERA OFFSHORE (M) SDN BHD<br>NO 39A JALAN USJ 21/11<br>UEP SUBANG JAYA<br>47600 PETALING | 800,000 | 0.16 |
| 23 | GAN LAY HAR<br>NO 3 JALAN SILAT BUGIS<br>TAMAN MAJU JAYA<br>83100 RENGIT | 800,000 | 0.16 |
| 24 | SIOW CHUN PAU<br>NO 65 JALAN BU 11/4<br>BANDAR UTAMA<br>47800 PETALING JAYA | 774,000 | 0.15 |
| 25 | NG WAN WA<br>LOT 100 JALAN JERMERLANG KUNING SIERRAMAS<br>47000 SUNGAI BULOH | 750,000 | 0.15 |
| 26 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>VOON FOOK SOON (E-PDG/JPN)<br>7 8 & 9 JALAN CHAN BEE KIEW<br>OFF JALAN PADUNGAN<br>93100 KUCHING | 736,000 | 0.15 |
| 27 | LEE CHEE KOK<br>10 JALAN 3/2A<br>TEMPLER HEIGHTS<br>48000 RAWANG | 720,000 | 0.14 |
| 28 | PUBLIC INVEST NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR<br>PHILLIP SECURITIES PTE LTD (CLIENTS)<br>27TH FLOOR BANGUNAN PUBLIC BANK<br>6 JALAN SULTAN SULAIMAN<br>50000 KUALA LUMPUR | 705,000 | 0.14 |
| 29 | 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 |
| 30 | TAN ANG CHUAN<br>NO 16 JALAN AIR PENOH<br>AIR PANAS SETAPAK<br>53200 KUALA LUMPUR | 669,600 | 0.13 |
| | **TOTAL** | **409,200,299** | **81.84** |
| | TOTAL ISSUED SHAREHOLDINGS | 500,000,000 | |

# SEALINK INTERNATIONAL BERHAD
(Company No. 800981-X)

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

## FORM OF PROXY

I/We ........................................................................ NRIC No./Company No. ..............................

of .............................................................................................................................

being a member/members of SEALINK INTERNATIONAL BERHAD hereby appoint ..............................

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

or failing him/her, ........................................................................... I/C No. ..............................

of .............................................................................................................................

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Ninth Annual General Meeting ("AGM") of the Company to be held on Tuesday, 30th May 2017 at 11:00 a.m. and at any adjournment thereof for/against *the resolution(s) to be proposed thereat.

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Directors' Fees of RM317,520.00 for the financial year ending 31st December 2017. | | |
| 2. | To re-elect Mr Yong Kiam Sam as Director of the Company. | | |
| 3. | To re-elect Mr Eric Khoo Chuan Syn @ Khoo Chuan Syn as Director of the Company. | | |
| 4. | To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to determine their remuneration. | | |
| 5. | To re-appoint Mr Yong Foh Choi as Director of the Company. | | |
| 6. | To retain Mr Wong Chie Bin as Independent Director of the Company. | | |
| 7. | To retain Mr Toh Kian Sing as Independent Director of the Company. | | |

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

Dated this                day of May, 2017.

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

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

**NOTES:**

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 23rd May 2017 be regarded as Members and shall be entitled to attend, speak and vote at the Ninth AGM.

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

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

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

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

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX
STAMP

**SEALINK INTERNATIONAL BERHAD** (800981-X)

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

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

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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

www.asiasealink.com