# PROPELLING AHEAD

E.A. TECHNIQUE (M) BERHAD
199301001779 (256516-W)

"the shipping people"

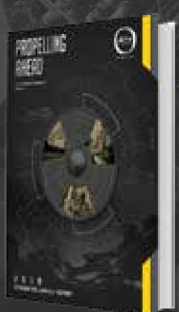
2 0 1 9
INTEGRATED ANNUAL REPORT

# UTILISING TECHNOLOGICAL ADVANCEMENT TO SPEARHEAD PROGRESS AND ATTAIN SUCCESS

# EXPERTISE, PROFESSIONALISM AND INDUSTRY INSIGHTS FORM OUR FUNDAMENTAL STRENGTHS

# ENHANCING OUR MOMENTUM WHILST REALISING A FUTURE OF SUSTAINABLE GROWTH

# WHAT'S




## COVER RATIONALE

Focused on achieving our goals and remaining steadfast underlines our commitment to be unwavered as we face a business terrain filled with uncertainty and challenges. The theme for Year 2019 "Propelling Ahead" illustrates our progressive journey towards achieving a sustainable future. Strengthened by our core fundamentals of possessing a pool of experienced, efficient and expert professionals, technological advancements and a fleet of vessels, we will realise all potentials and be continuously optimistic in overcoming challenges and realising all opportunities.

# INSIDE

E.A. TECHNIQUE (M) BERHAD

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## LEADERSHIP



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## CORPORATE OVERVIEW



SECTION 5

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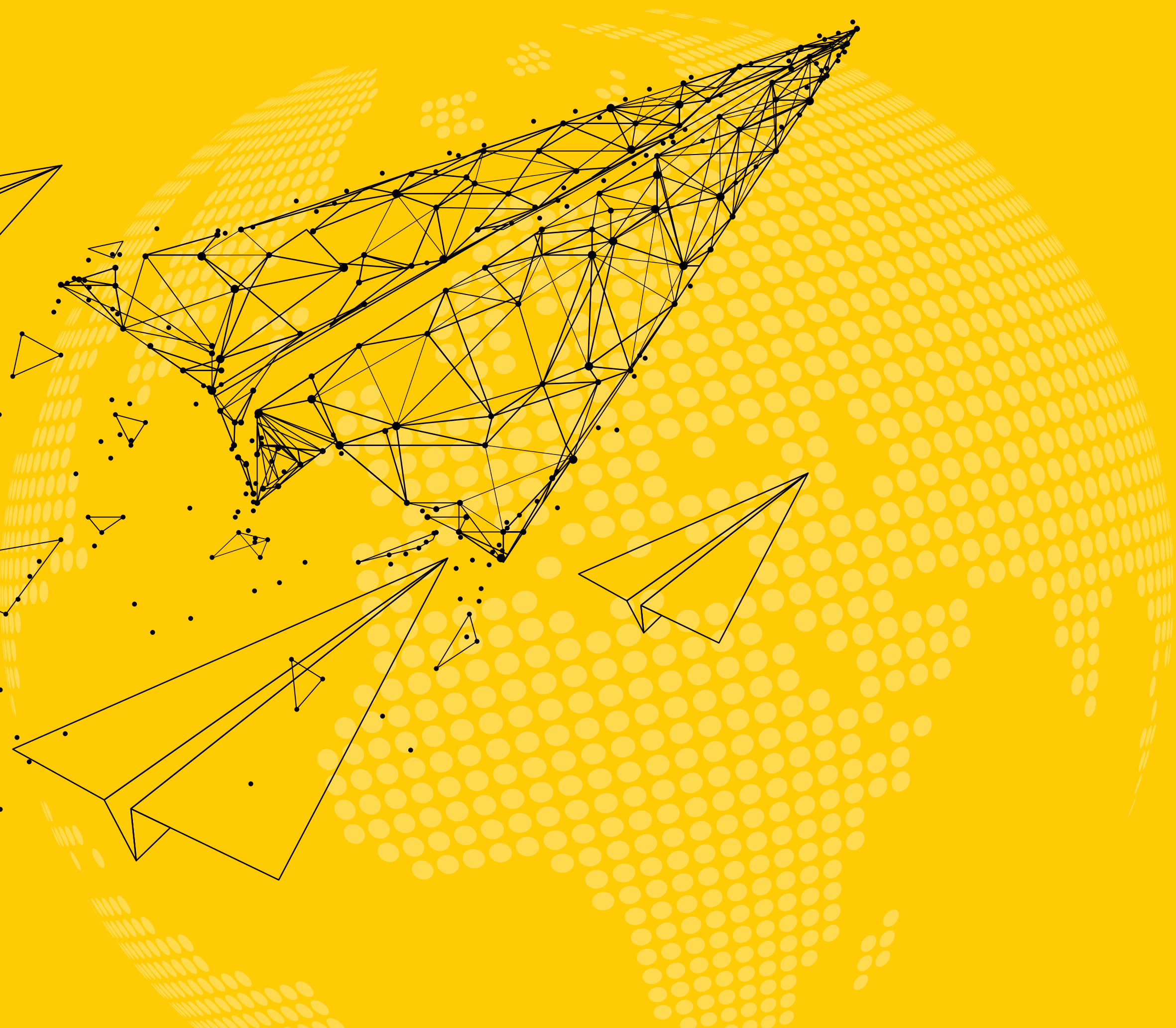
## CORPORATE DISCLOSURES

VISION

# TO BE THE LOCALLY PREFERRED SERVICE PROVIDER OF **MARINE SERVICES** WITH A GLOBAL VISION




SMOKING
FIRST
quality
environ

A LOCAL SHIPPING COMPANY FOCUSES AND EXEMPLIFIES ATTRIBUTES OF:

# safety

# security

# culture

# ment

MISSION

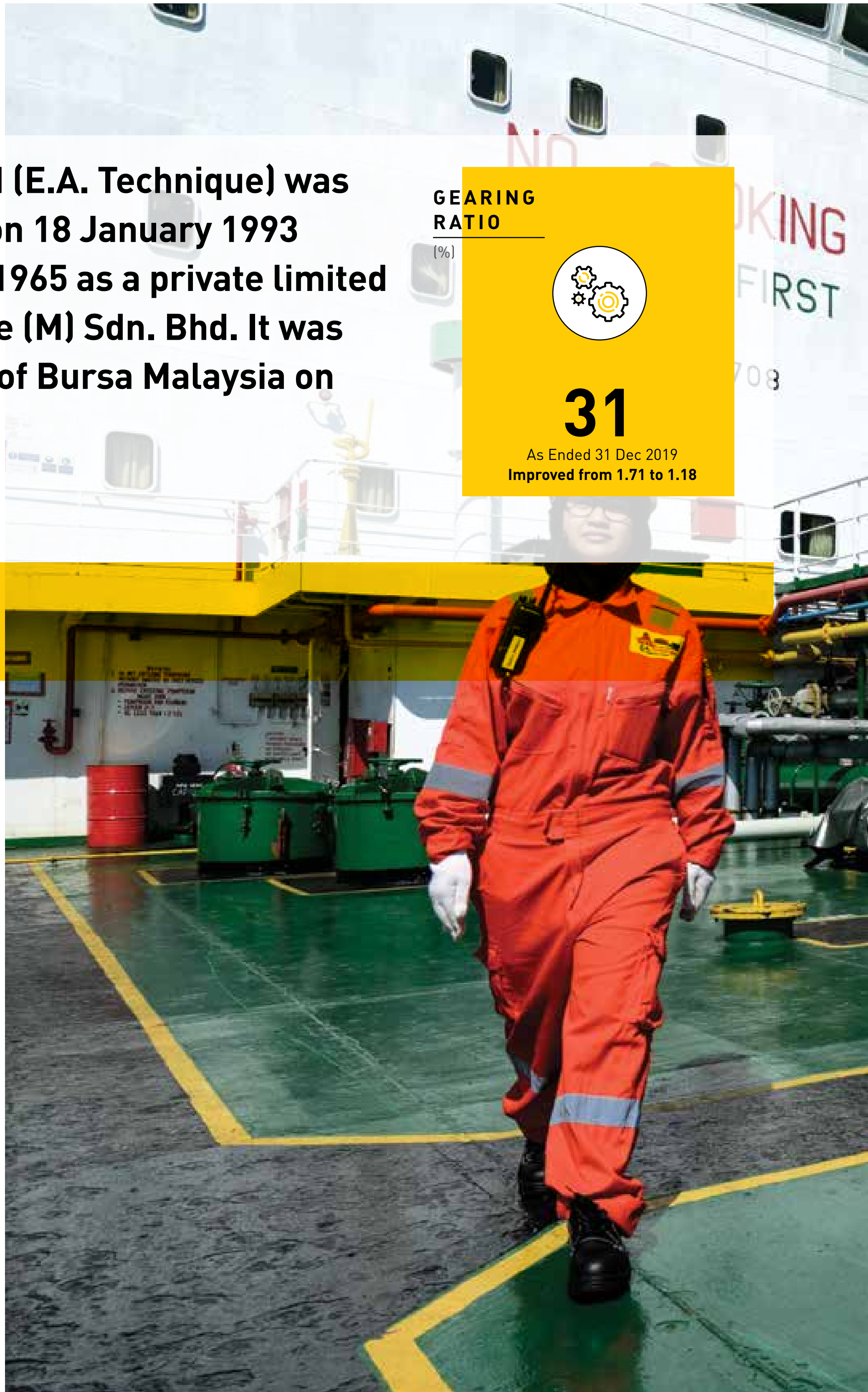
# CORPORATE PROFILE

**E.A. Technique (M) Berhad (E.A. Technique) was incorporated in Malaysia on 18 January 1993 under the Companies Act 1965 as a private limited company as E.A. Technique (M) Sdn. Bhd. It was listed on the Main Market of Bursa Malaysia on 11 December 2014.**

GEARING RATIO
(%)

**31**

As Ended 31 Dec 2019
**Improved from 1.71 to 1.18**




# CORE BUSINESS

OPEN HERE

## MARINE TRANSPORTATION AND OFFSHORE STORAGE OF OIL & GAS

**OUR PRODUCT TANKERS ARE USED TO TRANSPORT REFINED PETROLEUM PRODUCTS FROM OIL REFINERIES TO END-USERS OR TO ANOTHER REFINERY FOR FURTHER PROCESSING KNOWN AS CLEAN PETROLEUM PRODUCTS (“CPP”) E.G. KEROSENE (JET FUEL), DIESEL AND PETROL (RON95 & RON97).**

FSU/FSO are typically used to support production platforms as an offshore Oil & Gas storage facility at brown fields; and Liquid Petroleum Gas (“LPG”) tankers are used to transport liquefied gases including propane, butane and other gases such as propylene and butylene, albeit in smaller concentrations. These gases are required to be transported under high pressure and/or low temperatures to maintain them in a liquid state.

We also operate Offshore Supply Vessels (“OSV”), namely fast crew boats, which are primarily used to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities.

## MARINE ENGINEERING SERVICES

**OUR MARINE ENGINEERING SERVICES ARE DIVIDED INTO 2 SEGMENTS I.E. PROVISION OF MARINE ENGINEERING SOLUTIONS AND SHIPBUILDING & SHIP REPAIR ACTIVITIES. MARINE ENGINEERING SOLUTIONS ENCOMPASS PROVISION OF MARINE ENGINEERING SOLUTIONS AND EPCIC ACTIVITIES.**

## PROVISION OF PORT MARINE SERVICES

**WE ARE ALSO ENGAGED IN THE PROVISION OF PORT MARINE SERVICES FOR PETROCHEMICAL AND BULK & CONTAINERISED PORTS IN MALAYSIA. THE TYPES OF PORT MARINE SERVICES THAT WE PROVIDE AT THE PORTS INCLUDE, AMONG OTHERS: -**

- Towage services comprising towing, pushing or maneuvering vessels; and

- Mooring services which involve securing a marine vessel to specially constructed fixtures such as piers, quays, wharfs, jetties, anchor buoys and mooring buoys.

We also provide dockside mooring services where we have mooring personnel to secure vessels to floating structures and fixtures at the wharf.

Our shipbuilding and ship repair activities serve as an internal supporting arm to our marine vessels.

- **Shipbuilding**: Some of the shipbuilding activities that we carry out include construction of hull and structure, installation of machinery, equipment and instruments, and various embedded systems on the deck of the vessel, painting and coating, as well as testing and commissioning.

- **Ship repair**: Our ship repair utilises the same facilities, equipment and skill set as shipbuilding. Our repair works involves inspection, replacement, modification, removal, installation and cleaning.

We also undertake the minor fabrication of steel structures in our shipyard. The steel structures that we fabricate are mainly for marine vessels for example skids and piping systems.


E.A. Technique

The history of our Group can be traced back to 18 January 1993 with incorporation of E.A Technique in Malaysia under the Companies Act 1965 as a private limited company under the name of E.A Technique (M) Sdn Bhd. Our initial operation was in the provision of marine consultancy services and cargo broking before we expanded into marine vessel operations in 1995 with the acquisition of our first product tanker, Kaikura for the transportation and provision of CPP as bunker for ferry operators. In 1995, we successfully registered ourselves with PETRONAS and the Ministry of Finance (MOF) to enable us to provide services within the O&G industry in Malaysia.

In early 2007, Sindora, a company which is 100% owned by Kulim (Malaysia) Berhad became our holding company with a 51% equity stake in E.A Technique. Kulim is a wholly owned subsidiary of Johor Corporation ("JCorp"). Hence, we are a part of JCorp group of companies. Subsequently, on 11 December 2014, E.A Technique was listed on the Main Market of Bursa Malaysia as E.A Technique (M) Berhad.

**NET ASSETS PER SHARE**

(%)

**16**

As Ended 31 Dec 2019

**Improved from 45 to 52**

We are predominantly an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of oil & gas ("O&G"), and provision of port marine services.

The Company is involved in the charter of various types of tankers for the transportation and offshore storage of oil & gas, charter of marine tug vessels for the provision of port marine services and charter of Offshore Support Vessels ("OSV") in the form of fast crew boats to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities.

As at 31 December 2019, the Company operates a total fleet of 48 marine vessels in their portfolio. Of the total 48 marine vessels that we operate, E.A. Technique owns 45 of these marine vessels which comprises eleven (11) oil & gas tankers (inclusive of two (2) Floating Storage & Offloading Unit ("FSU/FSO") and three (3) tankers under construction), five (5) OSVs and 29 marine vessels. The remaining 3 marine vessels are chartered from external parties, consists of two (2) harbour tugs and one (1) FSO for TST Sepat Project.

Part of our vertical expansion plan, we have also ventured into shipbuilding, ship repair and minor fabrication in 2007 through our subsidiary, Johor Shipyard and Engineering Sdn Bhd ("JSE"), which operating on a 20 acres land in Hutan Melintang, Perak. JSE has been selected as "Outstanding Ship Builder 2017" by Ministry of Transport in 2018.

Libra Perfex Precision Sdn Bhd as our wholly owned subsidiary is providing tugboats for the operations of Petronas Floating LNG1 (L) Ltd ("PFLNG1") and recently, secured a 3 year contract extension for Petronas Floating LNG2 (L) Ltd ("PFLNG2") operations.

# OUR FLEET

## OIL TANKER

M.T. Nautica Johor Bahru
M.T. Nautica Maharani
M.T. Nautica Batu Pahat
M.T. Nautica Kota Tinggi
M.T. Nautica Renggam
M.T. Nautica Pagoh
Construction Tanker I
Construction Tanker II
Construction Tanker III

## OFFSHORE SUPPORT VESSELS (OSV)

M.V. Nautica Tg. Puteri IV
M.V. Nautica Tg. Puteri XXX
M.V. Nautica Air Hitam
M.V. Nautica Gambir
M.V. Nautica Langsat


## FLOATING STORAGE UNIT/ OFFLOADING (FSU/FSO)

FSU Nautica Muar
M.T. Fois Nautica Tembikai


# CHARTER IN VESSELS

Kejora 57
Kejora 59
M.T. Strovolos

# PORT OPERATIONS

M.V. Nautica Tg. Puteri I
M.V. Nautica Tg. Puteri II
M.V. Nautica Tg. Puteri VII
M.V. Nautica Tg. Puteri VIII
M.V. Nautica Tg. Puteri IX
M.V. Nautica Tg. Puteri X
M.V. Nautica Tg. Puteri XI
M.V. Nautica Tg. Puteri XII
M.V. Nautica Tg. Puteri XV
M.V. Nautica Tg. Puteri XVI
M.V. Nautica Tg. Puteri XVII
M.V. Nautica Tg. Puteri XVIII
M.V. Nautica Tg. Puteri XIX
M.V. Nautica Tg. Puteri XX
M.V. Nautica Tg. Puteri XXI
M.V. Nautica Tg. Puteri XXII
M.V. Nautica Tg. Puteri XXIII
M.V. Nautica Tg. Puteri XXIV
M.V. Nautica Tg. Puteri XXV
M.V. Nautica Tg. Puteri XXVI
M.V. Nautica Tg. Puteri XXVII
M.V. Nautica Tg. Puteri XXVIII
M.V. Nautica Tg. Puteri XXIX
M.V. Nautica Tg. Puteri XXXIII
M.V. Nautica Tg. Puteri XXXIV
M.V. Nautica Tg. Puteri XXXV
M.V. Nautica Tg. Puteri XXXVI
M.V. Nautica Tg. Puteri XXXVII
AMAL II

# KEY ACHIEVEMENTS & MILESTONES

**1993**

Incorporation of E.A. Technique (M) Sdn Bhd, which was, involved in the provision of marine consultancy services.

**1995**

Expanded business to include marine vessel operations. Acquired our first product tanker, Kaikura (disposed of in 2000) Successfully registered us with Petroliam Nasional Berhad ("PETRONAS") and Ministry of Finance ("MOF").

**1997**

Secured our first contract with PETRONAS Dagangan Berhad ("PETRONAS Dagangan") for time chartering of our product tanker namely M.T. Nautica Kluang (currently known as Princess Sofea) for a period of five (5) year with the option to extend for one (1) additional year, which we have continually extended until end 2013.

**2002**

Acquired an additional 4.421 deadweight tonnage ("DWT") product tanker, namely M.T. Nautica Mersing (disposed in 2011).

**2003**

Ventured into the operation of Liquefied Petroleum Gas ("LPG") tankers with the acquisition of a LPG tanker, namely M.T. Nautica Segamat.

**2004**

Secured a five (5) year time charter contract for the time charter of our first LPG tanker. M.T. Nautica Segamat, which was disposed off upon completion of the contract duration. Obtained a contract for the time charter of two (2) harbour tugboats, namely M.V. Nautica Tg. Puteri I and M.V. Nautica Tg. Puteri II, thus marking our foray into the provision of port marine services

**2006**

Contracted out the design and construction of our first 5,500 DWT double hull product tanker, namely M.T. Nautica Johor Bahru, which was completed in 2008.

**2007**

Sindora Berhad ("Sindora") acquired a 51% equity stake of our Company. Incorporated Johor Shipyard and Engineering Sdn Bhd ("JSE"), which is involved in shipbuilding, ship repair, and minor fabrication at a rented shipyard in Teluk Intan, Perak. Acquired a product tanker named M.T. Nautica Muar to service a time charter contract for a period of three (3) year with the option to extend for one (1) additional year. The vessel was subsequently converted into a FSU in 2013. Ventured into chartering of OSV to operators in the O&G industry in Malaysia.

**2008**

Secured three (3) time charter contracts for three (3) units of 10,000 DWT double hull product tankers for a period of ten (10) year with the option to extend for three (3) additional years. Involved in the design and construction of our first 10,000 DWT double hull product tanker, namely M.T. Nautica Maharani through JSE. The vessel was completed and delivered in 2011.

## 2009

We entered into the Subscription and Share Purchase Agreement ("SSPA") to acquire and subscribe an aggregate of approximately 29.9% equity stake in Orkim Sdn Bhd ("Orkim") and subsequently exercised our option to acquire an additional 1.1% in Orkim in 2011.

Secured contract for the provision of port marine services incorporating mooring services, crew and time charter of two (2) mooring boats, namely M.V. Nautica Tg. Puteri VII and M.V. Nautica Tg. Puteri VIII for an O&G terminal in Malacca.

## 2010

Secured a time charter contract for four (4) tugboats comprising two (2) utility boats and two (2) harbour tugboats, which were subsequently completed in 2011 and 2012 respectively.

## 2012

Johor Shipyard and Engineering Sdn Bhd ("JSE") tented a 10-acre site at Hutan Melintang, Perak as the new location for our shipyard operations. Construction on the new shipyard, which is able to accommodate vessels up to, 10,000 DWT commenced in June 2013 and was completed in October 2013. Secured a time charter contract for our FSU. The contract commenced in 2013. Obtained a three (3) year contract for four (4) marine vessels for the provision at port marine services for the Sungai Udang LEKAS Regasification Project. Three (3) out of four (4) of the vessels are chartered in from third parties. Secured a three (3) year time charter contract for one (1) of our harbour tugboats.

## 2013

Secured a one (1) year contract for the time charter of a pressurized LPG tanker. For the contract, we chartered a 3.728 DWT LPG tanker from an external party. Obtained a ten (10) year contract with an option for a two (2) year extension to construct and operate six (6) new harbour tugboats for Northport. During the interim two (2) years construction period, three (3) of our vessels with three (3) chartered in vessels from third parties are currently servicing the contract. We disposed our entire equity stake in Orkim in April 2013.

## 2014

Secured a three (3) year contract for time charter of two (2) pressurized LPG tankers.

Awarded a four (4) year contract with option to extend for an additional two (2) years from Vestigo Petroleum Sdn Bhd for the operations of an FSO to service the Tembikai marginal oilfields.

Acquired an oil tanker to be converted to a Floating Storage and Offloading ("FSO") unit to service the Tembikai marginal oilfields, namely M.T. FOIS Nautica Tembikai.

Awarded an eighteen (18) month contract with the option to extend for an additional sixty (60) month via a back-to-back time charter party agreement with Libra Perfex Precision Sdn Bhd for the provision of tugboat services for the operation of a new floating gas liquefaction facility located offshore Sarawak.

Received Letter of Award for the Provision of Engineering Procurement Construction, Installation and Commissioning ("EPCIC") of a Floating Storage and Offloading ("FSO") Facility Full Field Development ("FFD") Project, North Malay Basin valued at USD 191.8 million.

## 2015

Secured a five (5) year bareboat charter contract with Classic Marine Sdn Bhd for the provision of one (1) unit fast support vessel. Signing of contract for the provision of Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of a Floating Storage and Offloading ("FSO") facility for Full Field Development ("FFD") project, North Malay Basin. Delivery of M.T. FOIS Nautica Tembikai to Tembikai marginal oilfield for four (4) year contract with option to extend for an additional two (2) years.

Secured contract for provision and operation of two (2) units of 40 tonnes bollard pull harbour tugboats for Kertih Port Sdn Bhd and provision of harbour tugboat cum support vessel for Petronas Penapisan (Terengganu) Sdn Bhd.

Awarded contract for the provision and operation of two (2) units 60 tonnes bollard harbour tugboats, one (1) unit 40 tonnes bollard pull harbour tugboats and one (1) unit multipurpose mooring boat by Sungai Udang Port Sdn Bhd.

## 2016

Awarded a contract in December 2016 for a Fast Crew Boat with ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI") for the provision of one (1) 25 knots FCB to support EMEPMI crew change operations. The vessel "Nautica Tg. Puteri XXX" is delivered in January 2017 and hired for a primary period of seven (7) months with two (2) extension options of one (1) month each exercisable by EMEPMI.

## 2017

Awarded with three (3) contract agreements in 2017, which these contracts were signed with Bintulu Port Sdn Bhd and ExxonMobil Exploration & Production Malaysia Inc. ("EMEPMI")

- Hire of one (1) unit 60 tonnes bollard pull tugboat complete with crew for Bintulu Port Sdn Bhd on a call out basis – MSD/MOB/002/2017
- Hire of one (1) unit 60 tonnes bollard pull tugboat complete with crew for Bintulu Port Sdn Bhd on a call out basis – BHB-5/2/2017
- Provision of one (1) 25 knots FCB to support EMEPMI crew change operations.

## 2018

- Awarded contract for the provision of one (1) unit 60 tonnes bollard pull harbour tug by Berkat Petroleum Sdn Bhd.
- Secured a short-term contract with EnQuest Petroleum Production Malaysia Ltd for the provision of replacement of one (1) unit fast crew boat (FCB).
- Awarded contract by ExxonMobil Exploration and Production Malaysia Inc. and EnQuest Petroleum Production Malaysia Ltd for provision and operation of two (2) units fast crew boat (FCB) 25 knots 60 pax.
- Awarded contract by Petronas Carigali Sdn Bhd ("PCSB") and EnQuest Petroleum Production Malaysia Ltd for provision and operation of one (1) unit fast crew boat (FCB) 25 knots 70 pax.

- Delivery of M.V. Nautica Gambir and M.V. Nautica Langsat to serve contract with ExxonMobil Exploration & Production Malaysia (EMEPMI), PETRONAS Carigali and EnQuest Petroleum.
- Awarded a short-term contract by KMZ Energy Sdn Bhd for the provision of replacement of FCB to service PCSB.
- Awarded contract by PETRONAS for the supply and operation of two (2) units of harbour tugs for Kertih Port Sdn Bhd and one (1) unit of harbour tug for PETRONAS Penapisan (Terengganu) Sdn Bhd.
- Secured contract for the provision and operation of one (1) unit of 40 tonne harbour tug, one (1) unit of mooring boat and one (1) unit of 60 tonne harbour tug for Sg. Udang Port Sdn Bhd.
- Secured contract for the provision and operation of one (1) unit of 60 tonne harbour tug No. 2 for Sg. Udang Port Sdn Bhd, RGT.
- Secured a short-term contract with KMZ Energy Sdn Bhd for the provision of replacement of FCB to service PCSB.

## 2019

- Awarded contract by PETRONAS for the supply and operation of two (2) units of 40 tonnes bollard pull harbor tugs for Kertih Port Sdn Bhd and one (1) unit of harbour tug cum support vessel for PETRONAS Penapisan (Trengganu) Sdn Bhd. The Contract duration will be for a primary period of Five (5) years with Two (2) years extension options on annual basis (5+1+1) upon expiry thereof.
- Awarded contract for the provision and operation of one (1) unit of 40 tonnes bollard pull harbour tug, one (1) unit of multipurpose mooring boat and two (2) units of 60 tonnes bollard pull harbour tug for Sungai Udang Port Sdn Bhd ("SUPSB") regasification terminal ("RGT"). The Contract duration will be as follows :

For a primary period of two (2) years, effective 1 January 2019 until 31 December 2020 :

i. One (1) unit of 40 Tonnes Bollard Pull Harbour Tug -
ii. One (1) unit of Multipurpose Mooring Boat
iii. One (1) unit of 60 Tonnes Bollard Pull Harbour Tug No.1

For a primary period of six (6) months, effective 1 January 2019 until 30 June 2019 :

iv. One (1) unit of 60 Tonnes Bollard Pull Harbour Tug No.2

- Awarded contract with Petco Trading Labuan Company Limited ("PTLCL") for the provision of long-term time charter coastal vessel services of three (3) units of 9,000 DWT size vessel. The contract duration will be for a primary period of five (5) years with five (5) extension options of one (1) year each upon expiry.
- Awarded contract for Provision of Temporary Storage Tanker ("TST") including Station Keeping and Flexible Riser Tie in for Sepat Derisk and Early Production System ("DEPS") Project. The Contract duration will be for a primary period of twelve (12) months with extension options of six (6) months from expiry date and a further six (6) months.
- Awarded contract by Sungai Udang Port Sdn Bhd vide Letter of Award dated 20 June 2019 for the Provision and Operation of One (1) unit 60 Tonnes Bollard Pull Harbour Tug No.2 for Sungai Udang Port Sdn Bhd ("SUPSB") Regasification Terminal ("RGT"). E.A. Technique is using third party vessel Kejora 57 to serve the contract. The Contract duration will be for a primary period of 1 year and 6 months with an extension option of 1 year.
- Awarded contract by Naka Bayu Sdn Bhd vide Letter of Award dated 1 August 2019 for the Provision for One (1) unit of Harbour Tug. The Contract duration will be for a primary period of 1 year with an extension option of 1 year + 1 year based on vessel performance.
- VESTIGO Petroleum Sdn Bhd ("VPSB") has appointed E.A. Technique as the Ship Manager to operate FSU Nautica Muar at Bentara Field, Sarawak which will be effective from 15 November 2019 until January 2021.
- VPSB has exercised firm one (1) year extension for FOIS Nautica Tembikai starting from 15 June 2019 to 14 June 2020.
- PETRONAS Floating LNG 1 (L) Ltd. has revised the Charter Period Term for vessel M.V. Nautica Tg. Puteri XXVII, M.V. Nautica Tg. Puteri XXVIII and M.V. Nautica Tg. Puteri XXIX. All three (3) vessels has commenced 3 years full term daily charter starting 28 Nov 2019 until 28 Nov 2022 instead of two (2) years daily charter.
- Awarded one (1) year contract of affreightment ("COA") by PT. AKR CORPORINDO, TBK for Nautica Renggam effective from January 2019.

# MEDIA HIGHLIGHTS


berkembang di Indonesia
EA Technique rangka pelan perkukuh perniagaan
EA Technique sees opportunity to expan
Indonesia's rising demand for petroleum
Johor Corporation
36 mins
E.A. Technique (EAT) merupakan satu daripada syarikat kumpulan JCorp yang meneraju dalam penyedia perkhidmatan kapal tunda di Malaysia menerusi 29 kap... See more
RM225.24 JUTA PERKUKUH
EA Technique plans new share and warrant issues, private placement
EA Technique sees opportunity to expand on Indonesia's rising demand for petroleum products
E.A. Technique to issue new shares to settle debt
CORPORATE NEWS
Wednesday, 3 Jul 2019
DOWNSTREAM OIL AND GAS
EA TECHNIQUE EYES INDONESIA EXPANSION
EA工艺以股偿债 配股集资
BURSA MAL
Tawaran saham baharu E.A. Technique diluluskan

# 5-YEARS FINANCIAL HIGHLIGHTS

For year ended 31 December 2019

| | **2019 RM'000** | 2018 RM'000 | 2017 RM'000 | 2016 RM'000 | 2015^ RM'000 |
|---|---|---|---|---|---|
| **Revenue** | **271,872** | 419,000 | 366,970 | 591,663 | 536,530 |
| Gross Profit/(Loss) | **76,938** | 135,829 | (125,332) | 99,557 | 118,194 |
| Gross Profil/(Loss) Margin | **28.30** | 32.42 | (34.15) | 16.83 | 22.03 |
| Earnings Before Interest, Tax, Depreciation & Amortisation EBITDA (LBITDA) | **143,865** | 189,272 | (43,672) | 92,201 | 72,165 |
| **EBITDA/(LBITDA) Margin** | **52.91** | 45.17 | (11.90) | 15.58 | 13.45 |
| **Profit/(Loss) Before Taxation** | **32,680** | 90,361 | (131,903) | 21,541 | 15,818 |
| PBT/(LBT) Margin | **12.02** | 21.57 | (35.94) | 3.64 | 2.95 |
| Profit/(Loss) After Taxation | **36,396** | 74,233 | (121,149) | 8,778 | 11,536 |
| Net Earnings Per Share (Net EPS) | **7.22** | 14.73 | (24.04) | 1.74 | 2.29 |
| Current Ratio | **0.18** | 0.18 | 0.20 | 0.77 | 1.12 |
| Gearing Ratio [1] | **1.18** | 1.71 | 2.58 | 1.72 | 1.84 |

NOTES:

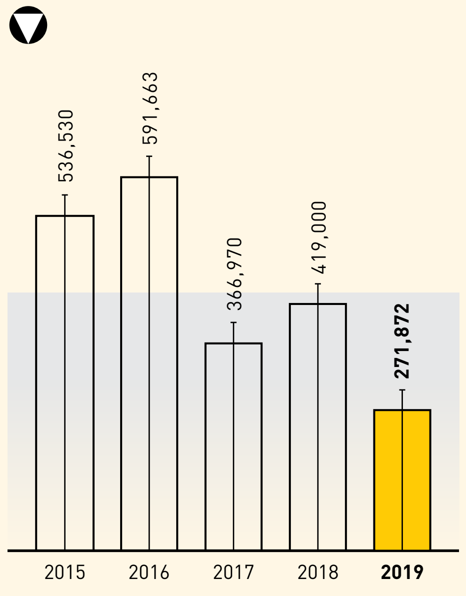
^ FYE 31 December 2015 figures have been restated.

(1) Calculated based on the total borrowings minus the corresponding cash and bank balances and short term deposits divided by the total shareholders' equity.

* Financial Period Ended 31 December 2018
(1) Amounts for financial period ended 31 December 2018 have been restated for the Amendments to MFRS15 which was adopted in FY2019
(2) Balances as at 31 December 2018 have been restated for the Amendments to MFRS15 which was adopted in FY2019
(3) Cash includes financial assets at fair value through profit or loss (FVTPL)

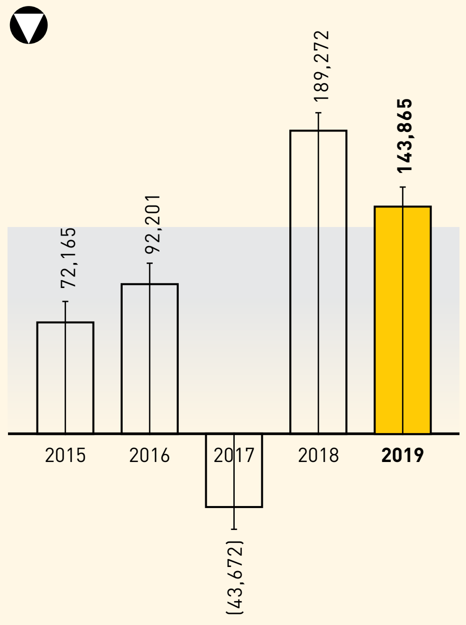
**REVENUE**
(RM'000)

**271,872**



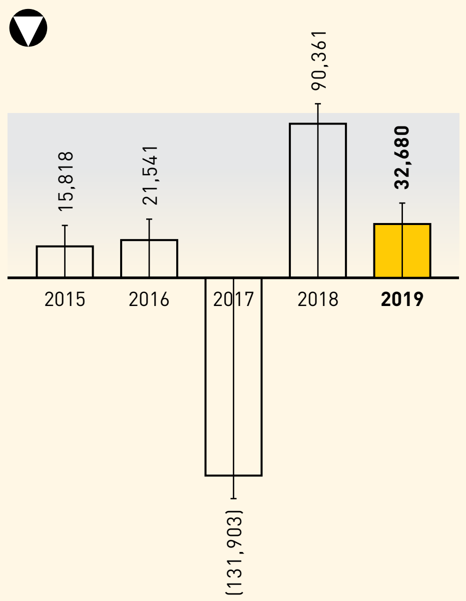

**EBITDA**
(RM'000)

**143,865**



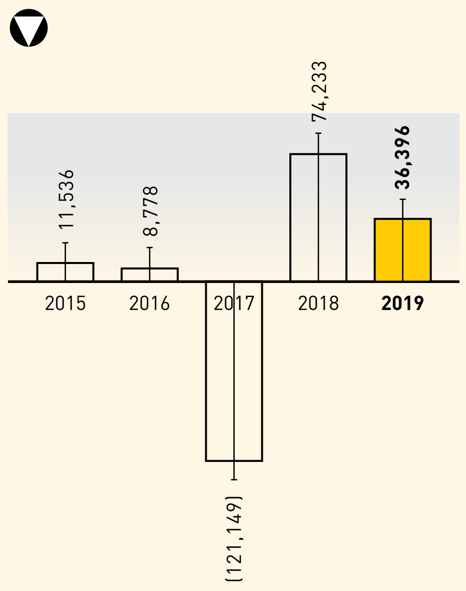

**PROFIT BEFORE TAX**
(RM'000)

**32,680**




**PROFIT AFTER TAX**
(RM'000)

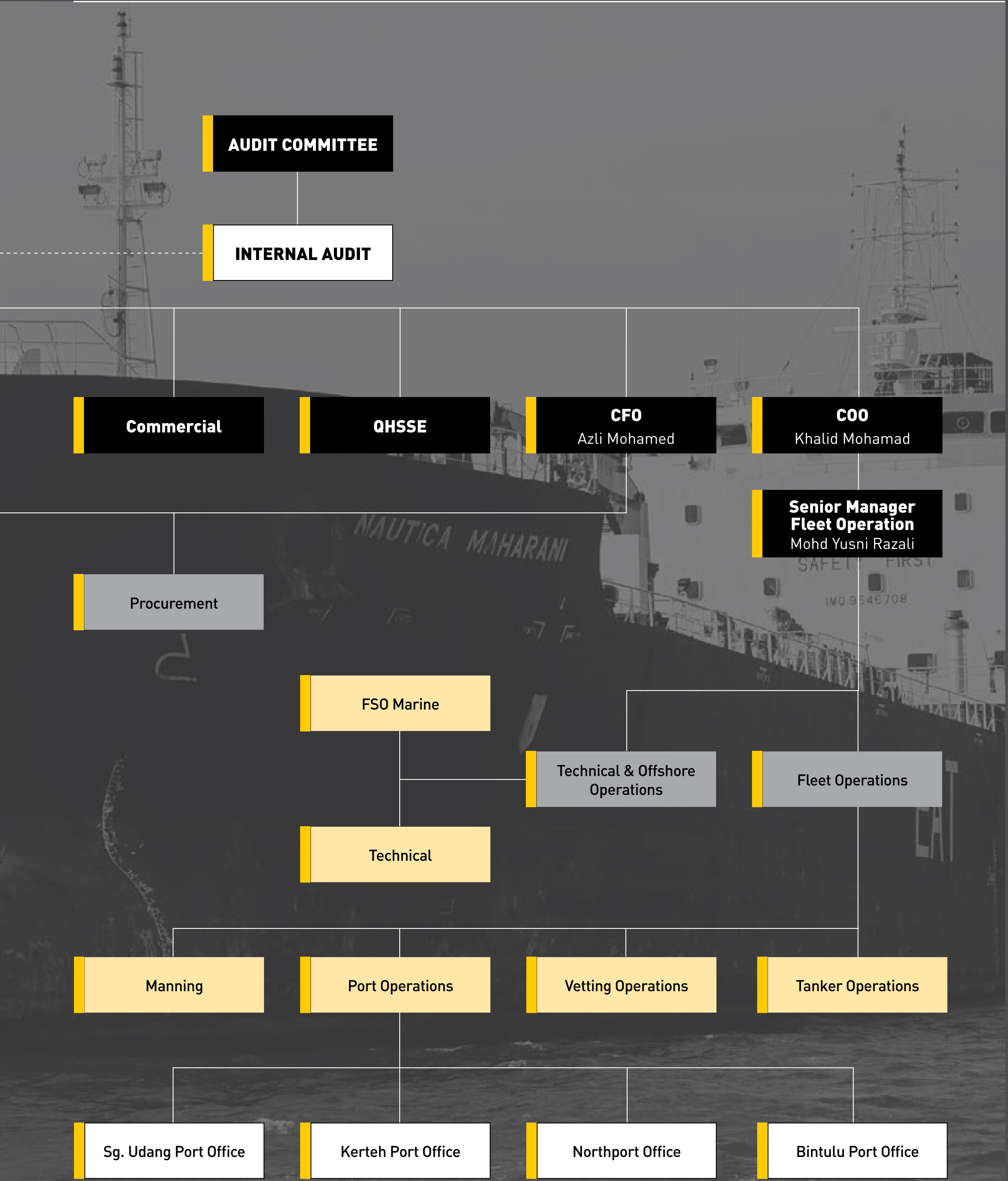
**36,396**



# ORGANISATIONAL STRUCTURE

**GROUP MANAGING DIRECTOR**
Dato' Ir. Abdul Hak Md Amin

- **Libra Perfex Precision Sdn Bhd**
- **Johor Shipyard & Engineering Sdn Bhd**
- **Project Office**
  - Finance Operations, Management Accounting & Reporting
  - Corporate Finance & Services
    - HR Admin & IT
    - Corporate Affairs & Investor Relations
    - Legal & Compliance
    - Corporate Finance


AUDIT COMMITTEE
INTERNAL AUDIT
Commercial
QHSSE
CFO
Azli Mohamed
COO
Khalid Mohamad
Senior Manager Fleet Operation
Mohd Yusni Razali
Procurement
FSO Marine
Technical & Offshore Operations
Fleet Operations
Technical
Manning
Port Operations
Vetting Operations
Tanker Operations
Sg. Udang Port Office
Kerteh Port Office
Northport Office
Bintulu Port Office

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

❶
**DATO' MOHD REDZA SHAH ABDUL WAHID**
*Independent Non-Executive Chairman*

❷
**DATO' IR. ABDUL HAK MD AMIN**
*Managing Director*

❸
**DATUK MOHD NASIR ALI**
*Independent Non-Executive Director*

❹
**ROZAN MOHD SA'AT**
*Independent Non-Executive Director*

❺
**ABDUL AZMIN ABDUL HALIM**
*Independent Non-Executive Director*

❻
**AZIAH AHMAD**
*Non-Independent Non-Executive Director*

❼
**IR. DR MOHD SHAHREEN ZAINOOREEN MADROS**
*Independent Non-Executive Director*

❽
**ABDUL RAHIM OMAR**
*Non-Independent Non-Executive Director*

### SECRETARIES

**NURALIZA A. RAHMAN**
(MAICSA 7067934)

**SABARUDIN HARUN**
(MIA 30423)

Telephone : 607-219 2692
Facsimile : 607-223 3175
Email : nuraliza@jcorp.com.my
sabarudin@jcorp.com.my

### REGISTERED OFFICE

Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor
Telephone : 607-219 5064
Facsimile : 607-223 3175

### CORPORATE OFFICE

Setiawangsa Business Suites
Unit C-3A-3A
No. 2 Jalan Setiawangsa 11
Taman Setiawangsa
54200 Kuala Lumpur, Malaysia
Telephone : 603-4252 5422
Facsimile : 603-4252 2163

### PROJECT OFFICE

Setiawangsa Business Suites
Unit B-1-1
No. 2 Jalan Setiawangsa 11
Taman Setiawangsa
54200 Kuala Lumpur, Malaysia
Telephone : 603-4252 5422
Facsimile : 603-4266 0487

**NORTHPORT, PELABUHAN KLANG OFFICE**
No. 37, Lintang Sultan Mohamad 1B
Pusat Perdagangan Bandar Sultan Suleiman
42000 Port Klang, Selangor Darul Ehsan
Telephone : 012-502 9224
Email : nurhayat@eatechnique.com.my

**SG. UDANG, MELAKA PORT OFFICE**
Bangunan Pentadbiran
Persiaran Penapisan
76300 Sungai Udang
Melaka
Telephone : 012-730 5224
Email : khairulnizam@eatechnique.com.my

**KERTIH PORT, TERENGGANU OFFICE**
Bangunan Pentadbiran Kertih Port Sdn Bhd
Lot 3633 Kawasan Tengah KM105
Jalan Kuantan – Kuala Trengganu
24300 Kertih, Kemaman
Telephone : 012-385 2224
Email : azim@eatechnique.com.my

**BINTULU PORT, SARAWAK OFFICE**
Bintulu Port Sdn Bhd
Marine Services
12th Miles, Tg. Kidurong Road
P.O Box 996
97008 Bintulu, Sarawak
Telephone : 012-390 7224
Email : azaman@eatechnique.com.my

**SUBSIDIARY OFFICE**
Johor Shipyard And Engineering Sdn Bhd
Lot PT8436-A, Mukim Hutan Melintang
36400 Daerah Hilir Perak
Perak Darul Ridzuan
Telephone : 605-641 2514
Facsimile : 605-641 3679

### SHARE REGISTRAR

Johor Corporation
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor
Telephone : 607-219 5075
Facsimile : 607-221 0026

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)
Listed since: 11 December 2014
Sector: Trading/Services
Stock name: EATECH
Stock code: 5259

www.**eatechnique**.com.my

## PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Bank Pembangunan Malaysia Berhad
AmBank (M) Berhad
Affin Bank Berhad
Malaysian Industrial Development Finance Berhad

## AUDITORS

Ernst & Young PLT
202006000003 (LLP 0022760-LCA) AF 0039
Chartered Accountants
Level 23A, Menara Millennium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Telephone : 603-7495 8000
Facsimile : 603-2095 5332
website : www.ey.com

## AUDIT COMMITTEE

Chairman
**DATUK MOHD NASIR ALI**
Independent Non-Executive Director

Members
**ABDUL AZMIN ABDUL HALIM**
Independent Non-Executive Director

**AZIAH AHMAD**
Non-Independent Non-Executive Director

## REMUNERATION COMMITTEE

Chairman
**DATO' MOHD REDZA SHAH ABDUL WAHID**
Independent Non-Executive Chairman

Members
**DATUK MOHD NASIR ALI**
Independent Non-Executive Director

**ROZAN MOHD SA'AT**
Independent Non-Executive Director

## NOMINATION COMMITTEE

Chairman
**DATO' MOHD REDZA SHAH ABDUL WAHID**
Independent Non-Executive Chairman

Members
**ABDUL AZMIN ABDUL HALIM**
Independent Non-Executive Director

**ROZAN MOHD SA'AT**
Independent Non-Executive Director

## TENDER BOARD COMMITTEE

Chairman
**ABDUL AZMIN ABDUL HALIM**
Independent Non-Executive Chairman

Members
**AZIAH AHMAD**
Non-Independent Non-Executive Director

**ABDUL RAHIM OMAR**
Non-Independent Non-Executive Director

# BOARD OF DIRECTORS

*From left to right:*

❶ DATUK MOHD NASIR ALI
*Independent Non-Executive Director*

❷ DATO' MOHD REDZA SHAH ABDUL WAHID
*Independent Non-Executive Chairman*

❸ DATO' IR. ABDUL HAK MD AMIN
*Managing Director*

❹ ABDUL AZMIN ABDUL HALIM
*Independent Non-Executive Director*

5 **ROZAN MOHD SA'AT**
*Independent Non-Executive Director*

6 **AZIAH AHMAD**
*Non-Independent Non-Executive Director*

7 **IR DR MOHD SHAHREEN ZAINOOREEN MADROS**
*Independent Non-Executive Director*

8 **ABDUL RAHIM OMAR**
*Non-Independent Non-Executive Director*

# BOARD OF DIRECTORS PROFILE

BNC Board Nomination Committee

BRC Board Remuneration Committee

1

**Age**
57 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
14 February 2020

**No. of Board Meetings Attended in the Financial Year:**
0/0

## DATO' MOHD REDZA SHAH ABDUL WAHID

Independent
Non-Executive Chairman

**Qualification:**

- Bachelor Of Science In Economic (Industry And Trade), London School Of Economic, University Of London
- Master Of Science Of Economics (International Banking And Finance), University Of Wales, Cardiff
- Associate Chartered Accountant (ACA), Institute Of Chartered Accountant In England And Wales (ICAEW)
- Member Of Institute Of Chartered Accountant In England And Wales
- Chartered Bankers, Asian Institute Of Chartered Bankers
- Sustainability Leadership In Business Sustainability Management, University Of Cambridge (Online Course)

**Working Experience And Occupation:**

- Chief Financial Officer, Silterra Malaysia Berhad (Oct 2000-Sept 2002)
- Group Chief Executive Officer, Tradewinds Corporation Berhad (Oct 2002-Nov 2005)
- Acting Chief Executive Officer, Tradewinds (M) Berhad (May 2004-Nov 2005)
- Chief Operating Officer, Drb-Hicom Berhad (Dec 2005-Oct 2008)
- Chief Executive Officer, Bank Muamalat Malaysia Berhad (Nov 2008-Oct 2019)

**Details Of Any Board Committee Involved:**
BNC BRC

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

2

**Age**
65 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
1 February 2002

**No. of Board Meetings Attended in the Financial Year:**
6/6

## DATO' IR. ABDUL HAK MD AMIN
Managing Director

**Qualification:**

- Master Of Science In Project Engineering, University Of Lancaster, United Kingdom
- Bachelor Of Science In Marine Engineering, Merchant Marine Academy, Jakarta (1976)
- Diploma In Ship Survey, Det Norske Veritas, Oslo, Norway
- Certificate Of Competency As A Foreign Going Marine Engineer
- Registered Professional Engineer In The Board Of Engineers, Malaysia

**Working Experience And Occupation:**

- Marine Engineer Onboard Ocean Going Vessels, Malaysian International Shipping Corporation Sdn Bhd (1976)
- Project Manager, Malaysian Fisheries Development Authority (1981)
- Mill Engineer, Sime Darby Plantation Berhad (Mid 1981)
- Project Manager, Bank Pembangunan Malaysia Berhad (Mid 1983 – End 1983
- Ship And Engineering Surveyor, Det Norske Veritas (Singapore) Pte Ltd (1984 - 1987)
- Station Manager, Det Norske Veritas (Singapore) Pte Ltd (1988 - 1989)
- Principal Surveyor, Det Norske Veritas (Singapore) Pte Ltd (1990)
- Managing Director, Det Norske Veritas Sdn Bhd (1990 – 2002)
- Managing Director, E.A. Technique (M) Berhad (1 February 2002)
- Chairman Of Malaysia Shipowners' Association (MASA)
- Chairman Of Advisory Council (Ministry Of Transport)
- Chancellor Of Ranaco Education And Training Institute
- Member Of Universiti Teknologi Malaysia Industrial Advisory Council
- Member Of Universiti Kuala Lumpur (MIMET) Advisory Council
- Member Of Advisory Council Universiti Utara Perlis
- Fellow Member Of Ikhtisas Kelautan Malaysia (IKMAL)
- Member Of Australia Asia Committee For Bureau Veritas, France
- Chairman Of The Malaysian Committee Of Nippon Kaiji, Kyokai (CLASS NK)
- Corporate Member Of Institution Of Engineers, Malaysia (IEM)

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
* Lembaga Pius Api Malaysia (Ministry Of Transport)
* KWPPL (Jabatan Laut)
* Domestic Shipping Licence Board (Ministry Of Transport)
* Core Laboratories Malaysia Sdn Bhd
* P&I Malaysia (Ministry Of Transport)

**Any Family Relationship With Any Director And/ Or Major Shareholder Of The Listed Issuer:**
Datin Hamidah Omar - Spouse

**Any Conflict Of Interest With The Listed Issuer:**
Berkat Global Sdn Bhd provides Advisory Services to the company such as marine consultancy and ship design. The company 90% owned by Dato' Ir. Abdul Hak Md Amin.

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

BRC Board Remuneration Committee

BAC Board Audit Committee

3

**Age**
62 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
17 October 2014

**No. of Board Meetings Attended in the Financial Year:**
6/6

## DATUK MOHD NASIR ALI

Independent
Non-Executive Director

**Qualification:**

- Bachelor Of Economics (Honours) Degree, University Of Malaya (1980)
- Master Of Science (Finance), University Of Strathclyde, United Kingdom (1988)

**Working Experience And Occupation:**

- Senior Financial And Marketing Analyst (1982)
- Investment Manager, BBMB Unit Trust Management Berhad (1988)
- General Manager Of Dealing & Research Department, Mayban Securities Sdn Bhd (1991 - 1995)
- Chief Executive Officer, Kuala Lumpur City Securities Sdn Bhd (1996 – 2000)
- Group Executive Director, Utusan Melayu (Malaysia) Berhad (2000 – 5 June 2014)

**Details Of Any Board Committee Involved:**

BAC BRC

**Other Directorship In Public Companies And Listed Issuers:**

Non Listed Public Companies:

- Amanah Raya Berhad
- Goodyear Malaysia Berhad

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**

No

**Any Conflict Of Interest With The Listed Issuer:**

No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**

No

**BNC** Board Nomination Committee

**BAC** Board Audit Committee

**TBC** Tender Board Committee

4

**Age**
66 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
15 April 2014

**No. of Board Meetings Attended in the Financial Year:**
6/6

## ABDUL AZMIN ABDUL HALIM

Independent
Non-Executive Director

**Qualification:**

- Diploma In Banking Studies, Mara Institute Of Technology (1974)
- Bachelor Of Science Degree, Syracuse University, United States (1976)
- Master Of Business Administration, Central Michigan University (1978)

**Working Experience And Occupation:**

- Management Executive, Accounts Department, Esso Production Malaysia Inc. (1978 – 1981)
- Cost Accountant, Motorola Malaysia (1981)
- Management Executive, Petronas (1981 – 1989)
- Manager, Commercial Department, Petronas Gas Sdn Bhd (1989 – 1994)
- Senior Manager, Contracts And Procurement Department, Petronas Carigali (1994 – 2002)
- Senior Manager, Tenders And Contracts Division, Petronas (2002 – 2008)

**Details Of Any Board Committee Involved:**

BAC BNC TBC

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

**BAC** Board Audit Committee

**TBC** Tender Board Committee

5

**Age**
53 y/o

**Gender**
Female

**Nationality**

**Date Appointed To Board:**
2 October 2017

**No. of Board Meetings Attended in the Financial Year:**
6/6

## AZIAH AHMAD

Non-Independent And Non-Executive Director

**Qualification:**

Bachelor Of Commerce, Majoring In Accountancy, University Of Wollongong, New South Wales, Australia (1989)

**Working Experience And Occupation:**

- Audit Assistant, Coopers & Lybrand (1989)
- Senior Manager, Pelangi Berhad (2006)
- Deputy General Manager, PNB Commercial Sdn Bhd (2009)
- Acting Chief Financial Officer, PNB Commercial Sdn Bhd (2011)
- General Manager, Johor Corporation (2014)
- Chief Financial Officer, Damansara Assets Sdn Bhd (2015)
- General Manager, Johor Corporation (October 2016)

**Details Of Any Board Committee Involved:**

BAC TBC

**Other Directorship In Public Companies And Listed Issuers:**
Non Listed Public Companies:

- Larkin Sentral Property Berhad

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

**BNC** Board Nomination Committee

**BRC** Board Remuneration Committee

6

**Age**
60 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
1 January 2007

**No. of Board Meetings Attended in the Financial Year:**
6/6

## ROZAN MOHD SA'AT

Independent Non-Executive Director

**Qualification:**

Bachelor Of Economics (Honours) Majoring In Statistics, Universiti Kebangsaan Malaysia (1982)

**Working Experience And Occupation:**

- Administrative Officer, Corporate Planning & Research Department, Johor Corporation (1983)
- Operations Manager, SERGAM (1986)
- Administrative Officer, Corporate Communications Department, Johor Corporation (1987 – 1988)
- Executive Director, Several Subsidiaries In Johor Corporation Group (1988 – 1993)
- General Manager, Tourism Division, Johor Corporation (1994)
- Chief Executive, Tourism Division, Johor Corporation (15 June 1996)
- General Manager, Business Development, Johor Corporation (January 1999)
- Senior General Manager, Business Development, Johor Corporation (2000 - August 2002)
- Managing Director, Sindora Berhad (1 September 2002)
- Managing Director, PIJ Holdings Sdn Bhd (March 2014)

**Details Of Any Board Committee Involved:**
BNC BRC

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

7

**Age**
56 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
1 October 2019

**No. of Board Meetings Attended in the Financial Year:**
1/1

## IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS

Independent
Non-Executive Director

**Qualification:**

- 1st Class Honours Degree In Civil Engineering, University Of London (1986)
- Doctorate In Structural Engineering, University Of Cambridge (1989)
- Registered Professional Engineer Member, The Board Of Engineers, Malaysia

**Working Experience And Occupation:**

- Serving In Various Capacity In The Oil And Gas Industry (20 Years)
- Lecturer In Engineering Faculty, Universiti Kebangsaan Malaysia
- Serving In Various Capacity In The Government Agencies (10 Years)
- Represented Malaysia In Many International Trade Missions
- Involved In Various Industry Dialogue Working With The Ministry Of International Trade And Industry
- Involved As An Exco Member Of The Malaysian Oil & Gas Services Council (MOGSC)
- Chief Executive Officer, MATRADE (2017-February 2019)
- Certified Coach, Malaysian Institute Of Management (MIM)
- Pro-Temp Committee, IAC Malaysia
- Adjunct Professor With A Local University.

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

TBC Tender Board Committee

8

**Age**
57 y/o

**Gender**
Male

**Nationality**

**Date Appointed To Board:**
14 February 2020

**No. of Board Meetings Attended in the Financial Year:**
0/0

## ABDUL RAHIM OMAR

Non-Independent
Non-Executive Director

**Qualification:**

- Alam Pre-Sea Training, Akademi Laut Malaysia
- Second Mate Certificate Of Competency – Foreign Going Ship, Jabatan Laut Malaysia
- First Mate Certificate Of Competency – Foreign Going Ship, Jabatan Laut Malaysia
- Master Foreign Going Ship, Jabatan Laut Malaysia

**Working Experience And Occupation:**

- Deck Cadet, Rimba Keruing Ship (1980)
- Second Officer On LNG Tanker Tenaga Tiga (1990)
- Trainee Pilot, Johor Port Authority (1991)
- Head Of Marine, Johor Port Berhad (Jan 2000-March 2009)
- Head Of Container, Terminal Johor Port (2009)
- Chief Operating Officer, TLP Terminal Sdn Bhd (2011)
- Executive Director, TLP Terminal Sdn Bhd (2017)

**Details Of Any Board Committee Involved:**

TBC

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

# COMPANY SECRETARIES

Age
48 y/o

Gender
Female

Nationality

Date Appointed :
15 January 2015

No. of Board Meetings Attended
6/6

## NURALIZA A. RAHMAN
Company Secretary

Age
41 y/o

Gender
Male

Nationality

Date Appointed :
15 January 2015

No. of Board Meetings Attended
6/6

## SABARUDIN HARUN
Company Secretary

# MANAGEMENT TEAM

1

**DATO' IR. ABDUL HAK MD AMIN**
Managing Director

2

**KHALID MOHAMAD**
Chief Operating Officer

3

**AZLI MOHAMED**
Chief Financial Officer

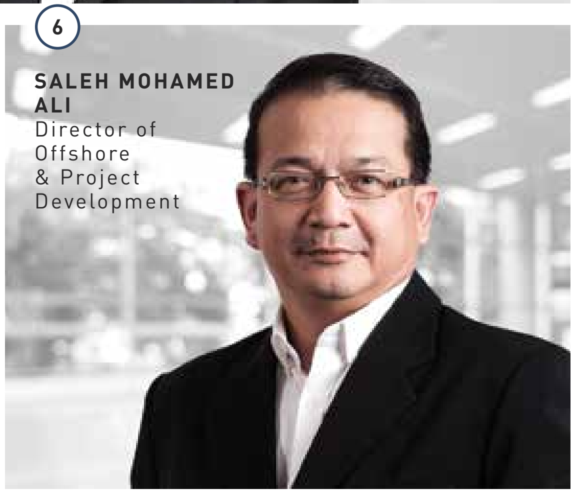
4

**NEW KOK HO**
Executive Director of Johor Shipyard and Engineering Sdn Bhd

5

**MOHD YUSNI RAZALI**
Senior Manager, Fleet Operations

6



**SALEH MOHAMED ALI**
Director of Offshore & Project Development

7

**CHE ZAL AZILAH CHE OMAR**
Head of Finance Operation & Management Accounting

8

**NORWAHIDA JAAFAR**
Head of Corporate Finance & Corporate Services

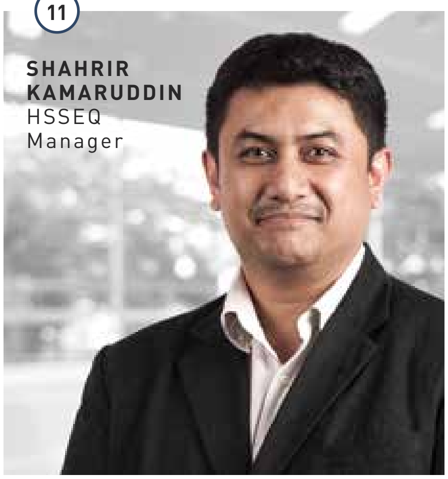
9

**AHMAD FAREZ SUHAIMI**
Port Operations Manager

10

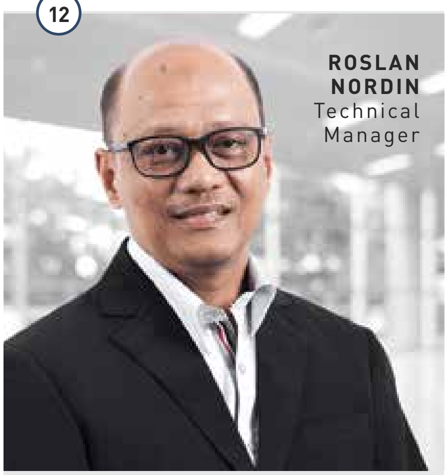
**FARRAH RADZIAH ABDUL HAK**
Commercial Manager

11



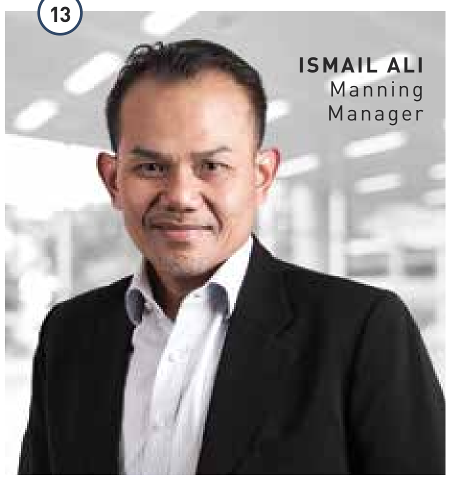
**SHAHRIR KAMARUDDIN**
HSSEQ Manager

12



**ROSLAN NORDIN**
Technical Manager

13



**ISMAIL ALI**
Manning Manager

# KEY MANAGEMENT PROFILE

1

## KHALID MOHAMMAD

Chief Operating Officer

**Age**
58 y/o

**Gender**
Male

**Nationality**

**Date Appointed:**
1 July 2019

**Qualification:**

- Certificate Of Competency Class 1 In Nautical Studies, Malaysia Marine Academy (ALAM)
- Certificate Of Competency Class 2 In Nautical Studies, Malaysia Marine Academy (ALAM)
- Certificate Of Competency Class 3 In Nautical Studies, Malaysia Marine Academy (ALAM)
- Certificate In International Business, Melbourne University, Australia

**Working Experience And Occupation:**

- 1980 to 2011 – Serving in various capacity in MISC Berhad
- 2012 to 2014 – General Manager of Operations, MTU Services Malaysia
- 2014 to 2015 – Senior Manager of Fleet Operations, Bourbon Offshore Mitra Malaysia
- 2016 to 2017 – General Manager of Human Resource Sea, MISC Berhad
- 2017 to 2018 – Director of Human Resource, Eagle Star Marine Holding (L)
- 2018 to Present – Board of Director, Cygnus Maritime International Sdn Bhd
- 2018 to 2019 – Senior Manager Corporate Planning and Business Development, Akademi Laut Malaysia

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

2

## AZLI MOHAMED

Chief Financial Officer

**Age**
52 y/o

**Gender**
Male

**Nationality**

**Date Appointed:**
1 October 2017

**Qualification:**

* Graduate of the Association of Chartered Certified Accountants, United Kingdom
* Members of The Malaysian Institute of Accountants

**Working Experience And Occupation:**

- 1992 to 2001: Audit Assistant and last position as Manager, PricewaterhouseCoopers
- 2001 to 2006: Group Accountant, KPJ Healthcare Berhad
- 2006 to 2007: Chief Financial Officer, New Jeddah Clinic Hospital, Jeddah
- 2007 to 2011: General Manager, Finance Division of Johor Corporation
- 2011 to 2017: Chief Financial Officer, Kulim (Malaysia) Berhad

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

3

## NEW KOK HO

General Manager / Executive Director

**Age**
50 y/o

**Gender**
Male

**Nationality**

**Date Appointed:**
1 June 2017

**Qualification:**

- Bachelor of Engineering, Marine Technology, Universiti Teknologi Malaysia
- Board of Engineers, Malaysia
- Members of The Institute Engineer, Malaysia
- Members of Institute of Management, Malaysia

**Working Experience And Occupation:**

- 1994 to 2000 - Senior Services Engineer (Project), Syarikat Ong Yik Lin Sdn Bhd
- 2000 to 2003 - Property Manager, Metrojaya Berhad
- 2003 to 2008 - Project Manager, Sumber Samudra Sdn Bhd
- 2008 to 2014 - Project Manager, Johor Shipyard and Engineering Sdn Bhd
- 2014 to 2017 - General Manager, Johor Shipyard and Engineering Sdn Bhd
- 2017 to Present - Executive Director, Johor Shipyard and Engineering Sdn Bhd

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

4

## MOHD YUSNI RAZALI

Senior Manager Fleet Operations

**Age**
57 y/o

**Gender**
Male

**Nationality**

**Date Appointed:**
1 January 2016

**Qualification:**

Certificate of Competency as Master of a Foreign Going Ships, Maritime Academy Malaysia (ALAM)

**Working Experience And Occupation:**

- 1984 to 1995 – Navigating Officer, MISC Berhad
- 1995 to 1996 – Chief Officer, MCM Sdn Bhd
- 1997 to 1999 – Ship Master, Global Carriers Sdn Bhd, E.A. Technique (M) Sdn Bhd, Jelai Marine Services
- 2000 to 2002 – Nautical Lecturer, Akademi Laut Malaysia (ALAM)
- 2002 to 2003 – Maritime Training and Education Director, Pelita Akademi Sdn Bhd
- 2004 to 2005 – Director (Recruitment and Training Development / Operation), Latihan Perikanan Laut Dalam Armada Berhad
- 2005 to 2006 – Marine Project Manager, Cyclecraft Accessories (M) Sdn Bhd
- 2006 to 2008 – Technical Superintendent, Global TS Sdn Bhd
- 2008 to 2009 – HSSE Manager, Global TS Sdn Bhd
- 2009 to 2010 – Head of Marine Operation and HSSE, Global TS Sdn Bhd
- 2010 – Head of Crew Resources and Manning, Global TS Sdn Bhd
- 2011 to 2013 – Senior Manager, Fleet Management Division, Global TS Sdn Bhd
- 2013 to 2014 – Manager, Manning / Vetting, E.A. Technique (M) Berhad
- 2014 to 2015 – Manager, Fleet Operation, E.A. Technique (M) Berhad
- 2016 to Present – Senior Manager Fleet Operations, E.A. Technique (M) Berhad

**Details Of Any Board Committee Involved:**
No

**Other Directorship In Public Companies And Listed Issuers:**
No

**Any Family Relationship With Any Director And/Or Major Shareholder Of The Listed Issuer:**
No

**Any Conflict Of Interest With The Listed Issuer:**
No

**List Of Convictions For Offences Within The Past 5 Years And Particulars Of Any Public Sanction Or Penalty Imposed By The Relevant Regulatory Bodies During The Financial Year, If Any:**
No

# CHAIRMA
# STA

**DATO' MOHD REDZA SHAH ABDUL WAHID**
Independent Non-Executive Chairman

# AN'S
# ATEMENT

> "AS A STRONGER ENTITY, THE GROUP HAS ESTABLISHED THE MOMENTUM FOR THE NEXT THRUST FORWARD. WE REMAIN COMMITTED TO DELIVERING LONG-TERM SUSTAINABLE VALUE TO ALL OUR SHAREHOLDERS AND WE BELIEVE THAT THE STRATEGIC PRIORITIES WE HAVE IDENTIFIED WILL BE THE KEY TO ACHIEVE THIS GOAL"

## DEAR SHAREHOLDERS,

IT IS MY PLEASURE TO PEN MY FIRST LETTER TO YOU AS CHAIRMAN OF E.A.TECHNIQUE (M) BERHAD ("E.A.TECHNIQUE"). SINCE MY APPOINTMENT ON 14 FEBRUARY 2020, I HAVE MET WITH MANY OF MY COLLEAGUES ACROSS THE GROUP. I HAD THE SENSE THAT PEOPLE GENERALLY FELT GOOD ABOUT THE COMPANY AND ITS PROSPECTS MOVING FORWARD. I WAS ALSO IMPRESSED BY A SAFETY CULTURE THAT HAS BEEN FIRMLY EMBEDDED IN THE ORGANISATION. I AM PROUD TO BE LEADING MY TEAM AND THIS COMPANY TO GREATER HEIGHTS.

On behalf of the Board of Directors, it is my honor to present the audited accounts and annual report of E.A. Technique (M) Berhad for the financial year ended 31 December 2019.

### PROPELLING AHEAD

"Propelling Ahead" is the theme of this year's report. After having put behind the turbulence of FY 2017, the Group has sailed into calmer waters. To attain our goal of sustainable growth and generating value for our shareholders, we have set our sights high. In the face of increasing competition and volatility, we need to 'propel ahead' in both concept and execution to stay on top. The desire to constantly achieve even more is also manifested in this - our integrated annual report - which is a departure from the traditional corporate reporting that focuses solely on financial numbers.

This will also mark our third year of producing a sustainability report, which is intended to give stakeholders a more complete picture of a company's performance and business value. It covers areas deemed material to reflect the Group's Economic, Environmental and Social ("EES") impacts, also known as the Three Pillars of Sustainability.

### CALMER WATERS

Despite the headwinds we faced, I am pleased to report that the year under review ended 31 December 2019 ("FY 2019") was a good one for the Group, building on the turnaround achieved in FY 2018. The underlying momentum of the Group's businesses remained robust and a continued focus was on execution across our two main lines of businesses, successfully keeping the Group a strong and stable growth trajectory.

The Group's solid performance is testament to the underlying strength of its business model, strategies that were put in place, a disciplined management approach to exercising fiscal prudence and the dedication of our employees to deliver results. I am glad to share some of the highlights and key developments of FY 2019, which will be covered more extensively in the Management Discussion & Analysis ("MD&A") that follows.


**VESSEL UTILISATION**

%

**80**

As Ended 31 Dec 2019

**ORDER BOOK**

RM Billion

**1.2**

As Ended 31 Dec 2019
**Including Optional Period**

### Financial Performance

The Group's financial performance remains one of its most important Key Performance Indicators ("KPIs"). During the year under review, the Group achieved revenue of RM272 million, with profit before tax of RM33 million. Our long-term commitment to operational excellence has also delivered savings that benefit both growth and margins.

Our Marine Transportation Services segment remained the biggest contributor to top and bottom line growth. A high utilisation rate of above 80% ensured the Group of a recurring revenue stream. We closed the year with an order book of RM 730.89 million, with an additional RM 434.49 million up for extension.

Measures that have been put in place to improve our financial leverage continued to show results. During FY 2019, our debt-to-equity ratio further improved to 2.47 compared to 2.66 the previous year. It is important to bear in mind that all our borrowings on our vessels are backed by active long-term utilisation charters.

### Corporate Exercises

Decisive action was also taken to strengthen the financial position and capital base of E.A.Technique through a far-reaching corporate exercise. This involved a Proposed Private Placement, Proposed Debt Capitalisation and Proposed Free Warrant Issue. Bursa Securities has already approved the proposals that were outlined in a Circular to Shareholders dated 29 August 2019.

### Pillars of Sustainability

FY 2019 was a positive one for E.A.Technique in terms of meeting its goals across the three pillars of sustainability. Under the Economic Pillar, we continued to fulfil our obligations as a taxpayer, whilst providing employment opportunities and the upgrading of skills for Malaysians. Our marine services also play an important role in servicing Malaysia's offshore oil and gas industry, one of the mainstays of the nation's economy.

The Group has always placed the highest priority on the health and safety of its employees. We are pleased to report that for FY 2019, we extended our record of zero fatalities, zero fatality accident rate, zero Lost Time Injury ("LTI") and zero LTI rate.

In 2019, we transitioned to the ISO 14000:2018 Environmental Management System ("EMS"). This has required greater commitment from Management to implement proactive initiatives to protect the environment from harm and degradation. Like nations all over the world, Malaysia cannot ignore the effects of climate change. The Group is determined to play its role in the global effort by focusing efforts on reducing greenhouse gas ("GHG") emissions and the disposal of waste in a safe and ecologically friendly manner.

We strongly believe that the private sector is more than just a vehicle for economic growth and job creation. It has always been our goal to make a substantial, positive impact on society, especially the communities in which we operate. This is evident in the charitable causes that we support in giving back to society.

## EMBRACING INTEGRATED REPORTING

In an environment of increasing scrutiny, the bar has been rising for corporate disclosure standards. Stakeholders including investor communities, employees, regulators, media and society at large have become more vocal in their push for better corporate disclosure and a more holistic view on value creation. The Integrated Reporting ("IR") Framework has been developed by the International Reporting Council ("IIRC") for organisations to enhance business accountability and stewardship, and support integrated thinking and decision making.

In Malaysia, the Securities Commission has called on local companies to adopt IR as part of the Malaysian Corporate Governance Code launched in April 2017. An increasing number of Malaysian companies have come on board as they come to realise that the financial numbers alone fail to paint the full picture of their organisation's value to stakeholders.

For the past several years, E.A.Technique has been accelerating the adoption of Integrated Reporting ("IR") principles in its annual report. The Group's inaugural Management Discussion & Analysis ("MD&A") and Sustainability Statements, which are important components of an IR, were included in E.A. Technique's 2016 Annual Report. IR establishes the relationship between the capitals that the Group uses to deliver on its strategy and create value over the short, medium and long-term.

Driving our IR agenda forward is the Group's senior management team, with oversight provided by Managing Director and the Board of Directors. Admittedly, we are still on a steep learning curve to instill a new way of thinking to effectively narrate our value creation story. It is therefore gratifying to learn that in this respect, we are not alone. Other companies have experienced the same difficulties to truly grasp the subsets of critical thinking in order to present a more holistic picture about the performance of a business. IR is definitely a journey and we still have a long way to go. It may take some time, but we will get there sooner rather than later.

## LOOKING AHEAD

A lot of ground has been covered this past year. With solid foundations laid, we have a clear understanding of what we need to do in FY 2020 to drive long-term growth and deliver on our mission. Taking into account a rapidly changing external environment, the Group has set targets that are both realistic and aggressive in the coming year to create value and drive tangible results. Our priorities for 2020 are as follows:

**PRIORITIES 1**

With a total outstanding order-book amounting to RM 730.89 million and extension options worth another RM 434.49 million, the Group has a full and busy year ahead meeting its contractual obligations.

**PRIORITIES 2**

Bring to a completion of the proposals outlined in the Circular to Shareholders dated 29 August 2019. The conclusion of the exercise will put the Group on a firmer financial footing, freeing up funds to for investment purposes and as working capital. This exercise is expected to be completed within the coming year.

**PRIORITIES 3**

In order to provide our customers with the service they expect and deserve from us, we have drawn up a dry-docking schedule for all our vessels. In the coming FY 2020, we have identified a total of 12 vessels, comprising tankers, Floating Storage and Off-loading Units ("FSU/FSOs"), harbor tug boats, Offshore Support Vessels ("OSV") that will undertake inspection and repairs at various shipyards in Malaysia, Batam and Singapore. The total cost of this exercise is around RM35.5 million.

**PRIORITIES 4**

The Group has already created a brand that resonates in the marketplace. We will pursue organic growth by expanding our service offerings, create innovative solutions and to deliver superior value to our customers.

**PRIORITIES 5**

Build the Company for the future by exploring new and potentially lucrative markets and revenue streams. We have already made in-roads into the Indonesian market in order to create more value for our shareholders. We need to build on the relationship we have established with PERTAMINA to expand our market presence.

**PRIORITIES 6**

Continue exercising financial discipline in how we use our capital in executing our business plans whilst maintaining the highest standards of compliance and ethics

**PRIORITIES 7**

Practice environmental stewardship and reduce our ecological footprint by moving towards higher sustainability efficiency

The Group is also keeping a close watch on the oil and gas market, particularly the demand and supply dynamics. According to the International Energy Agency ("IEA"), global demand for oil in 2020 is expected to decline sharply due to the economic lockdowns enforced around the world to contain the corona virus ("COVID-19") pandemic. (Source: The IEA Oil Market Report, May 2020) As we go into print, businesses are beginning to open gradually, and this is expected to boost oil demand, albeit a modest one initially.

In Malaysia, PETRONAS has said that the risks of delays to some of its projects were rising in the face of the COVID-19 lockdowns. (Source: The Edge Markets, 13 April 2020). In the past few months, oil prices had plummeted from nearly US$100 a barrel to under US$20 a barrel at end-April 2020 (Source: Bernama, 28 April 2020). Nonetheless, PETRONAS hopes to maintain its domestic CAPEX programme for 2020. This will undoubtedly impact the operations of the Group given its exposure to the oil and gas sector. Given the constantly evolving scenario in the external and internal environment, we will continue to closely monitor developments."

Going forward, the tasks before us remain challenging. But I believe the Group is well placed to face the future with confidence.

## COMBATING COVID-19

Just when we thought we were sailing into calmer waters, the new financial year saw the world grappling with the emergence of a new coronavirus, officially named "COVID-19". In March 2020, the World Health Organisation ("WHO") declared the COVID-19 viral disease a global pandemic, raising the health emergency to its highest level.

The COVID-19 outbreak and the speed at which it spread has caught governments, businesses and communities all over the world by surprise. The Malaysian Government has been quick to introduce measures to limit the spread of the contagion, following procedures set by WHO. It has also issued two fiscal stimulus packages to combat the economic impact of the COVID-19 pandemic.

On our part, E.A.Technique has been in full response mode as the gravity of the health crisis struck home. We have set in motion our business continuity plan to build resilience, while maintaining the necessary level of safety and security in our places of work and assets. Naturally, our employees are our top priority and under the Mandatory Control Order ("MCO"),and except for a few key personnel, most are operating remotely in the safety of their homes. Our principle is to keep everyone safe and we will do everything we can to protect the workplace. The comprehensive measures we have put in place are explained in detail in the Management Discussion & Analysis ("MD&A") that follows.

I strongly believe that Malaysia and E.A.Technique have the resilience and the wherewithal to overcome the crisis at hand. Our goals are clear: we are in it together and I am convinced we will get through this if we remain resolute in the days ahead.

## APPRECIATION

One of the Group's greatest strengths is its employees. Their hard work, work ethics, dedication and professionalism delivered the desired results in FY 2019. I would like to thank them for the superb job they are doing.

I would like to express my heartfelt appreciation to my predecessor, Dato' Kamaruzzaman Abu Kassim, for his many contributions to the Group. The Board and I wish him every success in his future undertakings. My fellow Board members must be acknowledged for giving me the benefit of their wise counseling and experience. We are indeed fortunate to have a very engaged and knowledgeable Board.

I look forward to working together with all members of the Board, management team and my fellow employees in driving the business forward and deliver the financial performance and value creation that our shareholders have come to expect of us.

To you, our shareholders, thank you for your continued support, confidence and trust. I look forward to meeting you at our Annual General Meeting which will be held on 15 July 2020.

Thank you.

**DATO' MOHD REDZA SHAH ABDUL WAHID**
Chairman

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"A COMBINATION OF A STRONG INTEGRATED OPERATING PLATFORM AND AN EXPERIENCED MANAGEMENT TEAM AND WORKFORCE."

**DATO' IR. ABDUL HAK MD AMIN**
Managing Director

# MANAGEMENT
# CUSSION
# ANALYSIS

**DEAR SHAREHOLDERS,**

**THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 ("FY 2019") WAS ONE OF GOOD STRATEGIC PROGRESS AND STRONG FINANCIAL PERFORMANCE FOR E.A.TECHNIQUE (M) BERHAD ("E.A.TECHNIQUE" OR "THE GROUP"). THE FUNDAMENTAL PILLARS OF OUR BUSINESS ARE STRONG AND THE RESULTS WE ACHIEVED IN 2019 ARE AN ASSURANCE THAT WE HAVE DEVELOPED THE RESILIENCE TO THRIVE UNDER DIFFICULT OPERATING CONDITIONS.**

## The performance of the EATECH counter during the FY 2019.

**REVENUE**

RM Million

**272**

As Ended 31 Dec 2019

**PROFIT BEFORE TAX**

RM Million

**33**

As Ended 31 Dec 2019

For more, please refer to p.118

### KEY PERFORMANCE INDICATORS

In line with our strategic agenda set out the previous year, we made good progress in FY 2019 across the Group to achieve our goal of sustainable growth. The following are our Headline Key Performance Indicators ("KPIs"):

**KPI 1**

During the FY 2019, the Group recorded a revenue of RM272 million, which the contribution merely from vessel operation, with profit before tax of RM33 million.

**KPI 2**

We continued to enhance the earning power of our main lines of businesses. On 31 May 2019, the Group received a Letter of Award from PETRONAS Carigali Sdn Bhd ("PCSB") for the provision of a Temporary Storage Tanker ("TST"), including Station Keeping and Flexible Riser Tie-in for Sepat Derisk and Early Production System ("DEPS") Project. The value of the contract is approximately RM84.18 million.

**KPI 3**

On 8 May 2019, the Group was awarded a contract by PETCO Trading Company Limited ("PTLCL") for the Provision of Long-term Charter Coastal Vessel Services. Expected to commence in 2020, the contract is for a duration of five years with five extension options of one year each and is valued at about RM239.12 million, excluding the option period. The contract is expected to commence by the end of 2020 and early 2021.

**KPI 4**

The Group continued to make headway in growing its port marine services. On 20 June 2019, we were awarded a contract by Sungai Udang Port Sdn Bhd ("SUPSB") for the Provision and Operation of one unit of 60-tonnes Bollard Pull Harbour Tug for SUPSB's Regasification Terminal in Melaka.

**KPI 5**

While consolidating our position in the domestic market, the Group has its geographical footprint by establishing a foothold in the potentially lucrative Indonesian market.

**KPI 6**

Increased our financial flexibility through a far-reaching corporate exercise to reduce our balance sheet and risk profile, laying the foundations for the next phase of growth and profitability.

**KPI 7**

Achieved our goal of zero accidents across the Group, besides meeting our target to reduce greenhouse gas ("GHG") emissions into the atmosphere.


## STRATEGIC CONTEXT

The global economy has been projected to grow at a slower pace of 3.2% in 2019, compared to 3.7% achieved previously. The downside risks to global growth included unresolved trade tensions between the United States and China, prolonged uncertainties of Brexit, market and political instabilities and weakening business confidence. Despite the challenging external environment, the prospects for the Malaysian economy remain robust. Real Gross Domestic Product ("GDP") is expected to grow at a respectable pace of 4.7% in 2019, underpinned by resilient domestic demand. (Source: Economic Outlook 2020, Ministry of Finance, pages 5, 33)

The oil market has remained volatile and risk averse throughout 2019 amidst concerns over increasing oversupply and weak demand, which had a dampening effect on oil prices. During 2019, oil prices fluctuated from a daily low of US$53 per barrel to a high of US$75 per barrel (as at November 2019), yielding an average of US64 per barrel against US$71 per barrel recorded in 2018. (Source: PETRONAS Activity Outlook 2020-2022, page 9)

As custodian of Malaysia's oil and gas reserves, Petroliam Nasional Berhad ("PETRONAS") has remained focused on pursuing sustainable value-driven growth and monetising the nation's oil and gas reserves. PETRONAS has therefore maintained its capital expenditure ("CAPEX") by focusing on developing the upstream segment of the industry. Malaysia oil and gas reserves have been estimated at around 6.7 billion barrels of oil equivalent ("BOE"), which are expected to last 10 years based on current extraction rates. (Source: Ministry of Finance in responding to Dean Rakyat, 13 March 2019)

## FINANCIAL PERFORMANCE

The Group continued to build on the turnaround in 2018 to deliver a commendable financial performance in FY 2019. The results achieved are again a demonstration of the fundamental strengths of our businesses.

### Revenue

During FY 2019, the Group reported revenue of RM272 million. The biggest contributor to revenue remained the charter hire business, which in 2019 continued to enjoy high average utilization rates of 80% to 90%, thereby maximizing earnings. Our marine transport vessels – Nautica Muar, Nautica Tembikai, Nautica Johor Bahru, Nautica Maharani and Nautica Kota Tinggi – all enjoyed higher utilization rates in FY 2019.

### Profit Before Taxation

Notwithstanding the above, profit before tax ("PBT") declined by RM58 million or 64% from RM90 million recorded in FY 2018. The decrease was mainly contributed by the completion of EPCIC project in FY2018 and hence the revenue and PBT in FY2019 mainly contributed by charter hire business.

### Fiscal Discipline

Fiscal discipline is a key element of the Group's growth strategies. We have crafted various strategies to enforce financial discipline and better cost management. In FY 2019, we were able to reduce our Cost of Sales ("COS") for vessel operation, resulting in higher Gross Processing Margins ("GPM") by 18%.

### Active Debt Collection

Through more rigorous and proactive invoicing and collection efforts, the Group's total trade debtors that are within the credit term limit has further improved to 76%.

### Shareholders' Equity

Corporations like E.A. Technique exist to provide value to its shareholders. Shareholders' Equity is an important metric in determining the return being generated versus the total amount invested by equity investors. Since FY 2017, it has remained in the positive territory.

### Total Assets

Our vessel fleet constitutes 85% of the Group's total assets. The other key component is the Group's receivables, which continue to decline during the year under review as a result of better collections.

### Debt-to-Equity Ratio

During FY 2019, the Group's debt-to-equity ratio has improved further to 2.47, compared to 2.66 the previous year. The improved ratio was achieved on the back of repayment of some of the Group's loan debts.

### Gearing Ratio

The gearing ratio of the Group has improved further to 1.18 from the previously recorded 1.71. The 31.0% improvement was mainly due to net of repayment and new drawdown of loans during the year, of RM75 million. The improved gearing ratio is an important indicator of the overall financial standing of the Group and helps to enhance shareholders' and creditors' confidence.

### Earnings Per Share

The Group recorded earnings per share ("EPS") of 7.22 sen for the financial period ended 31 December 2019, as compared to 14.73 in the previous financial year.

### Net Assets Per Share

Our net assets per share increased by 16%, mainly as a result of the Group's profit achieved during FY 2019.

**TOTAL ASSETS**

RM Million

**913**

As Ended 31 Dec 2019

## DIVIDENDS

The Board of Directors has decided that no dividends will be declared in respect of the financial year ended 31 December 2019. Our shareholders will no doubt understand that E.A.Technique is in the business for the long-haul and as such, the long-term financial sustainability of the Group is of the utmost priority.

The Company has adopted a prudent stance in maintaining a healthy cash balance. As it is, the Group still has significant outstanding borrowings and we need to reduce it to be on a firmer financial footing. At the same time, we also need to continue investing in our vessel fleet to strengthen our portfolio and to sustain growth ahead. New capital investments will be required to part-finance the construction of three new oil tankers to in order to fulfil our contractual obligations. This follows an RM239.12 million contracts awarded on 8 May 2019 to provide long-term vessel services for PETCO Trading Labuan Company Limited ("PTLCL").

## SHARE PRICE PERFORMANCE

For the year, the FTSE Bursa Malaysia KLCI ("FBM KLCI") Index declined 6.02% or 101.82 points, mainly due to foreign selling amid global and domestic uncertainties. Across Bursa Malaysia, there were 552 decliners versus 314 gainers. Turnover stood at 2.25 billion shares, worth RM1.75 billion. (Source: TheEdgeMarkets, 31 December 2019)

Mirroring the weaker sentiments, the E.A. Technique counter closed the year at 36 sen per share, against 46 sen at the beginning of 2019. This translated into a decline of 20%, when compared to the broader FBM KLCI decline of 6%. During the year, our share price achieved a high of 52 sen on 3 April 2019 and touched bottom at 34 sen on 20 December 2019. However, it is our personal opinion that the E.A. Technique stock price does not truly reflect its fair valuation, given the Group's strong earnings visibility, solid outstanding order-book.

## REVIEW OF OPERATIONS

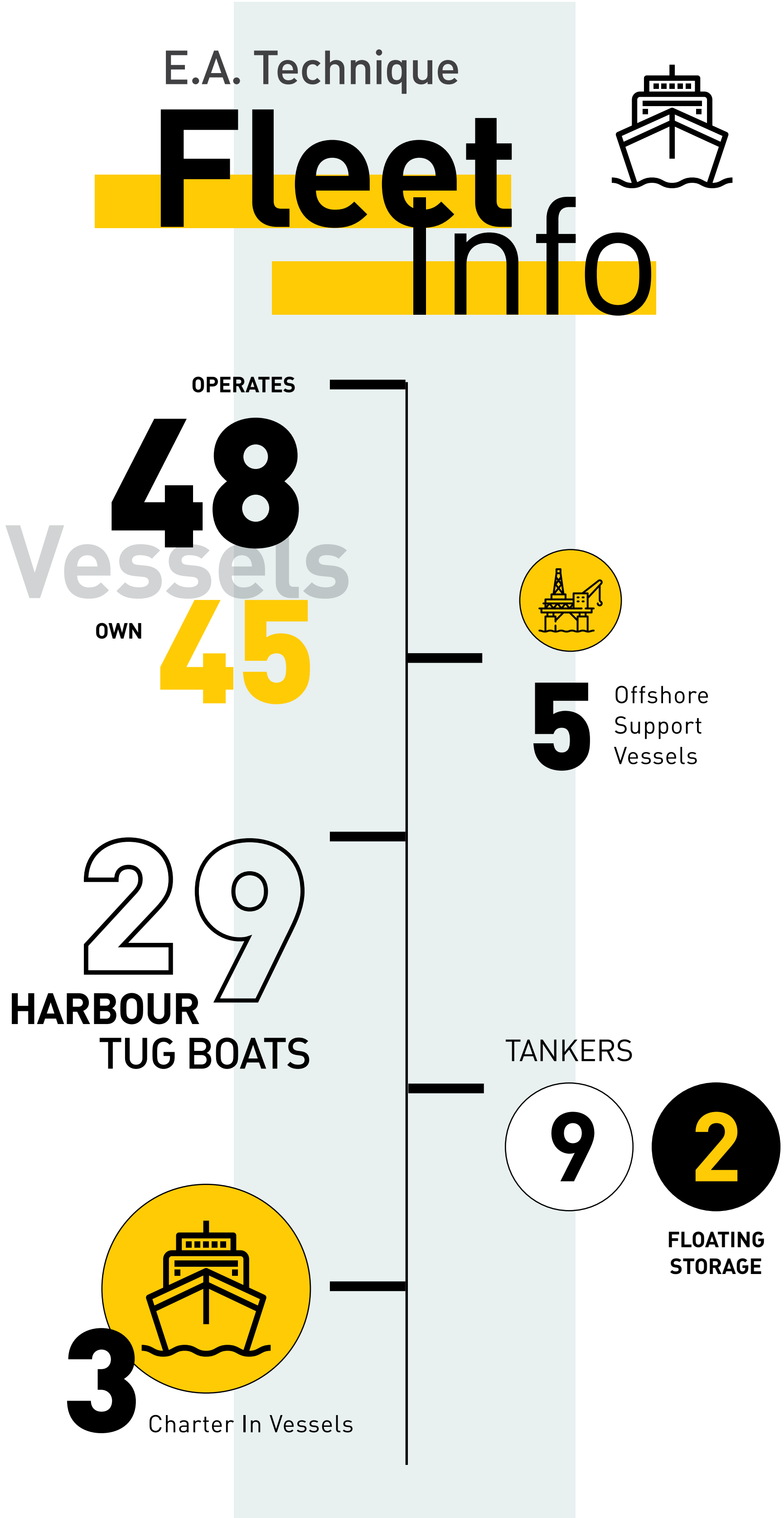
### Marine Transportation Services

The Group provides a range of marine transportation services with a fleet of 48 vessels, of which 45 are owned by the Group, while another 3 are chartered from external parties. The Group's vessel fleet comprises 9 tankers, 2 Floating Storage and Off-Loading ("FSU/FSO") units, 5 Offshore Support Vessels ("OSV") and 29 harbor tugboats.

Our Product tankers transport refined petroleum products from oil refineries to end-users or to another refinery for further processing. FSU/FSOs are typically used to support production platforms as an offshore O&G storage facility at marginal fields. OSVs are fast crew boats and are increasingly deployed by oil majors as a more economical option than helicopter services. They are used to transport personnel and light cargo from the shore to offshore platforms or from platform-to-platform and other offshore facilities.

The average age of our tanker fleet is 12 years. All our vessels undergo regular and periodic maintenance, including dry-docking every three years. A total of RM35.5 million has been budgeted for the drydocking of 12 vessels during FY 2020. To ensure there will be no disruption of services to our customers, Nautica Pagoh and Nautica Renggam have been identified as substitute vessels during the drydocking exercise.

Consolidating our position in the market as one of the main players, the Group was awarded a contract by PCSB on 31 May 2019 to provide a TST, including Station Keeping and Flexible Riser Tie-in for Sepat Derisk and Early Production System ("DEPS") Project. The contract commences in January 2020 and is worth approximately RM84.18 million.



One of the year's highlights was undoubtedly the contract awarded by PTLCL for the Provision of Long-term Charter Coastal Vessel Services. Expected to commence in 2020, the contract is for a duration of five years with five extension options of one year each. Total value of the contract for the firm 5 years period is about RM239.12 million, whereas the extension period of another 5 years is approximately RM239.12.

In order to fulfil the Group's contractual obligations to PTLCL, it will entail capital investment to build and deliver 3 units of 9000 DWT product tankers. One tanker will be built at our own Johor Shipyard and Engineering Sdn Bhd's ("JSE") shipyard at Hutan Melintang at a cost of USD16.60 million. The other two product tankers will be built by Ningbo Zhenhe Ship Building Co Ltd at its shipyard in China at a contract price of USD14.18 million each.

On 20 June 2019, the Group was awarded a contract by SUPB for the Provision and Operation of one unit of 60-tonnes Bollard Pull Harbour Tug for its Regasification Terminal in Melaka.

The Group also offers a range of port marine services in a strategic move to diversify its earnings base and reduce its over-dependence on the O&G sector. The range of port marine services include towage services that involve towing, pushing and maneuvering vessels into position; mooring services that involve securing a vessel to fixtures such as piers, quays, wharfs, jetties, anchor and mooring buoys; and dockside mooring services that involve securing vessels, floating structures and fixtures at the wharf. Presently, we are one of two major players that are engaged directly by port operators to provide towing services.

## Ship Repair & Minor Fabrication

As part of its vertical expansion plans, the Group ventured into shipbuilding, ship repair and minor fabrication activities in 2007. This is undertaken by a 100%-owned subsidiary, Johor Shipyard and Engineering Sdn Bhd ("JSE"), at its shipyard in Hutan Melintang, Perak. The shipyard has the capabilities to construct one vessel of up to 100,000 dead weight tonnes ("DWT") or six harbor tugboats at any one time.

JSE has plans for the further development of the shipyard facilities. This includes the construction of Slipway No 1, which will have a 2000-tonnes capacity. Also, in the pipeline is a 7,200 sq. ft ship repair workshop. The cost of building the two new facilities has been budgeted at RM3.70 million. Presently, JSE's shipyard is only servicing the Group's vessels. With the completion of the new slipway, JSE will be able to accommodate third party vessels.

JSE will have a full and busy year ahead, with the following commitments:

- As mentioned earlier, the Group is investing in building three new 9000 MT DWT tankers to fulfill its commitment to PTCL. One of these tankers will be built by JSE at a cost of USD16.60 million and will be delivered in early 2021.
- JSE is also building a tugboat costing around RM19.0 million. The tugboat will be chartered to a PETRONAS Floating LNG 2 ("PFLNG2") project on a two-year contract worth RM13.54 million.

Having its own shipyard is a distinct advantage for the Group. In-house capabilities enable the Group to effectively maintain its vessels to a high standard of operation and undertake repairs with fast turnaround to minimise downtime. In FY 2019, the Group was able to reap savings of 15-20% from materials tax exemption and another 10-15% from labour and coordination.


## CORPORATE DEVELOPMENTS

**Arbitration With Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")**

E.A.Technique ('the Company") has filed a Notice of Arbitration dated 27 September 2018 with the Director of Asian International Arbitration Centre ("AIAC") against MMHE. The sequence of events leading to the arbitration is as follows:

- On 22 December 2014, E.A.Technique entered into an engineering, procurement construction installation and commission ("EPCIC") contract with Hess Exploration Production Malaysia B.V. ("HESS") for the EPCIC of a floating storage and offloading facility in the North Malay Basin.

- On 9 June 2018, the Company entered into a contract with MMHE for the provision of demolition, refurbishment and conversion services of a donor vessel into a floating storage and offloading facility, which forms a portion of the scope of work under the EPCIC contract. Disputes between the Group and MMHE arose relating to change orders.

- On 22 June 2018, the Company and MMHE executed a letter of undertaking ("LOU") to settle the disputes amicably but failed to reach a settlement.

- On 5 October 2018, further to and in connection with the LOU and the arbitration proceeding, E.A.Technique has received a a payment claim by MMHE for a total amount of USD30,221,301.42 under the Construction Industry Payment And Adjudication Act 2012 ("CIPAA Payment Claim").

- On 15 February 2019, E.A.Technique served its Statement of Claim to MMHE amounting to USD21,656,198. MMHE filed a counter claim against the Group in the AIAC amounting to USD49,105,096. Pursuant to the claims made by both parties, the last evidentiary hearing in the AIAC took place on 6 November 2019.

- On 27 May 2019, the Adjudicator delivered its Adjudication Decision as follows:

  (i) The Company shall pay the sum of USD21,607,206.38, including GST ("Adjudication Sum") to MMHE

  (ii) The Adjudication Sum shall be paid by the Company on or before 28 June 2019

  (iii) The Company shall bear the costs of adjudication amounting to RM309,113.88

- On 4 June 2019, the Company filed an application to set aside the Adjudication Decision. On 5 July 2019, the Company received an Originating Summons from MMHE to enforce the Adjudication Decision dated 27 May 2019. On 16 July 2019, the Company filed a further application to stay the Adjudication decision. The Continued Hearing on the Adjudication Decision was held on 18 December 2019.

- On 18 December 2019, after the respective parties had completed their submissions, the Court fixed the date to deliver its decision on 10 April 2020.

The Board of Directors is of the view that the Company has a strong basis for the application of the setting aside of the Adjudication Decision.

## SWOT ANALYSIS

Each year we bring together our senior management staff to undertake a comprehensive and critical evaluation of the Group from the perspectives of its Strengths, Weaknesses, Opportunities and Threats ("SWOT"). The findings from our SWOT analysis provide us with the basis to craft our growth agenda and the strategies we need to put in place to achieve it.

### Strengths

- The Group's strengths include the relative stability of its marine transportation business, underpinned by long-term contracts. As such we are insulated to a large extent from the volatilities in the external environment.
- The Group is ranked among the top four operators of product tankers in Malaysia and is also one of two major players engaged directly by port operators.
- Backed by more than two decades of experience, the Group has developed long-term relationships with many reputable Oil and Gas ("O&G") players, including the national oil companies ("NOCs") of Malaysia and Indonesia. Our customer base continues to expand.
- About 78% of E.A. Technique's fleet of 45 vessels are on long-term charters, with tenures stretching until the year 2027. This has resulted in high fleet utilisation of above 80%, ensuring the Company of a recurring revenue stream.
- As a public listed company, we can tap the capital market for funds to finance our expansion programmes.
- Our business is operated by a team with an average of more than 20 years of experience in the maritime industry.
- Having our own in-house shipbuilding facilities and capabilities enable the Group to effectively maintain its vessels to a high standard of operation and undertake repairs with fast turnaround to minimise downtime.

### Weaknesses

- Our business is still heavily dependent on the O&G sector, and 60% with PETRONAS group of companies in particular. The Group has aggressively pursued opportunities to diversify and broaden its customer base by providing port marine services at Northport, Kerteh Port, Sg. Udang Port and Bintulu Port.
- A shortage of talents with the right qualifications and experience.
- With some of our vessels nearly 15 years, the maintenance of these vessels to avoid major breakdowns can be costly and disruptive to business scheduling. At some time in the future, our ageing vessels will need to be replaced with newer tankers that are more advanced to boost efficiency and safety.

### Opportunities

- In the PETRONAS Activity Outlook, 2020-2022, PETRONAS remains bullish about the prospects for the offshore O&G and supporting industries with a many project coming onstream in the future. Given the Group's solid track record, it is in a good position to pursue new projects coming onstream.
- The development of an O&G hub at Pengerang in Southern Johor is expected to open up opportunities for marine support services.
  The Refinery and Petrochemical Integrated Development ("RAPID") Project will house refineries, naphtha crackers, petrochemical plants as well as a liquefied natural gas ("LNG") plant.
  The Group is looking into the feasibility of venturing further in the downstream transportation of refined products and chemicals, adding chemical vessels into its fleet.
- More oil companies are turning to fast crew boats as an alternative to helicopter services, boosting the Group's port operations and generating a steady recurring income
- The Group has plans to expand further into Indonesia's oil and gas market. E.A. Technique has already established a foothold by offering services to PT PERTAMINA, the national O&G corporation of Indonesia. During the year under review, the Group has increased its tonnage for PERTAMINA from one shipment per month to two.

**Threats**

- Inherent risks include explosions, equipment defects, pollution and oil spills. We operate in a heavily regulated environment and we are continually beefing up the capabilities of our Occupational and Health, Safety, Security, Environment and Quality team to ensure compliance with the relevant laws, regulations and policies.
- Our tankers transport high-value petroleum products and are vulnerable to acts of piracy. As a combative measure, we have installed a press alert button so that the alarm is directed to a response unit. We also ensure that our tankers and its cargo have adequate insurance coverage.
- We face keen competition from other local companies. Our main competitive strengths include our availability of suitable vessels, capabilities and experience, established track record, financial strength and a brand that resonates in the marketplace.

The annual SWOT exercise forms the basis in charting our future directions. It provides us with a holistic perspective of where we stand in the industry, and by doing so, guide us in crafting the right strategies to take the Group to where it wants to be.

## STRATEGIC DIRECTIONS

The Group's strategic objective over the next years is to build on its new position of strength by capitalizing on the momentum established. Moving forward at a deliberate and measured pace, we will shape the Group's future with entrepreneurial courage, far-sightedness and energy.

We have crafted a road map focusing on several key value drivers to achieve future sustainable growth:

### Rigorous Portfolio Management

Growth is the primary driver of value creation and we need to get the most from our lines of businesses and assets. We need be more proactive in managing our portfolio, in order to free up capital and resources so that we can focus on fast-growing segments and to establish footholds in sectors and geographies that offer the prospects of long-term strategic value.

### Enhancing Market Share

Our competitiveness is what ensures our sustainability. The Group will strive to enhance the overall customer experience by serving our customers better than before. To differentiate ourselves from the competition and provide the extra edge, new products and services have to be found, new markets and customers established and new solutions to a problem must be offered. We take pride in everything we do, and our teams are dedicated to providing high quality services to our customers.

### Exploring New Frontiers

We cannot be complacent. We need to continue to explore fresh paths to new growth where we already have a competitive advantage. In pursuit of sustainable growth, the overseas market represents a new frontier. We need to build on the relationship established with PERTAMINA to make further inroads into the Indonesian market. Over the longer-term, the Group's overseas ventures could generate significant value.

### Sharpening Competitiveness

In an increasingly competitive environment, we need to identify and assess opportunities and develop the appropriate strategies to sharpen our competitive edge. Among others, we need to look into the better utilization of our assets and resources to contain costs, without compromising on productivity and efficiency.

### Financial Prudence

More than just introducing cost control measures to reduce operating expenditure, we will adopt a disciplined approach to capital allocation, allocating cash reserves to reinvest in the business to ensure its long-term sustainability. Today, our balance sheet is among the Group's key strengths that provides a strong platform to generate sustainable shareholder returns in the future.

### Bullish On Technology

Amidst unrelenting technological progress, we will need to embrace emerging new technologies or be left behind. As Industry 4.0 unfolds, we need to determine the best technologies and applications to adopt to streamline processes help make improved decisions and drive value for our customers. Having a technology advantage could well be an increasingly important value driver to secure our long-term prospects. High on our priority list is meeting the digitalization and technology requirements of MARPOL, which is the International Convention for the Prevention of Pollution from Ships.

### Developing Our Human Capital

We recognize that our people are key enablers, or our growth strategy moving forward and remain the ultimate source of competitive advantage. Our goal is to nurture a conducive work environment to attract and retain the best the market can offer. We also need to remain attentive to the career needs of our employees and to have a succession planning strategy to develop a pipeline of leaders from within.

### Risk Management Framework

As a risk-conscious organisation, we are continually striving to improve our risk management framework to identify, measure, manage and monitor strategic and operational risks. A robust risk management framework provides management with a clear line of sight to facilitate informed decision making and to take prompt action if needed to minimise the impact of these risks.

### Growth With Equity

Sustainability is inherent to our growth strategy. This means driving profitable growth whilst achieving a positive economic, environmental and social ("EES") impact. Even as we grow, we will ensure that our success is inclusive by responding to the expectations of society. We share the global concern about climate change issues. Our environmental impact reduction efforts will continue in earnest, particularly in the areas of waste management and reduction of greenhouse gases ("GHG") emitted into the environment.

## 2020 OPERATING ENVIRONMENT

The global economy is projected to improve, growing by 3.5% in 2020. (Source: Economic Outlook 2020, Ministry of Finance Malaysia, page 33) Growth will be supported by stronger GDP performance in emerging markets and developing economies. Downside risks include political tensions in the Middle East and the impact of the new corona virus outbreak in China in early 2020 that could undermine fragile growth of the global economy. As the world's second biggest economy behind the United States, China has been a main growth driver worldwide and investors are bracing for the likelihood of a global economic fallout.

As a small and open economy, Malaysia is subject to various challenges. Without factoring in the coronavirus outbreak, the national GDP has been forecast to grow by 4.8%. (Source: Economic Outlook 2020, Ministry of Finance Malaysia, page V) This projection was on the strengths of the country's fundamentals, which include a healthy labour market, low and stable inflation, comfortable current account surplus and a well-diversified economy.

In its Activity Outlook 2020-2022, PETRONAS has maintained that upstream activities would continue to stay elevated and is expected to match 2019, if not better, even with the current low oil price which we believe is temporary in nature. The biggest rise in activities would come from offshore fabrications, which would spur demand for all forms of support vessels. In the downstream sector, the commencement of RAPID operations would turn Malaysia into an exporter of refined products for the first time since 2008. The Group is well positioned to seize any opportunities coming its way.

**DEBT TO EQUITY RATIO**

**2.47**

As Ended 31 Dec 2019

## OUR COMMITMENT TO THE ENVIRONMENT

Climate change is one of the biggest challenges of the 21st Century. To mitigate the effects of climate change, all of us must play a role to help reduce or prevent the emissions linked to human activities. The International Maritime Organisation ("IMO") has made a commitment to begin emissions reduction with immediate effect. The goal is to cut the shipping sector's overall CO2 output by 50% by the year 2050, while pursuing ongoing efforts to phase out carbon emissions entirely.

In October 2018, IMO's Marine Environment Protection Committee ("MEPC") adopted a further amendment to the MARPOL Annex VI pertaining to the prevention of air pollution by ships, specifically SOx emissions. Effective January 2020, ships have been required to reduce the sulphur content in fuel from 3.5% to 0.50%.

Accordingly, E.A.Technique has begun transitioning from using Heavy Fuel Oil ("HFO") to Low Sulphur Fuel Oil ("LSFO") since December 2019. Currently, six (6) of our tankers are using LSFO in line with the IMO directive. The Company has drawn up a Fuel Oil Management Plan that serves as a guide to monitor and control SOx emissions in compliance with MARPOL Annex VI requirements. At the same time, we are also implementing initiatives to improve fuel efficiency and optimise energy usage in our vessel fleet.

The Group is also keeping a watchful eye on alternative fuel options. In this regard, Liquefied Natural Gas ("LNG") as a source of fuel, holds a promising future for the shipping industry. LNG is the cleanest fossil fuel in the context of the current energy transition and represents an excellent alternative to reduce greenhouse gas emissions and help combat global warming. LNG-fuelled ships are able to emit almost zero sulphur oxide emissions. Due to the lesser carbon content in LNG, release of harmful carbon dioxide gas is reduced by nearly 25%.

There are currently 125 ships around the world using LNG, according to ship certification experts DNV GL, with between 400 and 600 expected to be delivered by 2020. While this is only a fraction of a world fleet of more than 60,000 commercial ships, the use of LNG as a marine fuel is gaining traction among shipowners. While the transition to LNG will take time, the Group will closely monitor developments.

Thousands of tons of waste and trash are dumped into the ocean on a daily basis, posing a serious threat to all forms of marine life. Annex V of the MARPOL Convention aims to eliminate and reduce the amount of garbage being dumped into the sea by ships. All crew members on board E.A.Technique's vessel fleet are trained in proper waste management procedures. In accordance with MARPOL requirements, all wastes generated on board are separated into various categories before being disposed. The most important feature of the Annex is the complete ban imposed on the disposal of all kinds of plastics into the sea.

E.A.Technique has set a target to achieve zero plastics usage on all its vessels. All crew members are therefore discouraged from using plastic on board. Through various initiatives, our goal is to put an end to plastic waste.

COVID19

## IMPACT OF THE COVID-19 PANDEMIC

As we move into financial year 2020, the world is facing an unprecedented challenge posed by an outbreak of the novel coronavirus officially named "COVID-19" by the World Health Organisation ("WHO"). With the rapid increase in the number of cases globally, COVID-19 was declared a pandemic by WHO a month later.

Malaysia has not been spared by the global pandemic. As a critical lynchpin in the global supply chain transporting goods and products, the shipping industry has been severely impacted by the nation-wide Movement Control Order ("MCO"). It is estimated that about 90% of Malaysia's trade is transported by the shipping industry.

As a result of the MCO, the Malaysia Shipowners' Association ("MASA") has highlighted to the Government the following problems and immediate impacts to the shipping industry:

i. The supply chain is impacted due to the disruption of shipping activities
ii. Some of the goods transported have been cancelled or will not reach on time due to delays at ports
iii. Shipping companies will inevitably incur heavy losses due to smaller cargo volumes, or vessels left idle or laid-up. Costs such as demurrage charges, penalties, loan payments, crew costs, among others, have impacted cash flows.
iv. Port restrictions will have the following impacts:
    a. There will be no crew change for both Malaysian and foreign crews
    b. No activities such as surveys or audits etc. can be carried out within the lock-down period, thus requiring an extension of certificates, if any. Expired class certificates will have an impact on insurance coverage.
    c. Any cancellation of cargoes due to port or government restrictions means that there will be no income for shipping companies. East and West Malaysia cargo shipments are projected to be reduced by some 30% of cargo volume.
    d. There will be delays in completing repair works on board vessels at port due to the unavailability of spare parts.
    e. Due to closure of shipyards and docking facilities, vessels are left stranded. The scheduled docking of ships is a mandatory requirement to ensure the seaworthiness of vessels.
v. As a result of the MCO, there will also be ramifications and impacts on costs:
    a. During this period, shipyards will inevitably experience low productivity because vessels due for docking will be put on hold.
    b. The holding period will cause companies to incur a loss of their regular business and charter hire.
    c. In addition, companies will need to bear the costs incurred by its representatives (travel allowances, food, accommodation etc.)
    d. Loss of hire should the vessel be quarantined in the event that any crew member is found to be COVID-19 positive.
    e. Depending on the size of the shipping company. It is estimated that the MCO will result in an average potential decline in revenue of between RM15 million and RM30 million in the short term (3 months), which will double in the longer-term. The industry as a whole will also take time to fully recover from the MCO.
vi. Shipowners that have already placed orders for new ships will experience delays in the delivery of the vessels due to the pandemic.

The shipping industry is among the largest employers in the country. It has over 50,000 employees but this excludes those that are engaged in businesses supporting the industry, and this includes shipping agents, brokers, workers in shipyards, supplier as, repairers, surveyors, transporters, hoteliers, hauliers, among many others.

Given all of the above, MASA has presented to Bank Negara Malaysia (BNM) with a strong case to automatically grant to the shipping industry a grace period of up to six (6) months to defer loan payments, irrespective of revenue. This initiative will provide some respite to local shipowners to ride out the impact of the pandemic, ensure the continuity of an important industry and most importantly, ensure that employees keep their jobs. By contrast, the moratorium on loan payments will have minimal impacts on the banks' loan portfolios nor their profits. Moreover, it is also in their interest to help keep shipping companies afloat during this critical period.

## COMBATING COVID-19

In the meantime, the management of E.A.Technique has adopted the necessary measures across the entire Group to mitigate any potential disruptions due to the ongoing crisis. We have implemented appropriate protocols to minimise health and safety risks, including the mitigation of risks involved in the provision of ship spare parts and materials supply. The overriding objective is to ensure that the Company's businesses remain intact and we continue to give of our best to our many clients.

A comprehensive Contingency Plan has been drawn up for all personnel, focusing on the key aspects of the Company's work processes as follows:

a. Shore-Based Management, which covers
   - Access to office area for E.A.Technique's employees
   - Access to office area for visitors, contractors and ship staff
   - Outstation and overseas travel for E.A.Technique employees
   - Attendance at conferences and seminars
   - All social gatherings to be put on hold. Video conferencing in lieu of meetings

b. Shipboard Management

   - Only authorised visitors, passengers and contractors are allowed on board the Company's vessels. They must have a Health Declaration Form, while those with a fever, flu and cough and have travelled or have families that have travelled to certain countries over the past 14 days will be restricted or have had close contacts with a person suspected of being COVID-19 positive. As a further precautionary measure, body temperature will be taken before boarding.

In addition, the Group has also drawn up an Incident Emergency Response Plan to cover various contingencies. This includes comprehensive guidelines on the "Do's and Don'ts" in the event of contact with a person with suspected COVID-19 in our shore-based operations.

On board our ships, proper procedures have also been established in the event of any crew member or persons with COVID-19 symptoms. All crew members are properly trained on the proper use, storage and disposal of personal protective equipment ("PPE"), hand gloves, sanitisers and N-95 respirators or surgical face masks.

We also ensure adequate medical supplies to deal with an emergency. For a more comprehensive perspective on the various measures the Group has put in place to combat COVID-19, please refer to our Sustainability Report.

## OUTLOOK AND PROSPECTS

We are moving into unchartered territory with ever-growing economic uncertainties triggered by the COVID-19 outbreak, which are likely to remain issues for the foreseeable future. Nevertheless, I have the utmost confidence in the Group's future. Our positive assessment about the long-term earnings visibility of the Group is backed by the following:

- As at year-end 2019, 4 vessels or 9% of our total fleet of 45 vessels are on short-term charters. This has resulted in a high utilisation rate of above 80%, assuring the Group of a steady revenue stream.

- The Group also has a very healthy order book of approximately RM 1.165 billion including the option periods, as at the end of 2019. We remain alert to tendering for new contracts.

- Our customer base continues to grow in tandem with our brand recognition.

The tanker segment will remain the Group's biggest cash cow, contributing some 36% of our revenue over the next five years. As mentioned in the early part of my MD&A, the Group was awarded a contract by PETCO to provide coastal vessel services for a primary period of five years with five extension options. This contract is expected to commence by the end of 2020, dovetailing with the delivery of our first vessel now under construction.

Meanwhile, the Group's efforts to grow its port operations to reduce its dependence on the O&G sector are showing results. Our expanding port operations have provided the Group with a steady recurring income for the past several years. The crew boats segment shows promising growth as more oil companies are turning to fast boats as a more economical alternative to helicopter services to ferry crew members to offshore structures.

As a strategy for long-term sustainable growth, the Group will need to continue investing in its fleet to further strengthen its portfolio. However, we are fully aware that this must be balanced by the need to exercise financial discipline and within our appetite for risks. Any expansion of our fleet size will be based on the contracts secured, with a minimum tenure of three years. We will not buy or build ships based on speculation.

By keeping focused on our growth strategies, remaining alert to unfolding opportunities and always challenging ourselves to deliver more, we know we can achieve our goal of long-term sustainable value creation. I have no doubt whatsoever that we can "Excel Beyond".

## RECOGNITION

The quality of the 694 men and women who make up our team is one of the reasons why the Group is able to deliver strong business results. E.A.Technique is a winning organisation because of the expertise, experience and professionalism of its people. I thank all of you for all your hard work.

The Group is also fortunate in that it has the backing of a strong support team. This consists of our business partners, contractors, financiers and regulators. Not to be left out are our customers, with whom we enjoy a good relationship based on trust and respect.

Not least of all, I thank our shareholders for journeying with us through good and not-so-good times. Your support and understanding have always made a difference.
I thank all of you.

**DATO' IR. ABDUL HAK MD AMIN**
Managing Director

# SUSTAIN-
# ABI
# REPORT

At **E.A. Technique (M) Berhad** ("E.A. Technique"), we continuously strive to integrate the value of sustainability into our daily business operations as it is essential for our growth and in creating long term value for our stakeholders. We acknowledge that sustainability management is an ongoing journey and will continue to amplify our approach in the coming years.

LITY

# Economic



# Environment



# Social



# KEY SUSTAINABILITY HIGHLIGHTS

ZERO

NUMBER OF FATALITY CASES

NUMBER OF OIL SPILL CASE

ZERO

OIL SPILLS ACROSS ALL OPERATIONS

31,798

TOTAL CARBON EMISSION (GCO2/TONNE-MILE)

1,920,730

SAFE MAN HOUR WITHOUT FATALITY

E.A. TECHNIQUE

# AT A GLANCE

For the purposes of this Statement, our business operations have been divided into Marine and Non-Marine Operations as summarised in the Diagram below. Further details of the respective business operations are available on pages 6 and 7 of FY 2019 Annual Report.

5.2

HOURS

AVERAGE TRAINING HOURS PER EMPLOYEE

E.A. TECHNIQUE

## BUSINESS OPERATIONS

### MARINE OPERATIONS

Marine Transportation and Offshore Storage of Oil and Gas Charter Hire of:

- Product tankers
- Floating Storage Unit ("FSU")/ Floating Storage Operation ("FSO")
- Offshore Supply Vessels

Port Marine services

- Towage Services
- Mooring Service
- Dockside Mooring Service

### NON-MARINE OPERATIONS

Marine Engineering Services

- Shipbuilding and ship repair

# ABOUT THIS STATEMENT

**WE ARE PLEASED TO PRESENT E.A. TECHNIQUE'S THIRD SUSTAINABILITY STATEMENT ("STATEMENT") WHICH DEMONSTRATES OUR SUSTAINABILITY PRACTICES FOR THE FINANCIAL YEAR ENDED 2019 ("FY 2019"). IN THIS STATEMENT, WE AIM TO PROVIDE CLEAR, TRANSPARENT AND MEANINGFUL INFORMATION ON OUR SUSTAINABILITY PERFORMANCE THROUGH THE THREE SUSTAINABILITY PILLARS; ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES").**

## OUR SUSTAINABILITY PILLARS


Refers to the impacts we have on the economic condition of our business and our stakeholders.


Refers to the impacts we have on living and non-living natural systems, including water, land, air and ecosystem.


Refers to the impact we have on our people and our community.

### Reporting Scope

1 January 2019 to 31 December 2019

### Reporting Cycle

Annually

### Reporting Boundary

The E.A. Technique's Sustainability Statement FY 2019 covers all business operations in Malaysia including our subsidiaries, unless otherwise specified. Our Organisational Structure can be found on page 18 of the Annual Report.

Where possible, we have included both comparative and quantitative data to support the disclosure of each material sustainability matter. Some environmental data has been restated to reflect updates to the calculation methodology and for consistency in year-on-year comparison.

### Reporting Framework

- Bursa Securities' Main Market Listing Requirements
- Bursa Malaysia's Sustainability Reporting Guide (2nd Edition)

### Assurance

This Statement has not been assured externally. We look towards obtaining third-party verification in the future as we mature in our sustainability reporting. This Statement has been reviewed and approved by the Board.

### Feedback Statement

We value your feedback on this Statement. Should you have any queries or feedback on this Statement, kindly contact:

Norwahida binti Jaafar (Head of Corporate Finance & Services)
Email: norwahida@eatechnique.com.my or ir@eatechinque.com.my

## SUSTAINABILITY GOVERNANCE

We recognise that good governance is a cornerstone of sustainability. The governance of our sustainability matters are driven at the highest level of the Group. Our sustainability matters are effectively managed and communicated to all levels of the Group through a cross-functional approach between the Board of Directors, Senior Management and Core Business Functions. Below are the roles and responsibilities of our sustainability governance structure:

### E.A TECHNIQUE'S SUSTAINABILITY GOVERNANCE STRUCTURE

**BOARD OF DIRECTORS**

- Ultimately responsible for managing sustainability of the Group
- Approves the Group's sustainability strategy

**MANAGING DIRECTOR**

- Develop sustainability strategy and recommend revision to the Board
- Reports progress of sustainability performance to the Board

**CHIEF FINANCIAL OFFICER** | **CHIEF OPERATING OFFICER**

- Oversees implementation of sustainability strategy as approved by the Board

**CORE BUSINESS FUNCTIONS**

- Manages sustainability matters throughout the business operations
- Reports on sustainability performance to Senior Management

Our well-established policies and management systems are guided by various legislations and standards at both local and international levels to integrate responsible practices across the business. We continuously ensure our compliance to these legislations and standards through regular reviews and compliance assessments.

## STAKEHOLDER ENGAGEMENT

Our stakeholders are groups that are significantly impacted by our operations or those whose actions could influence our business and decisions. We engage with our key stakeholders as part of our materiality process to identify their areas of interests and concerns in guiding the management and reporting of our material sustainability matters.

We continue to engage with key stakeholders through various platforms, formally and informally to strengthen relationships and build trust. The table below sets out our key stakeholder engagement results and our corresponding response through the management of the relevant material sustainability matter on page 63.

| STAKEHOLDER GROUPS | FREQUENCY OF ENGAGEMENT | AREAS OF INTEREST OR CONCERN | LINK TO MATERIAL MATTERS |
|---|---|---|---|
| **Board of Directors**<br>• Board of Directors' meeting | • Quarterly | • Financials and performance<br>• Operations<br>• Strategic planning<br>• Corporate governance | 1, 3, 4, 5 |
| **Investor/ Media**<br>• Investor briefing<br>• Corporate Website<br>• Quarterly and Annual Report<br>• Annual General Meeting | • Quarterly<br>• On-going<br>• Quarterly and annually<br>• Annually | • Financials and performance<br>• Dividend | 1, 5 |
| **Employees**<br>• Human Resource briefings | • Once a month | • Occupational Health and Safety ("OHS") matters<br>• Company's policies & procedures<br>• Financials and performance | 1, 2, 3, 5 |
| **Customers**<br>• Direct meetings<br>• Customer satisfaction surveys | • Weekly and monthly<br>• Bi-annually or upon product delivery | • Vessels' performance<br>• OHS matters<br>• Vessels' vetting, audit and survey<br>• Commercial matters | 1, 2, 5 |
| **Suppliers**<br>• Direct meetings and discussion | • On-going | • Product information<br>• Vendors' performance | 1 |
| **Regulators**<br>• Direct meetings<br>• Onsite inspection<br>• Written communication | • On-going | • Corporate governance<br>• Compliance and regulations | 1, 4, 5 |
| **Community**<br>• Corporate Social Responsibility ("CSR") events<br>• Internship programme | • On-going | • Community initiatives<br>• Career opportunity<br>• Sponsorship and donations | 6 |

Economic Performance | Occupational Safety & Health | Capability Building | Environmental Management | Good Governance | Contribution & Voluntering

## OUR MATERIAL SUSTAINABILITY MATTERS

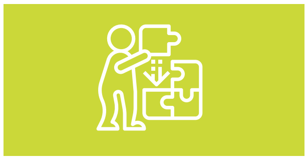
Material sustainability matters reflects the risks and opportunities arising from EES impacts of our business operations and activities. A materiality assessment allows us to identify and prioritise matters that are important to both our business and our key stakeholders, enabling us to focus our efforts and resources to manage high priority matters of the Group.

### Materiality Assessment Process

We conducted a comprehensive materiality assessment in FY2017 as below. The assessment involved managers and heads of departments from various business functions across the Group.

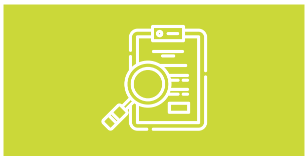
**IDENTIFICATION**

List of sustainability matters relevant to our business is identified through stakeholder engagement, peer benchmarking, media review and analysis of market trends.



**PRIORITISATION**

Sustainability matters were prioritised in the form of a materiality matrix through a materiality assessment workshop by taking into consideration internal stakeholders' view.

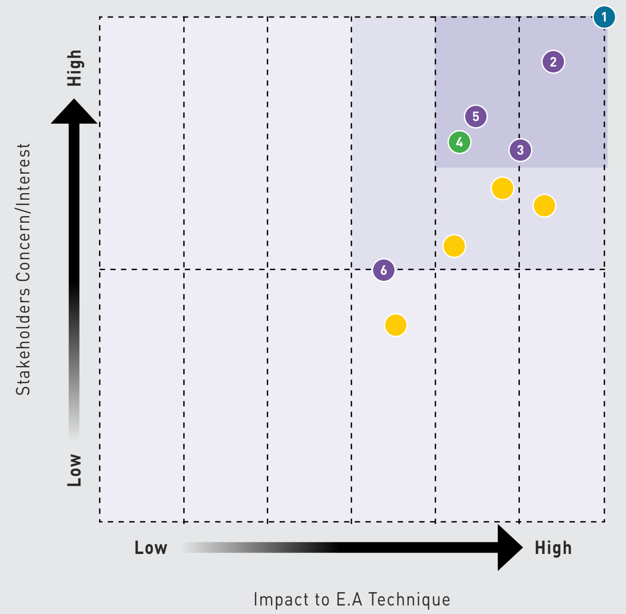


**VALIDATION**

The materiality matrix was reviewed and validated through a series of interviews and discussions with senior management, and was thereafter approved by the Board of Directors

We conduct an annual review of our material matters, assessing information gathered from our stakeholder engagement sessions throughout the year, peer benchmarking and regulatory environment analysis. We have also conducted a review with Senior Management to determine whether the existing material matters remain relevant to the business and are aligned to stakeholders' interests and needs.

## E.A. TECHNIQUE'S MATERIALITY MATRIX




**E.A Technique Material Matters**

1. Economic Performance
2. Occupational Safety & Health
3. Capability Building
4. Environmental Management
5. Good Governance
6. Contribution & Volunteering

**Legend:**

- Economic
- Environment
- Social

During the year, we have expanded our capability building material matter to include disclosures on diversity and labour practices. We have also combined energy with environmental management as this reflects our streamlined management and reporting of environmental matters.

We remain focused on disclosing our performance based on the six material matters that guide the content of this Statement. Moving forward, we aim to progressively enhance our sustainability reporting disclosures beyond the high priority matters.

## WHAT MATTERS TO US

| OUR SUSTAINABILITY PILLARS | MATERIAL MATTERS | OUR APPROACH |
|---|---|---|
| **ECONOMIC** | 1 **Economic Performance**<br>Economic value generated from our operations and distributed to our key stakeholders. | Improving our economic performance through enhancing efficiency of our business operations to ensure long term value creation for our key stakeholders. |
| **ENVIRONMENT** | 4 **Environmental Management**<br>Full compliance to relevant environmental laws and regulations which includes emissions, energy, waste and effluent management, spills prevention, and water management. | Increasing awareness on environmental management and compliance in our day-to-day operations, to minimise our environmental footprint and contribute towards climate change mitigation. |
| **SOCIAL** | 2 **Occupational Health & Safety (OHS)**<br>The importance we place on ensuring the wellbeing and safe working environment for our employees, customers and contractors. | Implementing health and safety guidelines to establish an injury-free work environment. |
| | 5 **Good Governance**<br>Operate our business in an ethical manner while upholding the highest standards of integrity and ensuring customer satisfaction. | Managing the risk and opportunities of the business to build trust and drive performance. |
| | 3 **Capability Building**<br>The importance of employees' competency development and our stance as a responsible employer to provide a conducive workplace that is inclusive and collaborative. | Enhancing employees' ability to perform their duties by equipping them with the relevant skills and technical capabilities. |
| | 6 **Contribution and Volunteering**<br>Organisational efforts to give back to the community in which we operate. | Increasing social investments and contributions towards community development to enhance livelihood and create positive social impacts. |


OUR SUSTAINABILITY PILLARS

# ECONOMIC

## ECONOMIC PERFORMANCE

E.A. Technique was incorporated on 18th January 1993 and was listed on the Main Market of Bursa Malaysia on 11th December 2014. Our financial results are driven by our charter hire and revenue from contract with customer operating segments as detailed out in Note 27 Segment information of the audited financial statements.

Our charter hire operations have generated a total revenue of RM 267.4 million in FY 2019, lower by 4% from FY 2018.

**TOTAL REVENUE**

RM Million

**267.4**

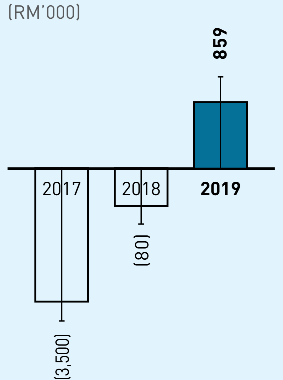
in FY 2019, lower by 4% from FY 2018

### Economic Value Distribution

In pursuit of sustainable economic growth through revenue generation, E.A. Technique strives to deliver returns in the form of both financial and non-financial (intangible) values. In FY 2019, E.A. Technique has contributed to its stakeholders through various activities, including servicing taxes and providing employment opportunities, amongst others. The following table illustrates the Group's value distribution to our key stakeholders:

**GOVERNMENT**

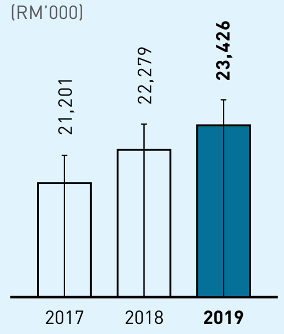
(RM'000)




*Note: The amount of contribution to government in 2017 and 2018 represent the amount of over provision of tax.*

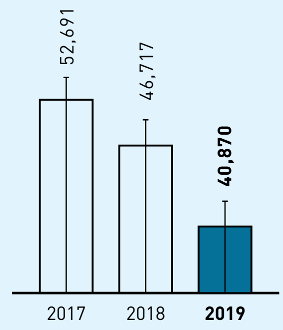
**PROVIDERS OF CAPITAL**

(RM'000)



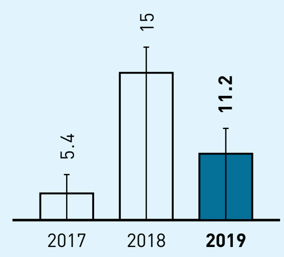

**EMPLOYEE**

(RM'000)




**COMMUNITY**

(RM'000)




For further insights into our financials and analysis of our key operating risks and mitigation controls, please refer to the following sections of the FY 2019 Annual Report:


For more information, please refer to p.16 to p.17


For more information, please refer to p.44 to p.57


For more information, please refer to p.106 to p.203

OUR SUSTAINABILITY PILLARS

# ENVIRONMENT

## ENVIRONMENTAL MANAGEMENT

We are conscious of our responsibility to manage and minimise the environmental impacts from our operations. For E.A. Technique, our environmental management focuses on emissions, energy, waste management, effluent management, spill prevention and water management.

**OUR MARINE OPERATIONS ARE GOVERNED BY THE INTERNATIONAL CONVENTION FOR THE PREVENTION OF POLLUTION FROM SHIPS 1973/1978 ("MARPOL") AS STIPULATED BY INTERNATIONAL MARITIME ORGANISATION ("IMO") WHICH COVERS THE PREVENTION OF POLLUTION AND SPILLAGE OF HARMFUL SUBSTANCES FROM VESSELS.**

**FOR OUR NON-MARINE OPERATIONS, OUR ENVIRONMENTAL MANAGEMENT IS REGULATED BY THE DEPARTMENT OF ENVIRONMENT ("DOE").**

E.A. Technique's Environmental Management System ("EMS") is certified with ISO 14001:2018. The EMS provides a framework and process to manage, monitor and improve our environmental practices in a systematic manner. The EMS is further supplemented with our Quality, Health, Safety and Environment Protection ("QHSE") policy and Environmental Management Manual ("EMM") that guides our environmental practices in both our Marine and Non-Marine Operations.

## Emissions

The management of greenhouse gas emissions is vital to combat climate change. The shipping industry through IMO, has a commitment to halve its greenhouse gas emissions from international shipping by 2050, compared to the 2008 baseline.

Our carbon emissions from Marine Operations are mainly generated from fuel consumption of our fleet of tankers. We have implemented the Ship Energy Efficiency Management Plan Manual ("SEEMP"), as required by IMO to continuously improve our vessels' energy efficiency.

IMO has adopted a further amendment to MARPOL Annex VI on the prevention of air pollution from ships, specifically on on Sulphur oxides (SOx) emission, where ships are required to reduce sulphur content in fuel from 3.5% to 0.50% effective January 2020. We have begun transitioning from using Heavy Fuel Oil ("HFO") to Low Sulphur Fuel Oil ("LSFO") since December 2019. Currently, our six (6) tankers have adopted the usage of LSFO to meet the requirement for sulphur content in fuel. Our Fuel Oil Management Plan guides the monitoring and control of SOx emission in compliance with MARPOL Annex VI.

We remain positive to continue implementing the following initiatives to improve fuel efficiency and optimise energy usage in our vessels.

**Installation of Propeller Boss Cap Fins**

- Reduce fuel consumption
- Minimal maintenance
- Increase vessel speed

**Perform Hull and Appurtenances Cleaning**

- Minimise resistance to movement through water
- Increase fuel efficiency

**Reduce tanker speed**

- Reduces fuel consumption
- Increase fuel efficiency

**Regular and on-schedule engine maintenance**

- Increase fuel efficiency

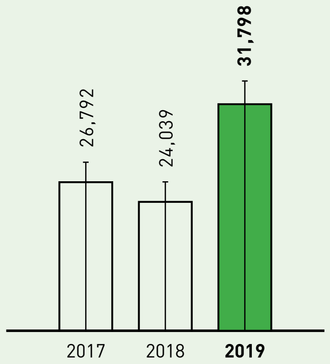
Our reliance on fossil fuel for our Marine Operation encourages us to remain cognisant on alternative fuel option. We are looking towards implementing the use of cleaner fuel such as Liquified Natural Gas ("LNG") for our existing and new vessels in the future to reduce our environmental impacts.

Our emissions data covers Carbon dioxide ($CO_2$) emission from six (6) tankers. The data covers a 12 months period throughout FY 2019.

This year, we recorded a 32% increase in $CO_2$ emission at 31,798 gCO2/tonne-mile compared to previous year. This was due to the increase in number of trips for our tankers.

As we progress, we strive to monitor and reduce emissions from all our vessels in contributing to the commitment by IMO.

**$CO_2$ emissions**
(gCO2/tonne-mile)



## Energy

Electricity is our main energy source at our Head Office. The consumption of electricity are mainly derived from the use of air-conditioning, lighting and other electrical-powered devices. We strive to use electricity more efficiently and practice switching off office lights during lunch hours in efforts to reduce electricity consumption.

## Waste Management

Waste management is crucial not only to preserve our ocean and environment, but also ensuring the well-being of society. The following manuals and plans were developed with reference to MARPOL and DOE requirements to guide our employees on effective management of waste.

**Marine Operations**

**Environmental Management Manual ("EMM")**
Provides guidelines and instructions to control and monitor oil waste, bilge, sewage and garbage.

**Garbage Management Plan ("GMP")**
Provides information for handling, storing and disposal of garbage. The GMP is applicable for vessels above 100 gross tonnage and carrying more than 15 persons.

Tankers above 400 tonnage are required to have a Garbage Record Book on board to record every discharge into sea, waste incinerated, and disposal to licensed facilities.

**Non-Marine Operations**

**Chemical and Waste Management Manual**
Provides method to control of purchase, handling, storing and disposal of general waste and hazardous waste.

## Marine Operations

We practice on board waste segregation according to the types of waste and its disposal method as required by MARPOL. All crews are trained in proper waste management procedures. Signages are also displayed to raise waste management awareness on board.

We encourage all crews to avoid using plastic on board, in tandem with our target to achieve zero plastic usage, while also reducing our waste. E.A. Technique remains motivated to achieve zero plastic usage on all our vessels in the future.

### NON-HAZARDOUS

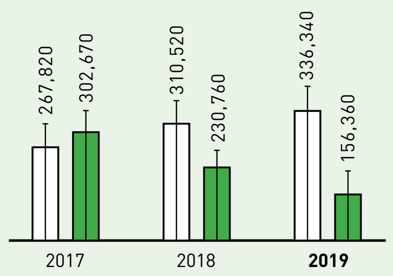
1. **Food waste**
   Food waste are grinded to a size no greater than 25mm and disposed at sea, at least 12 nautical miles from the nearest land.
2. **Paper/Sludge oil**
   Onboard Incinerator
3. **Plastic/Incinerator ash/Other non-hazardous solid waste**
   Disposed at an onshore disposal facility as approved by local municipal

### HAZARDOUS

1. **Cleaning solutions/Expired chemical products/Large amount of sludge oil**
   Disposed at a licensed facility approved by the DOE

### TOTAL WASTE GENERATED

(kg)




Hazardous  Non-Hazardous

*Note: Data for FY 2017 and FY 2018 have been restated due to improved data calculation methodology*

** Data from six (6) tankers and one (1) Floating Storage and Offloading Unit ("FSO"): throughout FY 2019. Data from one (1) FSU: December 2019*

Our waste generation data covers hazardous and non-hazardous waste generated by the six (6) tankers, one (1) Floating Storage and Offloading Unit ("FSO") and one (1) Floating Storage Unit ("FSU").

In FY 2019, total waste generated from our Marine Operations decreased by 9% from the previous year. This is mainly contributed by the decrease of non-hazardous waste, due to the reduction of spare and storing supply. The slight increase of hazardous waste generated was due to heavy maintenance for some of our vessels.

### Non-Marine Operations

For our Non-Marine Operations, waste is managed in accordance to the regulations set by DOE and the local municipal council. Non-hazardous waste are mainly metal scraps from ship building activities, while our hazardous wastes include spent lubricant and hydraulic oil.

In FY 2019, we collected three (3) tonnes of non-hazardous waste, while no hazardous waste was generated. We practice material optimisation from our ship building activities through proper planning of metal usage to minimise waste generated.

At our Head Office, we have started monitoring our printing activities and circulating soft copies of all our meeting minutes and reports to reduce printing and paper usage.

## Effluent Management

We monitor and manage effluent discharge from our vessels, which consists of bilge, sewage and ballast water. Our vessels are equipped with management plan and the required facilities to handle effluent discharges, which are compliant to MARPOL.

All our vessel have a Bilge Management Plan and a Sewage Management Plan in place that outlines procedures to handle bilge water and sewage respectively. Bilge water in our vessels are processed through an oil filtering equipment and discharges are recorded in the Oil Record Book. Sewage is treated before released at least 12 nautical miles from the nearest land.

Our Ballast Water Management Plan is in accordance with Regulation D1 of the International Convention for the Control and Management of Ship's Ballast Water and Sediments ("BWM"). Ballast water management is important to minimise the environmental risk it presents towards marine ecosystem. We are cognisant of our discharge and record all ballast water discharge from our vessels in the Ballast Water Handling Log.

Crews and officers handling the bilge, sewage and ballast water systems on board are provided with necessary training on safe handling, treatment and disposal of these effluents to prevent polluting the ocean.

## Spill Prevention

Oil spill occurrence poses wide range of social and environmental impacts, including harm towards the marine ecosystem, human health, costly clean-up efforts and reputational damage.

Our continuous effort to avoid the risk of spills and pollution at sea are governed by our plan and manuals as follows:

| MARINE OPERATIONS | NON-MARINE OPERATIONS |
|---|---|
| **Shipboard Oil Pollution Emergency Plan**<br>Provides the necessary course of action when pollution incident has or will likely occur | **Chemical and Waste Management Manual**<br>Provides procedures to control any liquid spillage and leakage in a safe and controlled manner |

We are also well prepared for any emergency oil spill incidents. We conduct oil spill drills on a monthly basis for each vessel to test our response capabilities in the event of an oil spill.

The Group is proud to record zero incidences of spills from both our Marine and Non-Marine Operations in FY 2019.

## Water Management

Water is an essential resource for both our Marine and Non-Marine Operations. Our freshwater consumption onboard is mainly used for drinking, washing and cooking while our machineries onboard are operated using seawater. In our Non-Marine Operations, water is primarily used for running equipment.

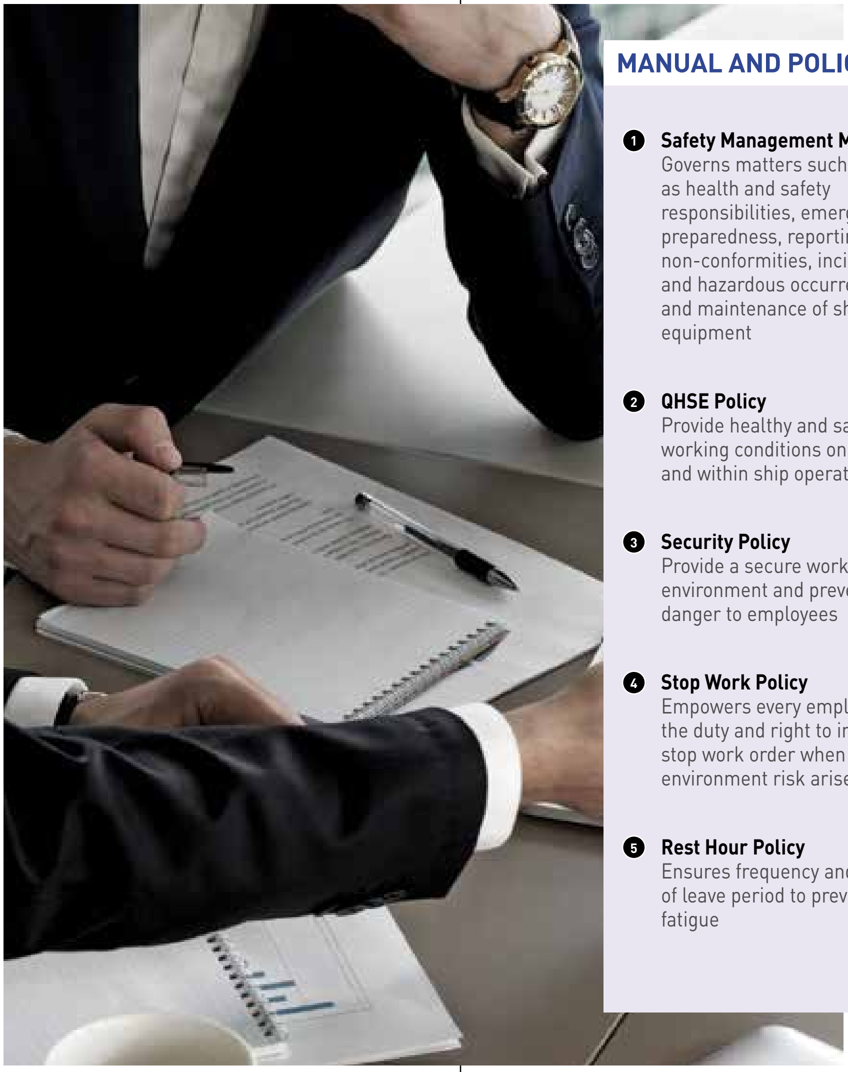
During the year, we conducted awareness campaigns on board to highlight efforts to manage water efficiently and carry out regular testing of our potable water according to the Maritime Labour Convention requirements to ensure it is safe for consumption.

OUR SUSTAINABILITY PILLARS

# SOCIAL

## OCCUPATIONAL HEALTH & SAFETY ("OHS")

E.A. Technique emphasises the health and safety of our employees, contractors and customers, as highlighted in our Mission Statement. We embrace a "safety first" culture in our day to day operations and are committed to prevent human injury, diseases and loss of life. The following manual and policies guides the conduct of our operations.



### MANUAL AND POLICIES

1. **Safety Management Manual**
   Governs matters such as health and safety responsibilities, emergency preparedness, reporting of non-conformities, incidents and hazardous occurrences and maintenance of ship and equipment
2. **QHSE Policy**
   Provide healthy and safe working conditions on shore and within ship operations
3. **Security Policy**
   Provide a secure working environment and prevent danger to employees
4. **Stop Work Policy**
   Empowers every employee with the duty and right to invoke a stop work order when a work environment risk arises
5. **Rest Hour Policy**
   Ensures frequency and length of leave period to prevent fatigue
6. **Safe Navigation Policy**
   Ensure that the ship is navigated safely to prevent human injury or loss of life, and avoidance of damage to marine environment and property
7. **Drug and Alcohol Policy**
   To promote a drug and alcohol-free operation
8. **Smoke Free Work Place Policy**
   To protect the health and well-being of all employees
9. **Squat, under Keel Clearance and Ship Interaction Policy**
   Ensure our vessels are kept afloat at all times when navigating in shallow waters

## QHSE POLICY COMMITMENTS

**Achieving zero defect,** accident and downtime

Achieving **zero injury and fatality**

**Preventing** any oil spills and pollution of the seas

Creating a **safe and healthy environment**

Continuously **implementing and improving** management system

Meeting client requirements and enhance **client satisfaction**

We have adopted international health and safety standards to foster and maintain a healthy and safe working environment for our employees.

| CERTIFICATION | DESCRIPTION |
|---|---|
| Document of Compliance ("DOC") | Issued by Marine Department of Malaysia on complying with the International Safety Management ("ISM") Code for safety management system |
| OHSAS 18001:2007* | Issued by British Standard as a framework for occupational health and safety management system |
| International Safety Management ("ISM") | Code to ensure safety at sea, prevention of human injury or loss of life and avoidance of damage to the environment and property |
| International Ship and Port Facility Security ("ISPS") | Code to ensure security of ships and port facilities |

**Applies to both Marine and Non-Marine Operations*

### OHS Committee

Our Corporate Health, Safety, Security, Environment and Quality ("HSSEQ") Department is responsible for all OHS related matters of the Group. A quarterly meeting is held to review the performance and develop action plans to continuously improve our OHS performance.

Every vessel has a Health and Safety Committee that is made up of management and marine personnel representatives that serves to support the Corporate HSSEQ team. These Committees are responsible to promote, review and evaluate health and safety measures.

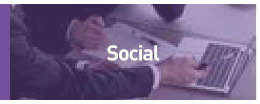
V

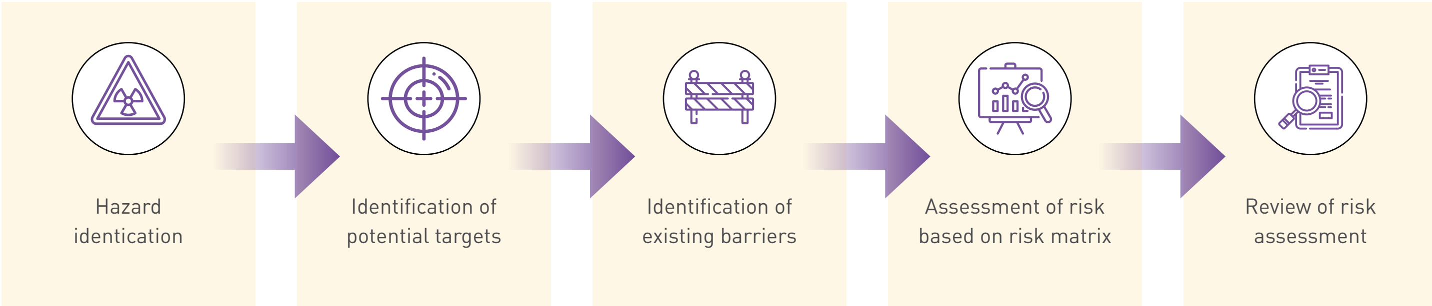


## OHS Risk Management

Conducting regular risk assessment is an essential part of OHS management which allows for the identification, assessment and mitigation of potential hazards and risks that could cause harm. Risk assessment is the integration of people, processes, and tools that together ensure the early and continuous identification and resolution of risks.

Generally, risk assessments are conducted prior to commencement of activities. The assessment is reviewed periodically, and in cases of significant changes to shipboard operations, to ensure the existing control methods remain effective.






## OHS Programme

At E.A. Technique, we have in place a structured health and safety plan to heighten awareness amongst employees and strengthen operational controls. A series of audits, inspections and programmes were planned and executed by our HSSEQ team in FY 2019, some of which are highlighted below:

| PROGRAMME | FREQUENCY | DESCRIPTION |
|---|---|---|
| • Management Visits<br>• HSE Walkabout Inspection<br>• Office Safety Inspection<br>• Health and Safety Audits | Yearly / Monthly | Drive compliance to IMO, ISO, OHSAS, ISM, and ISPS requirements |
| • HSE Safety Bulletin<br>• HSE Sharing Programme<br>• Monthly Morning HSE Talk | Quarterly / Monthly | Communicate updates on latest internal and external HSE related matters |
| • HSE Awareness and Campaigns | Yearly / Half-yearly | Promote HSE awareness amongst employees |

## Emergency Preparedness

Emergency preparedness is critical to protect our people and manage our operating risk. Our Emergency Response Manual ("ERM") outlines the procedures, roles and responsibilities of each personnel, both onshore and onboard in response to emergencies. Our ERM includes responses on potential emergency situations such as collisions, fire and explosion, ship abandonment, and hull damage, amongst others.

We conduct regular emergency drills to evaluate our emergency response and preparedness while providing the avenue to assess our Emergency Response Team ("ERT") and Emergency Response Centre on their capability to manage such situations. Every vessel has a well-established, experienced and well-trained ERT which comprises Control, Rescue, Support and Technical Team.

| DRILL TYPE | LOCATION | FREQUENCY |
|---|---|---|
| Table Top drill | On selected vessels | Yearly |
| Other potential emergency situations drills such as collisions, main engine failure and toxic vapour release | On selected vessels | Twice a year |
| Boat/Abandon Ship drill | On all vessels | Monthly |
| Fire and Explosion drill | On all vessels | Monthly |
| Fire drills | Main office | Yearly |

## TABLE TOP DRILL

On 12th April 2019, E.A. Technique conducted a table top drill involving vessel Nautica Johor Bahru. The drill was a collaborative exercise between E.A. Technique and several third parties such as Maritime Rescue Co-ordinating Centre ("MRCC"), Malaysia Maritime Communication Centre ("MMCC"), Protection and Indemnity Club ("P&I Club"), ship agencies and our client. The drill was carried out to test preparation for any potential acts of piracy and fire on board.

The objective of the drill was to rehearse the anticipated emergency scenario and enhance the communication and coordination with third parties during emergency situation. The drill was also aimed at familiarising our ERT members with their respective roles and responsibilities and providing the opportunity to test the effectiveness of the response plan. The improvement opportunities identified from the drill were taken into consideration to enhance our Emergency Response Plan.

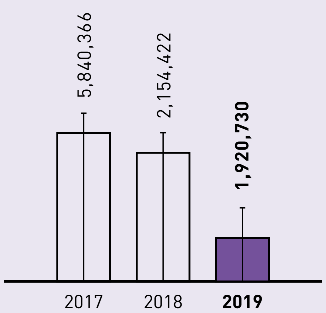
## Our OHS Performance

The effectiveness of our safety and health practices are reflected in our OHS performance. FY 2019 marks our 7th consecutive year in which we have achieved zero fatalities. We have also achieved zero lost time injury during the year. In FY 2019, we recorded lower total safe man hours compared to FY 2018 as our shipbuilding project was at the concluding stage.

We remain committed to enhancing our safety performance and living up to our safety commitments.

**SAFE MAN HOURS WITHOUT FATALITIES**

(Hour)




**ZERO**

- Number of Fatalities
- Number of Lost Time Injury (LTI)
- Lost Time Injury Rate (LTIR)

## UNSAFE CONDITION UNSAFE ACT ("UCUA")

UCUA is a platform used by our employees to report any hazards that may cause potential injury, while promoting a culture of safety. Contributors of reports on significant hazard will be rewarded.

Amongst the types of hazards reported are malfunction of tools or non-usage of personal protective equipment. The assigned HSSEQ personnel will investigate and implement the appropriate actions based on the reported hazards. Similar to FY 2018, all reports submitted through UCUA in FY 2019 have been addressed and resolved.

## GOOD GOVERNANCE

We uphold high standards of corporate governance throughout the Group. E.A Technique's good governance is guided by a set of policies consistent with the Principles and Recommendations in the Malaysian Code on Corporate Governance ("MCCG") that aims to ensure integrity and transparency in our business conduct and in our relationship with others. All employees undergo an induction programme upon joining, whereby all internal policies will be introduced and communicated accordingly. These include:

- Code of Ethics
- Conflict of Interest Policy
- Whistleblowing Policy
- Cyber Security Risk Management Policy

With the recent amendment to the Malaysian Anti-Corruption Commission Act (Amendment) 2018, organisations need to provide "Adequate Procedures" in place to combat bribery and corruption. E.A. Technique has embarked on obtaining the ISO 37001 Anti-Bribery Management System ("ABMS") certification by FY 2020.

### Code of Ethics

The Code of Ethics ("the Code") outlines the standards of conduct expected from all employees of E.A. Technique. The Code focuses on the principles of honesty, integrity, leadership, professionalism, loyalty, responsibility, trustworthiness, and personal conduct.

Our Code of Ethics covers the following matters:

- Employee's Responsibility
- Business Practices and Professionalism
- Conflict of Interest
- External Directorships
- Rewards and Gifts
- Entertainment of Customers
- Insider Trading
- Confidentiality
- Working Environment
- Sexual Harassment
- Political, Social, or Professional Bodies or External Activities

The Code will be provided to all employees upon commencement of employment and are required to acknowledge their acceptance of the Code within a specific time frame. Any non-compliances to the Code shall be reported to the Head of Human Resource and an investigation will ensue. The necessary actions and measures will be taken accordingly.

Moving forward, we intend to develop a structured mechanism to monitor and ensure employees' compliance with the Code.

## Whistleblowing Policy

E.A. Technique's Whistleblowing Policy provides a trusted, confidential, and accessible channel for employees to raise legitimate concerns within the Group without fear of reprisals. Employees' identity and personal information will be kept anonymous and confidential unless required by law. An investigation will be carried out and appropriate actions will be taken.

Whistleblowing Channels:

Line manager

Appointed Persons
E: topmanagement@eatechnique.com.my

Audit Committee Chairman
E: acchairman@eatechnique.com.my

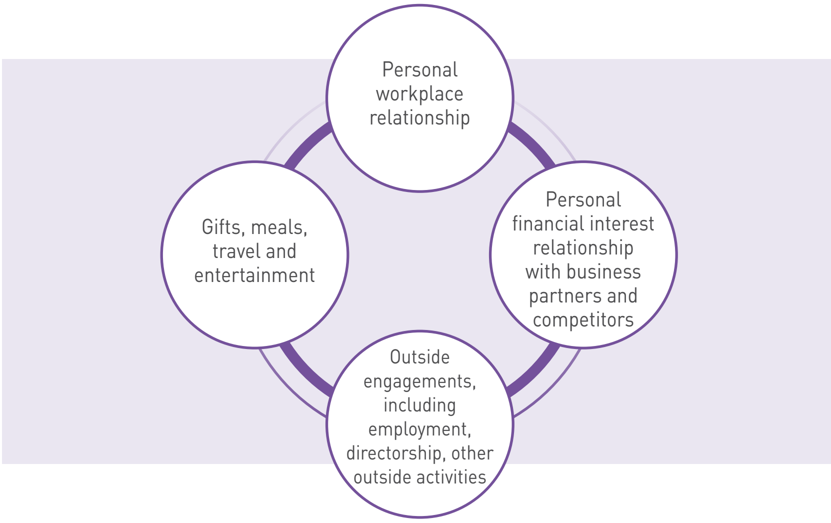
Whistle blowing applies to the following types of misconduct and violations:

- Financial Reporting
- Corruption, Bribery or blackmail
- Fraud
- Criminal Offences
- Non-compliance with legal or regulatory obligation
- Endangerment of an Individual's Health & Safety
- Miscarriage of Justice
- Concealment of any, or a combination of the above

In FY 2019, we received zero occurrences of whistleblowing reports across our business operations.

## Conflict of Interest Policy

A conflict of interest occurs when an employee's personal interest intervenes with the best interest of the Group. Our Conflict of Interest Policy reinforces and provides non-negotiable minimum standards of behaviours to manage these situation in the following areas:




Employees that need any clarification or guidance on a suitable course of action may consult the Human Resource Department or their respective Line Managers.

In FY 2019, our employees were required to declare relevant matters as follows, on an annual basis:

| CATEGORIES | REQUIRED DECLARATION |
|---|---|
| All employees | Declaration of any sponsorships, loans, bonds, and bankruptcy, amongst others |
| Office-based employees | Declare any relationship they may have with anyone within the Group and with vendors |
| Management team (Assistant managers and above)* | Declaration of their assets and identification of related parties |

**In future, we will extend these declaration requirements to all employees.*

## Cyber Security Risk Management Policy

Cyberattacks in businesses have been increasing in recent years. E.A. Technique aims to remain vigilant towards potential cyber threats. We have established a Cyber Security Risk Management Policy to protect E.A. Technique's information and assets from all threats, to ensure uninterrupted operations, minimise damage and maximise return on investments and relevant industries opportunity.

In FY 2019, 25 of our employees attended a cyber security awareness course to enhance their skills and awareness in tackling possible cyber threats.

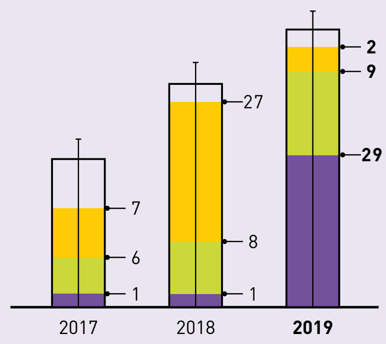
## Customer Satisfaction

E. A. Technique serves customers across the Oil and Gas ("O&G") value chain including trading companies, refineries, O&G exploration and production companies, marine vessel operators and ports throughout Malaysia. We emphasise on providing excellent services that meet the needs of our customers. Our practices are guided by our quality management system that is certified with ISO 9001:2015

We continuously engage and seek feedback from our customers to strengthen our relationship and improve our services in line with our vision to be the locally preferred service provider of marine services. We regularly conduct surveys to assess customer satisfaction and gather feedback on service quality, charter rates, communication, responsiveness, reliability as well as product and service delivery timeline. The feedbacks received will be reviewed by relevant departments and be used for quality improvement.

In FY 2019, we have seen a significant improvement in our customer feedback score. We received 29 excellent feedback score compared to one (1) in FY 2018. This is mainly contributed by the improvement of our vessel maintenance which in turn reduced vessel downtime. Additionally, our vessels are now managed by a dedicated team to consistently engage with customers and effectively address their concerns in a timely manner.

**NUMBER OF CUSTOMER FEEDBACK RECEIVED**




Excellent Good Average

**CUSTOMER ENGAGEMENT PLATFORMS**

NETWORKING DINNER

FESTIVE CELEBRATION

MARITIME EXHIBITION

NETWORKING FORUM

## CAPABILITY BUILDING

Our people are essential to E.A. Technique's success; driving both our Marine and Non-Marine Operations. We are committed to fostering a productive organisation by investing in diverse skills and talent to propel the Group forward.


**OUR HUMAN RESOURCE DEPARTMENT LEAD PEOPLE-RELATED MATTERS AND INITIATIVES OF THE GROUP. THE EMPLOYEE HANDBOOK ENSURES OUR EMPLOYEES ARE AWARE ON THE WORKPLACE POLICIES, WORK RULES AND EMPLOYEE BENEFITS.**

### Employee Diversity and Inclusion

We value diversity and treat all employees equally by providing the same set of opportunities regardless of gender, age, ethnicity or status. We believe that a diverse and inclusive workforce encourages collaboration and innovative thinking. We employ, develop and promote people based on merit according to the relevant qualification, knowledge, skills and ability to perform the prescribed role for all office-based employees and onboard crews.

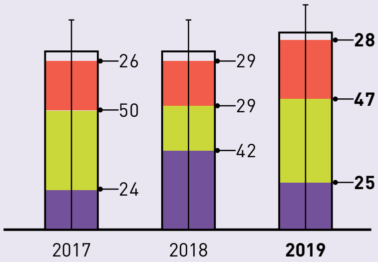
In FY 2019, our female employees make up about 7% of all employees within the Group. We have seen an increasing trend in the number of females in our office-based employees from previous year. Our female onboard crew however remains at 1% as it has been in previous years. We recognise the lower representation of female employees in our workforce is reflective of the nature of the maritime industry where it commonly attracts a larger population of male employees. Nevertheless, we continuously seek to enhance gender diversity among our workforce in the future.

The following data illustrate our employee demographic:

## Employees based on Category

**OFFICE-BASED EMPLOYEES**

(%)

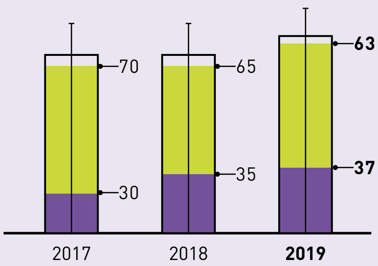



Management Executive Non-Executive

## Employees based on Gender

**OFFICE-BASED EMPLOYEES**

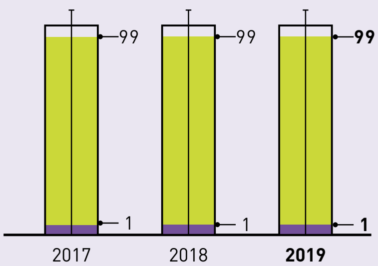
(%)




Female Male

**ONBOARD CREW**

(%)

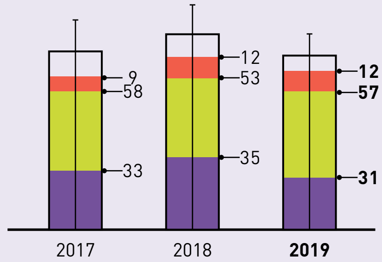



Female Male

## Employees based on Age Group

**OFFICE-BASED EMPLOYEES**

(%)




Age below 30 30-50 Age above 50

**ONBOARD CREW**

(%)


Age below 30 30-50 Age above 50

## Training and Development

We are committed to investing in the continuous development of our people to enhance their skills and knowledge that supports personal and professional advancement and meet future business needs and challenges.

At E.A. Technique, continuous learning and development are embedded in our workplace culture. We provide trainings to all employees across various functions and levels. Our training programme cover the areas of governance, operations, health and safety, environment management as well as management system training. The following list outlines the trainings held in FY 2019:

### KEY TRAINING HIGHLIGHTS IN FY 2019

#### MANAGEMENT TRAINING:

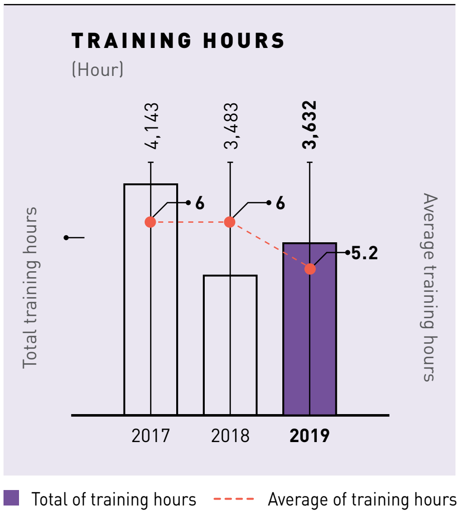
- Compliance and Risk Management Training
- ISO 3100/9001/14001/18001/45001 Training
- Sustainability Reporting Requirements and Business Continuity Planning Workshop
- Workshop on Ship Tanker Business Management and Chartering Practices
- Procurement and Vendor Management Skills
- Tanker Commercial Chartering and Operations
- Workshops on several regulatory compliances

#### SAFETY AND ENVIRONMENTAL TRAINING:

- Emergency Response Plan Training
- First Aid, CPR & AED Course
- National Institute of Occupation Safety and Health Training
- Construction Industry Development Board Training
- Basic Offshore Safety Induction and Emergency Training
- Safety Management System Refresher Training
- Pre-joining Safety Briefing and Induction for Sub-contractors
- Certified Environmental Professional in Scheduled Waste Management Training

#### CONFERENCES AND SEMINARS:

- World Maritime University 3rd International Women Conference
- Cybersecurity Awareness
- The 2020 Global Sulphur Limit Awareness Forum
- Johor Corporation Director's Conference 2019
- HRDF Conference & Exhibition 2019



Our investment in capability building exercises in FY 2019 has increased from RM 202,000 to RM 340,984 in line with the increase in our workforce. This is also reflective of our corporate commitment to provide all on shore staff with at least one training per year. In FY 2019, average training hours per employee was 5.2 hours.

We seek to establish a more strategic approach to succession planning in future. This will enable us to safeguard the continuous growth of our business through a structured career progression of our employees and provide a steady pipeline of future leaders.

## Management Trainee Programme

We have established a Management Trainee Programme to nurture and develop recent graduates to be the next generation of professional in the maritime industry. The year-long programme offers learning experience that will build the required skills, knowledge and leadership of trainees.

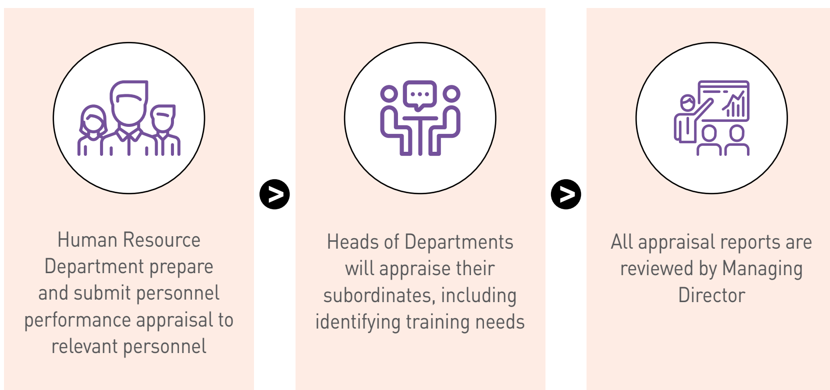
Seven (7) Management Trainees were recruited in FY 2019 and placed in the Operation, Technical, Procurement, Commercial and HSSE departments. Management trainees with exceptional performance are offered a position in E.A. Technique upon completion of the programme.

The graph on the right details the uptake for our Management Trainee Programme throughout the years:


## Performance Review

As part of our employees' development each employee will undergo an annual career and performance review. The review is conducted through a structured appraisal process to provide our employees the opportunity to reflect on areas of improvement and discuss on personal and professional development. We also promote continuous feedback amongst team members to address matters of concern in a timely and effective manner.

In FY 2019, 100% of our employees underwent the performance review process, as summarised below:



## Labour Practices

We are committed to creating responsible working environment as we believe that all employees should work under fair conditions. E.A. Technique's stance as a responsible employer is reflected in our compliance to national and international labour laws including:

- Industrial Relation Act 1967
- Malaysian Employment Act 1955
- Malaysian Children and Young Persons (Employment) Act 1966
- International Labour Organisation (ILO) Maritime Labour Convention 2006

We exercise zero tolerance for unethical behaviour in our labour practices including child labour, forced labour and slavery in both our Marine and Non-Marine Operations.

## CONTRIBUTION AND VOLUNTEERING

6

We have a responsibility to care and contribute to the community through our internship and outreach programmes.

### Boosting Local Employment

E.A. Technique offers internship opportunities to determined and qualified candidates who are looking for exposure in the shipping industry. As part of the programme, interns will shadow a personal mentor. High-performing interns will be considered to be absorbed into the workforce, should there be any vacancies by the end of the internship.

In FY 2019, we placed 9 interns in strategic departments within the Group, such as Legal, Operations, Technical, HSE and Account department based on their academic background. The internship period span over 3 to 6 months, providing candidates sufficient and ample time to experience and learn from our daily business operations.

### Community Contribution

We have engaged with local communities through several activities during the year.

**Visit to Pusat Pembelajaran Komuniti Chow Kit, Kuala Lumpur**

On 13th December 2019, 29 employees together with our Chief Operating Officer, made a visit to Pusat Pembelajaran Komuniti Chow Kit, Kuala Lumpur. We brought cheer to the children through exciting activities with KFC's mascot Chicky and a Clown. We also provided each children with "Back to School" necessities such as stationaries set and tumblers. In total, we contributed RM 11,200 for the children.

**Beach Cleaning Programme at Pantai Bagan Lalang, Sepang**

On 14th December 2019, 27 employees, along with our Chief Operating Officer, conducted a beach cleaning programme at Pantai Bagan Lalang, Sepang. To make the activity interesting, it was turned into a competition in which the group that collected the most rubbish would be rewarded.

We succeeded in collecting 20 bags of rubbish. These rubbish were segregated before being disposed off. All recyclable items were disposed into the recycling bin. This programme highlighted the importance of protecting our environment and ecosystem from pollution especially in the Marine Operations, as it is vital that our oceans and waterways remain litter-free.


| MATERIAL MATTERS | INDICATORS | | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|
| **Economic Performance** | Revenue (RM million) | | 367.00 | 419.00 | 272.00 |
| **Environmental Management** | Carbon emissions (gCO2/tonne-mile) | | 26,792.00 | 24,038.64 | 31,798.00 |
| | Hazardous waste disposed (kg) | | 267,820[1] | 310,520[1] | 336,340 |
| | Non-hazardous waste disposed (kg) | | 302,670[1] | 230,760[1] | 156,360 |
| | Number of spill incidents | | 0 | 0 | 0 |
| **Occupational Health and Safety** | Number of fatalities | | 0 | 0 | 0 |
| | Fatality accident rate | | 0 | 0 | 0 |
| | Total safe manhours | | 5,840,366 | 2,154,422 | 1,920,730 |
| | Lost time injury rate (LTIF) | | 0 | 0 | 0 |
| **Good Governance** | Total number of feedbacks received on customer satisfaction | | 14 | 36 | 40 |
| **Capability Building** | Total number of employees | | 731 | 625 | 694 |
| | Number of office- based employees | Male | 120 | 77 | 73 |
| | | Female | 51 | 42 | 43 |
| | | Total | 171 | 119 | 116 |
| | Percentage of office-based employees (%) | Male | 70 | 65 | 63 |
| | | Female | 30 | 35 | 37 |
| | Number of onboard employees | Male | 557 | 503 | 575 |
| | | Female | 3 | 3 | 3 |
| | | Total | 560 | 506 | 578 |
| | Percentage of onboard employees (%) | Male | 99 | 99 | 99 |
| | | Female | 1 | 1 | 1 |
| | Percentage of female employees (%) | Total | 8 | 7 | 7 |
| | | Board composition | 13 | 14 | 12.5 |
| | Percentage of employees by employment type (%) | Permanent | 2 | 3 | 2 |
| | | Part time | 0 | 0 | 4 |
| | | Contract | 98 | 97 | 94 |
| | Percentage of employees by age group (%) | Below 30 | 42 | 41 | 37 |
| | | 30 – 50 | 46 | 48 | 51 |
| | | Above 50 | 12 | 11 | 12 |
| | Number of Employee turnover by category | Office-based | 72 | 66 | 27 |
| | | Onboard | 246 | 132 | 285 |
| | Employee turnover rate by category (%) | Office-based | 42.1 | 55.5 | 23.3 |
| | | Onboard | 43.9 | 26.1 | 49.3 |

| MATERIAL MATTERS | INDICATORS | | FY 2017 | FY 2018 | FY 2019 |
|---|---|---|---|---|---|
| | Number of Employee turnover by gender | Male | 304 | 183 | 303 |
| | | Female | 14 | 15 | 9 |
| | Number of Employee turnover by age group | Below 30 | 130 | 59 | 120 |
| | | 30 – 50 | 146 | 112 | 161 |
| | | Above 50 | 42 | 27 | 31 |
| | Amount invested for training (RM) | | 247,890 | 202,000 | 340,984 |
| | Total number of training hours | | 4,143 | 3,483 | 3632 |
| | Average training hours per employee | | 6 | 6 | 5.2 |
| | Average training hour per employee by category | Office-based | 11.8 | 15.5 | 11.3 |
| | | Onboard | 4.2 | 3.2 | 4.0 |
| **Contribution and Volunteering** | Total amount of contribution (RM) | | 5,400 | 15,000 | 11,200 |
| | Number of interns | | 10 | 10 | 9 |

[1] *The waste data has been restated, Refer to page 68.*

# CALENDAR OF EVENTS 2019

## 09 MAR

**E.A. TECHNIQUE (M) BERHAD Get Together Dinner 2019**

**Venue:**
Hilton Hotel, Kuala Lumpur

**25th Annual General Meeting (AGM) of E.A. TECHNIQUE (M) BERHAD**

**Venue:**
Permata Ballroom, Level B2,
The Puteri Pacific, Johor Bahru

## 29 APR


## 24 APR

**Kerteh Port Crew Engagement & UCUA Campaign Program**

**Venue:**
Rumah Ngaji Paka, Terengganu

## 21 JUN

**Management Visit & Jamuan Hari Raya**

**Venue:**
On Board M.V. Nautica Langsat

**E.A. TECHNIQUE (M) BERHAD'S Hari Raya Aidil Fitri Celebration**

**Venue:**
Setiawangsa Business Suite

## 04 JUL

## 29 JUL

**Signing Ceremony For 2 X 9000DWT Oil Tanker Shipbuilding Contract**

**Venue:**
Ningbo Zhenhe Shipyard, China

**QHSSE Engagement & Safety Campaign Sg. Udang**

**Venue:**
Puteri Zamrud Meeting Room, Akademi Laut Malaysia (ALAM), Melaka

## 19 JUL

## 01 AUG

**First Aid, CPR & AED Training Course**

**Venue:**
Geomatika Training Room, Setiawangsa Business Suite

## 03 SEP

**HSSE Leadership Roundtable**

**Hosted:**
Vice President Petronas, En. Dzafri Sham Ahmad

**Venue:**
Tower 2, KLCC

**Signing Ceremony For Construction of 3 Units Of 9000DWT Product Tankers**

**Venue:**
Kuala Lumpur Convention Centre, KL

## 10 SEP

## 25 SEP


**Extraordinary General Meeting (EGM) of E.A. TECHNIQUE (M) BERHAD**

**Venue:**
The Puteri Pacific Hotel, Johor Bahru

**Malaysia World Maritime Week 2019**

**Venue:**
Kuala Lumpur Convention Centre, Kuala Lumpur


## 10-13 SEP

## 16 OCT

**Kerteh Port Crew Engagement & Monsoon ZIZA Campaign Program**

**Venue:**
Rumah Ngaji Paka, Terengganu

**"Emergency Support Vessel" Progress Visit By Top Management Of Petronas Floating LNG (PFLNG)**

**Venue:**
Johor Shipyard & Engineering Sdn Bhd, Hutan Melintang, Perak

## 17 OCT


## 12 NOV

**Steel Cutting Ceremony For 2 X 9000DWT Tankers**

**Venue:**
Ningbo Zhenhe Shipyard, China

## 13 DEC

**CSR Program With The Homeless Children**

**Venue:**
Pusat Pembelajaran Komuniti Chow Kit, Kuala Lumpur

## 29 DEC

**Ship Launching Of New "Emergency Support Vessel", Nautica Tg. Puteri XXXVII**

**Venue:**
Johor Shipyard Engineering Sdn Bhd, Hutan Melintang, Perak

## 14 DEC

**CSR Beach Cleaning Program**

**Venue:**
Pantai Bagan Lalang, Sepang

# STATEMENT OF CORPORATE GOVERNANCE

“

**WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO PROVIDE YOU WITH SOME INSIGHTS INTO THE BOARD OF DIRECTORS’ VIEW OF CORPORATE GOVERNANCE, ITS KEY FOCUS AREA AND FURTHER PRIORITIES IN RELATION TO THE CORPORATE GOVERNANCE OVERVIEW STATEMENT.**

**DATUK MOHD NASIR ALI**
Independent Non-Executive Director

The Board recognizes the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group. Maintaining effective corporate governance is, therefore, a key priority for the Board, and is achieved through implementing the three (3) key principles of good corporate governance as set out in the Malaysian Code on Corporate Governance (“MCCG”).

The Corporate Governance Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad Listing Requirements (“Listing Requirement”) on the application of the corporate governance practices by the Group during the Financial Year 2019. This Statement shall be read in conjunction with the Corporate Governance Report (“CG Report”). The application, departure or non-adoption of each practice is explained in the CG Report which is available on the Company’s website at www.eatechnique.com.my.

## A PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### i. The Responsibilities of the Board

The Board of Directors, led by the Group Chairman, Dato’ Kamaruzzaman Abu Kassim, a Non-Independent Non-Executive Director is responsible to the shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Group’s business and operations, in line with the Group’s vision and mission.

The Board has the primary responsibility for setting the strategic goals of the Company and in fulfilling the said responsibility, the Board had, on 19 November 2018, approved the Group’s 5-Year Strategic Business Plan (2019-2023), which is driven by sustainable growth, reflects the strategic focus and intensified efforts of the Group’s core divisions to strengthen profitability amid the current domestic/global economic challenges and industry outlook.

The Corporate Governance is supported by the Company’s Limits of Authority (“LOA”) which set out the relevant matters and applicable limits reserved for the Board and matters that could be delegated to the Committees, the Managing Director (“MD”) and the Management.

There is a distinct and clear division of responsibility between the Group Chairman and the MD, to ensure a strict balance of power and separation of authority. The Group Chairman is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Group Chairman also serves as the main link between the Board and Management and particularly between the Board and the MD.

The MD, assisted by the Senior Management team, is responsible for the business and day-to-day management of the Company. In addition to that, the MD also develops, review and implements long-term strategies and vision for the Company that will lead to the creation of shareholders’ value.

The Board Charter, a source reference document for the Directors, outlines matters relating to the Board and its processes. It also sets out the duties and responsibilities of the Group Chairman, the MD and the Board as a whole. The Board Charter of the Company is made available on the Company's website, www.eatechnique.com.my, in line with the recommendation made by the MCCG.

Additionally, the Company had also made available its Code of Ethics ("COE") and a Whistle Blowing Policy on the Company's website, www.eatechnique.com.my. The objective of the implementation of the COE and Whistle Blowing Policy is to enable the exposure of any violations or improper conduct or wrongdoing in the Company. The COE sets out the principles, practices and standards of personal and corporate behavior whereby all Directors and employees of EA Technique Group are required to comply with. Failure to comply with COE is a serious breach, and appropriate action will be taken for its non-compliance.

Whilst, the Whistle Blowing Policy of EA Technique Group provides an avenue for employees to make good-faith disclosure and report instances of unethical, unlawful or undesirable conduct without fear of reprisal. The identity of whistle-blower and the concerns raised are treated with the utmost confidently.

All Directors have full access to the advice and services of the Company Secretaries, who are legally trained and are qualified to act as company secretary under the Companies Act 2016. The Company Secretaries advise the Board and Management on statutory, regulatory and corporate development, the implementation of corporate governance measures and compliance as applicable to the Group.

### ii. The Composition of the Board

The Board comprises four (4) Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors and one (1) Managing Director as at 31 December 2019, who were selected based on their expertise, experience, integrity and character. The Boards consists of almost half of Independent Directors with expertise and skills from various fields and backgrounds. Thus, there is optimum Board balance and in compliance with the Listing Requirements in respect of the composition of the Board of Directors.

The Board recognizes the importance of diversity in designing its composition while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board. Diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. The Board, through the Nomination Committee, will continue to consider candidates of different gender, age and ethnic with the appropriate skills, experience and characteristics are sought, as part of its selection exercise.

In this regard, the appointments of Dr. Ir. Mohd Shahreen Zainooreen Madros and Zulkifly Zakariah on 1 October 2019 reflect the Board's commitment in ensuring the Board's diversity in skills, knowledge and experience to further enhance the composition of the Board.

The Board encourages and supports more women participation in the Company's decision-making positions whilst it continues to strive towards 30% women participation in the Board composition. Out of the nine (9) Directors, one (1) or 11% is woman. Although the Board has not set a target for appointment of additional woman directors, the Board embraces gender diversity, mindful that it should always be in the best interest of the Company.

### iii. Board Meetings and Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to Board meetings. Sufficient notice is given to the Directors to review the said documents. The material pack of Board papers will include minutes of the previous meeting, quarterly and annual financial statements, corporate developments, minutes of Board Committee meetings, acquisition and disposal proposals, updates from Bursa Malaysia, list of directors' circular resolutions passed and report on the Directors dealings in securities, if any.

The Board holds regular meetings of no less than four (4) times a year. In addition, the Board also meets as soon as the Company's annual results and upcoming quarterly results are finalised in order to review and approve the results for submission to Bursa Malaysia. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. During the financial year ended 31 December 2019, the Board met six (6) times and the record of attendance is set below:-

| No. | Director | Directorship | No. of Meetings Attended |
|---|---|---|---|
| 1. | Dato' Kamaruzzaman Abu Kassim* | Non-Independent Non-Executive Chairman | 6/6 |
| 2. | Ahamad Mohamad | Non-Independent Non-Executive Deputy Chairman | 6/6 |
| 3. | Dato' Ir. Abdul Hak Md Amin | Managing Director | 6/6 |
| 4. | Datuk Mohd Nasir Ali | Independent Non-Executive Director | 6/6 |
| 5. | Rozan Mohd Sa'at | Independent Non-Executive Director | 6/6 |
| 6. | Abdul Azmin Abdul Halim | Independent Non-Executive Director | 6/6 |
| 7. | Aziah Ahmad | Non-Independent Non-Executive Director | 6/6 |
| 8. | Dr. Ir. Mohd Shahreen Zainooreen Madros** | Independent Non-Executive Director | 1/1 |
| 9. | Zulkifly Zakariah*** | Non-Independent Non-Executive Director | 1/1 |

* Dato' Kamaruzzaman Abu Kassim resigned as Chairman/Director of the Company on 15 January 2020.
** Dr. Ir. Mohd Shahreen Zainooreen Madros appointed as Director of the Company on 1 October 2019.
*** Zulkifly Zakariah appointed as Director of the Company on 1 October 2019.

Note: Reflects the attendance and the number of meetings held during the financial year since resignation / appointment date.

The Chairman of the Audit Committee ("AC") would inform the Directors at Board meetings, of any salient audit findings and any risk management issues raised at the AC meetings which require the Board's discussion on actions to be taken by the Management.

The External Auditors also briefed Board members on the Financial Reporting Standards that would affect the Group's financial statements during the year.

The Board has direct access to the Key Management, unrestricted and immediate access to any information relating to E.A, Technique's business and affairs in the discharge of their duties. The Directors may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board.

## iv. Training and Development of Directors

In respect of Director's training programme, the Board has identified the following areas/topics to further enhance and assist the Directors in discharging their duties and responsibilities:

- Talent Development such as Mandatory Accreditation Programme ("MAP");
- Economic and Regulatory updates which are related to E.A Technique's and Johor Corporation's businesses;

There were several occasions of technical visits by Board in 2019 as set out in table below:

| No. | Date Technical Visit | Venue and Occasion |
|---|---|---|
| 1. | 7 October 2019 | Pax Ocean Shipyard, Singapore – Technical Visit of M.T. Nautica Batu Pahat |
| 2. | 8 October 2019 | Pax Ocean Shipyard, Singapore – Progress Vessel Visit of M.T. Stravolos |
| 3. | 17 October 2019 | Johor Shipyard Engineering Sdn Bhd, Hutan Melintang, Perak – Progress Visit of NTP XXXVII as Emergency Support Vessel |
| 4. | 12 November 2019 | Ningbo Zhenhe Shipyard Co. Ltd, China – Steel Cutting Ceremony for 2 units of 9,000 DWT tankers |

## v. Nomination Committee

The Nomination Committee comprises of three (3) Directors below is responsible for identifying and recommending candidates to fill vacancies in the Board based on their qualifications, abilities and potential contribution to Company:

| Director | Directorship | Designation |
|---|---|---|
| Dato' Kamaruzzaman Abu Kassim* | Non-Independent Non-Executive Director | Chairman |
| Dato' Mohd Redza Shah Abdul Wahid** | Independent Non-Executive Director | Chairman |
| Abdul Azmin Abdul Halim | Independent Non-Executive Director | Member |
| Rozan Mohd Sa'at | Independent Non-Executive Director | Member |

* Dato' Kamaruzzaman Abu Kassim resigned as Chairman of Nomination Committee on 15 January 2020.
** Dato' Mohd Redza Shah Abdul Wahid appointed as Chairman of Nomination Committee on 15 March 2020.

The Nomination Committee also performed evaluation on the effectiveness of the Board and Board Committees and ensure an appropriate framework and plan for Board succession is in place for the Company.

There were two (2) meetings held by Nomination Committee during financial year 2019.

### vi. Remuneration Committee

The Board has established a formal and transparent process in determining the appropriate remuneration package for the Board.

The Board, through the Remuneration Committee, periodically reviews the general remuneration policy for Directors to ensure that the remuneration is attractive to retain and attract the best talents. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors. The Board also ensures that the remuneration received by the Directors remain competitive, appropriate and align with the market practice.

The Remuneration Committee comprises the following Directors:

| Director | Directorship | Designation |
|---|---|---|
| Dato' Kamaruzzaman Abu Kassim* | Non-Independent Non-Executive Director | Chairman |
| Dato' Mohd Redza Shah Abdul Wahid** | Independent Non-Executive Director | Chairman |
| Datuk Mohd Nasir Ali | Independent Non-Executive Director | Member |
| Rozan Mohd Sa'at | Independent Non-Executive Director | Member |

* Dato' Kamaruzzaman Abu Kassim resigned as Chairman of Remuneration Committee on 15 January 2020.

** Dato' Mohd Redza Shah Abdul Wahid appointed as Chairman of Remuneration Committee on 15 March 2020.

The details of the remuneration received by the Non-Executive Directors ("NEDs") and the MD for the Financial Year 2019 is set out in the table below:

| COMPANY LEVEL | | | | | |
|---|---|---|---|---|---|
| No. | Name | Board Fees (RM) | Salary, Bonus and Defined Contribution (RM) | Benefits (RM) | Total (RM) |
| Executive Director | | | | | |
| 1. | Dato' Ir. Abdul Hak Md Amin | 66,000 | 485,958 | 210,142 | 762,100 |
| Total Executive Director | | 66,000 | 485,958 | 210,142 | 762,100 |
| Non-Executive Directors | | | | | |
| 2. | Dato' Kamaruzzaman Abu Kassim* (Resigned as Director w.e.f. 15 January 2020) | - | 13,400 | - | 13,400 |
| 3. | Ahamad Mohamad* | - | 5,200 | - | 5,200 |
| 4. | Datuk Mohd Nasir Ali | 86,000 | 20,900 | - | 106,900 |
| 5. | Rozan Mohd Sa'at | 66,000 | 7,200 | - | 73,200 |
| 6. | Abdul Azmin Abdul Halim | 91,000 | 19,800 | - | 110,800 |
| 7. | Aziah Ahmad* | - | 15,800 | - | 15,800 |
| 8. | Zulkifly Zakariah* (Appointed as Director w.e.f. 1 October 2019) | - | 1,000 | - | 1,000 |
| 9. | Dr. Ir. Mohd Shahreen Zainooreen Madros (Appointed as Director w.e.f. 1 October 2019) | 16,500 | 1,000 | - | 17,500 |
| Total Non-Executive Directors | | 259,500 | 84,300 | - | 343,800 |
| **Grand Total** | | **325,500** | **570,258** | **210,142** | **1,105,900** |

| GROUP LEVEL | | | | | |
|---|---|---|---|---|---|
| No. | Name | Board Fees (RM) | Salary, Bonus and Defined Contribution (RM) | Benefits (RM) | Total (RM) |
| Executive Director | | | | | |
| 1. | Dato' Ir. Abdul Hak Md Amin | 102,000 | 485,958 | 210,142 | 798,100 |
| Total Executive Director | | 102,000 | 485,958 | 210,142 | 798,100 |
| Non-Executive Directors | | | | | |
| 2. | Dato' Kamaruzzaman Abu Kassim* (Resigned as Director w.e.f. 15 January 2020) | - | 13,400 | - | 13,400 |
| 3. | Ahamad Mohamad* | - | 5,200 | - | 5,200 |
| 4. | Datuk Mohd Nasir Ali | 86,000 | 20,900 | - | 106,900 |
| 5. | Rozan Mohd Sa'at | 66,000 | 7,200 | - | 73,200 |
| 6. | Abdul Azmin Abdul Halim | 91,000 | 19,800 | - | 110,800 |
| 7. | Aziah Ahmad* | - | 15,800 | - | 15,800 |
| 8. | Zulkifly Zakariah* (Appointed as Director w.e.f. 1 October 2019) | - | 1,000 | - | 1,000 |
| 9. | Dr. Ir. Mohd Shahreen Zainooreen Madros (Appointed as Director w.e.f. 1 October 2019) | 16,500 | 1,000 | - | 17,500 |
| Total Non-Executive Directors | | 259,500 | 84,300 | - | 343,800 |
| **Grand Total** | | **361,500** | **570,258** | **210,142** | **1,141,900** |

* The Directors fees for the respective Directors were paid to the ultimate holding corporation as corporate fees.

Matters related to remuneration to the MD, Chief Operating Officer and Chief Financial Officer are prepared by the Johor Corporation Remuneration Committee. Matters related to remuneration to other senior top management are decided by the Appraisal, KPI & Bonus Committee. Key Management remuneration paid or payable for the financial year ended 31 December 2019 is as follows: -

**COMPANY LEVEL**

| No. | Name | Position | Salaries and Defined Contributions (RM) | Bonus (RM) | Benefits (RM) | Total (RM) |
|---|---|---|---|---|---|---|
| 1. | Khalid Mohamad (Appointed w.e.f. 1 July 2019) | Chief Operating Officer | 138,000 | - | 20,700 | 158,700 |
| 2. | Azli Mohamed | Chief Financial Officer | 465,000 | - | 69,745 | 534,745 |
| 3. | Zulkifli Mohd Amin (Deceased w.e.f. 26 September 2019) | General Manager | 307,319 | - | 46,095 | 353,414 |
| 4. | Mohd Yusni Razali | Senior Manager Fleet Operations | 223,420 | - | 33,576 | 256,996 |
| 5. | Tajul Asikin Sallehudin (Resigned w.e.f. 31 July 2019) | Senior Manager Technical | 164,150 | - | 24,615 | 188,765 |
| **Grand Total** | | | **1,297,889** | **-** | **194,731** | **1,492,620** |

**GROUP LEVEL**

| No. | Name | Position | Salaries and Defined Contributions (RM) | Bonus (RM) | Benefits (RM) | Total (RM) |
|---|---|---|---|---|---|---|
| 1. | Khalid Mohamad (Appointed w.e.f. 1 July 2019) | Chief Operating Officer | 138,000 | - | 20,700 | 158,700 |
| 2. | Azli Mohamed | Chief Financial Officer | 471,000 | - | 69,745 | 540,745 |
| 3. | Zulkifli Mohd Amin (Deceased w.e.f. 26 September 2019) | General Manager | 313,319 | - | 46,095 | 359,414 |
| 4. | New Kok Ho | Executive Director *(Johor Shipyard and Engineering Sdn Bhd)* | 276,480 | - | 40,559 | 317,039 |
| 5. | Mohd Yusni Razali | Senior Manager Fleet Operations | 223,420 | - | 33,576 | 256,996 |
| 6. | Tajul Asikin Sallehudin (Resigned w.e.f. 31 July 2019) | Senior Manager Technical | 164,150 | - | 24,615 | 188,765 |
| **Grand Total** | | | **1,586,369** | **-** | **235,290** | **1,821,659** |

### vii. Tender Board Committee

Tender Board Committee is established as a part on enhancements of Company's governance via ensuring openness, integrity and accountability in E.A. Technique Group's activities to safeguard the rights and interest, ensuring on alignment to the Company's strategies as well as a part of monitoring tools on execution of approved projects and operations. The Tender Committee will oversee the tendering process and purchases of both operations and projects including capital expenditures for amount of equivalent or above US Dollar 1.0 million.

The Tender Board Committee comprises of the following three Directors and the Committee may invite other of E.A. Technique's top management (ex-officio) or outside parties to attend and participate in the meeting where necessary:

| Director | Directorship | Designation |
|---|---|---|
| Abdul Azmin Abdul Halim | Independent Non-Executive Director | Chairman |
| Aziah Ahmad | Non-Independent Non-Executive Director | Member |
| Abdul Rahim Omar | Non-Independent Non-Executive Director | Member |

There were four (4) Tender Board Committee meetings held during financial year 2019.

## B PRINCIPLE B: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### i. The Audit Committee of the Board

The Audit Committee comprises of three (3) members, a majority of which are Independent Directors. The Audit Committee is chaired by the Independent Non-Executive Director, Datuk Mohd Nasir Ali.

The effectiveness and the composition of the Audit Committee are evaluated annually through the Board Evaluation Assessment, with a view to maintain an independent and effective Audit Committee. The Board, through the Nomination Committee will ensure that a Director who is financially literate with the appropriate knowledge and experience, and strong understanding of the Company's business, will be appointed to the Audit Committee.

The role of the Audit Committee and the number of meetings held under the financial year as well as the attendance of each member are set out in the Audit Committee Report in the Company's Annual Report.

### ii. Risk Management and Internal Control Framework

The risk management and internal control framework of the Group was approved by the Board. The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure the significant risks faced by the Group are being managed appropriately to respond on changes in the business environment.

There are two (2) Committees at the Board level and Management level that have primary risk management and internal control oversight responsibilities:

- The Audit Committee – oversight on governance, internal control and financial matters; and
- The Risk Management Committee – oversight over risk management.

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty to the Company.

The details of the Risk Management and Internal Control Framework of the Group are disclosed in the Company's Annual Report under the Statement of Risk Management and Internal Control. The activities of the Risk Management Committee are also disclosed in the Company's Annual Report.

### iii. Relationship With External Auditors

Messrs Ernst & Young ("EY") was appointed in the previous Annual General Meeting as the external auditors for the Group. EY meet the Audit Committee at least twice a year to highlight and discuss the nature, scope of the audit, audit programme, internal controls and issues that may require the attention of the Audit Committee or the Board.

The Audit Committee ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by EY in order to make sure that it does not give rise to conflicts of interest. The excluded contracts would include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation.

The details of the statutory audit, audit-related and non-audit fees paid/payable in 2019 to the external auditors are set out below:

| Fees Paid / Payable to EY | RM |
|---|---|
| Audit | 308,455 |
| Audit Related | 58,000 |
| **Grand Total** | **366,455** |

## C PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### i. Annual General Meeting ("AGM")

The Company values feedback from its shareholders and encourages them to actively participate in discussions and deliberations. AGM is held each year to consider the ordinary business of the Company and any other special business. Each item of special business included in the notice is accompanied by an explanation of the effects of the proposed resolution. In compliance with the Listing Requirements, all resolutions tabled at AGM will be voted by poll and an announcement will be made on the detailed results of the poll showing the number of votes cast for and against each other.

The MD will present the highlights of the E.A. Technique Group's financial performance and business operations overview of the Company for the preceding financial year, during the AGM, to deepen the shareholders' understanding of the Company's state of affairs.

During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Group Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

Seven (7) Directors attended the Company's Twenty-Fifth AGM (25th AGM) held on 29 April 2019 and engaged directly with the shareholders as well as responded to the queries raised by the shareholders.

### ii. Dialogue Between the Company and Investors

The Company continues to meet with research analysts, fund managers, members of the media/business editors and institutional investors. In 2019, there were numerous investor relations activities and analyst coverage took place as sets out below:-

**KEY INVESTOR RELATIONS ACTIVITIES**

| | | | | |
|---|---|---|---|---|
| 25 January 2019<br>Engagement Session | 31 January 2019<br>Engagement Session | 25 February 2019<br>Engagement Session | 11 March 2019<br>4Q FY2018 Analyst Briefing | 15 March 2019<br>Engagement Session |
| 3 April 2019<br>Engagement Session | 29 April 2019<br>25th Annual General Meeting | 18 June 2019<br>1Q FY2019 Analyst Briefing | 18 September 2019<br>IR Roadshow | 25 September 2019<br>Extraordinary General Meeting |
| 3 October 2019<br>Conference Call | 4 October 2019<br>2Q FY2019 Analyst Briefing | 9 October 2019<br>IR Roadshow | 10-13 October 2019<br>World Maritime Week Conference | 11 October 2019<br>IR Roadshow |
| 22 October 2019<br>IR Roadshow | 20 December 2019<br>3Q FY2019 Analyst Briefing | | | |

| ANALYST COVERAGE | | | | |
|---|---|---|---|---|
| CIMB Principal – Asset Management | AIA Malaysia | UOB Asset Management Malaysia | Allianz Malaysia Berhad | Eastspring Investments |
| Hong Leong Assets Management | Maybank Asset Management Sdn Bhd | Public Investment Bank Berhad | RHB Asset Management | Value CAP Sdn Bhd |
| Maven Securities | DBS Singapore | AM Investment | Principle Asset Management | CMY Capital |
| KAF Investment Fund Berhad | Libra Invest Berhad | Pacific Mutual Fund Berhad | TA Asset Management Berhad | Kenanga Investment Bank Berhad |

E.A. Technique's objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. Relationships with the investment community are built on integrity, qualitative and timely information and Management's ability to perform and deliver effectively. Communication is a two-way process whereby we seek to understand the attitudes of investors towards the Company and relay this feedback to Management for any follow-up action.

There is also a dedicated section in Investor Relations on the Company's website at www.eatechnique.com.my for the dissemination of corporate and financial disclosure. The primary contact for Investor Relations matters of E.A. Technique (M) Berhad is:

**NORWAHIDA JAAFAR**
Head of Corporate Finance & Corporate Services
Contact Details
Telephone number: 603-4252 5422
E-mail: norwahida@eatechnique.com.my or,
ir@eatechnique.com.my

## STATEMENT ON COMPLIANCE

Overall, the Company has substantially complied with the majority of the practices of the MCCG for the Financial Year 2019. The Board is committed and will continue to strengthen its application of the corporate governance practices and procedures throughout the Group, in pursuit of safeguarding the interest of all our shareholders and stakeholders.

The Statement of Corporate Governance has been approved by the Board of Directors on 29 May 2020.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

In line with Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors is pleased to present the Statement on Risk Management and Internal Control ("the Statement") for E.A. Technique (M) Berhad for the Financial Year ended 31 December 2019.

## BOARD RESPONSIBILITIES

The Board of Directors ("Board") acknowledges its overall responsibility for maintaining a sound system of risk management system and internal control to safeguard shareholders' investments, the Group's assets and other stakeholders' interest.

The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system. This is to ensure that significant risks faced by the Group are being managed appropriately to respond to changes in the business environment.

## RISK MANAGEMENT FRAMEWORK

The risk management and internal control systems are designed to manage, rather than eliminate risks that hinder the Group from achieving its goals and objectives. Risk management encompasses the identification, analysis, evaluation, treatment, communication, review and monitoring of the risks in relation to the identified business objectives.

**I Risk Management Framework**

The Group's Enterprise Risk Management Policy and Framework ("Framework") is aligned to ISO 31000:2010 "Risk Management Process". The Framework identifies the necessary resources to ensure that risk management is embedded in the Group's practices and processes.

Our policy is to identify, analyse, evaluate and mitigate the risks to protect the Group from financial losses, uncertainty and lost opportunities.

All risks relevant to the achievement of business objectives are evaluated. The relevant controls, action plans and Risk Owners are also identified. Each risk is rated according to its severity level depending on its likelihood and impact.

**II Monitoring and Review**

The objective of monitoring and reviewing the risk management process is to provide reasonable assurance that risks are being managed effectively. It is also to ensure that risk profiles drawn up reflects changing business conditions and exposures. Formal reporting has been instituted at the corporate and Board levels and contain the significant risks identified by the business during the period.

**III Risk Reporting**

The Group risk profiles are consolidated, reviewed, discussed and deliberated at Risk Management Committee ("RMC") chaired by the Chief Operating Officer ("COO"). The reports are subsequently tabled to the Audit Committee ("AC") for deliberation and recommendation to the Board on the identified risks, current controls and the mitigation actions taken. The reports are later submitted to the Board for review and notation.

**Top Five Risk and Mitigation Plan**

| No. | Risk | Mitigation Plan |
|---|---|---|
| 1. | **Financial Risk**<br>Potential loss due to EA Tech obligations to pay creditors as per agreed terms. | • Preparation of monthly cash flow for presentation to Management and regular review of the cash flow forecast.<br>• Preparation and review of creditors and debtors aging.<br>• Sourcing additional working capital financing from financial institutions. |
| 2. | **Commercial Risk**<br>Government regulations on Oil and Gas Industry and dependent on major customers. | • Constantly review of licenses to ensure that continuously meeting clients' requirements.<br>• Regular inspection of vessels by internal team to ensure full compliance to laws and policies.<br>• Diversification of revenue source like commercial ports such as Northport. |
| 3. | **Procurement Risk**<br>Delays in delivery of spares | • Continuously monitoring on spares level onboard to adhere vessel requirements. |
| 4. | **QHSSE Risk**<br>Non-compliance risk to environmental regulations | • Implementation of Waste Management Policy and Procedures for all our tankers.<br>• Constantly inspection and provide awareness to operational personnel on the importance of adhering to environmental and safety regulations. |
| 5. | **QHSSE Risk**<br>Environmental effect due to oil spill | |

## INTERNAL CONTROL SYSTEM

The system of internal control is designed to provide reasonable assurance against the occurrence of any event that could prevent the achievement of the Group goals and objectives. The key components of internal control encompasses the following:-

**Establishment of Various Committees**

Various Board Committees and Management Committees have been instituted to strengthen governance and ensure accountability, and assist the Board in discharging its duties. Among the committees are:-

**BOARD LEVEL**

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Tender Board Committee

**MANAGEMENT LEVEL**

- Management Committee
- Risk Management Committee
- Vessel Operation Committee
- Quality, Health, Safety, Security and Environment ("QHSSE") Committee
- Appraisal, KPI and Bonus Committee
- Contract/Tender, Proposal and Commercial Evaluation Committee

**Organisation Structure**

The internal control of the Group is supported by a formal organizational structure with clear lines of authority and responsibility. Qualified and experienced management personnel have been appointed to oversee the delivery of the Group objectives.

**Limits of Authority**

The Limits of Authority ("LOA") identifies the various persons/authorities responsible for different business transactions including matters that require Board approval. It sets out a clear line of accountability and responsibility of the persons/authorities to facilitate decision making and approval at the appropriate level in the organisation's hierarchy.

**Procurement**

A framework with appropriate empowerment and authority limits has been approved by the Board for procurement activities, acquisition and disposal of assets, operational write-off, donations, as well as approving general and operational expenses.

**Strategy and Budget Challenge**

The Group's strategic directions and budgets for the new year are formulated and revised annually, taking into account changes in the internal and external environment and risks faced. The strategic directions and budget are also reviewed annually with the Board and at reasonable intervals during implementation by the management.

**Policies and Procedures**

Relevant policies and procedures have been approved by the Board and relevant authorities to ensure that the Group values and adequate control mechanisms are embedded in business operations. Periodic review is done to ensure its relevance and effectiveness.

**Regulatory Compliance**

The Group adopts strict standards and controls to continuously improve the application and performance of the Safety Management System. The high standard of work is achieved by operating an integrated quality of Safety, Health and Environment Management System that meets the requirement of ISO 9001: 2015 (Quality Standard), OHSAS 18001:2007 (Safety and Health Standard), ISO 14001:2018 (Environmental Standard) and ISM Code for Vessel Safe Operation and Pollution Prevention.

**Internal Audit Department**

The Internal Audit Department provides independent assurance on the existence, adequacy and effectiveness of the governance, risk management and control processes to achieve the Group's objectives.

**Whistle Blowing**

A Whistle Blowing Policy is available and a whistle blowing channel is provided for all employees and third parties to disclose improper conduct. This Policy also accords protection to whistleblowers from detrimental action.

**Code of Ethics**

All employees are required to adhere to the Group's Code of Ethics ("Code") and consistently reminder on the Ethics and Professionalism behavior during monthly Management Committee meeting. Besides to emphasis the Group's commitment to ethics and compliance with applicable laws and regulations, this Code is set forth basic standards of ethical behavior within the Group.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control system through the following monitoring and assessment mechanisms:

- Quarterly reviews on the Group's actual financial performance versus planned performance and other key financial performance indicators.
- Review of specific projects or opportunities with Management, as and when required. This allows the Board and the Management to manage potential risks.
- The Group's Risk Management Report is presented quarterly to the Risk Management Committee to provide an overview of the Group's key risks and how they are being addressed. This report is also presented to the AC and the Board. The AC and the Board notes and provides its view which are then communicated to the respective risk owners.
- The AC deliberates and discusses reports issued by the Internal Audit Department and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issues discussed are also updated to the AC to enable monitoring of the actions.

## CONCLUSION

For the financial year under review, the Board is at the opinion that the risk management and internal control systems are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of E.A. Technique.

There was no major internal control weaknesses identified during the year under review that may result in any material loss or uncertainty that would require disclosure in this annual report.

This statement has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control Guidance for Directors of Listed Issuers.

## ASSURANCE FROM MANAGEMENT

For the financial year under review based on inquiry, information and assurances provided by the Managing Director, Chief Operating Officer and Chief Financial Officer, the Board is satisfied that the system of internal control was generally satisfactory. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls to safeguard the Group's assets and hence shareholders' investment.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required in Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2019. They have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control Guidelines, nor is the Statement factually inaccurate.

# AUDIT COMMITTEE REPORT

The Audit Committee ("AC") provides critical oversight of the Group financial reporting process; monitoring the external and internal auditing processes; compliance with relevant legal and statutory matters and other matters delegated by the Board to the AC through its approved Terms of Reference.

## AUDIT COMMITTEE COMPOSITION AND MEETINGS HELD

The AC composition, type of directorship and attendance of meetings held in the financial year ended 31 December 2019 are set out below.

| No. | Name | Directorship | No. of Meetings Attended |
|---|---|---|---|
| 1. | **Datuk Mohd Nasir Ali** (Chairman) | Independent Non-Executive Director | 8/8 |
| 2. | **Abdul Azmin Abdul Halim** (Member) | Independent Non-Executive Director | 8/8 |
| 3. | **Aziah Ahmad** (Member) | Non-Independent Non-Executive Director | 8/8 |

The composition of the AC is in line with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), where:

- All AC members are Non-Executive Directors and a majority of them are Independent Non-Executive Directors, including the Chairman.
- No alternate Director is appointed as a member.
- Aziah Ahmad is a qualified accountant and member of Malaysian Institute of Accountants ("MIA"), fulfil the requirement of paragraph 15.09(1)(c)(i) of the MMLR.

The meetings are normally attended by the Group Managing Director, Chief Financial Officer, Chief Operating Officer, Head of Internal Audit and upon invitation the External Auditors. Four (4) of the meetings held were planned quarterly meetings while one (1) was a special meeting.

The Company Secretary acts as a secretary of the AC. Minutes of each meeting is distributed to each board member. The Chairman of the AC reports key matters discussed at each meeting to the Board.

The Term of Reference of the AC are contained in the Board Charter which is included in the Company's website.

## SUMMARY OF WORK DONE BY AUDIT COMMITTEE

During the financial year, the AC performed the following:

**Financial Reporting and Compliance**

- Reviewed the quarterly unaudited financial results of the Company and the Group on 22 February, 23 May, 19 August and 14 November 2019 prior to recommending them to the Board for approval. The matters reviewed and discussed were:
    - Financial and operational performance, and financial statements.
    - Budget achievement, reasons for the variances and efforts to meet targets.
    - Internal and external matters impacting financial and operational performance, and the actions to be taken.
- Reviewed quarterly announcements prior to recommendation to the Board for approval to ensure that the announcements reflect the situation and are representative of their views.

**External Audit**

- Reviewed and recommended to the Board the audited financial statements on 22 February 2019 and 19 February 2020 respectively, covering amongst others, the assessment of the following:

  * Changes in or implementation of major accounting policy changes.

  * New or significant developments during the year.

  * Significant matters relating to provisions, legal and contracts, compliance with accounting standards and legal requirements.

- Reviewed and recommended to the Board the External Auditors' 2019 Audit Plan on 14 November 2019, which detailed the terms of engagement for statutory audits; independence of the external audit team; audit approach; and areas of audit emphasis; risk assessment; reporting timeline as well as development in laws and regulations and financial reporting standards.

- Reviewed the External Auditors' fees and recommended it to the Board for approval.

- Held two (2) private discussions on 22 February and 14 November 2019 with the External Auditors without the presence of Management to ensure inter alia, an adequate level of cooperation between the External Auditors and Management.

**Internal Audit**

- Reviewed and approved the Annual Internal Audit Plan for 2020, to ensure the adequacy of scope, functions, competency and resources and that it has the necessary authority to carry out its work.

- Reviewed and deliberated on the planned and ad hoc internal audit reports issued and the adequacy of management response and actions to address control deficiencies.

- Reviewed quarterly updates on the progress of the Annual Internal Audit Plan 2019 and the status of corrective action plans on whether appropriate actions are taken on the recommendations of Internal Audit Department ("IAD").

**Others**

- Quarterly review and monitoring of recurrent related party transactions and their aggregate values.

- Reviewed the Audit Committee Report 2018 for incorporation into the Annual Report 2018 and recommended it to the Board for approval.

## SUMMARY OF WORK DONE BY INTERNAL AUDIT

**Internal Audit Department**

- IAD has an independent status in the organisation, with direct reporting to the AC and an administrative reporting to the Group Managing Director.

- IAD's purpose, objectives, authority and responsibilities are spelt out in the Internal Audit Charter which is approved by the Board.

- IAD's mission is to provide independent and objective assurance on governance, risk management and control systems reviewed that will improve and add value to the Company and Group.

- Updates are obtained on the developments in the internal audit profession and staff are sent for internal audit training to enable them to be competent auditors.

- The standards and practices adopted by IAD are aligned to the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors.

- IAD is committed to provide independent and objective assurance on governance, risk management and control processes according to the IPPF on Internal Auditing.

- There were two (2) staffs in IAD during the financial year.

- The total amount incurred by IAD during the financial year is RM353,007.

**Assurance Services**

- IAD prepared a risk based Annual Internal Audit Plan 2019 for the Group. The Plan was approved by the AC for implementation.

- Quarterly updates were prepared for the AC detailing the status of the 2019 Plan on the assignments completed, in progress and outstanding.

- A total of nine (9) planned and ad hoc assignments were completed covering the areas governance, control environment, risk management, tugboats operations, maintenance, vessel monitoring system and bunker.

- Internal Audit Reports were forwarded to management of the relevant departments for the necessary corrective actions.

- Internal Audit Reports and status of corrective actions taken by management were presented to AC.

# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS FROM PUBLIC ISSUE
The Company did not have a utilisation of proceeds from public issue during the financial year ended 31 December 2019.

## SHARE BUY-BACK
The Company did not have a share buy-back programme in place during the financial year ended 31 December 2019.

## OPTIONS OR CONVERTIBLE SECURITIES
The Company did not issue any options or convertible securities during the financial year ended 31 December 2019.

## DEPOSITORY RECEIPT PROGRAMME
The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2019.

## SANCTIONS AND/OR PENALTIES
There was no material sanction and/or penalty during the financial year ended 31 December 2019.

## PROFIT ESTIMATE, FORECAST OR PROJECTION
The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 December 2019.

## MATERIAL CONTACTS INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS
There was no material contract, entered by the Company and/or its subsidiaries involving the interest of Directors and/or major shareholders, either subsisting at the end of the financial year ended 31 December 2019.

## RECURRENT RELATED PARTY TRANSACTIONS
Except as disclosed, there was no recurrent related party transaction entered by the Group for the financial year ended 31 December 2019.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are ship owning and operator of marine vessels for the transportation and offshore storage of oil and gas, provider of port marine services and provision of engineering , procurement, construction , installation and commissioning of floating storage and offloading vessels whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 36,395,643 | 34,935,369 |

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

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

## DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the current financial year.

## DIRECTORS

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

| | |
|---|---|
| Ahamad bin Mohamad | |
| Dato' Ir. Abdul Hak bin Md Amin* | |
| Datuk Mohd Nasir bin Ali | |
| Rozan bin Mohd Sa'at | |
| Abdul Azmin bin Abdul Halim | |
| Aziah binti Ahmad | |
| Ir. Dr. Mohd Shahreen Zainooreen bin Madros | (Appointed on 1 October 2019) |
| Zulkifly bin Zakariah | (Appointed on 1 October 2019) |
| Dato' Mohd Redza Shah bin Abdul Wahid | (Appointed on 14 February 2020) |
| Abdul Rahim bin Omar* | (Appointed on 14 February 2020) |
| Dato' Kamaruzzaman bin Abu Kassim | (Resigned on 15 January 2020) |

* Directors of the Company and its subsidiaries.

## DIRECTORS (CONT'D.)

The names of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding a director who is already listed above are:

| | |
|---|---|
| New Kok Ho | |
| Azli bin Mohamed | |
| Methal bin Ahmad | (Appointed on 15 January 2019) |
| Heikal bin Ismail | (Appointed on 15 January 2019) |
| Idham Jihadi bin Abu Bakar | (Resigned on 15 January 2019) |
| Zulkifli bin Mohd Amin | (Resigned on 26 September 2019) |

## 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 of the Company has received or become entitled to receive a benefit (other than the 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 19 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 the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 25 to the financial statements .

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the Director or officer of the Group and of the Company.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year were as follows :

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **As at 1.1.2019** | **Acquired** | **Sold** | **As at 31.12.2019** |
| Ahamad bin Mohamad | | | | |
| - Direct | 500,000 | - | - | 500,000 |
| Dato' Ir. Abdul Hak bin Md Amin | | | | |
| - Direct | 84,550,000 | 74,550,000 | (74,250,000) | 84,850,000 |
| - Indirect | 26,006,700 | - | (2,734,200) | 23,272,500 |
| Datuk Mohd Nasir bin Ali | | | | |
| - Direct | 327,500 | - | - | 327,500 |
| Rozan bin Mohd Sa'at | | | | |
| - Direct | 327,500 | - | - | 327,500 |
| Abdul Azmin bin Abdul Halim | | | | |
| - Direct | 50,000 | - | - | 50,000 |

## DIRECTORS' INTERESTS (CONT'D.)

The interests of the Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | As at 1.1.2019 | Acquired | Sold | As at 31.12.2019 |
| *Direct interest in a related company, KPJ Healthcare Berhad* | | | | |
| Rozan bin Mohd Sa'at | 3,000 | - | - | 3,000 |

The remaining Directors in office did not hold any interest in shares and warrants in the Company or its related corporations during and at the end of the financial year.

## HOLDING COMPANIES

The details of the holding companies of the Group and of the Company are disclosed in Note 1 to the financial statements.

## OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were prepared, 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 there were no known bad debts and that adequate provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their values 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 :

(i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of the financial statements of the Group and of the Company;

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; and

(iii) 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.

(c) 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.

(d) 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.

### OTHER STATUTORY INFORMATION (CONT'D.)

(e) In the opinion of the Directors:

(i) subject to continued financial support from intermediate holding company, 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, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENT

Details of the significant events are disclosed in Note 29 to the financial statements.

### AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

| | **Group RM** | **Company RM** |
|---|---|---|
| Ernst & Young PLT | 308,455 | 208,343 |

### AUDITORS' INDEMNITY

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2020 .

**Dato' Mohd Redza Shah bin Abdul Wahid**
Chairman

**Dato' Ir. Abdul Hak bin Md Amin**
Managing Director

# STATEMENT BY DIRECTORS'

## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Mohd Redza Shah bin Abdul Wahid and Dato' Ir. Abdul Hak bin Md Amin, being two of the directors of E.A. Technique (M) Berhad, do hereby state that , in the opinion of the directors, the accompanying financial statements set out on pages 116 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2020.

**Dato' Mohd Redza Shah bin Abdul Wahid**
Chairman

**Dato' Ir. Abdul Hak bin Md Amin**
Managing Director

# STATUTORY DECLARATION

## PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Azli bin Mohamed, Malaysian Institute of Accountants No. 18588, being the officer primarily responsible for the financial management of E.A. Technique (M) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 116 to 203 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 Azli bin Mohamed
at Kuala Lumpur in the Federal Territory
on 27 February 2020.

Before me,

PESURUHJAYA SUMPAH
No. [illegible]23
FIRDAUS BT S. FAIZAL
BCM PJK
01-01-2019
31.12.2021
MALAYSIA

Lot 6, Arked Star, 23-G,
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

**Azli bin Mohamed**
MIA 18588

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF E.A. TECHNIQUE (M) BERHAD (INCORPORATED IN MALAYSIA)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

***Opinion***

We have audited the financial statements of E.A. Technique (M) Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 203.

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 2019, and of their financial performance and of their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

***Basis for opinion***

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing . Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

***Key audit matters (cont'd.)***

***Impairment of marine operating vessels***
***(Refer to Notes 2.6, 2.7, 3 and 4 to the financial statements)***

As at 31 December 2019, the carrying amounts of the Group's and of the Company's marine operating vessels of RM748.2 million and RM771.7 million represent approximately 82% and 83% of the Group's and of the Company's total assets, respectively.

The Group and the Company are required to assess at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the Group and the Company shall estimate the recoverable amount of the asset, which is the higher of fair value less cost to sell or value-in-use.

As at 31 December 2019, the carrying amount of the Group's net assets exceeded its market capitalisation, thereby indicating potential impairment of the carrying amounts of the Group's marine operating vessels.

In addition , the Group and the Company identified reduction in charter-hire rates, operating losses, amongst others, as indications that the carrying amounts of some of their marine operating vessels may be impaired.

The Group and the Company had engaged an independent firm of valuers to determine the fair value of these assets. Accordingly, the Group and the Company recognised an impairment loss of RM2.9 million for the financial year ended 31 December 2019.

We identified impairment of marine operating vessels as an area of audit focus as it involves significant management's judgement and estimates.

To address this area of audit focus:

- We evaluated the independent valuers' competency, capabilities and objectivity;
- We assessed the reasonableness of the vessels data and methodologies used by the independent valuers under comparison method, by benchmarking against available market information; and
- We checked, on a sample basis, the accuracy and relevance of the input data provided by management to the independent valuers.

***Information other than the financial statements and auditors' report***

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditors' report.

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 identified when it becomes available 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.

When we read the Group's 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

***Responsibilities of the directors for the financial statements***

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

***Auditors' responsibilities for the audit of the financial statements***

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 of the Company's internal control.

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

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

- 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

***Auditors' responsibilities for the audit of the financial statements (cont'd.)***

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.

## 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 PLT**
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

**Tan Shium Jye**
No. 02991/05/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 February 2020

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **772,620,194** | 794,646,463 |
| Right-of-use assets | 5 | **61,351,737** | - |
| Trade and other receivables | 7 | **-** | 1,313,407 |
| Deferred tax assets | 12 | **67,897** | 8,233 |
| | | **834,039,828** | 795,968,103 |
| **Current assets** | | | |
| Inventories | | **238,315** | 287,263 |
| Trade and other receivables | 7 | **53,702,978** | 46,177,301 |
| Tax recoverable | | **2,618,149** | 2,497,983 |
| Cash and bank balances | 8 | **22,606,050** | 14,478,565 |
| | | **79,165,492** | 63,441,112 |
| **Total assets** | | **913,205,320** | 859,409,215 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 9 | **169,100,000** | 169,100,000 |
| Retained earnings | 9 | **93,890,332** | 57,785,313 |
| **Total equity** | | **262,990,332** | 226,885,313 |
| **Non-current liabilities** | | | |
| Lease liabilities | 10 | **22,045,107** | - |
| Loans and borrowings | 11 | **183,956,159** | 261,829,513 |
| Deferred tax liabilities | 12 | **13,778,761** | 18,386,099 |
| | | **219,780,027** | 280,215,612 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **232,050,618** | 213,715,265 |
| Contract liabilities | 14 | **15,610,001** | - |
| Lease liabilities | 10 | **33,483,791** | - |
| Loans and borrowings | 11 | **149,285,166** | 138,585,764 |
| Current tax liabilities | | **5,385** | 7,261 |
| | | **430,434,961** | 352,308,290 |
| **Total liabilities** | | **650,214,988** | 632,523,902 |
| **Total equity and liabilities** | | **913,205,320** | 859,409,215 |

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **789,478,012** | 813,578,800 |
| Right-of-use assets | 5 | **59,460,957** | - |
| Investment in subsidiaries | 6 | **7,500,000** | 7,500,000 |
| Trade and other receivables | 7 | **-** | 1,313,407 |
| | | **856,438,969** | 822,392,207 |
| **Current assets** | | | |
| Inventories | | **238,315** | 287,262 |
| Trade and other receivables | 7 | **53,480,599** | 45,784,129 |
| Tax recoverable | | **2,018,751** | 2,018,751 |
| Cash and bank balances | 8 | **20 ,795,047** | 13,181,604 |
| | | **76,532,712** | 61,271,746 |
| **Total assets** | | **932,971,681** | 883,663,953 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 9 | **169,100,000** | 169,100,000 |
| Retained earnings | 9 | **103,501,729** | 68,566,360 |
| **Total equity** | | **272,601,729** | 237,666,360 |
| **Non-current liabilities** | | | |
| Lease liabilities | 10 | **19,753,944** | - |
| Loans and borrowings | 11 | **183,933,485** | 261,729,036 |
| Deferred tax liabilities | 12 | **13,481,760** | 18,064,024 |
| | | **217,169,189** | 279,793,060 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **244,929,042** | 227,720,964 |
| Contract liabilities | 14 | **15,610,001** | - |
| Lease liabilities | 10 | **33,450,573** | - |
| Loans and borrowings | 11 | **149,207,395** | 138,483,569 |
| Current tax liabilities | | **3,752** | - |
| | | **443,200,763** | 366,204,533 |
| **Total liabilities** | | **660,369,952** | 645,997,593 |
| **Total equity and liabilities** | | **932,971,681** | 883,663,953 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| Revenue | 15 | **271,871,718** | 418,999,965 |
| Cost of sales | 16 | **(194,933,342)** | (283,171,023) |
| **Gross profit** | | **76,938,376** | 135,828,942 |
| Other income | | **10,302,997** | 4,674,698 |
| Administrative expenses | | **(32,262,366)** | (27,952,553) |
| **Results from operating activities** | | **54,979,007** | 112,551,087 |
| Finance income | | **267,985** | 249,425 |
| Finance costs | 17 | **(22,567,377)** | (22,439,076) |
| **Profit before tax** | 18 | **32,679,615** | 90,361,436 |
| Income tax credit/(expense) | 20 | **3,716,028** | (16,128,734) |
| Profit net of tax, representing total comprehensive income for the year | | **36,395,643** | 74,232,702 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **36,395,643** | 74,232,702 |
| **Earnings per share attributable to owners of the parent (sen)** | | | |
| Basic | 21 | **7.22** | 14.73 |

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

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Revenue | 15 | **270,991,363** | 418,010,575 |
| Cost of sales | 16 | **(200,466,796)** | (288,617,330) |
| **Gross profit** | | **70,524,567** | 129,393,245 |
| Other income | | **10,301,974** | 4,952,507 |
| Administrative expenses | | **(28,304,411)** | (23,905,469) |
| **Results from operating activities** | | **52,522,130** | 110,440,283 |
| Finance income | | **244,634** | 214,185 |
| Finance costs | 17 | **(22,413,300)** | (22,415,856) |
| **Profit before tax** | 18 | **30,353,464** | 88,238,612 |
| Income tax credit/(expense) | 20 | **4,581,905** | (15,716,106) |
| Profit net of tax, representing total comprehensive income for the year | | **34,935,369** | 72,522,506 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **34,935,369** | 72,522,506 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Non-distributable Share capital RM | Distributable retained earnings/ Non-distributable accumulated losses RM | Total RM |
|---|---|---|---|---|
| **At 1 January 2018** | | 169,100,000 | (16,447,389) | 152,652,611 |
| Total comprehensive income for the year | | - | 74,232,702 | 74,232,702 |
| At 31 December 2018/1 January 2019 (as previously stated) | | 169,100,000 | 57,785,313 | 226,885,313 |
| Effect of adoption of MFRS 16 | 30 | - | (290,624) | (290,624) |
| **Restated balance at 1 January 2019** | | 169,100,000 | 57,494,689 | 226,594,689 |
| Total comprehensive income for the year | | - | 36,395,643 | 36,395,643 |
| **At 31 December 2019** | | 169,100,000 | 93,890,332 | 262,990,332 |

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Non-distributable Share capital RM | Distributable retained earnings/ Non-distributable accumulated losses RM | Total RM |
|---|---|---|---|---|
| **At 1 January 2018** | | 169,100,000 | (3,956,146) | 165,143,854 |
| Total comprehensive income for the year | | - | 72,522,506 | 72,522,506 |
| **At 31 December 2018/1 January 2019** | | 169,100,000 | 68,566,360 | 237,666,360 |
| Total comprehensive income for the year | | - | 34,935,369 | 34,935,369 |
| **At 31 December 2019** | | 169,100,000 | 103,501,729 | 272,601,729 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | **32,679,615** | 90,361,436 |
| Adjustments for: | | |
| Property, plant and equipment: | | |
| Loss on disposal | **-** | 519,898 |
| Depreciation | **79,154,665** | 74,093,234 |
| Impairment loss | **2,905,749** | 2,128,036 |
| Right-of-use assets: | | |
| Depreciation | **7,418,674** | - |
| Finance costs on conventional financing | **12,446,023** | 13,668,834 |
| Profit charge on Islamic financing | **8,350,788** | 8,770,242 |
| Finance income | **(267,985)** | (249,425) |
| Allowance for impairment losses on receivables | **22,831** | - |
| Reversal of impairment losses on trade receivables | **(615,838)** | (20,000) |
| Unrealised foreign exchange gain | **(3,867,260)** | (1,625, 115) |
| Accretion of interest on lease liabilities | **1,770,566** | - |
| Operating profit before changes in working capital | **139,997,828** | 187,647,140 |
| Changes in working capital: | | |
| Decrease/(increase) in inventories | **48,948** | (287,262) |
| (Increase)/decrease in trade and other receivables | **(5,609,497)** | 18,999,946 |
| Increase/(decrease) in trade and other payables and contract liabilities | **30,441,885** | (98,507,272) |
| Cash generated from operations | **164,879,164** | 107,852,552 |
| Interest received | **267,985** | 249,425 |
| Interest paid on conventional financing | **(12,446,023)** | (11,705,238) |
| Profit paid on Islamic financing | **(8,350,788)** | (7,510,353) |
| Tax (paid)/recovered | **(981,240)** | 1,404,659 |
| **Net cash generated from operating activities** | **143,369,098** | 90,291,045 |
| **Cash flows from investing activities** | | |
| Net redemption in short term deposits, fixed and security deposits pledged | **(187,505)** | (822,700) |
| Purchase of property, plant and equipment | **(60,034,145)** | (65,471,477) |
| Proceed from disposal of property, plant and equipment | **-** | 1,665,448 |
| **Net cash used in from investing activities** | **(60,221,650)** | (64,628,729) |

| | | 2019 RM | 2018 RM |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from loan from shareholders | | **-** | 35,250,000 |
| Repayment of conventional term loan | | **(33,654,891)** | (37,317,535) |
| Repayment of Islamic term financing facilities | | **(71,322,160)** | (49,354,849) |
| Drawdown from conventional term loan | | **27,680,882** | - |
| Drawdown from Islamic term financing facilities | | **13,162,500** | 18,937,677 |
| Net repayment of finance lease | | **(102,226)** | (197,262) |
| Repayment of lease liabilities | | **(10,577,670)** | - |
| **Net cash used in financing activities** | | **(74,813,565)** | (32,681,969) |
| **Net increase/(decrease) in cash and cash equivalents** | | **8,333,883** | (7,019,653) |
| **Cash and cash equivalents at 1 January** | (i) | **729,644** | 7,749,297 |
| **Cash and cash equivalents at 31 December** | (i) | **9,063,527** | 729,644 |

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| Cash and bank balances | 8 | **14,577,490** | 6,637,510 |
| Fixed and security deposits with licensed banks | 8 | **8,028,560** | 7,841,055 |
| | | **22,606,050** | 14,478,565 |
| Less: Bank overdrafts | 11 | **(5,513,963)** | (5,907,866) |
| | | **17,092,087** | 8,570,699 |
| Less: Fixed and security deposits pledged | 8 | **(8,028,560)** | (7,841,055) |
| | | **9,063,527** | 729,644 |

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

# STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | 2019 RM | 2018 RM |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | **30,353,464** | 88,238,612 |
| Adjustments for: | | |
| Property, plant and equipment: | | |
| Loss on disposal | **-** | 512,135 |
| Depreciation | **80,267,983** | 75,146,714 |
| Impairment loss | **2,905,749** | 2,128,036 |
| Right-of-use assets: | | |
| Depreciation | **7,336,182** | - |
| Finance costs on conventional financing | **12,437,055** | 13,645,614 |
| Profit charge on Islamic financing | **8,350,788** | 8,770,242 |
| Finance income | **(244,634)** | (214,185) |
| Reversal of impairment losses on trade receivables | **(615,838)** | (20,000) |
| Unrealised foreign exchange gain | **(3,832,944)** | (1,688,283) |
| Accretion of interest on lease liabilities | **1,625,457** | - |
| Operating profit before changes in working capital | **138,583,262** | 186,518,885 |
| Changes in working capital: | | |
| Decrease/(increase) in inventories | **48,947** | (287,262) |
| (Increase)/decrease in trade and other receivables | **(5,837,049)** | 17,386,002 |
| Increase/(decrease) in trade and other payables and contract liabilities | **29,477,485** | (93,412,389) |
| Cash generated from operations | **162,272,645** | 110,205,236 |
| Interest received | **244,634** | 214,185 |
| Interest paid on conventional financing | **(12,437,055)** | (11,683,324) |
| Profit paid on Islamic financing | **(8,350,788)** | (7,509,048) |
| Tax recovered | **3,393** | 2,214,056 |
| **Net cash generated from operating activities** | **141,732,829** | 93,441,105 |
| **Cash flows from investing activities** | | |
| Net redemption in short term deposits, fixed and security deposits pledged | **(161,631)** | (1,079,135) |
| Purchase of property, plant and equipment | **(59,072,944)** | (69,287,759) |
| Proceed from disposal of property, plant and equipment | **-** | 1,643,407 |
| **Net cash used in from investing activities** | **(59,234,575)** | (68,723,487) |

| | | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from loan from shareholders | | **-** | 35,250,000 |
| Repayment of conventional term loan | | **(33,654,891)** | (37,317,535) |
| Repayment of Islamic term financing facilities | | **(71,322,160)** | (49,354,849) |
| Drawdown from conventional term loan | | **27,680,882** | - |
| Drawdown from Islamic term financing facilities | | **13,162,500** | 18,937,677 |
| Net repayment of finance lease | | **(6,448)** | (42,461) |
| Repayment of lease liabilities | | **(10,512,422)** | - |
| **Net cash used in financing activities** | | **(74,652,539)** | (32,527,168) |
| **Net increase/(decrease) in cash and cash equivalents** | | **7,845,715** | (7,809,550) |
| **Cash and cash equivalents at 1 January** | (i) | **135,014** | 7,944,564 |
| **Cash and cash equivalents at 31 December** | (i) | **7,980,729** | **135,014** |

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts :

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Cash and bank balances | 8 | **13,494,692** | 6,042,880 |
| Fixed and security deposits with licensed banks | 8 | **7,300,355** | 7,138,724 |
| | | **20,795,047** | 13,181,604 |
| Less: Bank overdrafts | 11 | **(5,513,963)** | (5,907,866) |
| | | **15,281,084** | 7,273,738 |
| Less: Fixed and security deposits pledged | 8 | **(7,300 ,355)** | (7,138,724) |
| | | **7,980,729** | 135,014 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 1. CORPORATE INFORMATION

E.A. Technique (M) Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor. The principal place of business of the Company is located at Setiawangsa Business Suites, Unit C-3A-3A, No. 2, Jalan Setiawangsa, 54200 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The immediate holding company is Sindora Berhad, a company incorporated in Malaysia.

The intermediate holding company is Kulim (Malaysia) Berhad, a company incorporated in Malaysia.

The ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by Enactment No. 5, 1995).

The principal activities of the Company are ship owning and operator of marine vessels for the transportation and offshore storage of oil and gas, provider of port marine services and provision of engineering, procurement, construction, installation and commissioning of floating storage and offloading vessels .

The principal activities of its subsidiaries are disclosed in Note 6.

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

These financial statements were authorised for issue by the Board of Directors on 27 February 2020.

### 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 ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2019 as fully described in Note 2.2.

The financial statements have also been prepared on the historical cost basis and are presented in Ringgit Malaysia ("RM").

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise judgement in the process of applying the Group's and Company's accounting policies, the areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in Note 3.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.1 Basis of preparation (cont'd.)

As at 31 December 2019, the Group's and the Company's current liabilities exceeded their current assets by RM351,269,469 and RM366,668,051 respectively. This factor may indicate the existence of material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concerns, and therefore may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors are of the view that the going concern assumption used in the preparation of the financial statements of the Group and of the Company is still appropriate and there is no material uncertainty about the Group's and the Company's ability to continue as going concerns. The Group and the Company have profitable vessel charter hire operations as disclosed in Note 27 that generate positive operating cash flows and the Group and the Company have secured sufficient financing facilities from external financial institutions and from their intermediate holding company.

### 2.2 Changes in accounting policies

The account ing policies adopted are consistent with those of the previous financial year except as follow:

On 1 January 2019, the Group and the Company adopted the following amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| MFRS 16: Leases | 1 January 2019 |
| Amendments to MFRS 128: Long Term Interest in Associates and Joint ventures | 1 January 2019 |
| Amendments to MFRS 3: Business Combinations : Previously Held Interest in Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 11: Joint Arrangements: Previously Held Interest in Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 112: Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRSs 2015-2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle) | 1 January 2019 |
| IC Interpretations 23: uncertainty over Income Tax Treatments | 1 January 2019 |

Other than the adoption of MFRS 16, the application of these amendments, improvements and interpretation did not have any material impact on the Group's and the Company's current period or any prior period and is not likely to affect future periods financial statements. The detailed impact of the changes are disclosed in Note 2.14 and Note 30.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Standards, amendments and interpretations issued but not yet effective

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 2 Share - Based Payments | 1 January 2020 |
| Amendments to MFRS 3 Business Combinations -Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101 Presentation of Financial Statements | 1 January 2020 |
| MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material | 1 January 2020 |
| Amendments to MFRS 134 Interim Financial Reporting | 1 January 2020 |
| Amendments to MFRS 137 Provisions , Contingent Liabilities and Contingent Assets | 1 January 2020 |
| Amendments to MFRS 138 Intangible Assets | 1 January 2020 |
| Amendments to IC Interpretation 19 Extinguishing Financial Liabilties with Equity Instruments | 1 January 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The Directors expect that the adoption of the above standards, amendments and interpretations will have no material impact on the financial statements in the period of initial application.

### 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 (such as 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 (CONT'D.)

### 2.4 Basis of consolidation (cont'd.)

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 Group'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 .

Subsidiary is 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 and each component of other comprehensive loss within a subsidiary are attributed to the parent and non-controlling interests, even if that results in the non-controlling interest having 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 owner of the Company .

When the Group loses control of a subsidiary, gain or loss is 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 and goodwill**

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 9 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 9, it is measured in accordance with the appropriate MFRS.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Basis of consolidation (cont'd.)

**Business combinations and goodwill (cont'd.)**

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 and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 2.5 Foreign currencies

**(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 functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency 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.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit and 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 in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.6 Property, plant and equipment

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

Subsequent to recognition, property, 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:

| | |
|---|---|
| – Vessels | 6-25 years |
| – Dry-docking | 2.5-5 years |
| – Shipyard | 15 years |
| – Buildings | 50 years |
| – Motor vehicles | 5 years |
| – Forklifts | 5 years |
| – Renovation | 5 years |
| – Furniture, fittings and office equipment | 3-10 years |

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

Residual value of the vessels is estimated by management as equivalent to the light weight tonnage of the vessels times the estimated long term price of steel per tonne.

Dry-docking costs which enhance the useful lives of the vessels are capitalised in the year they are incurred and amortised over 2.5 to 5 years until the next dry-docking.

Vessel under construction, shipyard under construction and equipment under construction are not depreciated until the assets are ready for their intended 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.7 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 not exceeding 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. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.8 Investment in subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) power over the investee (such as 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.

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. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy on impairment of non-financial assets as set out in Note 2.7.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets -classification and measurement**

(i) Classification

The Group and the Company classify its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

– those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership .

(iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify and measure its debt instruments as follows:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.9 Financial instruments (cont'd.)

**Financial assets -classification and measurement (cont'd.)**

(iii) Measurement (cont'd.)

**Debt instruments (cont'd.)**

(b) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses) . Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

(c) Fair value through statement of profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

**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.

(i) Impairment for debt instruments

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Accrued receivables
- Other receivables
- Inter-company receivables

While cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.9 Financial instruments (cont'd.)

**Impairment of financial assets (cont'd.)**

(i) Impairment for debt instruments (cont'd.)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes ;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*General 3-stage approach for other receivables and inter-company balances*

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

*Simplified approach for trade receivables and accrued receivables*

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and accrued receivables.

(ii) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor .

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.9 Financial instruments (cont'd.)

**Impairment of financial assets (cont'd .)**

(iii) Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired when it meets one of the following criteria:

*Quantitative criteria*

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days or when they fall due.

*Qualitative criteria*

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

(iv) Groupings of instruments for ECL measurement

*Individual assessment*

Trade receivables and accrued receivables which are in default or credit-impaired are assessed individually.

Other receivables and inter-company balances in the Group's and the Company's financial statements are assessed on individual basis for ECL measurement , as credit risk information is obtained and monitored individually.

(v) Write off

*Trade receivables*

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Accrued receivables, other receivables and inter-company balances*

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.9 Financial instruments (cont'd.)

**Financial liabilities**

Financial liabilities are recognised on the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities comprise trade and other payables, amounts due to a subsidiary, immediate holding company, intermediate holding company, ultimate holding company and related company and loans and borrowings.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective finance method.

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

Borrowings are classified as current liabilities unless the Group or the Company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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 difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

When borrowings measured at amortised cost are modified without resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost.

**Offsetting of financial instruments**

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

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and deposits with a licensed bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### 2.11 Construction contracts

The Group and the Company provide various construction contract services, including engineering, procurement, construction, installation and commissioning of floating storage and offloading vessels ("EPCIC").

Construction contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from construction contracts is measured at the fixed transaction price agreed net of expected liquidated ascertained damages ("LAD") payment, variations in contract work, claims and incentives based on the expected value method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.11 Construction contracts (cont'd.)

Revenue from construction contracts is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer . Control of the asset is transferred over time as the Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group and the Company recognise revenue over time using the input method, which is based on the level the proportion that the construction costs incurred to date bear to the estimated total costs for the construction contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as recoverables, prepayments or other assets,depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as contract assets. Conversely, where progress billings exceed costs incurred and attributable profit, the balance is shown as contract liabilities .

### 2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition .

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.

### 2.13 Provisions

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

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

### 2.14 Leases

The Group and the Company have applied MFRS 16 using modified restropective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019 . Accordingly, the comparative information presented for 2018 has not been restated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.14 Leases (cont'd.)

Accounting policies applied from 1 January 2019

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(a) As lessee**

The Group and the Company apply a single recognition and measurement approach for all lease , except for short-term leases and lease of low-value assets. The Group and the Company recognise lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise a right-of-use assets at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognised lease liabilities measured at the present value of lease payments to be made over the lease term. The lease term payment include fixed payment less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees . The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and the payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets . The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(b) As lessor**

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease , if not, then it is an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income. The accounting policy for charter hire income is set out in Note 2.18(a).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.14 Leases (cont'd.)

Accounting policies applied until 31 December 2018

**(a) As lessee**

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

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group 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.

**(b) As lessor**

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income.

### 2.15 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 incurred in connection with the borrowing of funds.

### 2.16 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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 (CONT'D.)

### 2.17 Employee benefits

#### (a) Short term benefits

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

#### (b) Defined contribution plans

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme . Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.18 Revenue

The Group's and the Company's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group is in the business of owning ships and marine vessels and leasing them to third parties; and provision of procurement, construction, installation and commissioning services.

#### (a) Vessel charter hire income

Most vessel charter hire income is recognised on straight-line basis over the lease term determined at the inception of the lease.

Certain charter hire income is recognised when services are rendered and are computed at the contracted daily rate.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

#### (b) Revenue from contracts with customers: Other shipping related income and non-shipping income

Income from service rendered is recognised net of service taxes and discounts as and when the services are performed.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.18 Revenue (cont'd.)

**(c) Interest income and other income**

Interest income is recognised as it accrues, using the effective interest method.

Other income is recognised when services are rendered to the customers and recognised on an accrual basis.

**(d) Engineering, procurement, construction, installation and commissioning ("EPCIC") income**

EPCIC income arises from provision of engineering, procurement, construction, installation and commissioning of a floating, storage and offloading ("FSO") vessel.

The contract includes multiple deliverables of services. If these services require significant integration and highly interrelated to each other, there is no distinct separate performance obligation hence no allocation of transaction price is required. However, if each of these services is simple, does not include an integrated service and could be performed by another party, it is then accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

**(e) Contract balances**

Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

A contract liability is the obligation to transfer goods or services to a customer for which the Group and Company have received consideration (or an amount of consideration is due) from the customer.

### 2.19 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.

**(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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.19 Income taxes (cont'd.)

#### (b) Deferred tax (cont'd.)

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 assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.20 Fair value measurement

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:

(a) in the principal market for the asset or liability; or

(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.21 Segment reporting

For management purposes, the Group is organised into operating segments based on their 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 Group 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 27, including the factors used to identify the reportable segments and the measurement basis of segment information .

### 2.22 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 classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading ;

(iii) expected to be realised within twelve months after the reporting period; or

(iv) 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 classified as current when:

(i) it is expected to be settled in the normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) 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 .

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and of the Company's financial statements requires the Directors 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.

### (a) Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

### (b) 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 is discussed below:

#### (i) Impairment review of vessels' carrying amount

The Group and the Company assess at each reporting date whether there is any indication that the asset may be impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider external and internal factors such as the current economic outlook, average utilisation rate as well as ability of the entity to secure long term contract. Where there is objective evidence of impairment , the amount of impairment loss is measured at the difference between the asset's carrying amount and the recoverable amount. The recoverable amount of an asset is a higher of the fair value less cost to sell and its value in use.

To determine fair value less cost to sell requires an estimation on price at which an orderly transaction to sell the asset would take place between market participants under current market condition. While to determine value in use requires estimation on the future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### (ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences , tax credits or tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. The total carrying value of recognised deferred tax assets of the Group and of the Company is disclosed in Note 12.

#### (iii) Depreciation of vessels and equipment on vessel

The cost of vessels and equipment on vessel are depreciated on a straight-line basis over the assets' useful life. Management estimates the useful lives of the Group's and of the Company's vessels to be between 2.5 to 25 years depending on the type of vessels. These are common life expectancies applied in the shipping industry. Changes in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

#### (iv) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values . The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 4. PROPERTY, PLANT AND EQUIPMENT

| Group | Vessels RM | Vessels under construction RM | Buildings RM | Shipyard RM | Shipyard under construction RM | Motor vehicles RM | Forklifts RM | Renovation RM | Furniture, fittings and office equipment RM | Equipment under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| At 1 January 2019 | 1,114,936,924 | 17,416,067 | 1,696,912 | 4,889,268 | 2,301,349 | 876,323 | 364,000 | 707,735 | 1,320,269 | - | 1,144,508,847 |
| Additions | 8,227,274 | 35,385,393 | - | - | - | - | - | 9,798 | 5,236 | 16,406,444 | 60,034,145 |
| Transfers | - | - | - | 191, 574 | (191, 574) | - | - | - | - | - | - |
| At 31 December 2019 | 1,123,164,198 | 52,801,460 | 1,696,912 | 5,080,842 | 2,109,775 | 876,323 | 364,000 | 717,533 | 1,325,505 | 16,406,444 | 1,204,542,992 |
| **Accumulated depreciation and impairment** | | | | | | | | | | | |
| At 1 January 2019 | 344,142,087 | 2,128,036 | 399,265 | 340,416 | - | 813,975 | 327,598 | 645,154 | 1,065,853 | - | 349,862,384 |
| Charge for the year (Note 18) | 78,601,159 | - | 33,938 | 340,416 | - | 20,400 | 36,402 | 22,771 | 99,579 | - | 79,154,665 |
| Impairment (Note 18) | 750,075 | 2,155,674 | - | - | - | - | - | - | - | - | 2,905,749 |
| At 31 December 2019 | 423,493,321 | 4, 283,710 | 433,203 | 680,832 | - | 834,375 | 364,000 | 667,925 | 1,165,432 | - | 431,922,798 |
| **Net carrying amount** | | | | | | | | | | | |
| At 31 December 2019 | 699, 670,877 | 48,517,750 | 1,263,709 | 4,400,010 | 2,109,775 | 41,948 | - | 49,608 | 160, 073 | 16,406,444 | 772,620,194 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group | Vessels RM | Vessels under construction RM | Buildings RM | Shipyard RM | Shipyard under construction RM | Motor vehicles RM | Forklifts RM | Renovation RM | Furniture, fittings and office equipment RM | Equipment under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| At 1 January 2018 | 1,054,847,246 | 15,052,768 | 1,696,912 | - | 7,272,045 | 876,323 | 364,000 | 745,220 | 1,075,100 | - | 1,081,929,614 |
| Additions | 62,884,768 | 2,363,299 | - | - | 191,572 | - | - | - | 31,838 | - | 65,471,477 |
| Disposals | (2,795,090) | - | - | - | - | - | - | (37,485) | (59,669) | - | (2,892,244) |
| Transfers | - | - | - | 4,889,268 | (5,162,268) | - | - | - | 273,000 | - | - |
| At 31 December 2018 | 1,114,936,924 | 17,416,067 | 1,696,912 | 4,889,268 | 2,301,349 | 876,323 | 364,000 | 707,735 | 1,320,269 | - | 1,144,508,847 |
| **Accumulated depreciation and impairment** | | | | | | | | | | | |
| At 1 January 2018 | 271,335,711 | - | 365,327 | - | - | 772,881 | 254,798 | 628,399 | 990,898 | - | 274,348,014 |
| Charge for the year (Note 18) | 73,445,921 | - | 33,938 | 340,416 | - | 41,094 | 72,800 | 37,997 | 121,068 | - | 74,093,234 |
| Impairment (Note 18) | - | 2,128,036 | | - | - | - | - | - | - | - | 2,128,036 |
| Disposals | (639,545) | - | - | - | - | - | - | (21,242) | (46,113) | - | (706,900) |
| At 31 December 2018 | 344,142,087 | 2,128,036 | 399,265 | 340,416 | - | 813,975 | 327,598 | 645,154 | 1,065,853 | - | 349,862,384 |
| **Net carrying amount** | | | | | | | | | | | |
| At 31 December 2018 | 770,794,837 | 15,288,031 | 1,297,647 | 4,548,852 | 2,301,349 | 62,348 | 36,402 | 62,581 | 254,416 | - | 794,646,463 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Company | Vessels RM | Vessels under construction RM | Buildings RM | Motor vehicles RM | Renovation RM | Furniture, fittings and office equipment RM | Equipment under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2019 | 1,144,170,200 | 20,759,656 | 1,696,912 | 605,378 | 707,735 | 819,482 | - | 1,168,759,363 |
| Additions | 6,648,571 | 36,002,893 | - | - | 9,798 | 5,238 | 16,406,444 | 59,072,944 |
| At 31 December 2019 | 1,150,818,771 | 56,762,549 | 1,696,912 | 605,378 | 717,533 | 824,720 | 16,406,444 | 1,227,832,307 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2019 | 350,687,166 | 2,128,036 | 399,265 | 600,776 | 645,155 | 720,165 | - | 355,180,563 |
| Charge for the year (Note 18) | 80,185,359 | - | 33,938 | 1,151 | 22,771 | 24,764 | - | 80,267,983 |
| Impairment (Note 18) | 750,075 | 2,155,674 | - | - | - | - | - | 2,905,749 |
| At 31 December 2019 | 431,622,600 | 4,283,710 | 433,203 | 601,927 | 667,926 | 744,929 | - | 438,354,295 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2019 | 719,196,171 | 52,478,839 | 1,263,709 | 3,451 | 49,607 | 79,791 | 16,406,444 | 789,478,012 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Company | Vessels RM | Vessels under construction RM | Buildings RM | Motor vehicles RM | Renovation RM | Furniture, fittings and office equipment RM | Equipment under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2018 | 1,083,416,257 | 15,052,768 | 1,696,912 | 605,378 | 707,735 | 787,644 | - | 1,102,266,694 |
| Additions | 63,549,033 | 5,706,888 | - | - | - | 31,838 | - | 69,287,759 |
| Disposal | (2,795,090) | - | - | - | - | - | - | (2,795,090) |
| At 31 December 2018 | 1,144,170,200 | 20,759,656 | 1,696,912 | 605,378 | 707,735 | 819,482 | - | 1,168,759,363 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2018 | 276,319,477 | - | 365,327 | 578,931 | 607,158 | 674,468 | - | 278,545,361 |
| Charge for the year (Note 18) | 75,007,237 | - | 33,938 | 21,845 | 37,997 | 45,697 | - | 75,146,714 |
| Impairment (Note 18) | - | 2,128,036 | - | - | - | - | - | 2,128,036 |
| Disposal | (639,548) | - | - | - | - | - | - | (639,548) |
| At 31 December 2018 | 350,687,166 | 2,128,036 | 399,265 | 600,776 | 645,155 | 720,165 | - | 355,180,563 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2018 | 793,483,034 | 18,631,620 | 1,297,647 | 4,602 | 62,580 | 99,317 | - | 813,578,800 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

### (a) Security

Net carrying amount of assets pledged as security for islamic term financing, overdraft and term loan facilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Vessels | **699,670,877** | 770,794,837 | **719,196,171** | 793,483,034 |
| Vessels under construction | **38,344,266** | 2,356,410 | **41,590,286** | 5,700,412 |
| | **738,015,143** | 773,151,247 | **760,786,457** | 799,183,446 |

### (b) Assets held under finance lease

The net carrying amount of office equipment, motor vehicles, forklifts of the Group held under finance lease arrangements are RM93,097 (2018: RM203,347).

### (c) Borrowing costs

In the current financial year, included in vessels under construction of the Group and of the Company was interest capitalised of RM333,333 (2018: RM Nil).

### (d) Impairment of vessels

In the current financial year, impairment loss of RM2,905,749 (2018: RM2,128,036) representing the write-down of certain vessels to their recoverable amounts was recognised. The recoverable amounts are based on the higher of fair value less cost to sell and value in use and are determined at the level of each of the CGUs. In determining the recoverable amounts of these vessels, the Group and the Company had engaged an independent firm of valuers to perform valuation on the vessels. The independent valuers estimated the fair value of each vessel in reference to latest market transaction taking into consideration significant factors such as vessels' classification, age, year built and engine capacity).

## 5. RIGHT-OF-USE ASSETS

The Group has lease contracts for the lease of it shipyard, vessels and equipment used in its operations. Leases of leasehold land has lease terms of 30 years, while vessels and equipment have lease terms of 2 years.

| | Leasehold land RM | Vessels RM | Equipment RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| As at 1 January 2019 | 1,973,272 | 14,672,364 | - | 16,645,636 |
| Additions | - | 44,748,188 | 7,376,587 | 52,124,775 |
| Depreciation expenses recognised in profit or loss (Note 18) | (82,492) | (7,336,182) | - | (7,418,674) |
| As at 31 December 2019 | 1,890,780 | 52,084,370 | 7,376,587 | 61,351,737 |
| **Company** | | | | |
| As at 1 January 2019 | - | 14,672,364 | - | 14,672,364 |
| Additions | - | 44,748,188 | 7,376,587 | 52,124,775 |
| Depreciation expenses recognised in profit or loss (Note 18) | - | (7,336,182) | - | (7,336,182) |
| As at 31 December 2019 | - | 52,084,370 | 7,376,587 | 59,460,957 |

## 6. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **At cost:** | | |
| Unquoted shares in Malaysia | **7,500,000** | 7,500,000 |

**Details of the subsidiaries are as follows:**

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2019 % | 2018 % |
|---|---|---|---|---|
| Johor Shipyard and Engineering Sdn. Bhd | Malaysia | Shipbuilding, ship repair, minor fabrication of steel structures, engineering services and consultancy | **100** | 100 |
| Libra Perfex Precision Sdn. Bhd. | Malaysia | Hiring and chartering of marine vessels | **100** | 100 |

## 7. TRADE AND OTHER RECEIVABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| **Trade** | | |
| Current | | |
| Trade receivables [a] | **29,130,870** | 34,621,842 |
| Accrued revenue from charter hire [a] | **8,545,200** | 7,392,033 |
| Less: Allowance for impairment | **(21,070)** | (615,838) |
| | **37,655,000** | 41,398,037 |
| **Non-trade** | | |
| Non-current | | |
| Other receivables | **-** | 1,313,407 |
| Current | | |
| Other receivables | **4,649,459** | 2,868,486 |
| Deposits | **276,871** | 265,007 |
| Others [c] | **6,555,250** | - |
| Prepayments | **4,568,159** | 1,645,771 |
| Less: Allowance for impairment | **(1,761)** | - |
| | **16,047,978** | 4,779,264 |
| Total trade and other receivables | | |
| - Non-current | **-** | 1,313,407 |
| - Current | **53,702,978** | 46,177,301 |
| Add: Cash and bank balances | **21,877,845** | 13,776,234 |
| Add: Short term deposits | **728,205** | 702,331 |
| Less: Prepayments | **(4,568,159)** | (1,645,771) |
| Total financial assets at amortised costs | **71,740,869** | 60,323,502 |

## 7. TRADE AND OTHER RECEIVABLES (CONT'D.)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Company** | | |
| **Trade** | | |
| Current | | |
| Trade receivables [a] | **26,008,057** | 27,360,801 |
| Accrued revenue from charter hire [a] | **8,545,200** | 7,392,032 |
| Amount due from a subsidiary [b] | | |
| - Trade | **2,934,701** | 3,275,139 |
| - Accrued revenue from charter hire | **-** | 3,779,523 |
| Less: Allowance for impairment | **-** | (615,838) |
| | **37,487,958** | 41,191,657 |
| **Non-trade** | | |
| Non-current | | |
| Other receivables | **-** | 1,313,407 |
| Current | | |
| Other receivables | **4,494,800** | 2,586,795 |
| Deposits | **225,893** | 211,367 |
| Others [c] | **6,555,250** | - |
| Prepayments | **4,568,159** | 1,645,771 |
| Amount due from a subsidiary [b] | **148,539** | 148,539 |
| | **15,992,641** | 4,592,472 |
| Total trade and other receivables | | |
| - Non-current | **-** | 1,313,407 |
| - Current | **53,480,599** | 45,784,129 |
| Add: Cash and bank balances | **20,795,047** | 13,181,603 |
| Less: Prepayments | **(4,568,159)** | (1,645,771) |
| Total financial assets at amortised costs | **69,707,487** | 58,633,368 |

### (a) Trade receivables

The Group and the Company determine concentration of credit risk by monitoring individual profile of their trade receivables on an ongoing basis. The Group's significant concentration of credit risks are in the form of three (2018: three) major customers which constitute approximately 73% (2018: 73%) of the total trade receivables . The Company's significant concentration of credit risks are in the form of three (2018: two) major customers which constitute approximately 79% (2018: 66%) of the total trade receivables. There are no other customers which represent more than 10% of the total balance of trade receivables.

## 7. TRADE AND OTHER RECEIVABLES (CONT'D.)

### (a) Trade receivables (cont'd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 31 December 2018 which are grouped together as they are expected to have similar risk nature.

| | Gross carrying amount RM | Loss allowance RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| Not past due | **28,520,573** | **-** | **28,520,573** |
| Past due 30 - 59 days | **8,146,972** | **-** | **8,146,972** |
| Past due 60 - 90 days | **109,375** | **-** | **109,375** |
| Past due more than 90 days | **878,080** | **-** | **878,080** |
| | **37,655,000** | **-** | **37,655,000** |
| **Credit impaired** | | | |
| Past due more than 90 days | **21,070** | **(21,070)** | **-** |
| | **37,676,070** | **(21,070)** | **37,655,000** |
| **2018** | | | |
| Not past due | 28,972,206 | - | 28,972,206 |
| Past due 30 - 59 days | 10,960,894 | - | 10,960,894 |
| Past due 60 - 90 days | 851,040 | - | 851,040 |
| Past due more than 90 days | 613,897 | - | 613,897 |
| | 41,398,037 | - | 41,398,037 |
| **Credit impaired** | | | |
| Past due more than 90 days | 615,838 | (615,838) | - |
| | 42,013,875 | (615,838) | 41,398,037 |

## 7. TRADE AND OTHER RECEIVABLES (CONT'D.)

### (a) Trade receivables (cont'd.)

| | Gross carrying amount RM | Loss allowance RM | Net balance RM |
|---|---|---|---|
| **Company** | | | |
| **2019** | | | |
| Not past due | **28,910,027** | **-** | **28,910,027** |
| Past due 30 - 59 days | **7,590,476** | **-** | **7,590,476** |
| Past due 60 - 90 days | **109,375** | **-** | **109,375** |
| Past due more than 90 days | **878,080** | **-** | **878,080** |
| | **37,487,958** | **-** | **37,478,958** |
| **2018** | | | |
| Not past due | 30,895,106 | - | 30,895,106 |
| Past due 30 - 59 days | 8,852,685 | - | 8,852,685 |
| Past due 60 - 90 days | 851,040 | - | 851,040 |
| Past due more than 90 days | 592,826 | - | 592,826 |
| | 41,191,657 | - | 41,191,657 |
| **Credit impaired** | | | |
| Past due more than 90 days | 615,838 | (615,838) | - |
| | 41,807,495 | (615,838) | 41,191,657 |

The movements  in the allowance for impairment in respect of trade receivables are shown as below:

| | Group credit impaired RM | Company credit impaired RM |
|---|---|---|
| **Balance as at 1 January 2018** | 635,838 | 635,838 |
| Reversal of impairment loss (Note 18) | (20,000) | (20,000) |
| **Balance as at 1 January 2019** | 615,838 | 615,838 |
| Reversal of impairment loss (Note 18) | (615,838) | (615,838) |
| Increase in loss allowance during the year | 21,070 | - |
| **Balance at 31 December 2019** | 21,070 | - |

## 7. TRADE AND OTHER RECEIVABLES (CONT'D.)

### (b) Amount due from a subsidiary

The trade portion of amount due from a subsidiary is subject to normal trade term while the non-trade portion of amount due from a subsidiary is unsecured, interest free and repayable on demand .

### (c) Others

Others represent costs incurred to fulfill contract with customer in relation to the contract liabilities disclosed in Note 14.

## 8. CASH AND BANK BALANCES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| Fixed and security deposits with licensed banks | | |
| - less than 3 months | **7,300,355** | 7,138,724 |
| - more than 3 months | **728,205** | 702,331 |
| Cash and bank balances | **14,577,490** | 6,637,510 |
| | **22,606,050** | 14,478,565 |
| **Company** | | |
| Fixed and security deposits with licensed banks | **7,300,355** | 7,138,724 |
| Cash and bank balances | **13,494,692** | 6,042,880 |
| | **20,795,047** | 13,181,604 |

The deposits placed with licensed banks for the Group and the Company are all pledged for bank facilities.

Fixed and security deposits with licensed banks of the Group earn interest ranging from 3% to 4% (2018 : 3% to 4%) per annum and have maturity periods ranging from 30 days to 365 days (2018: 30 days to 365 days) .

Fixed and security deposits with licensed banks of the Company earn interest at 3% (2018: 3%) per annum and have maturity periods of 30 days (2018: 30 days).

## 9. SHARE CAPITAL AND RETAINED EARNINGS

### Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount RM | Number of shares | Amount RM | Number of shares |
| Issued and fully paid ordinary shares: | **169,100,000** | 504,000,000 | **169,100,000** | 504,000,000 |

### Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2019 and 31 December 2018 under single tier system.

## 10. LEASE LIABILITIES

| | 2019 | |
|---|---|---|
| | Group RM | Company RM |
| Amount due for settlement within 12 months | **33,483,791** | **33,450,573** |
| Amount due for settlement after 12 months | **22,045,107** | **19,753,944** |
| | **55,528,898** | **53,204,517** |
| **Maturity analysis** | | |
| Not more than 1 year | **33,483,791** | **33,450,573** |
| Later than 1 year and not later than 2 years | **19,827,380** | **19,753,944** |
| Later than 2 years but not later than 5 years | **154,991** | **-** |
| Later than 5 years | **2,062,736** | **-** |
| | **55,528,898** | **53,204,517** |

## 10. LEASE LIABILITIES (CONT'D.)

Set out below are the carrying amounts of lease liabilities and the movement during the financial year:

| | 2019 | |
|---|---|---|
| | **Group RM** | **Company RM** |
| At 1 January 2019 | **17,028,037** | **14,672,365** |
| Addition | **52,124,775** | **52,124,775** |
| Accretion of interest | **1,770,566** | **1,625,457** |
| Paid during the financial year | **(10,577,670)** | **(10,512,422)** |
| Payable during the financial year | **(3,952,823)** | **(3,841,671)** |
| Effect of foreign exchange difference | **(863,987)** | **(863,987)** |
| At 31 December 2019 | **55,528,898** | **53,204,517** |

## 11. LOANS AND BORROWINGS

| | 2019 RM | 2018 RM |
|---|---|---|
| **Group** | | |
| **Current** | | |
| **Secured** | | |
| Bank overdraft [a] | **5,513,963** | 5,907,866 |
| Islamic financing facilities [b] | **73,796,150** | 78,308,816 |
| Conventional financing facilities [b] | **38,628,034** | 32,873,705 |
| Revolving credit [b] | **11,987,973** | 14,329,131 |
| Finance lease [c] | **77,771** | 108,643 |
| Loans from shareholders [d] | **19,281,275** | 7,057,603 |
| | **149,285,166** | 138,585,764 |
| **Non-current** | | |
| **Secured** | | |
| Islamic financing facilities [b] | **45,273,970** | 99,436,099 |
| Conventional financing facilities [b] | **93,287,856** | 108,588,099 |
| Finance lease [c] | **22,674** | 100,477 |
| Loans from shareholders [d] | **45,371,659** | 53,704,838 |
| | **183,956,159** | 261,829,513 |
| Total loans and borrowings | **333,241,325** | 400,415,277 |

## 11. LOANS AND BORROWINGS (CONT'D.)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Company** | | |
| **Current** | | |
| **Secured** | | |
| Bank overdraft [(a)] | **5,513,963** | 5,907,866 |
| Islamic financing facilities [(b)] | **73,796,150** | 78,308,816 |
| Conventional financing facilities [(b)] | **38,628,034** | 32,873,705 |
| Revolving credit [(b)] | **11,987,973** | 14,329,131 |
| Finance lease [(c)] | **-** | 6,448 |
| Loans from shareholders [(d)] | **19,281,275** | 7,057,603 |
| | **149,207,395** | 138,483,569 |
| **Non-current** | | |
| **Secured** | | |
| Islamic financing facilities [(b)] | **45,273,970** | 99,436,099 |
| Conventional financing facilities [(b)] | **93,287,856** | 108,588,099 |
| Loans from shareholders [(d)] | **45,371,659** | 53,704,838 |
| | **183,933,485** | 261,729,036 |
| Total loans and borrowings | **333,140,880** | 400,212,605 |

### (a) Bank overdraft

Bank overdraft is denominated in RM, bears interest at base lending rate ("BLR") + 0.75% (2018: BLR + 0.75%) and is secured over vessels and vessels under construction (Note 4(a)).

### (b) Islamic financing facilities, conventional financing facilities and revolving credit

The Islamic financing facilities have tenures of 1 to 5 years (2018: 1 to 5 years) which bear profit as at the reporting date at rates ranging from 5.00% to 6.85% (2018: 4.83% to 6.85%) per annum. Included in the Islamic financing facilities are two (2018: two) loans denominated in USD amounting to USD19,512,444 (2018: USD30,395,174) which approximate to RM80,143,460 (2018: RM126,170,366).

The conventional financing facilities have tenures of 1 to 5 years (2018: 1 to 6 years) which bear interest as at the reporting date at rates ranging from 5.00% to 6.15% (2018: 5.00% to 6.15%).

Revolving credits are repayable on demand which bear interest rate as at the reporting date at rates ranging from 5.16% to 6.60% (2018: 5.00% to 6.30%). Included in revolving credits is a, revolving credit denominated in USD amounted to USD866,015 (2018: USD1,414,695) which approximate to RM3,563,223 (2018: RM5,872,399) .

## 11. LOANS AND BORROWINGS (CONT'D.)

### (b) Islamic financing facilities, conventional financing facilities and revolving credit (cont'd.)

**Security**

The Islamic financing facilities , conventional financing facilities and revolving credits are secured by way of the following:

(i) Duly executed and enforceable Memorandum of Deposit and letter of set-off for the placement of fixed deposits totaling RM1,512,405 (2018: RM1,512,405) in form of Al Mudharabah General Investment Account ("GIA") throughout the financing period respectively;

(ii) Assignment of the relevant insurance coverage over the vessels indicating the Bank as loss payee (beneficiary) , namely:

(a) Hull and machinery;
(b) Mortgage interest; and
(c) Protection and Indemnity Club ("P&I") acceptable to the Bank.

The amount to be covered by insurance shall not be less than the outstanding amount of the facilities;

(iii) Duly executed and enforceable Deed of Mortgage and Covenant over the vessels and vessels under construction;

(iv) Legal Assignment of the contract proceeds throughout the financing period to be duly acknowledged by Charterer; and

(v) Guarantee given by a shareholder of the Company.

**Significant covenants**

In connection with significant financing facilities, the Group and the Company have agreed on the following significant financial covenants with certain lenders:

(i) The Group's and the Company's total financing to tangible net worth ("Gearing ratio") will not exceed 3.0 times at all time as per the following formula:-

$$\left\{ \frac{\text{Total Financing}}{\text{Tangible Networth + Subordination of Shareholders and Directors Advances}} \right\}$$

(ii) The Group's and the Company's debt to equity ratio will not exceed 10.0 times at all times.

## 11. LOANS AND BORROWINGS (CONT'D.)

### (c) Finance lease commitments- as lessee

Finance lease liabilities are payable as follows :

| | 2019 RM | 2018 RM |
|---|---|---|
| **Group** | | |
| **Minimum lease payments:** | | |
| Not later than 1 year | **81,277** | 117,800 |
| Later than 1 year, but not later than 2 years | **23,296** | 104,618 |
| Total minimum lease payments | **104,573** | 222,418 |
| Less: Future finance charges | **(4,128)** | (13,298) |
| Present value of minimum lease payments | **100,445** | 209,120 |
| **Present value of payments:** | | |
| Not later than 1 year | **77,771** | 108,643 |
| Later than 1 year, but not later than 2 years | **22,674** | 100,477 |
| Present value of minimum lease payments | **100,445** | 209,120 |
| Less: Amount due within 12 months | **(77,771)** | (108,643) |
| Amount due after 12 months | **22,674** | 100,477 |

## 11. LOANS AND BORROWINGS (CONT'D.)

### (c) Finance lease commitments- as lessee (cont'd.)

Finance lease liabilities are payable as follows : (cont'd.)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Company** | | |
| **Minimum lease payments:** | | |
| Not later than 1 year, represents total minimum lease payments | - | 6,606 |
| Less: Future finance charges | - | (158) |
| Present value of minimum lease payments | - | 6,448 |
| **Present value of payments:** | | |
| Not later than 1 year, represents present value of minimum lease payments | - | 6,448 |
| Less: Amount due within 12 months | - | (6,448) |
| Amount due after 12 months | - | - |

The Group's and the Company's weighted average effective interest rate as at the reporting date of finance lease liabilities is 3.36% (2018: 3.46%) and Nil (2018: 2.45%) per annum respectively.

### (d) Loans from shareholders

Loans from shareholders are unsecured and bear interest at 6.85% (2018: 6.85%) per annum.

## 11. LOANS AND BORROWINGS (CONT'D.)

### (e) Reconciliation of movement of liabilities to cash flows arising from financing activities:

| | 1 January 2019 RM | Cash flows RM | Foreign exchange movement RM | New leases RM | Other RM | 31 December 2019 RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Current interest-bearing loans and borrowings (excluding items listed below) | 138,477,121 | (104,977,051) | - | - | 115,707,325 | 149,207,395 |
| Current obligations under finance lease liabilities | 108,643 | (102,226) | - | - | 71,354 | 77,771 |
| Current obligations under lease liabilities (Note 10) | 7,131,503 | (10,577,670) | (481,141) | 5,628,423 | 31,782,676 | 33,483,791 |
| Non-current interest-bearing loans and borrowings (excluding items listed below) | 261,729,036 | 40,843,382 | (2,544,154) | - | (116,094,779) | 183,933,485 |
| Non-current obligations under finance lease liabilities | 100,477 | - | - | - | (77,803) | 22,674 |
| Non-current obligations under lease liabilities (Note 10) | 9,896,534 | - | (382,846) | 46,496,352 | (33,964,933) | 22,045,107 |
| **Total liabilities from financing activities** | 417,443,314 | (74,813,565) | (3,408,141) | 52,124,775 | (2,576,160) | 388,770,223 |

## 11. LOANS AND BORROWINGS (CONT'D.)

### (e) Reconciliation of movement of liabilities to cash flows arising from financing activities: (cont'd.)

| | 1 January 2019 RM | Cash flows RM | Foreign exchange movement RM | New leases RM | Other RM | 31 December 2019 RM |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| Current interest-bearing loans and borrowings (excluding items listed below) | 138,477,121 | (104,977,051) | - | - | 115,707,325 | 149,207,395 |
| Current obligations under finance lease liabilities | 6,448 | (6,448) | - | - | - | - |
| Current obligations under lease liabilities (Note 10) | 7,100,212 | (10,512,422) | (481,141) | 5,628,423 | 31,715,501 | 33,450,573 |
| Non-current interest-bearing loans and borrowings (excluding items listed below) | 261,729,036 | 40,843,382 | (2,544,154) | - | (116,094,779) | 183,933,485 |
| Non-current obligations under lease liabilities (Note 10) | 7,572,153 | - | (382,846) | 46,496,352 | (33,931,715) | 19,753,944 |
| **Total liabilities from financing activities** | 414,884,970 | (74,652,539) | (3,408,141) | 52,124,775 | (2,603,668) | 386,345,397 |

## 11. LOANS AND BORROWINGS (CONT'D.)

### (e) Reconciliation of movement of liabilities to cash flows arising from financing activities: (cont'd.)

| | 1 January 2018 RM | Cash flows RM | Foreign exchange movement RM | Other RM | 31 December 2018 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Current interest-bearing loans and borrowings (excluding items listed below) | 121,092,510 | (86,672,384) | - | 104,056,995 | 138,477,121 |
| Current obligations under finance lease liabilities | 197,262 | - | - | (88,619) | 108,643 |
| Non-current interest-bearing loans and borrowings (excluding items listed below) | 293,713,234 | 54,187,677 | (1,405,440) | (84,766,435) | 261,729,036 |
| Non-current obligations under finance lease liabilities | 209,120 | (197,262) | - | 88,619 | 100,477 |
| **Total liabilities from financing activities** | 415,212,126 | (32,681,969) | (1,405,440) | 19,290,560 | 400,415,277 |

| | 1 January 2018 RM | Cash flows RM | Foreign exchange movement RM | Other RM | 31 December 2018 RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Current interest-bearing loans and borrowings (excluding items listed below) | 120,780,838 | (86,672,384) | - | 104,368,668 | 138,477,121 |
| Current obligations under finance lease liabilities | 42,475 | (42,461) | - | 6,433 | 6,448 |
| Non-current interest-bearing loans and borrowings (excluding items listed below) | 293,713,234 | 54,187,677 | (1,405,440) | (84,766,435) | 261,729,036 |
| Non-current obligations under finance lease liabilities | 6,433 | - | - | (6,433) | - |
| **Total liabilities from financing activities** | 414,542,980 | (32,527,168) | (1,405,440) | 19,602,233 | 400,212,605 |

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance lease liabilities to current due to the passage of time and the effect of accrued but not yet paid interest on interest bearing loans and borrowings. This column also reflects the reclassification of loans from shareholders to loans and borrowings which were classified as other payables in previous financial year. The Group and the Company classify interest paid within operating activities.

## 12. DEFERRED TAX (ASSETS)/LIABILITIES

The movements and components in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year are as follows :

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **Group** | | | |
| At 1 January as previously stated | | **18,377,866** | 2,168,385 |
| Effect of adoption of MFRS 16 | 30 | **(91,776)** | - |
| At 1 January as adjusted | | **18,286,090** | 2,168,385 |
| Recognised in profit or loss | 20 | **(4,575,226)** | 16,209,481 |
| At 31 December | | **13,710,864** | 18,377,866 |
| **Presented after appropriate offsetting as follows:** | | | |
| - Deferred tax assets | | **(67,897)** | (8,233) |
| - Deferred tax liabilities | | **13,778,761** | 18,386,099 |
| | | **13,710,864** | 18,377,866 |
| **Company** | | | |
| At 1 January | | **18,064,024** | 2,347,918 |
| Recognised in profit or loss | 20 | **(4,582,264)** | 15,716,106 |
| At 31 December | | **13,481,760** | 18,064,024 |
| **Presented after appropriate offsetting as follows:** | | | |
| - Deferred tax assets | | **(62,771,267)** | (53,525,417) |
| - Deferred tax liabilities | | **76,253,027** | 71,589,441 |
| | | **13,481,760** | 18,064,024 |

## 12. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

The movements and components in the deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax assets:**

| | Note | Right-of-use assets RM | Unutilised tax losses RM | Unabsorbed capital allowances RM | Provisions/ others RM | Total RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At 1 January as previously stated | | - | (331,509) | (32,579,227) | (21,019,038) | (53,929,774) |
| Effect of adoption of MFRS 16 | 30 | (91,776) | - | - | - | (91,776) |
| At 1 January as restated | | (91,776) | (331,509) | (32,579,227) | (21,019,038) | (54,021,550) |
| Recognised in profit or loss | 20 | (232 ,904) | (13,159,496) | 8,727,042 | (4,584,547) | (9,249,905) |
| At 31 December 2019 | | (324,680) | (13,491,005) | (23,852,185) | (25,603,585) | (63,271,455) |
| At 1 January 2018 | | - | (240,130) | (40,334,450) | (27,487,352) | (68,061,932) |
| Recognised in profit or loss | 20 | - | (91,379) | 7,755,223 | 6,468,314 | 14,132,158 |
| At 31 December 2018 | | - | (33,509) | (32,579,227) | (21,019,038) | (53,929,774) |
| **Company** | | | | | | |
| At 1 January 2019 | | - | - | (32,442,725) | (21,082,692) | (53,525,417) |
| Recognised in profit or loss | 20 | (220,616) | (13,167,729) | 8,727,042 | (4,584,547) | (9,245,850) |
| At 31 December 2019 | | (220,616) | (13,167,729) | (23,715,683) | (25,667,239) | (62,771,267) |
| At 1 January 2018 | | - | - | (40,334,450) | (27,535,481) | (67,869,931) |
| Recognised in profit or loss | 20 | - | - | 7,891,725 | 6,452,789 | 14,344,514 |
| At 31 December 2018 | | - | - | (32,442,725) | (21,082,692) | (53,525,417) |

## 12. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

The movements and components in the deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax liabilities:**

| | Note | Property, plant and equipment RM |
|---|---|---|
| **Group** | | |
| At 1 January 2019 | | 72,307,640 |
| Recognised in profit or loss | 20 | 4,674,679 |
| At 31 December 2019 | | 76,982,319 |
| At 1 January 2018 | | 70,230,317 |
| Recognised in profit or loss | 20 | 2,077,323 |
| At 31 December 2018 | | 72,307,640 |
| **Company** | | |
| At 1 January 2019 | | 71,589,441 |
| Recognised in profit or loss | 20 | 4,663,586 |
| At 31 December 2019 | | 76,253,027 |
| At 1 January 2018 | | 70,217,849 |
| Recognised in profit or loss | 20 | 1,371,592 |
| At 31 December 2018 | | 71,589,441 |

## 13. TRADE AND OTHER PAYABLES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| **Trade** | | |
| Trade payables [a] | **101,861,876** | 85,373,094 |
| Trade accruals [a] | **90,098,085** | 110,235,942 |
| Freight income received in advance | **1,990,351** | 2,326,737 |
| Provisions [c] | **-** | 1,709,563 |
| | **193,950,312** | 199,645,336 |
| **Non-trade** | | |
| Amounts due to | | |
| - ultimate holding company [b] | **990,958** | 586,910 |
| - intermediate holding company [b] | **562,283** | 325,133 |
| - immediate holding company [b] | **8,396,205** | 702,716 |
| - related company [b] | **15,615** | 14,946 |
| Amounts due to other shareholders [b] | **11,193,239** | - |
| Other payables and accrued expenses | **10,521,087** | 6,842,039 |
| Provisions [c] | **6,420,919** | 5,598,185 |
| | **38,100,306** | 14,069,929 |
| Total trade and other payables | **232,050,618** | 213,715,265 |
| Add: Loans and borrowings (Note 11) | **333,241,325** | 400,415,277 |
| Add: Lease liabilities (Note 10) | **55,528,898** | - |
| Less: Freight income received in advance | **(1,990,351)** | (2,326,737) |
| Less: Provisions | **(6,420,919)** | (7,307,748) |
| Total financial liabilities carried at amortised cost | **612,409,571** | 604,496,057 |

## 13. TRADE AND OTHER PAYABLES (CONT'D.)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Company** | | |
| **Trade** | | |
| Trade payables [a] | **96,525,649** | 80,480,703 |
| Trade accruals [a] | **90,098,085** | 110,235,942 |
| Amount due to a subsidiary [b] | **19,506,166** | 18,584,855 |
| Freight income received in advance | **1,990,351** | 2,326,737 |
| Provisions [c] | **-** | 1,709,563 |
| | **208,120,251** | 213,337,800 |
| **Non-trade** | | |
| Amounts due to | | |
| - ultimate holding company [b] | **926,724** | 586,910 |
| - intermediate holding company [b] | **562,283** | 325,133 |
| - immediate holding company [b] | **8,396,205** | 702,716 |
| - related company [b] | **15,615** | 14,946 |
| - subsidiary [b] | **-** | 1,694,698 |
| Amounts due to other shareholders [b] | **11,193,239** | - |
| Other payables and accrued expenses | **9,375,242** | 5,460,576 |
| Provisions [c] | **6,339,483** | 5,598,185 |
| | **36,808,791** | 14,383,164 |
| Total trade and other payables | **244,929,042** | 227,720,964 |
| Add: Loans and borrowings (Note 11) | **333,140,880** | 400,212,605 |
| Add: Lease liabilities (Note 10) | **53,204,517** | - |
| Less: Freight income received in advance | **(1,990,351)** | (2,326,737) |
| Less: Provisions | **(6,339,483)** | (7,307,748) |
| Total financial liabilities carried at amortised cost | **622,944,605** | 618,299,084 |

## 13. TRADE AND OTHER PAYABLES (CONT'D.)

### (a) Trade payables

Credit terms granted to the Group and the Company vary from 30 to 90 days (2018: 30 to 90 days).

### (b) Amounts due to a subsidiary, ultimate holding company, intermediate holding company, immediate holding company, related company and other shareholders

The amounts due to a subsidiary and ultimate holding company are unsecured, interest free and repayable on demand.

The amounts due to intermediate holding company and a related company bear 4.93% (2018: Nil) interest rate per annum and are repayable on demand.

The amounts due to immediate holding company and other shareholders bear 6.85%-9.00% (2018: Nil) interest rate per annum and are repayable on demand.

In previous financial year, the amounts due to immediate holding company and other shareholders had been reclassified to Loan and Borrowings. This was following the agreement entered by the Group and shareholders for a repayment period of 5 years.

### (c) Provisions

| | Provision for contract RM | Provision for bonus RM | Provision for zakat RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 January 2019 | **1,709,563** | **5,455,211** | **142,974** | **7,307,748** |
| Provision during the year | **-** | **890,708** | **75,000** | **965,708** |
| Utilisation during the year | **(1,709,563)** | **-** | **(142,974)** | **(1,852,537)** |
| At 31 December 2019 | **-** | **6,345,919** | **75,000** | **6,420,919** |
| At 1 January 2018 | - | 309,474 | 142,974 | 452,448 |
| Provision during the year | 1,709,563 | 5,326,805 | 75,000 | 7,111,368 |
| Utilisation during the year | - | (181,068) | (75,000) | (256,068) |
| At 31 December 2018 | 1,709,563 | 5,455,211 | 142,974 | 7,307,748 |

## 13. TRADE AND OTHER PAYABLES (CONT'D.)

### (c) Provisions (cont'd.)

| | Provision for contract RM | Provision for bonus RM | Provision for zakat RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| At 1 January 2019 | **1,709,563** | **5,455,211** | **142,974** | **7,307,748** |
| Provision during the year | **-** | **809,272** | **75,000** | **884,272** |
| Utilisation during the year | **(1,709,563)** | **-** | **(142,974)** | **(1,852,537)** |
| At 31 December 2019 | **-** | **6,264,483** | **75,000** | **6,339,483** |
| At 1 January 2018 | - | 309,474 | 142,974 | 452,448 |
| Provision during the year | 1,709,563 | 5,326,805 | 75,000 | 7,111,368 |
| Utilisation during the year | - | (181,068) | (75,000) | (256,068) |
| At 31 December 2018 | 1,709,563 | 5,455,211 | 142,974 | 7,307,748 |

## 14. CONTRACT LIABILITIES

| | Group and Company | |
|---|---|---|
| | **2019 RM** | 2018 RM |
| At 1 January | **-** | 131,594,491 |
| Revenue recognised during the year | **-** | (95,274,838) |
| Transfer to trade accruals | **-** | (36,707,046) |
| Progress billing during the year | **15,610,001** | - |
| Effect of foreign exchange differences | **-** | 387,393 |
| At 31 December | **15,610,001** | - |

Unsatisifed performance obligations:

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied as at the reporting date, are as follows :

| | Group and Company |
|---|---|
| | **2019 RM** |
| Within 1 year | **22,300,000** |

## 15. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Vessel charter hire income | **267,379,218** | 278,307,575 | **266,498,863** | 277,318,185 |
| Revenue from contract with customers | **4,492,500** | 140,692,390 | **4,492,500** | 140,692,390 |
| | **271,871,718** | 418,999,965 | **270,991,363** | 418,010,575 |

Disaggregation of the Group's and of the Company's revenue from contracts with customers:

| | Group and Company | |
|---|---|---|
| | **2019 RM** | 2018 RM |
| **Geographical market:** | | |
| Malaysia | **4,492,500** | 140,692,390 |
| **Timing of revenue recognition:** | | |
| Point of time | **4,492,500** | - |
| Over time | **-** | 140,692,390 |

The revenue of RM140,692,390 recognised in previous financial year was related to final settlement with the customer.

## 16. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Cost of services | **196,935,661** | 213,241,009 | **202,469,115** | 218,687,316 |
| EPCIC cost | **(2,002,319)** | 69,930,014 | **(2,002,319)** | 69,930,014 |
| | **194,933,342** | 283,171,023 | **200,466,796** | 288,617,330 |

## 17. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Interest expense incurred on: | | | | |
| - Bank overdraft | **357,086** | 250,358 | **357,086** | 245,404 |
| - Finance leases | **7,552** | 21,398 | **-** | 3,133 |
| - Conventional financing | **6,836,497** | 9,375,762 | **6,835,081** | 9,375,762 |
| - Revolving credits | **730,157** | 797,831 | **730,157** | 797,831 |
| - Loans from shareholders | **3,890,493** | 3,223,485 | **3,890,493** | 3,223,484 |
| - Advances from shareholders | **624,238** | - | **624,238** | - |
| - Lease liabilities | **1,770,566** | - | **1,625,457** | - |
| | **14,216,589** | 13,668,834 | **14,062,512** | 13,645,614 |
| Profit payable on islamic financing | **8,684,121** | 8,770,242 | **8,684,121** | 8,770,242 |
| Less: Interest expense capitalised in vessels under construction (Note 4 (c)) | **(333,333)** | - | **(333,333)** | - |
| | **22,567,377** | 22,439,076 | **22,413,300** | 22,415,856 |

## 18. PROFIT BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Profit before tax is arrived at after charging/(crediting): | | | | |
| Auditors' remuneration | | | | |
| - statutory audits | **308,455** | 298,430 | **208,343** | 197,950 |
| - other services | **58,000** | 78,240 | **58,000** | 78,240 |
| - over provision in prior year | **-** | (26,341) | **-** | (26,341) |
| Depreciation on property, plant and equipment | **79,154,665** | 74,093,234 | **80,267,983** | 75,146,714 |
| Depreciation on right-of-use assets | **7,418,674** | - | **7,336,182** | - |
| Impairment losses on property, plant and equipment | **2,905,749** | 2,128,036 | **2,905,749** | 2,128,036 |
| Allowance for impairment losses on receivables | **22,831** | - | **-** | - |
| Reversal of impairment losses on trade receivables | **(615,838)** | (20,000) | **(615,838)** | (20,000) |
| Realised foreign exchange loss | **1,661,175** | 8,002,936 | **1,144,750** | 7,799,100 |
| Unrealised foreign exhange gain | **(3,867,260)** | (1,625,115) | **(3,832,944)** | (1,688,283) |
| Low value leases : | | | | |
| Rental of office equipment | **46,679** | 130,199 | **40,985** | 121,781 |
| Rental of staff quarters | **60,000** | 36,000 | **60,000** | 36,000 |
| Short term leases: | | | | |
| Rental of office | **306,902** | 284,970 | **306,902** | 278,970 |
| Rental of shipyard | **44,100** | 220,500 | **-** | - |
| Rental of third party vessels | **7,223,854** | 21,031,661 | **7,223,854** | 21,031,661 |
| Personnel expenses (including key management personnel): | | | | |
| - Wages, salaries and others | **37,166,499** | 42,035,745 | **35,947,342** | 40,980,776 |
| - Contributions to Employees Provident Fund ("EPF") | **3,704,215** | 4,680,844 | **3,531,641** | 4,485,146 |
| Insurance recoveries | **(5,267 ,530)** | (4,528,138) | **(5,267,530)** | (4,528,138) |
| Interest on fixed deposits | **(267,985)** | (249,425) | **(244,313)** | (213,130) |
| Rental income | **(65,000)** | (16,581) | **(65,000)** | (16,581) |
| Loss on disposal of property, plant and equipment | **-** | 519,898 | **-** | 512,135 |

## 19. DIRECTORS' REMUNERATION

The details of remuneration received/receivable by Directors of the Group and of the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Executive:** | | | | |
| Salaries and other emoluments | **414,000** | 417,600 | **414,000** | 416,400 |
| Fees | **102,000** | 98,500 | **66,000** | 60,000 |
| Bonus | **-** | 34,000 | **-** | 34,000 |
| Contributions to EPF | **71,958** | 47,061 | **71,958** | 47,061 |
| Total executive directors' remuneration (excluding benefits-in-kind) | **587,958** | 597,161 | **551,958** | 557,461 |
| Estimated monetary value of benefits-in-kind | **210,142** | 208,522 | **210,142** | 208,522 |
| Total executive directors' remuneration (including benefits-in-kind) | **798,100** | 805,683 | **762,100** | 765,983 |
| **Non-executive:** | | | | |
| Fees | **259,500** | 348,000 | **259,500** | 348,000 |
| Other emoluments | **84,300** | 26,100 | **84,300** | 26,100 |
| Total non-executive directors' remuneration | **343,800** | 374,100 | **343,800** | 374,100 |
| **Total directors' remuneration** | **1,141,900** | 1,179,783 | **1,105,900** | 1,140,083 |

## 19. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration received/receivable by Directors of the Group during the year are as follows: (cont'd.)

| | Salary, other emoluments, bonus and EPF RM | Fees RM | Benefits-in-kind RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **As at 31 December 2019** | | | | |
| **Executive** | | | | |
| Dato' lr Abdul Hak bin Md Amin | **485,958** | **102,000** | **210,142** | **798,100** |
| **Non-executive** | | | | |
| Dato' Kamaruzzaman bin Abu Kassim* | **13,400** | **-** | **-** | **13,400** |
| Ahamad bin Mohamad* | **5,200** | **-** | **-** | **5,200** |
| Datuk Mohd Nasir bin Ali | **20,900** | **86,000** | **-** | **106,900** |
| Rozan bin Mohd Sa'at | **7,200** | **66,000** | **-** | **73,200** |
| Abdul Azmin bin Abdul Halim | **19,800** | **91,000** | **-** | **110,800** |
| Aziah binti Ahmad* | **15,800** | **-** | **-** | **15,800** |
| lr. Dr. Mohd Shahreen Zainooreen bin Madros | **1,000** | **16,500** | **-** | **17,500** |
| Zulkifly bin Zakariah* | **1,000** | **-** | **-** | **1,000** |
| | **84,300** | **259,500** | **-** | **343,800** |
| | **570,258** | **361,500** | **210,142** | **1,141,900** |
| **As at 31 December 2018** | | | | |
| **Executive** | | | | |
| Dato' lr Abdul Hak bin Md Amin | 498,661 | 98,500 | 208,522 | 805,683 |
| **Non-executive** | | | | |
| Dato' Kamaruzzaman bin Abu Kassim | 2,800 | 72,000 | - | 74,800 |
| Ahamad bin Mohamad | 2,400 | 48,000 | - | 50,400 |
| Datuk Anuar bin Ahmad | 4,600 | 36,000 | - | 40,600 |
| Datuk Mohd Nasir bin Ali | 3,100 | 48,000 | - | 51,100 |
| Rozan bin Mohd Sa'at | 2,400 | 48,000 | - | 50,400 |
| Abdul Azmin bin Abdul Halim | 5,400 | 48,000 | - | 53,400 |
| Aziah binti Ahmad | 5,400 | 48,000 | - | 53,400 |
| | 26,100 | 348,000 | - | 374,100 |
| | 524,761 | 446,500 | 208,522 | 1 179,783 |

* The Directors fees of the respective Directors were paid to the ultimate holding corporation as corporate fees.

## 19. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration received/receivable by Directors of the Group during the year are as follows: (cont'd.)

| | Salary, other emoluments, bonus and EPF RM | Fees RM | Benefits-in-kind RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **As at 31 December 2019** | | | | |
| **Executive** | | | | |
| Dato' Ir Abdul Hak bin Md Amin | **485,958** | **66,000** | **210,142** | **762,100** |
| **Non-executive** | | | | |
| Dato' Kamaruzzaman bin Abu Kassim* | **13,400** | **-** | **-** | **13,400** |
| Ahamad bin Mohamad* | **5,200** | **-** | **-** | **5,200** |
| Datuk Mohd Nasir bin Ali | **20,900** | **86,000** | **-** | **106,900** |
| Rozan bin Mohd Sa'at | **7,200** | **66,000** | **-** | **73,200** |
| Abdul Azmin bin Abdul Halim | **19,800** | **91,000** | **-** | **110,800** |
| Aziah binti Ahmad* | **15,800** | **-** | **-** | **15,800** |
| Ir. Dr. Mohd Shahreen Zainooreen bin Madros | **1,000** | **16,500** | **-** | **17,500** |
| Zulkifly bin Zakariah* | **1,000** | **-** | **-** | **1,000** |
| | **84,300** | **259,500** | **-** | **343,800** |
| | **570,258** | **325,500** | **210,142** | **1,105,900** |
| **As at 31 December 2018** | | | | |
| **Executive** | | | | |
| Dato' Ir Abdul Hak bin Md Amin | 497,461 | 60,000 | 208,522 | 765,983 |
| **Non-executive** | | | | |
| Dato' Kamaruzzaman bin Abu Kassim | 2,800 | 72,000 | - | 74,800 |
| Ahamad bin Mohamad | 2,400 | 48,000 | - | 50,400 |
| Datuk Anuar bin Ahmad | 4,600 | 36,000 | - | 40,600 |
| Datuk Mohd Nasir bin Ali | 3,100 | 48,000 | - | 51,100 |
| Rozan bin Mohd Sa'at | 2,400 | 48,000 | - | 50,400 |
| Abdul Azmin bin Abdul Halim | 5,400 | 48,000 | - | 53,400 |
| Aziah binti Ahmad | 5,400 | 48,000 | - | 53,400 |
| | 26,100 | 348,000 | - | 374,100 |
| | 523,561 | 408,000 | 208,522 | 1,140,083 |

* The Directors fees of the respective Directors were paid to the ultimate holding corporation as corporate fees.

## 19. DIRECTORS' REMUNERATION (CONT'D.)

The number of Directors of the Group and of the Company whose total remuneration during the financial years fell within the following bands is analysed below:

| | Group | | Company | |
|---|---|---|---|---|
| | Number of Directors | | Number of Directors | |
| | 2019 | 2018 | 2019 | 2018 |
| Executive Directors: | | | | |
| - RM800,001 to RM850,000 | **-** | 1 | **-** | - |
| - RM750,001 to RM800,000 | **1** | - | **1** | 1 |
| Non-executive Directors: | | | | |
| - RM100,001 to RM250,000 | **2** | - | **2** | - |
| - RM75,000 and below | **6** | 7 | **6** | 7 |

## 20. INCOME TAX (CREDIT)/EXPENSE

The major components of income tax (credit)/expense for the financial years ended 31 December 2019 and 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| **Statements of comprehensive income** | | | | |
| Income tax: | | | | |
| - Malaysian income tax | **719,226** | 176,468 | **-** | - |
| - Under/(over) provision in respect of previous financial years | **139,972** | (257,215) | **359** | - |
| | **859,198** | (80,747) | **359** | - |
| Deferred tax (Note 12): | | | | |
| - Relating to origination and reversal of temporary differences | **(10,152,586)** | 16,214,048 | **(10,152,014)** | 15,717,802 |
| - Under/(over) provision in respect of previous financial years | **5,577,360** | (4,567) | **5,569,750** | (1,696) |
| | **(4,575,226)** | 16,209,481 | **(4,582,264)** | 15,716,106 |
| Income tax (credit)/expense recognised in profit or loss | **(3,716,028)** | 16,128,734 | **(4,581,905)** | 15,716,106 |

## 20. INCOME TAX (CREDIT)/EXPENSE (CONT'D.)

Reconciliation between tax (credit)/expense and accounting profit

The reconciliations between tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Profit before tax | **32,679,615** | 90,361,436 | **30,353,464** | 88,238,612 |
| Tax at Malaysian statutory tax rate of 24% (2018: 24%) | **7,843,108** | 21,686,745 | **7,284,831** | 21,177,267 |
| Non-deductible expenses | **5,357,375** | 4,554,436 | **5,196,998** | 4,391,200 |
| Tax exempt income | **(19,250,118)** | (15,674,052) | **(19,250,118)** | (15,674,052) |
| Deferred tax assets not recognised | **-** | 12,156,088 | **-** | 12,156,088 |
| Recognition of previously unrecognised tax losses | **(3,383,725)** | (6,332,701) | **(3,383,725)** | (6,332,701) |
| Under/(over) provision in respect of previous financial years | | | | |
| - deferred tax | **5,577,360** | (4,567) | **5,569,750** | (1,696) |
| - income tax | **139,972** | (257,215) | **359** | - |
| | **(3,716,028)** | 16,128,734 | **(4,581,905)** | 15,716,106 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Unutilised business losses | **-** | 22,285,457 | **-** | 22,285,457 |

## 21. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| Profit for the financial year attributable to owners of the Company (RM) | **36,395,643** | 74,232,702 |
| Weighted average number of ordinary shares in issue | **504,000,000** | 504,000,000 |
| Basic earnings per share (sen) | **7.22** | 14.73 |

The Group has no potential ordinary shares in issue as at financial year end and therefore, diluted earnings per share has not been presented.

There have been no other transactions involving ordinary shares or potential shares.

## 22. CATEGORIES OF FINANCIAL INSTRUMENTS

All financial assets and liabilities are categorised as amortised cost as at 31 December 2019 and 31 December 2018 in accordance with the Group's and the Company's accounting policies as disclosed in Note 2.9. All financial assets and liabilities are carried at carrying amounts which are reasonable approximation of fair values except as stated below:

| | Carrying amount RM | Fair Value RM |
|---|---|---|
| **Group** | | |
| **As at 31 December 2019** | | |
| Fixed rate loans and borrowings (non-current) | **(85,782,493)** | **(98,516,757)** |
| **As at 31 December 2018** | | |
| Fixed rate loans and borrowings (non-current) | (69,936,156) | (79,966,321) |
| **Company** | | |
| **As at 31 December 2019** | | |
| Fixed rate loans and borrowings (non-current) | **(83,491,330)** | **(94,189,481)** |
| **As at 31 December 2018** | | |
| Fixed rate loans and borrowings (non-current) | (69,936,156) | (79,966,321) |

## 22. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D.)

The fair value of fixed rate loans and borrowings as at 31 December 2019 and 31 December 2018 in accordance with the Group's and the Company's accounting policies as disclosed in Note 2.20 is estimated by discounting expected future cash flows at the borrowing rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The following table provides the fair value measurement hierarchy of the Group's and of the Company's assets and liabilities for which fair value is disclosed.

| | Level 1 RM | Level 2 RM | Level 3 RM |
|---|---|---|---|
| **31 December 2019** | | | |
| Fixed rate loans and borrowings | - | (98,516,757) | - |
| **31 December 2018** | | | |
| Fixed rate loans and borrowings | - | (79,966,321) | - |

There have been no transfers between Level 1, Level 2 and Level 3 during the year.

## 23. 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 key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting .

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

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis in view of reducing the Group's exposure to bad debts.

Management has 30 days (2018: 30 days) credit term policy in place and the exposure to credit risk is monitored on an ongoing basis.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (a) Credit risk (cont'd.)

Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. The Group and the Company have only invested in fixed deposits and maintain current accounts with licensed banks.

Credit risk concentration profile

A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances due more than 90 days, which are deemed to have higher credit risk, are monitored individually . Further details are discussed in Note 7(a).

Impairment of financial assets

The Group's and the Company's financial assets that are subject to the expected credit loss ("ECL") model include trade receivables, accrued revenue from charter hire and other receivables. While cash and bank balances are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

*(i) Trade receivables and accrued revenue from charter hire using simplified approach*

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue from charter hire.

To measure the expected credit losses, trade receivables and accrued revenue from charter hire have been grouped based on shared credit risk characteristics and the days past due (see impairment of financial assets in Note 7(a)).

*(ii) Other receivables using general 3-stage approach*

The Group and the Company use three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. Impairment loss is immaterial.

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents, bank facilities and financial support from its intermediate holding company deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due . The Group and the Company have profitable vessel charter hire operations as disclosed in Note 27 that generate positive operating cash flows.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity analysis**

The following table demonstrates the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on the contractual undiscounted repayment obligations:

| | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 -2 years RM | 2-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | | |
| **Group** | | | | | | | |
| Islamic financing facilities | | | | | | | |
| Bai Bithaman Ajil Financing | 13,307,113 | 6.75% | 14,115,310 | 8,359,392 | 5,755,918 | - | - |
| Bai Bithaman Ajil Financing* | 3,193,170 | i-COF+1.50% | 3,304,533 | 2,674,017 | 630,516 | - | - |
| Commodity Murabahah* | 80,143,460 | i-COF+2.50% | 81,779,026 | 49,921,977 | 31,857,049 | - | - |
| Musharakah Mutanaqisah* | 3,919,440 | i-COF+1.85% | 4,066,917 | 4,006,778 | 60,139 | - | - |
| Murabahah Tawarruq | 12,980,074 | 5.00% | 15,589,581 | 2,107,311 | 3,464,622 | 10,017,648 | - |
| Murabahah Tawarruq* | 5,526,863 | i-COF+2.00% | 5,591,982 | 5,591,982 | - | - | - |
| Conventional financing facilities | | | | | | | |
| Conventional term loan* | 128,961,221 | COF+1.50% | 142,801,998 | 42,969,816 | 40,167,907 | 59,664,275 | - |
| Conventional term loan | 2,954,669 | 5.00% | 3,118,990 | 1,853,190 | 1,265,800 | - | - |
| Others | | | | | | | |
| Revolving credit* | 11,987,973 | COF+1.50% | 12,635,328 | 12,635,328 | - | - | - |
| Finance lease liabilities | 100,445 | 2.40%-3.90% | 104,573 | 81,277 | 23,296 | - | - |
| Bank overdraft | 5,513,963 | 6.45% | 5,869,614 | 5,869,614 | - | - | - |
| Loan from shareholders | 64,652,934 | 6.85% | 77,390,266 | 26,150,236 | 12,879,747 | 38,360,283 | - |
| Trade and other payables | 223,639,348 | - | 223,639,348 | 223,639,348 | - | - | - |
| Lease liabilities | 55,528,898 | 5.742%-6.337% | 62,817,568 | 36,044 ,829 | 22,621,863 | 547,575 | 3,603,301 |
| | 612,409,571 | | 652,825,034 | 421,905,095 | 118,726,857 | 108,589,781 | 3,603,301 |

* Floating rates vary based on cost of funds ("COF") or Islamic COF ("i-COF")

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity analysis (cont'd.)**

| | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 -2 years RM | 2-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | | |
| **Company** | | | | | | | |
| Islamic financing facilities | | | | | | | |
| Bai Bithaman Ajil Financing | 13,307,113 | 6.75% | 14,115,310 | 8,359,392 | 5,755,918 | - | - |
| Bai Bithaman Ajil Financing* | 3,193,170 | i-COF+1.50% | 3,304,533 | 2,674,017 | 630,516 | - | - |
| Commodity Murabahah* | 80,143,460 | i-COF+2.50% | 81,779,026 | 49,921,977 | 31,857,049 | - | - |
| Musharakah Mutanaqisah* | 3,919,440 | i-COF+1.85% | 4,066,917 | 4,006,778 | 60,139 | - | - |
| Murabahah Tawarruq | 12,980,074 | 5.00% | 15,589,581 | 2,107,311 | 3,464,622 | 10,017,648 | - |
| Murabahah Tawarruq* | 5,526,863 | i-COF +2.00% | 5,591,982 | 5,591,982 | - | - | - |
| Conventional financing facilities | | | | | | | |
| Conventional term loan* | 128,961,221 | COF+1.50% | 142,801,998 | 42,969,816 | 40,167,907 | 59,664 ,275 | - |
| Conventional term loan | 2,954,669 | 5.00% | 3,118,990 | 1,853,190 | 1,265,800 | - | - |
| Others | | | | | | | |
| Revolving credit* | 11,987,973 | COF+1.50% | 12,635,328 | 12,635,328 | - | - | - |
| Finance lease liabilities | - | 2.40%-3.90% | - | - | - | - | - |
| Bank overdraft | 5,513,963 | 6.45% | 5,869,614 | 5,869,614 | - | - | - |
| Loan from shareholders | 64,652,934 | 6.85% | 77,390,266 | 26,150,236 | 12,879,747 | 38,360,283 | - |
| Trade and other payables | 236,599,208 | - | 236,599,208 | 236,599,208 | - | - | - |
| Lease liabilities | 53,204,517 | 5.742%-6.337% | 58,313,892 | 35,868,429 | 22,445,463 | - | - |
| | 622,944,605 | | 661,176,645 | 434,607,278 | 118,527,161 | 108,042,206 | - |

* Floating rates vary based on cost of funds ("COF") or Islamic COF ("i-COF")

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity analysis (cont'd.)**

| | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 -2 years RM | 2-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | | |
| **Group** | | | | | | | |
| Islamic financing facilities | | | | | | | |
| Bai Bithaman Ajil Financing | 20,503,428 | 6.75% | 22,474,840 | 8,359,392 | 8,359,392 | 5,756,056 | - |
| Bai Bithaman Ajil Financing* | 5,761,170 | i-COF+1.50% | 6,055,555 | 2,769,458 | 2,656,466 | 629,631 | - |
| Commodity Murabahah* | 126,170,367 | i-COF+2.50% | 133,033,061 | 57,164,435 | 54,827,969 | 21,040,657 | - |
| Musharakah Mutanaqisah* | 8,783,632 | i-COF+1.85% | 9,245,867 | 5,178,950 | 4,006,778 | 60,139 | - |
| Murabahah Tawarruq* | 16,526,318 | i-COF +2.00% | 16,897,441 | 11,323,335 | 5,574,106 | - | - |
| Conventional financing facilities | | | | | | | |
| Conventional term loan* | 136,880,430 | COF+1.50% | 152,067,722 | 36,875,840 | 37,755,674 | 70,942,009 | 6,494,199 |
| Conventional term loan | 4,581,374 | 5.00% | 4,938,781 | 1,853,190 | 1,853,190 | 1,232,401 | - |
| Others | | | | | | | |
| Revolving credit* | 14,329,131 | COF+1.50% | 12,300,112 | 12,300,112 | - | - | - |
| Finance lease liabilities | 209,120 | 2.40%-3.90% | 222,418 | 117,800 | 104,618 | - | - |
| Bank overdraft | 5,907,866 | 6.45% | 6,288,924 | 6,288,924 | - | - | - |
| Loan from shareholders | 60,762,441 | 6.85% | 73,502,067 | 10,736,785 | 11,525,252 | 40,953,618 | 10,286,412 |
| Trade and other payables | 204,080,780 | - | 204,080,780 | 204,080,780 | - | - | - |
| | 604,496,057 | | 641,107,568 | 357,049,001 | 126,663,445 | 140,614,511 | 16,780,611 |

* Floating rates vary based on cost of funds ("COF") or Islamic COF ("i-COF")

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity analysis (cont'd.)**

| | Carrying amount RM | Contractual interest rate/ coupon | Contractual cash flows RM | Under 1 year RM | 1 -2 years RM | 2-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | | |
| **Company** | | | | | | | |
| Islamic financing facilities | | | | | | | |
| Bai Bithaman Ajil Financing | 20,503,428 | 6.75% | 22,474,840 | 8,359,392 | 8,359,392 | 5,756,056 | - |
| Bai Bithaman Ajil Financing* | 5,761,170 | i-COF+ 1.50% | 6,055,555 | 2,769,458 | 2,656,466 | 629,631 | - |
| Commodity Murabahah* | 126,170,367 | i-COF+2.50% | 133,033,061 | 57,164,435 | 54,827,969 | 21,040,657 | - |
| Musharakah Mutanaqisah* | 8,783,632 | i-COF+1.85% | 9,245,867 | 5,178,950 | 4,006,778 | 60,139 | - |
| Murabahah Tawarruq* | 16,526,318 | i-COF +2.00% | 16,897,441 | 11,323,335 | 5,574 ,106 | - | - |
| Conventional financing facilities | | | | | | | |
| Conventional term loan* | 136,880,430 | COF+1.50% | 152,067,722 | 36,875,840 | 37,755,674 | 70,942,009 | 6,494,199 |
| Conventional term loan | 4,581,374 | 5.00% | 4 ,938,781 | 1,853,190 | 1,853,190 | 1,232,401 | - |
| Others | | | | | | | |
| Revolving credit* | 14,329,131 | COF+1.50% | 12,300,112 | 12,300,112 | - | - | - |
| Finance lease liabilities | 6,448 | 2.40%-3.90% | - | - | - | - | - |
| Bank overdraft | 5,907,866 | 6.45% | 6,288,924 | 6,288,924 | - | - | - |
| Loan from shareholders | 60,762,441 | 6.85% | 73,502,067 | 10,736,785 | 11,525,252 | 40,953,618 | 10,286,412 |
| Trade and other payables | 218,086,479 | - | 218,086,479 | 218,086,479 | - | - | - |
| | 618,299,084 | | 654,890,849 | 370,936,900 | 126,558,827 | 140,614,511 | 16,780,611 |

* Floating rates vary based on cost of funds ("COF") or Islamic COF ("i-COF")

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (c) 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 is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies giving rise to this risk is primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EURO"), Japanese Yen ("JPY"), Great British Pound ("GBP"), Brunei Dollar ("BND") and China Renminbi ("RMB"). The Group maintains a natural hedge, whenever possible, by borrowing currency that matches the future revenue streams to be generated from its operations.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

**Exposure to foreign currency risk**

| | Denominated in | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD RM | SGD RM | EURO RM | JPY RM | GBP RM | BND RM | RMB RM |
| **As at 31 December 2019** | | | | | | | |
| **Group** | | | | | | | |
| Trade and other receivables | 18,892,000 | - | - | - | - | - | - |
| Cash and bank balances | 677,948 | - | - | - | - | - | - |
| Trade and other payables | (19,411,211) | (4,072,772) | (300,513) | (2,399,874) | (57,074) | (974) | (22,570,116) |
| Loans and borrowings | (83,706,683) | - | - | - | - | - | - |
| Lease liabilities | (45,632,365) | - | - | - | - | - | - |
| **Net exposure** | (129,180,311) | (4,072,772) | (300,513) | (2,399,874) | (57,074) | (974) | (22,570,116) |
| **Company** | | | | | | | |
| Trade and other receivables | 15,790,257 | - | - | - | - | - | - |
| Cash and bank balances | 677,948 | - | - | - | - | - | - |
| Trade and other payables | (18,796,352) | (4,072,772) | (300,513) | (2,380,788) | (57,074) | (974) | (22,570,116) |
| Loans and borrowings | (83,706,683) | - | - | - | - | - | - |
| Lease liabilities | (45,632,365) | - | - | - | - | - | - |
| **Net exposure** | (131,667,195) | (4,072,772) | (300,513) | (2,380,788) | (57,074) | (974) | (22,570,116) |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (c) Foreign currency risk (cont'd.)

**Exposure to foreign currency risk (cont'd.)**

| | Denominated in | | | | | |
|---|---|---|---|---|---|---|
| | **USD RM** | **SGD RM** | **EURO RM** | **JPY RM** | **GBP RM** | **BND RM** |
| **As at 31 December 2018** | | | | | | |
| **Group** | | | | | | |
| Trade and other receivables | 32,672,331 | - | - | - | - | - |
| Cash and bank balances | 9,409 | - | - | - | - | - |
| Trade and other payables | (66,732,995) | (8,036,256) | (74,219) | (2,002,776) | (72,965) | (26,057) |
| Loans and borrowings | (132,042,765) | - | - | - | - | - |
| **Net exposure** | (166,094,020) | (8,036,256) | (74,219) | (2,002,776) | (72,965) | (26,057) |
| **Company** | | | | | | |
| Trade and other receivables | 25,432,360 | - | - | - | - | - |
| Cash and bank balances | 9,409 | - | - | - | - | - |
| Trade and other payables | (59,659,815) | (8,036,256) | (74,219) | (1,773,239) | (72,965) | (26,057) |
| Loans and borrowings | (132,042,765) | - | - | - | - | - |
| **Net exposure** | (166,260,811) | (8,036,256) | (74,219) | (1,773,239) | (72,965) | (26,057) |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (c) Foreign currency risk (cont'd.)

**Currency risk sensitivity analysis**

The following table demonstrates the sensitivity of the Group's and of the Company's profit net of tax to a reasonably possible change in the USD, SGD, EURO, JPY , GBP, BND and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | Profit net of tax | |
|---|---|---|
| | **2019** **RM** | 2018 RM |
| **Group** | | |
| USD/RM | | |
| - strengthened 10% (2018: 10%) | **(9,817 ,704)** | (12,623,146) |
| - weakened 10% (2018: 10%) | **9,817,704** | 12,623,146 |
| SGD/RM | | |
| - strengthened 10% (2018: 10%) | **(309,531)** | (610,755) |
| - weakened 10% (2018: 10%) | **309,531** | 610,755 |
| EURO/RM | | |
| - strengthened 10% (2018: 10%) | **(22,839)** | (5,641) |
| - weakened 10% (2018: 10%) | **22,839** | 5,641 |
| JPY/RM | | |
| - strengthened 10% (2018: 10%) | **(182,390)** | (152,211) |
| - weakened 10% (2018: 10%) | **182,390** | 152,211 |
| GBP/RM | | |
| - strengthened 10% (2018: 10%) | **(4,338)** | (5,545) |
| - weakened 10% (2018: 10%) | **4,338** | 5,545 |
| BND/RM | | |
| - strengthened 10% (2018: 10%) | **(74)** | (1,980) |
| - weakened 10% (2018: 10%) | **74** | 1,980 |
| RMB/RM | | |
| - strengthened 10% (2018: 10%) | **(1,715,329)** | - |
| - weakened 10% (2018: 10%) | **1,715,329** | - |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (c) Foreign currency risk (cont'd.)

**Currency risk sensitivity analysis (cont'd.)**

| | Profit net of tax | |
|---|---|---|
| | **2019** | 2018 |
| | **RM** | RM |
| **Company** | | |
| USD/RM | | |
| - strengthened 10% (2018: 10%) | **(10,006,707)** | (12,635,822) |
| - weakened 10% (2018: 10%) | **10,006,707** | 12,635,822 |
| SGD/RM | | |
| - strengthened 10% (2018: 10%) | **(309,531)** | (610,755) |
| - weakened 10% (2018: 10%) | **309,531** | 610,755 |
| EURO/RM | | |
| - strengthened 10% (2018: 10%) | **(22,839)** | (5,641) |
| - weakened 10% (2018: 10%) | **22,839** | 5,641 |
| JPY/RM | | |
| - strengthened 10% (2018: 10%) | **(180,940)** | (134,766) |
| - weakened 10% (2018: 10%) | **180,940** | 134,766 |
| GBP/RM | | |
| - strengthened 10% (2018: 10%) | **(4,338)** | (5,545) |
| - weakened 10% (2018: 10%) | **4,338** | 5,545 |
| BND/RM | | |
| - strengthened 10% (2018: 10%) | **(74)** | (1,980) |
| - weakened 10% (2018: 10%) | **74** | 1,980 |
| RMB/RM | | |
| - strengthened 10% (2018: 10%) | **(1,715,329)** | - |
| - weakened 10% (2018: 10%) | **1,715,329** | - |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (d) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages the interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

**Exposure to interest rate risk**

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| **Fixed rate instruments** | | | | |
| Financial assets | **8,028,560** | 7,841,055 | **7,300,355** | 7,138,724 |
| Financial liabilities | **(149,423,688)** | (85,847,243) | **(149,423,688)** | (85,847,243) |
| **Floating rate instruments** | | | | |
| Financial liabilities | **(233,732,127)** | (308,451,048) | **(233,732,127)** | (308,451,048) |

**Interest rate risk sensitivity analysis**

(i) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(ii) Cash flow sensitivity analysis for the variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would result in equity and post-tax profit increased/(decreased) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Group and Company | |
|---|---|---|
| | **100 bp increase RM** | **100 bp decrease RM** |
| **31 December 2019** | | |
| Floating rate instruments | **1,776,364** | **(1,776,364)** |
| **31 December 2018** | | |
| Floating rate instruments | 2,344,228 | (2,344,228) |

## 24. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximises shareholder value as well as to comply with financial covenants.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents and short term deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve, if any.

| | **2019 RM** | 2018 RM |
|---|---|---|
| **Group** | | |
| Loans and borrowings | **333,241,325** | 400,415,277 |
| Lease liabilities | **55,528,898** | - |
| Trade and other payables | **223,639,348** | 204,080,780 |
| Less: Cash and and bank balances | **(22,606,050)** | (14,478,565) |
| Net debt | **589,803,521** | 590,017,492 |
| Equity attributable to the owners of the Company | **262,990,332** | 226,885,313 |
| Capital and net debt | **852,793,853** | 816,902,805 |
| Gearing ratio | **69%** | 72% |

| | **2019 RM** | 2018 RM |
|---|---|---|
| **Company** | | |
| Loans and borrowings | **333,140,880** | 400,212,605 |
| Lease liabilities | **53,204,517** | - |
| Trade and other payables | **236,599,208** | 218,086,479 |
| Less: Cash and and bank balances | **(20,795,047)** | (13,181,604) |
| Net debt | **602,149,558** | 605,117,480 |
| Equity attributable to the owners of the Company | **272,601,729** | 237,666,360 |
| Capital and net debt | **874,751,287** | 842,783,840 |
| Gearing ratio | **69%** | 72% |

The Group and the Company have met its externally imposed financial covenants as described in Note 11(b) during the financial year.

## 25. RELATED PARTIES DISCLOSURES

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entitites.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group and the Company have related party relationship with its ultimate holding corporation, subsidiaries, related companies and key management personnel.

**Significant related party transactions**

In addition to the transactions detailed 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 | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| **Holding companies:** | | | | |
| **Kulim (Malaysia) Berhad** | | | | |
| - Internal audit fee | **-** | 58,602 | **-** | 58,602 |
| - Travelling expenses | **635** | 32,512 | **635** | 32,512 |
| - Salaries paid on behalf | **218,481** | 122,166 | **218,481** | 122,166 |
| - Others | **18,034** | 5,078 | **18,034** | 5,078 |
| **Sindora Berhad** | | | | |
| - Shareholder's advances | **7,500,000** | 35,000,000 | **7,500,000** | 35,000,000 |
| - Interest charged | **3,618,489** | 2,768,476 | **3,618,489** | 2,768,476 |
| **Johor Corporation** | | | | |
| - Secretarial costs | **138,697** | 54,309 | **130,623** | 28,015 |
| - Corporate fees | **293,000** | - | **246,000** | - |
| - Salaries paid on behalf | **56,749** | - | **56,749** | - |
| - Travelling expenses | **13,307** | 5,422 | **13,307** | 5,422 |
| - Others | **29,585** | 51,263 | **29,585** | 51,263 |
| **Subsidiaries:** | | | | |
| **Johor Shipyard and Engineering Sdn. Bhd.** | | | | |
| - Construction of vessels | **-** | - | **12,350,000** | 5,700,000 |
| - Fabriation works | **-** | - | **5,402,113** | 10,448,585 |
| **Libra Perfex Precision Sdn. Bhd.** | | | | |
| - Charter hire of vessels | **-** | - | **(27,828,938)** | (35,947,867) |

## 25. RELATED PARTIES DISCLOSURES (CONT'D.)

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| **Shareholders:** | | | | |
| **Dato' Ir Abdul Hak bin Md Amin** | | | | |
| - Shareholder's advances | **9,300,000** | 250,000 | **9,300,000** | 250,000 |
| - Interest charged | **670,170** | 318,009 | **670,170** | 318,009 |
| **Datin Hamidah binti Omar** | | | | |
| - Rental paid | **60,000** | 36,000 | **60,000** | 36,000 |
| - Shareholder's advances | **2,000,000** | - | **2,000,000** | - |
| - Interest charged | **222,953** | 137,000 | **222,953** | 137,000 |
| **Other related parties:** | | | | |
| **Pro Corporate Management Services Sdn. Bhd.*** | | | | |
| - Registrar costs | **-** | 3,322 | **-** | 3,322 |
| - Others | **-** | 896 | **-** | 896 |
| **Puteri Hotels Sdn. Bhd.*** | | | | |
| - Accomodation fees | **31,792** | 21,405 | **31,792** | 21,405 |
| **Virtualflex Sdn. Bhd.** | | | | |
| - Stationeries | **2,500** | - | **2,500** | - |
| **Berkat Global Sdn. Bhd.**** | | | | |
| - Survey fees and material supply | **-** | 41,731 | **-** | 41,731 |
| **Sumber Shipyard and Engineering Sdn. Bhd.**** | | | | |
| - Rental of land | **220,500** | 220,169 | **-** | - |
| - Supply of spare parts | **1,170,226** | 1,000,536 | **-** | - |
| **S.S. Makmur Sdn. Bhd.**** | | | | |
| - Supply of spare parts | **718,251** | 390,627 | **-** | - |
| **Sumber Samudera Sdn. Bhd.**** | | | | |
| - Supply of spare parts | **-** | 410 | **-** | - |
| **Mahamurni Plantations Sdn.Bhd.***** | | | | |
| - Supply manpower | **-** | 6,569 | **-** | 6,569 |
| - Interest charged | **669** | 582 | **669** | 582 |

* The companies are controlled by the ultimate holding company .
** The company is controlled by a Director of the Company .
*** The company is controlled by the immediate holding company .

## 25. RELATED PARTIES DISCLOSURES (CONT'D.)

The Directors of the Company are of opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions are disclosed in Notes 7 and 13.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The Company regards its directors as the key management personnel and their compensations are disclosed in Note 19.

## 26. COMMITMENTS

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| **Shipyard under construction** | | |
| Approved but not contracted for | **20,608,700** | 7,538,700 |

## 27. SEGMENT INFORMATION

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

| | | |
|---|---|---|
| (i) | Vessel charter hire and other income ("Charter hire") | Vessel charter hire income is recognised on a straight-line basis over the lease term determined at the inception of the lease.<br><br>Other income is recognised when services are rendered to the customers and recognised on an accrual basis. |
| (ii) | Revenue from contract with customer | Income from service rendered is recognised net of service taxes and discounts as and when the services are performed. |
| (iii) | EPCIC | Relates to contract revenue arising from the provision of engineering , procurement, construction, installation and commissioning ("EPCIC") of a floating, storage and offloading ("FSO") facility. |

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit. Group financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

## 27. SEGMENT INFORMATION (CONT'D.)

The Group's segmental information is as follows :

| | Charter hire RM | Revenue from contract with customer RM | Total RM |
|---|---|---|---|
| **31 December 2019** | | | |
| Revenue: | | | |
| External customers | **267,379,218** | **4,492,500** | **271,871,718** |
| Results: | | | |
| Segment profit | **53,262,449** | **1,716,558** | **54,979,007** |
| Finance income | **267,985** | **-** | **267,985** |
| Finance costs | **(22,567,377)** | **-** | **(22,567,377)** |
| Profit before tax | **30,963,057** | **1,716,558** | **32,679,615** |
| Total assets | **913,205,320** | **-** | **913,205,320** |
| Total liabilities | **650,214,988** | **-** | **650,214,988** |
| Capital expenditure | **60,034,145** | **-** | **60,034,145** |

| | Charter hire RM | EPCIC RM | Total RM |
|---|---|---|---|
| **31 December 2018** | | | |
| Revenue: | | | |
| External customers | 278,307,575 | 140,692,390 | 418,999,965 |
| Results: | | | |
| Segment profit | 41,788,711 | 70,762,376 | 112,551,087 |
| Finance income | 249,425 | - | 249,425 |
| Finance costs | (22,439,076) | - | (22,439,076) |
| Profit before tax | 19,599,060 | 70,762,376 | 90,361,436 |
| Total assets | 859,409,215 | - | 859,409,215 |
| Total liabilities | 527,069,173 | 105,454,729 | 632,523,902 |
| Capital expenditure | 65,471,477 | - | 65,471,477 |

## 27. SEGMENT INFORMATION (CONT'D.)

There are four external customers (2018: four) who contribute 75% (2018: 76%) or more on total revenues of the Group.

| | Group | |
|---|---|---|
| | **31.12.2019 RM** | 31.12.2018 RM |
| **Charter hire and revenue from contract with customer:** | | |
| Customer A | **100,505,918** | 103,337,511 |
| Customer B | **48,817,502** | 49,454,934 |
| Customer C | **29,820,419** | 24,238,560 |
| Customer D | **25,536,535** | - |
| | **204,680,374** | 177,031,005 |
| **EPCIC:** | **-** | 140,692,390 |
| Customer E | **204,680,374** | 317,723,395 |

## 28. MATERIAL LITIGATION

*Adjudication Proceeding 1*

In prior financial year, Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") served E.A. Technique (M) Berhad ("EAT") with a Notice of Adjudication under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") claiming USD30,221,301 for invoices issued to EAT relating to the EPCIC project after taking into consideration the amounts paid on behalf by HESS Exploration and Production Malaysia B.V. ("HESS") and the deletion of some additional work order ("AWO") scope.

On 27 May 2019, the Adjudicator decision has awarded in favor of MMHE. EAT was required to proceed with payments to MMHE a total sum of USD21,607,206 including 6% of GST, interest at the rate of 1.5% per month on the sum from the date of payment claim (5 October 2018) until the full and final settlement of the sum and costs of adjudication of RM309,113.

On 4 June 2019, EAT filed an application to set aside the Adjudication decision. Subsequently, MMHE had served their application for Enforcement of Adjudication Decision on 5 July 2019. On 16 July 2019, EAT had filed an application for a stay of the Adjudication Decision.

The Judge has fixed 18 March 2020 as the date for the decision on EAT's setting aside application.

The Board of Directors , based on the advice of its legal advisor, is of the view that EAT has a strong basis for the application of the setting aside of the Adjudication decision.

*Adjudication Proceeding 2*

On 29 May 2019, MMHE served EAT with a Notice of Adjudication under CIPAA claiming USD6,096,792 for invoices issued to EAT and tank treatment claim relating to the EPCIC project.

On 4 December 2019 the Adjudicator decision was awarded in favor of MMHE. EAT was ordered to pay MMHE a total of adjudicated sum of USD6,066,996, interest at the rate of 5% per annum on the Adjudicated Sum from 4 December 2019 until the full and final settlement of the adjudicated sum and costs of adjudication of RM204,557.

On 31 December 2019, EAT has filed an application to set aside and a stay of the Adjudication decision.

The Board of Directors, based on the advice of its legal advisor, is of the view that EAT has a strong basis for the application of the setting aside of the Adjudication decision.

## 28. MATERIAL LITIGATION (CONT'D.)

*Arbitration Proceedings*

On 27 September 2018, EAT filed a Notice of Arbitration to the Asian International Arbitration Centre ("AIAC") to claim from Malaysia Marine and MMHE amounts paid on behalf by HESS, deletion of MMHE's AWO scope as well as back charges with a total aggregate amount of USD21,656,198.

On 15 February 2019, EAT served its Statement of Claim to MMHE amounting to USD21,656,198. MMHE filed a counterclaim against EAT in the AIAC Arbitration amounting to USD49,105,096 and filed its Defence for Counterclaim in March 2019.

The last evidentiary hearing took place on 6 November 2019 pursuant to the claim made by EAT and counter claim by MMHE.

On 10 January 2020, EAT and MMHE have filed their respective written submission. Subsequently, EAT and MMHE has replied the counter part written submission on 10 February 2020. The date for clarification hearing has been postponed to a later date from 24 February 2020.

The Group will vigorously defend the claims made by MMHE and pursue its counterclaims. The Board of Directors believe that the Group has provided sufficient amounts in relation to the works performed to date .

## 29. SIGNIFICANT EVENT

*Proposed private placement, debt capitalisation and free warrants issue*

The Company had obtained the approval from its shareholders at the last Extraordinary General Meeting ("EGM") convened on 25 September 2019, authorising the Directors to allot and issue:

i. 106,355,800 Placement Shares in respect of the Proposed Private Placement ;
ii. 121,622,400 Settlement Shares in respect of the Proposed Debt Capitalisation ; and
iii. 365,989,100 warrants in respect of the Proposed Free Warrants Issue.

Bursa Securities had, vide its letter dated 20 August 2019, approved the following:

i. listing of up to 106,355,800 Placement Shares on the Main Market;
ii. listing of 121,622,400 Settlement Shares on the Main Market;
iii. admission to the Official List of Bursa Securities and the listing and quotation of up to 365,989,100 Warrants; and
iv. listing of up to 365,989,100 new Shares to be issued from the exercise of the Warrants on the Main Market.

Management had obtained written consent from the Company's lenders/financiers in respect of the change in capital structure. All approvals have been obtained which the last approval was obtained on 24 December 2019.

As at 31 December 2019, the proposed private placement, debt capitalisation and free warrants issue is yet to be implemented due to unfavourable share price.

As of date of this report, the management has received mandate from the Board of Directors to implement the proposed private placement, debt capitalisation and free warrants issue when the share price is at 35 cent.

The management also has applied to Bursa Malaysia for extension of time on the Corporate Exercise implementation.

## 29. SIGNIFICANT EVENT (CONT'D.)

*Proposed private placement, debt capitalisation and free warrants issue (cont'd.)*

On 27th February 2020, the Company has made an additional listing announcement, which involves private placement of new ordinary shares in the Company . The private placement proposal will be the first tranche of the approved number of placement shares which the approval has been obtained from the shareholders during Extraodinary General Meeting ("EGM") on 25th September 2019. The private placement will be representing approximately 21.1% of the Company's total number of issued shares. The total number of shares to be issued is 26,500,000 units, with 11,500,000 units at the price of RM0.47 pe share and remaining 15,000,000 units at the price of RM0.35 per share . 11,500,000 units of shares is in relation to the private placement of 1,000,000 new shares to Dato' Hak Bin Md. Amin and 10,500,000 new shares to Sindora Berhad. The remaining 15,000,000 units of shares is in relation to placement made to independent third party investors.

The successful implementation of the Proposed Private Placement , Proposed Debt Capitalisation and Proposed Free Warrants Issue will substantially contribute additional funds that will enable the Company to address its short term cash flow obligations.

## 30. FIRST TIME ADOPTION OF MFRS 16 'LEASES'

The Group and the Company have adopted MFRS 16, using modified retrospective method from 1 January 2019, and have not restated its comparative for the 2018 reporting period, as permitted under the specific transitional provisions in the standard .

(a) Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which was previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 .

(b) Practical expedients applied

In applying MFRS 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessment on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determing the lease term where the contract contains options to extend or terminate the lease.

The Group and the Company have also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and the Company relied on its assessment made when applying MFRS 117.

## 30. FIRST TIME ADOPTION OF MFRS 16 'LEASES' (CONT'D.)

(c) Impact of MFRS 16

(i) Impact on the statement of financial position:

| | Group | Company |
|---|---|---|
| | RM | RM |
| **Lease liability recognised as at 1 January 2019:** | | |
| - Current lease liabilities | 7,131,503 | 7,100,212 |
| - Non-current lease liabilities | 9,896,534 | 7,572,153 |

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2019 RM | 01.01.2019 RM | 31.12.2019 RM | 01.01.2019 RM |
| Vessels | 52,084,370 | 14,672,364 | 52,084,370 | 14,672,364 |
| Equipment | 7,376,587 | - | 7,376,587 | - |
| Shipyard | 1,890,780 | 1,973,272 | - | - |
| | 61,351,737 | 16,645,636 | 59,460,957 | 14,672,364 |

The change in accounting policy affected the following items in the Group's and Company's statement of financial position on 1 January 2019:

| | Group | Company |
|---|---|---|
| | RM | RM |
| Increase in right-of-use assets | 16,645,636 | 14,672,364 |
| Increase in deferred tax asset | 91,776 | - |
| Increase in lease liabilities | 17,028,037 | 14,672,364 |
| Decrease in retained earnings | 290,624 | - |

## 30. FIRST TIME ADOPTION OF MFRS 16 'LEASES' (CONT'D.)

(c) Impact of MFRS 16 (cont'd.)

(i) Impact on the statement of financial position: (cont'd.)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows :

| | Group | Company |
|---|---|---|
| | RM | RM |
| **Assets** | | |
| Operating lease commitments as at 31 December 2018 | 41,152,077 | 38,432,102 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 6.25% | 6.34% |
| Discounted operating lease commitments as at 1 January 2019 | 38,731,367 | 36,140,777 |
| Less: | | |
| Commitments relating to short-term leases | (166,199) | (157,781) |
| Commitments relating to leases of low-value assets | (21,537,131) | (21,310,631) |
| Lease liabilities recognised at 1 January 2019 | 17,028,037 | 14,672,365 |

The reclassifications and adjustments arising from new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. No additional statement of financial position as at beginning of the earliest comparative period will be presented.

(ii) Impact on the statements of comprehensive income:

The following are the amounts recognised in profit or loss:

| | Group | Company |
|---|---|---|
| | RM | RM |
| Depreciation expense of right-of-use assets | 7,418,674 | 7,336,182 |
| Interest expense on lease liabilities | 1,770,566 | 1,625,457 |
| Expense relating to short-term leases | 7,574,856 | 7,530,756 |
| Expense relating to leases of low-value assets | 106,679 | 100,985 |
| Total amount recognised in profit or loss | 16,870,775 | 16,593,380 |

## 30. FIRST TIME ADOPTION OF MFRS 16 'LEASES' (CONT'D.)

(c) Impact of MFRS 16 (cont'd.)

The Group had total cash outflows for leases of RM13,183,827 (2018: RM23,579,456). The future cash outflows relating to short term and low value leases that have not yet commenced are as below:

| | Group and Company |
|---|---|
| | RM |
| Within one year | 303,353 |
| After one year but not more than five years | 175,580 |
| | 478,933 |

The Group's lease contracts consist of fixed rent and do not have variable rent element.

**Group as a lessor**

The Group has entered into operating leases on its vessels. These leases have terms of between 1 and 7 years. Rental income recognised by the Group during the year is RM245,741,317 (2018: RM278,307,575).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | 31.12.2019 RM | 01.01.2019 RM |
|---|---|---|
| Within one year | 291,286,600 | 186,069,400 |
| After one year but not more than five years | 393,905,500 | 344,529,500 |
| More than five years | 45,702,000 | 22,194,000 |
| | 730,894,100 | 552,792 ,900 |

# LIST OF PROPERTIES

| Registered Owner | Address | Tenure / Expiry of Lease | Description Existing Use | Date of Issuance of Certificate of Fitness for Occupation / Certificate Of Completion and Compliance | Approximate Age of Building (Years) | Total Built Up Area and Land Area (square feet) | Net Book Value as at 31 Dec 2018 (RM'000) |
|---|---|---|---|---|---|---|---|
| E.A. Technique | Setiawangsa Business Suite, C-3A-3A, No. 2, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur | Freehold | Commercial unit at fourth (4th) floor of a five (5) – storey office block held for our head office | 8 February 2007 | 12 | Built-up: 6,560 Land area: not applicable | 930 |
| E.A. Technique | No. C-15-1, No. 2, Jalan 13/21D, Medan Idaman, Gombak, Kuala Lumpur | Freehold | Apartment for seafarers in-transit | 6 July 2004 | 15 | Built-up: 845 Land area: not applicable | 140 |

| Tenant | Registered Owner | Address | Tenure /Expiry of Lease | Description Existing Use | Total Built Up Area and Land Area (square feet) |
|---|---|---|---|---|---|
| E.A. Technique | Gan Siew Looi | No. 37, Lintang Sultan Mohamad 1B, Pusat Perdagangan Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan | Two (2) years tenancy commencing from 1 January 2018 and expiring on 31 December 2019 | 1-storey office for office use | Built-up: 2,002 Land area: not applicable |
| E.A. Technique | Kertih Port Sdn Bhd | Lot 3633, (PN 3387) Kawasan Bukit Tengah, KM 105, Jalan Kuantan-Kuala Terengganu | Two (2) years tenancy commencing from 1 September 2018 and expiring on 31 August 2020 | Parcel of office /business premises | Built-up: 331 Land area: not applicable |
| E.A. Technique | Zainal Abdul Wahab | Unit C-5-3, Block C, Setiawangsa Business Suite, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur | Two (2) years tenancy + one (1) year tenancy commencing from 1 February 2019 and terminate on 31 January 2022 | Commercial unit at fifth (5th) floor of a six (6) -storey office block for our training facilities | Built-up: 3,000 Land area: not applicable |

| Tenant | Registered Owner | Address | Tenure /Expiry of Lease | Description Existing Use | Total Built Up Area and Land Area (square feet) |
|---|---|---|---|---|---|
| E.A. Technique | Hamidah Omar | Idaman Puteri No. 17-11, Jalan 13/21D, Medan Idaman, 53100 Gombak, Selangor Darul Ehsan | Three (3) years commencing from 1 March 2018 and terminate on 28 February 2021. | Apartment for seafarers in-transit | Land area: not applicable |
| E.A. Technique | Mohamed Jeyavudeen P Abd Rashid | Unit B-0-1, Unit B-1-1, Block B, Setiawangsa Business Suite, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur | One (1) year + 1 year tenancy commencing from 14 December 2016 and expiring on 14 April 2019 (Unit B-0-1) and 14 December 2019 (Unit B-1-1) | Two (2) unit of office lot for office use | Land area: not applicable |
| E.A. Technique | Anstep Holding Sdn Bhd | Sublot 1 of Parent Lot 1355, Block 3 Miri Concession Land District, 98000 Miri, Sarawak | Three (3) years tenancy commencing from 1 November 2017 and expiring on 31 Ocotober 2020 | Whole third floor of one unit of four (4) storey corner shophouse for office use | Built-up: 1,679 Land area: not applicable |
| E.A. Technique | Ahmad Fathiri Ahmad Fadzlah | Unit C-3-3, Unit C-3-3A, Block C, Setiawangsa Business Suite, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur | Two (2) years tenancy commencing from 1 November 2018 and expiring on 31 October 2020 | Commercial unit at third (3rd) floor of a five (5) – storey office block held for our office use | Built-up: 6,560 Land area: not applicable |
| E.A. Technique | Northport (Malaysia) Bhd | Level 2, Marine Services Building, Northport (Malaysia) Bhd, Jalan Pelabuhan, Pelabuhan Utara, 42000 Port Klang, Selangor | Two (2) years tenancy commencing from 1 July 2019 and expiring on 30 June 2021 | Office space at second (2nd) floor of Marine Services Building for office use | Built-up: 1,162 Land area: not applicable |
| Johor Shipyard | Sumber Shipyard and Engineering Sdn Bhd | Lot PT8436-A, Parit 21, Mukim Hutan Melintang, 36400 Daerah Hilir Perak, Perak Darul Ridzuan | 20 years/30 November 2032 with an option to renew for another ten (10) years | Option which included but not limited to ship construction, repairs and all such shipyard activities and other related activities | Built-up: 13,000 Land area: 435,600 |

# SHAREHOLDINGS STATISTICS
## AS AT 18 MAY 2020

| Size of Shareholdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 10 | 0.47 | 200 | - |
| 100 – 1000 | 232 | 10.90 | 122,600 | 0.02 |
| 1,001 – 10,000 | 915 | 43.00 | 5,757,000 | 1.08 |
| 10,001 – 100,000 | 809 | 38.02 | 28,570,400 | 5.39 |
| 100,001 to less than 5% of Issued Capital | 161 | 7.56 | 230,549,800 | 43.46 |
| 5% and above of Issued Capital | 1 | 0.05 | 265,500,000 | 50.05 |
| **TOTAL** | **2,128** | **100.00** | **530,500,000** | **100.00** |

**TOP THIRTY SECURITIES ACCOUNT HOLDERS**
(Without aggregating the securities from different securities accounts belonging to the same depositor)

| | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Sindora Berhad | 265,500,000 | 50.05 |
| 2 | CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Abdul Hak bin Md Amin (PBCL-0G0716) | 25,700,000 | 4.84 |
| 3 | CIMSec Noms (T) Sdn Bhd - A/C CIMB for Hamidah binti Omar (PB) | 23,077,500 | 4.35 |
| 4 | Kenanga Capital Sdn Bhd - A/C for Abdul Hak bin Md Amin | 22,000,000 | 4.15 |
| 5 | Kenanga Capital Sdn Bhd - A/C for Abdul Hak bin Md Amin (Account 2) | 21,620,000 | 4.08 |
| 6 | Alliancegroup Noms (T) Sdn Bhd - A/C for Lim Chai Beng (7001398) | 15,113,700 | 2.85 |
| 7 | Kulim (Malaysia) Berhad | 12,884,300 | 2.43 |
| 8 | RHB Capital Noms (T) Sdn Bhd - A/C for Lim Chai Beng (CEB) | 12,873,400 | 2.43 |
| 9 | CIMSec Noms (T) Sdn Bhd - A/C CIMB for Abdul Hak bin Md Amin (PB) | 10,980,000 | 2.07 |
| 10 | Md Yusoff bin Abdul Ghaffar | 5,844,200 | 1.10 |
| 11 | RHB Noms (T) Sdn Bhd - A/C for Abdul Hak bin Md Amin | 5,250,000 | 0.99 |
| 12 | Chua Sai Men | 4,927,000 | 0.93 |
| 13 | Malacca Equity Noms (T) Sdn Bhd - A/C Exempt An for Phillip Capital Management Sdn Bhd | 4,672,800 | 0.88 |
| 14 | Universal Trustee (Malaysia) Berhad - A/C TA Dynamic Absolute Mandate | 4,224,800 | 0.80 |
| 15 | PFM Capital Sdn Bhd | 3,270,300 | 0.62 |
| 16 | Maybank Noms (T) Sdn Bhd - A/C MTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)(419471) | 3,066,200 | 0.58 |
| 17 | RHB Noms (T) Sdn Bhd - A/C for Lai Chee Chong | 2,387,100 | 0.45 |
| 18 | Public Noms (T) Sdn Bhd - A/C for Tam Seng @ Tam Seng Sen (E-PTS) | 1,650,000 | 0.31 |
| 19 | Maybank Noms (T) Sdn Bhd - A/C for Abd Talib bin Bachek | 1,423,900 | 0.27 |
| 20 | AllianceGroup Noms (T) Sdn Bhd - A/C for Lim Ann Lie (7000780) | 1,338,400 | 0.25 |
| 21 | Lim Zee Yang | 1,282,900 | 0.24 |
| 22 | Citigroup Noms (T) Sdn Bhd - A/C Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SC E) | 1,281,000 | 0.24 |
| 23 | Public Noms (T) Sdn Bhd - A/C for Kong Kok Choy (SRB/PMS) | 1,268,000 | 0.24 |

### TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONT'D.)

(Without aggregating the securities from different securities accounts belonging to the same depositor)

| | Name | No. of Shares | % |
|---|---|---|---|
| 24 | Universal Trustee (Malaysia) Berhad - A/C KAF Core Income Fund | 1,024,700 | 0.19 |
| 25 | Public Noms (T) Sdn Bhd - A/C for Lee Kong Wai (E-SPG) | 1,011,000 | 0.19 |
| 26 | Public Investment Bank Berhad - A/C Exempt AN CLR for TA Investment Management Berhad | 1,000,000 | 0.19 |
| 27 | PM Noms (T) Sdn Bhd - A/C for Kong Kok Choy (B) | 1,000,000 | 0.19 |
| 28 | CIMB Group Noms (T) Sdn Bhd - A/C CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TR01) | 1,000,000 | 0.19 |
| 29 | CGS-CIMB Noms (T) Sdn Bhd - A/C for Arshad bin Ayub (MY1393) | 1,000,000 | 0.19 |
| 30 | Maybank Noms (T) Sdn Bhd - A/C Adam Shah bin Abdul Majid | 953,300 | 0.18 |

### ANALYSIS OF SHAREHOLDERS

| | Direct | | Direct | |
|---|---|---|---|---|
| **Size of Shareholdings** | **No. of Shareholders** | **%** | **No. of Shares** | **%** |
| Malaysian - Bumiputra | 824 | 38.72 | 454,579,600 | 85.69 |
| - Others | 1,283 | 60.29 | 74,534,700 | 14.05 |
| Foreigners | 21 | 0.99 | 1,385,700 | 0.26 |
| **TOTAL** | **2,128** | **100.00** | **530,500,000** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS

| Name | | No. of Shares | % | No. of Shares | % |
|---|---|---|---|---|---|
| Sindora Berhad | | 265,500,000 | 50.05 | - | - |
| Dato' Ir. Abdul Hak bin Md. Amin<br>- CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Abdul Hak bin Md Amin (PBCL-0G0716)<br>- Kenanga Capital Sdn Bhd - A/C for Abdul Hak bin Md Amin<br>- Kenanga Capital Sdn Bhd - A/C for Abdul Hak bin Md Amin (Account 2)<br>- CIMSec Noms (T) Sdn Bhd - A/C CIMB for Abdul Hak bin Md Amin (PB)<br>- RHB Noms (T) Sdn Bhd - A/C for Abdul Hak bin Md Amin<br>- Maybank Secs Noms (T) Sdn Bhd - A/C for Abdul Hak bin Md Amin | <br>25,700,000<br>22,000,000<br>21,620,000<br>10,980,000<br>5,250,000<br>641,700 | 86,191,700 | 16.25 | 23,272,500 | 4.39 |
| Datuk Lim Chai Beng<br>- AllianceGroup Noms (T) Sdn Bhd - A/C for Lim Chai Beng (7001398)<br>- RHB Capital Noms (T) Sdn Bhd - for Lim Chai Beng (CEB)<br>- Affin Hwang Noms (T) Sdn. Bhd. - A/C for Lim Chai Beng 100,000<br>- HLB Noms (T) Sdn Bhd - A/C for Lim Chai Beng | <br>15,113,700<br>12,873,400<br><br>20,000 | 28,107,100 | 5.30 | | |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Sixth (26th) Annual General Meeting (**"AGM"**) of E.A. Technique (M) Berhad (**"EAT"** or the **"Company"**) will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") on Wednesday, 15 July 2020 at 12.00 pm, for the transaction of the following purposes:-

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon.
*Please refer to Explanatory Note A*

2. To re-elect the following Directors who retire in accordance with the Company's Constitution and who being eligible offer themselves for re-election:

| | | | |
|---|---|---|---|
| (i) | Abdul Azmin bin Abdul Halim | - Rule 27.1 | **Ordinary Resolution 1** |
| (ii) | Ir Dr Mohd Shahreen Zainooreen bin Madros | - Rule 27.6 | **Ordinary Resolution 2** |
| (iii) | Dato' Mohd Redza Shah bin Abdul Wahid | - Rule 27.6 | **Ordinary Resolution 3** |
| (iv) | Abdul Rahim bin Omar | - Rule 27.6 | **Ordinary Resolution 4** |

*Please refer to Explanatory Note B*

3. To approve the Proposed Directors' Fees amounting to RM80,000 per annum for the Non-Executive Chairman and RM66,000 per annum for each of the Non-Executive Directors in respect of the financial year ending 31 December 2020.
*Please refer to Explanatory Note C* **Ordinary Resolution 5**

4. To approve the payment of Remunerations (excluding Proposed Directors' Fees) to Non-Executive Chairperson and Non-Executive Directors for the period from 16 July 2020 until the next AGM of the Company ("Relevant Period").
*Please refer to Explanatory Note D* **Ordinary Resolution 6**

5. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Board of Directors to determine their remuneration.
*Please refer to Explanatory Note E* **Ordinary Resolution 7**

**SPECIAL BUSINESS**

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

6. <u>Authority to Issue and Allot Shares Pursuant To Section 75 of the Companies Act, 2016</u>

"**THAT** pursuant to Section 75 of the Companies Act, 2016 ("Act"), and approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad (**"Bursa Securities"**) and that such authority shall continue in force until the conclusion of the next AGM of the Company.
*Please refer to Explanatory Note F* **Ordinary Resolution 8**

7. Proposed Share Buy-Back Renewal

"**THAT**, subject to Section 127 of the Act, the provisions of the Main Market Listing Requirements of the Bursa Securities (**"Listing Requirements"**) and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:-

(a) The maximum aggregate number of shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time;
(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company;

**AND THAT** the Directors be and are hereby authorised to deal with the shares so bought-back at their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or
(ii) retain the shares so purchased as treasury shares; or
(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,
(iv) distribute the treasury shares as share dividends to shareholders and/or resell on Bursa Securities in accordance with the relevant rules of Bursa Securities; or
(v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or
(vi) cancel the treasury shares or any of the said shares; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the Listing Requirements and any other relevant authority for the time being in force;

**AND THAT** the authority conferred by this resolution shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company; or
(b) the expiration of the period within which the next AGM is required by law to be held; or
(c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements or any other relevant authorities.

**AND THAT** the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the purchase by the Company of its own shares with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the Listing Requirements and the guidelines issued by Bursa Securities and any other relevant authorities."
*Please refer to Explanatory Note G* **Ordinary Resolution 9**

**BY ORDER OF THE BOARD**

**NURALIZA A. RAHMAN** SSM PC No. 202008003364 (MAICSA 7067934)
**SABARUDIN HARUN** SSM PC No. 202008000981 (MIA 30423)
Company Secretaries

Johor Bahru, Johor
16 June 2020

**NOTES:**

**(A) IMPORTANT NOTICE**

1. The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairperson of the meeting to be present at the main venue of the meeting.

   Shareholders WILL NOT BE ALLOWED to attend the 26th AGM in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 26th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online. Please follow **the Procedures for RPV in the Administrative Guide for Shareholders on 26th AGM** and take note of **Notes (2) to (14)** below in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 8 July 2020.** Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV.

5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

7. Where a member of the Company is an exempt authorised 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

9. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. **Please follow the Procedures for RPV in the Administrative Guide for Shareholders on 26th AGM.**

10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

    (i) <u>In hard copy form</u>
    In the case of an appointment made in hard copy form, the proxy form must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

    (ii) <u>By electronic form</u>
    The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Administrative Guide For Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.

11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is T**uesday, 14 July 2020 at 12.00 p.m..**

13. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

14. For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:

    (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
    (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

        (a) at least two (2) authorised officers, of whom one shall be a director; or
        (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

**Abstention from Voting**

Any Director referred to in Resolution 1, 2, 3 and 4 who is a shareholder of the Company shall abstain from voting on the resolution in respect of his election or re-appointment as Director of the Company at the 26th AGM.

**(B) EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS**

A. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (the Act) for discussion only and does not require the Company to obtain shareholders' approval. Henceforth, this will not put forward for voting.

B. Rule 27.1 of the Constitution provides that the whole of the Directors shall retire from office and at every succeeding AGM, one-third (1/3) of the Directors, or, if their number is not a multiple of three (3), the number nearest to, but not exceeding one-third (1/3), shall retire from office. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Out of the current Board size of eight (8), three (3) Directors are to retire in accordance with Rule 27.6 which is casual vacancy. Hence, one (1) out of 5 (five) directors, Abdul Azmin bin Abdul Halim is standing for re-elections as Directors of the Company and being eligible, has offered himself for re-elections.

C. The proposed Ordinary Resolution 5, if passed will facilitate payment of Proposed Directors' Fees of the Non-Executive Chairman (**"NEC"**) and Non-Executive Directors (**"NEDs"**) on current year basis pursuant to Section 230(1)(b) of the Act.

D. The proposed Ordinary Resolution 6, if passed will allow the payment of the Directors' Remuneration (excluding Directors' fees) to the NEDs of the Company on a monthly/quarterly basis and/or when incurred within the Relevant Period.

The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' Remuneration on a monthly/quarterly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

The total amount of benefits payable to the NEDs is estimated to be up to RM256,000 for the Relevant Period, based on the current Board Remuneration Policy and taking into account various factors including the number of scheduled meetings for the Board, and Board Committees as well as the number of NEDs involved in these meetings.

Details of the estimated Directors' Remuneration for NEDs for the Relevant Period are as below:-

**(a) Directors' Fees**

| ANNUAL FEES | 2019 | 2020 |
|---|---|---|
| Board of Directors | | |
| Chairman | RM80,000 per annum | RM80,000 per annum |
| Other Members (per person) | RM66,000 per annum | RM66,000 per annum |

**NOTE:**
The payment of the annual fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.

**(b) Directors' Remuneration (excluding Directors' fees)**

**(1) Committee Fees**

| ANNUAL FEES | CHAIRMAN | NEDs / MEMBER |
|---|---|---|
| Audit Committee | RM20,000 per annum | RM10,000 per annum |
| Tender Committee | RM20,000 per annum | RM10,000 per annum |
| Risk Committee | RM20,000 per annum | RM10,000 per annum |
| Investment Committee | RM20,000 per annum | RM10,000 per annum |

**NOTE:**

i. The payment of the annual fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.

ii. The payment of the Committees' annual fees is extended to all Directors in the Committees except for the Managing Director of the Company.

iii. The payment of Committee annual fees is not applicable to Nomination and Remuneration Committees.

**(2) Meeting Allowance**

| MEETING ALLOWANCE (PER MEETING) | CHAIRMAN | NEDs / MEMBER |
|---|---|---|
| Board of Directors | RM2,000 | RM1,000 |
| Audit Committee | RM2,000 | RM1,000 |
| Tender Board Committee | RM2,000 | RM1,000 |
| Nomination Committee | RM2,000 | RM1,000 |
| Remuneration Committee | RM2,000 | RM1,000 |
| Risk Committee | RM2,000 | RM1,000 |
| Investment Committee | RM2,000 | RM1,000 |

**NOTE:**

i. The payments of the Sitting Allowances are extended to all Directors except for the Managing Director and Executive Directors of the Company.

E. The Audit Committee ("AC") and the Board of Directors at their Meetings on 19 May 2020 and 29 May 2020 respectively have considered the re-appointment of Messrs. Ernst & Young PLT (**"E&Y"**) as Auditors of the Company and collectively agreed that E&Y met the relevant criteria as prescribed by Paragraph 15.21 of the Listing Requirements.

F. The Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next AGM of the Company. The general mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

G. The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 25th AGM held on 29th April 2019 and which shall lapse at the conclusion of the 26th AGM to be held on 15th July 2020.

The proposed Ordinary Resolution 9 is a renewal of the general mandate obtained from the shareholders of the Company at the previous AGM. In accordance with Section 127 of CA 2016, a renewal is sought from shareholders for Directors to issue and allot new shares in the Company of up to an amount not exceeding 10% of the issued and paid up share capital of the Company for such purposes as the directors may deem fit in the best interest of the Company including for any possible fund raising activities for the Company's working capital requirements and strategic investments.

This resolution if approved, will give the Company and its Directors the mandate and flexibility to issue and allot new shares in the Company for possible fund raising activities without the need to seek shareholders' approval via a general meeting subsequent to this 26th AGM, which may delay the capital raising initiatives and incur relevant cost in organising the general meeting. The authorisation, unless revoked or varied by the Company at a general meeting, will be valid until the next AGM of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL 26TH GENERAL MEETING

## (PURSUANT TO PARAGRAPH 8.72 (2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirement of the Bursa Malaysia Securities Berhad, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election or re-appointment) at the 26th AGM of the Company.

**E.A. TECHNIQUE (M) BERHAD**
Registration No. 199301001779 (256516-W)
(Incorporated in Malaysia)

# FORM OF PROXY

| | |
|---|---|
| No. of shares held | |
| CDS Account No. | |

I/We..........................................................................................................
(Full Name as per NRIC/Certificate of Incorporation in block letters)

Company No. / NRIC No. ..........................................................................................

of ..........................................................................................................
Full address)

being a member of E.A. TECHNIQUE (M) BERHAD ("the Company") hereby appoint:-

| Full Name (in Block Letters) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address: | | | |

AND

| Full Name (in Block Letters) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address: | | | |

or failing him/her, the Chairperson of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the 26th Annual General Meeting of the Company which will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("the Broadcast Venue") on Wednesday, 15 July 2020 at 12.00 p.m. or any adjournment thereof, and to vote as indicated below:

| RESOLUTIONS | | For | Against | Abstain |
|---|---|---|---|---|
| 1. | To re-elect Director – Abdul Azmin bin Abdul Halim | | | |
| 2. | To re-elect Director – Ir Dr Mohd Shahreen Zainooreen bin Madros | | | |
| 3. | To re-elect Director – Dato' Mohd Redza Shah bin Abdul Wahid | | | |
| 4. | To re-elect Director – Abdul Rahim bin Omar | | | |
| 5. | To approve payment of Directors' fees | | | |
| 6. | To approve payment of Directors' remuneration | | | |
| 7. | To re-appoint Messrs. Ernst & Young PLT as auditors | | | |
| 8. | Authority to allot & issue shares | | | |
| 9. | Proposed Share Buy-Back Renewal | | | |

(Please indicate with a ("X") in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.)

| | |
|---|---|
| Date: | |
| Contact No. | |

..........................................................
Signature/Common Seal of Shareholder

**NOTES:**

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders WILL NOT BE ALLOWED to attend the 26th Annual General Meeting in person at the Broadcast Venue on the day of the meeting. Shareholders are to attend, participate (including posing questions to the Board) and vote remotely at the 26th Annual General Meeting via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online.

2. For the purpose of determining who shall be entitled to attend this Annual General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 8 July 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to attend, participate, speak and vote in this Annual General Meeting via RPV.

3. A member who is entitled to attend, participate, speak and vote at this Annual General Meeting via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his/her place. A proxy may but need not be a member of the Company. **In view that this is a fully virtual Annual General Meeting, we strongly advise the members who are unable to attend, participate, speak and vote in this Annual General Meeting via RPV to appoint the Chairperson of the meeting as his/her proxy and indicate the voting instructions in the proxy form.**

4. (Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), "), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

5. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

6. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this Annual General Meeting via RPV **must request his/her proxy to register himself/herself for RPV at** TIIH Online website at https://tiih.online

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STAMP

**E.A. TECHNIQUE (M) BERHAD**
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

*Fold here*

7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than twenty-four (24) hours before the time appointed for holding the Annual General Meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronic form

   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Annexure to the proxy form – Electronic Submission of Proxy Form via TIIH Online for General Meeting.

8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

9. Last date and time for lodging the proxy form is Tuesday, 14 July 2020 at 12.00 p.m.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the Annual General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed. To attend, participate and vote remotely, the attorney should refer to the Information for Shareholders on 26th Annual General Meeting for further details.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representatives(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 16 June 2020.

WWW.EATECHNIQUE.COM.MY

E.A. TECHNIQUE (M) BERHAD 199301001779 (256516-W)

SETIAWANGSA BUSINESS SUITES
UNIT C-3A-3A, NO.2 JALAN SETIAWANGSA 11
TAMAN SETIAWANGSA
54200 KUALA LUMPUR, MALAYSIA

TEL : +603 4252 5422
FAX : +603 4252 2163
EMAIL : eat@eatechnique.com.my