

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Promoters, Directors, substantial shareholders, key senior management and/or persons connected with them which are material to our Group during FYE 2016 to 2019 and up to LPD:

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions					1 January 2020 up to LPD		
					FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000		%	FYE 2019 RM'000
Tung Huat Engineering Sdn Bhd	OVE	Martin Philip King King Ik Piau	Martin Philip King Ik Piau is our Promoter, substantial shareholder and Executive Director	Rental paid for the property rented by OVE from Tung Huat Engineering Sdn Bhd	(4)	n/a	(8)	n/a	(3)(2)	n/a	-	-
		Mary King Siaw Ning	Mary King Siaw Ning is our substantial shareholder									
			Both of them are shareholders of Tung Huat Engineering Sdn Bhd									

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions					1 January 2020 up to LPD		
					FYE 2016	FYE 2017	FYE 2018	FYE 2019	RM'000			
					RM'000	%	RM'000	%	RM'000	%	RM'000	%
Borneo Material Handling Sdn Bhd ("BMHSB")	OVE	Kenny Ronald Ngalin	Kenny Ronald Ngalin is our Promoter, substantial shareholder and Managing Director.	Purchase of materials	-	-	(4)(95)	(4)*	-	-	-	-
		Thomas Jalong	Thomas Jalong is our key senior management.									
			Thomas Jalong was a director and shareholder of BMHSB, but has resigned and disposed his shares on 3 May 2017.									
			Kenny Ronald Ngalin was a shareholder of BMHSB and has disposed his shares in BMHSB on 13 September 2016.									

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions				1 January 2020 up to			
					FYE 2016	FYE 2017	FYE 2018	FYE 2019	LPD			
					RM'000	%	RM'000	%	RM'000	%		
Venom Properties Sdn Bhd ("VPSB") (formerly known as Ocean Vantage Properties Sdn Bhd)	OVE	Kenny Ronald Ngalin	Kenny Ronald Ngalin is our Promoter, substantial shareholder and Managing Director.	Rental paid for our current Puchong office to VPSB	(66)	n/a	(96)	n/a	(117)	n/a	(55)	n/a
		Martin Phillip King Ik Piau	Martin Phillip King Ik Piau is our Promoter, substantial shareholder and Executive Director.	The tenancy arrangement of our current Puchong office is valid up to 31 May 2022					(132)	n/a		
		Yau Kah Tak	Yau Kah Tak is our Promoter, substantial shareholder and Executive Director.									
		Mary King Siaw Ning	Mary King Siaw Ning is our substantial shareholder.									
		Tan Lee Kim	Tan Lee Kim is our Promoter, substantial shareholder and Executive Director.									

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions				1 January 2020 up to LPD	
					FYE 2016 RM'000	%	FYE 2017 RM'000	%		FYE 2018 RM'000
			Tan Lee Kim is the spouse of Chang Yun Lung, our key senior management.							
			Kenny Ronald Ngalin, Mary King Siaw Ning, Yau Kah Tak and Tan Lee Kim are directors and shareholders of VPSB.							
			Martin Philip King Ik Piau is the shareholder of VPSB.							
Dynamic Force Marketing Sdn Bhd (formerly known as Ocean Vantage	OVE	Kenny Ronald Ngalin	Kenny Ronald Ngalin is our Promoter, substantial shareholder and Managing Director.	Manpower supply services	171	*	-	-	-	-
		Martin Philip King Ik Piau		Sales of scaffolding materials	683	(1)3,87	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions					1 January 2020 up to LPD		
					FYE 2016 RM'000	FYE 2016 %	FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000		FYE 2018 %	FYE 2019 RM'000
<i>Trading Sdn Bhd</i> ("DFMSB")		Yau Kah Tak	Martin Philip King Ik Piau is our Promoter, substantial shareholder and Executive Director.	Purchases of various materials for the supply of materials, tools and equipment	(288)	⁽²⁾ 2.61	⁽⁵⁾ (28)	^{(5)*}	-	-	-	-
		Mary King Siaw Ning	Yau Kah Tak is our Promoter, substantial shareholder and Executive Director.	Purchase of baskets, scaffolding, machinery, wireless spray and container	(554)	⁽²⁾ 5.02	-	-	-	-	-	-
			Mary King Siaw Ning is our substantial shareholder.									
			Kenny Ronald Ngalin and Martin Philip Ik Piau were directors and shareholders of DFMSB but have resigned and disposed their									

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Related parties	Transacting company within our Group	Interested person(s)	Nature of relationship	Nature of transaction	Value of transactions					1 January 2020 up to LPD
					FYE 2016	FYE 2017	FYE 2018	FYE 2019		
					RM'000	%	RM'000	%	RM'000	%
			shares on 2 January 2017.							
			Mary King Siaw Ning and Yau Kah Tak was a shareholder of DFMSB and has disposed their shares in DFMSB on 2 January 2017.							

Notes:

- n/a Not applicable
- * Less than 1% of our revenue/ cost of sales for the respective financial year
- (1) Calculated based on our Group's revenue for each of the respective financial years.
- (2) Calculated based on our Group's cost of sales for each of the respective financial years.
- (3) Subsequent to FYE 2018, the rental arrangement has ceased.
- (4) Borneo Material Handling Sdn Bhd ceased to be a related party on 3 May 2017.
- (5) Dynamic Force Marketing Sdn Bhd (*formerly known as Ocean Vantage Trading Sdn Bhd*) ceased to be a related party on 2 January 2017.

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and were carried out in the ordinary course of business and on competitive commercial terms not more favourable to the related parties than those generally available to the public and were not to the detriment of our non-interested shareholders.

Moving forward, we have established the following procedures for all related party transactions to ensure the transactions (if any) are undertaken on arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the public:

- (i) We will procure for at least 2 other quotations from third parties for identical products and/or services as comparison, wherever possible, to determine whether the price and terms offered for any products and/or services by the related parties are fair, reasonable and similar to those offered by third parties; or
- (ii) If quotation from third parties for the identical products and/or services cannot be obtained, the transaction price will be determined by our Group based on terms offered by third parties for substantially similar type of products and/or services to ensure that the related party transactions are fair and reasonable.

To mitigate any potential conflict of interest, our Board shall seek the approval from our non-interested shareholders for a mandate to enter into such transactions at the general meeting of our Company.

In the event there are any proposed related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to for the past FYE 2016 to 2019.

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)**10.2.2 Outstanding loans (including guarantees of any kind)****(i) Outstanding loans and/or balances**

The following is our related party balances as at 31 December 2016 to 2019 and LPD:

	As at 31 December				
	2016	2017	2018	2019	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Amount due from related parties</u>					
Borneo Material Handling Sdn Bhd ⁽¹⁾	62	131	191	-	-
Dynamic Force Marketing Sdn Bhd ⁽²⁾ (formerly known as Ocean Vantage Trading Sdn Bhd)	750	-	-	-	-
<u>Amount due by Director</u>					
Kenny Ronald Ngalin ⁽³⁾	-	327	129	-	-
<u>Amount due to Director</u>					
Kenny Ronald Ngalin ⁽⁴⁾	324	-	-	-	-

Notes:

- (1) Borneo Material Handling Sdn Bhd ceased to be a related party on 3 May 2017. These amounts due are related to advances given to Borneo Material Handling Sdn Bhd to fund its working capital. On 23 May 2019, Borneo Material Handling Sdn Bhd has fully settled the amount due to our Group.
- (2) Dynamic Force Marketing Sdn Bhd (formerly known as Ocean Vantage Trading Sdn Bhd) ceased to be a related party on 2 January 2017. These amounts due are trade balances.
- (3) This amount represents the advance to director for business related expenses.
- (4) This amount is an advance from the director to OVE for its working capital.

(ii) Guarantees

As at LPD, our Promoters had extended personal guarantees for banking facilities to our Group. In conjunction with the Listing, the respective banks had agreed to discharge the said personal guarantees upon the completion of the Listing.

Save as disclosed above, there were no outstanding loans (including guarantees of any kind) made by us to or for the benefit of a related party in respect of FYE 2016 to 2019.

These non-trade related party balances under item (i) and (ii) above are denominated in RM and were not made on an arm's length basis as it does not carry any interest.

Moving forward, our Group will not provide any non-trade related advances to our Directors and Borneo Material Handling Sdn Bhd.

10. RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS (Cont'd)

10.2.3 Promotions of any material assets acquired/to be acquired within 3 years preceding the date of this Prospectus

Save for the rental paid to the related party, Venom Properties Sdn Bhd (*formerly known as Ocean Vantage Properties Sdn Bhd*), as disclosed in Section 10.1.1, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2016 to 2019, acquired or proposed to be acquired, disposed or proposed to be disposed or leased or proposed to be leased to/by us.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (i) Agreement dated 5 April 2018 between OVE and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and
- (ii) Underwriting Agreement dated 20 May 2020 entered into between our Company and M&A Securities for the underwriting of 24,660,000 Issue Shares.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

None of our other Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group, or are customers and/or suppliers of our Group as at LPD.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties. Moving forward, in order to mitigate any possible conflict of interest situation, our Directors will declare to our Nominating Committee and our Board their interests in other companies on the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit Committee of such involvement. Where a determination has been made that there is an actual or potential conflict of interest of a Director, our Nominating Committee will:

- (i) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit Committee;
- (ii) Make recommendations to our Board to direct the conflicted Director to:
 - (a) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (b) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (ii) above, the conflicted Director shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director has a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (i) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (ii) Messrs Teh & Lee has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

11. CONFLICT OF INTEREST (Cont'd)

- (iii) Messrs Baker Tilly Monteiro Heng PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (iv) PROVIDENCE has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 10 October 2018 to facilitate the Listing. Our historical financial information throughout the FYE 2016 to 2019 has been prepared in accordance with MFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results or cash flows.

We completed the Acquisitions on 12 February 2020. OVE and OVIT are assumed to be under common control with our Group since their incorporation and prior to the Acquisitions. As such, the historical financial information of our Group for FYE 2016 to 2019 is presented based on combined audited financial statements of OVH Group.

12.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income of our Group for FYE 2016 to 2019 which have been extracted from the Accountants' Report. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	17,645	24,009	30,492	58,284
Cost of sales	(11,034)	(14,301)	(18,880)	(43,495)
GP	6,611	9,708	11,612	14,789
Other income	88	120	129	377
Administrative expenses	(2,984)	(5,194)	(4,656)	(5,915)
Operating profit	3,715	4,634	7,085	9,251
Finance costs	(100)	(89)	(75)	(103)
PBT	3,615	4,545	7,010	9,148
Income tax expense	(905)	(1,525)	(1,837)	(2,231)
PAT	2,710	3,020	5,173	6,917
Other comprehensive loss, net of tax				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Fair value loss of available-for-sale financial assets	(12)	(27)	-	-
Other comprehensive loss for the financial year	(12)	(27)	-	-
Total comprehensive income for the financial year	2,698	2,993	5,173	6,917
EBIT ⁽¹⁾	3,715	4,611	7,078	9,239
EBITDA ⁽¹⁾	4,137	5,012	7,503	10,051
GP margin (%) ⁽²⁾	37.47%	40.43%	38.08%	25.37%
PBT margin (%) ⁽³⁾	20.49%	18.93%	22.99%	15.70%
PAT margin (%) ⁽³⁾	15.36%	12.58%	16.97%	11.87%
Basic EPS (sen) ⁽⁴⁾	0.82	0.92	1.57	2.10
Diluted EPS (sen) ⁽⁵⁾	0.66	0.73	1.26	1.68

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
PAT	2,710	3,020	5,173	6,917
Less:				
Interest income	*	(23)	(7)	(12)
Add:				
Finance costs	100	89	75	103
Taxation	905	1,525	1,837	2,231
EBIT	3,715	4,611	7,078	9,239
Add:				
Depreciation and amortisation	422	401	425	812
EBITDA	4,137	5,012	7,503	10,051

Note:

* Less than RM1,000

- (2) Calculated based on GP divided by revenue
- (3) PBT margin and PAT margin are calculated based on the respective PBT and PAT for the financial year divided by revenue
- (4) Calculated based on PAT for the financial year divided by our enlarged number of Shares in issue before IPO
- (5) Calculated based on PAT for the financial year divided by our enlarged number of Shares in issue after IPO

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12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Historical combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2016, 2017, 2018 and 2019 which have been extracted from the Accountants' Report. The Group has adopted MFRS 16 Leases in the FYE 2019. Right-of-use assets and lease liabilities are recognised in the combined statements of financial position as at 31 December 2019 upon adoption of MFRS 16. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	As at 31 December			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4,504	4,126	4,416	7,536
Other investment	645	-	-	-
Total non-current assets	5,149	4,126	4,416	7,536
Current assets				
Trade and other receivables	52,297	11,707	15,726	18,941
Current tax assets	5	6	12	6
Cash and bank balances	526	2,647	1,192	2,314
Total current assets	52,828	14,360	16,930	21,261
TOTAL ASSETS	57,977	18,486	21,346	28,797
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Invested equity	1,600	1,600	1,600	1,600
Reserves	590	2,336	2,336	2,336
Retained earnings	6,103	9,123	12,496	17,906
TOTAL EQUITY	8,293	13,059	16,432	21,842
Non-current liabilities				
Loans and borrowings	1,583	1,469	1,435	1,448
Lease liabilities	-	-	-	179
Deferred tax liabilities	117	49	166	424
Total non-current liabilities	1,700	1,518	1,601	2,051
Current liabilities				
Loans and borrowings	481	376	41	103
Lease liabilities	-	-	-	142
Current tax liabilities	821	1,224	749	449
Trade and other payables	46,682	2,309	2,523	4,210
Total current liabilities	47,984	3,909	3,313	4,904
TOTAL LIABILITIES	49,684	5,427	4,914	6,955
TOTAL EQUITY AND LIABILITIES	57,977	18,486	21,346	28,797

12. FINANCIAL INFORMATION (Cont'd)

12.1.3 Historical combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2016 to 2019 which have been extracted from the Accountants' Report. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Cashflow from operating activities				
PBT	3,615	4,545	7,010	9,148
Adjustments for:				
Depreciation of property, plant and equipment	422	401	425	812
Loss on disposal property, plant and equipment	-	8	-	-
Gain on disposal of available-for-sale investment	(8)	(68)	-	-
Finance costs	100	89	75	103
Interest income	(*)	(23)	(7)	(12)
Investment income	(12)	-	-	-
Net unrealised (gain)/loss on foreign exchange	(66)	249	(43)	(165)
Share-based payment	-	1,773	-	-
Operating profit before changes in working capital	4,051	6,974	7,460	9,886
Changes in working capital:				
Trade and other receivables	(31,631)	40,251	(4,223)	(3,189)
Trade and other payables	29,687	(44,056)	213	1,687
Net cash generated from operations	2,107	3,169	3,450	8,384
Income tax refunded	-	-	-	12
Income tax paid	(741)	(1,190)	(2,202)	(2,279)
Interest received	*	23	7	12
Net cash from operating activities	1,366	2,002	1,255	6,129
Cash flows from investing activities				
Investment income	12	-	-	-
Purchase of property, plant and equipment	(1,062)	(34)	(714)	(3,305)
Proceeds from disposal of property, plant and equipment	-	3	-	-
Proceeds from disposal of other investment	219	670	-	-
Common control established	-	-	-	(6)
Net cash (used in)/from investing activities	(831)	639	(714)	(3,311)
Cash flows from financing activities				
Drawdown of bankers' acceptance	316	-	-	-
Dividend paid	-	-	(1,800)	(1,500)

12. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Interest paid	(100)	(89)	(75)	(103)
Repayment of term loan	(29)	(32)	(30)	(34)
Repayment of finance lease liabilities	(165)	(130)	(80)	(15)
Repayment of bankers' acceptance	-	(57)	(259)	-
Repayment of lease liabilities	-	-	-	(183)
Net changes in amount owing by/to a director	(228)	(651)	199	129
Net changes in amount owing by/to related parties	(696)	439	-	4
Net cash used in financing activities	(902)	(520)	(2,045)	(1,702)
Net (decrease)/increase in cash and cash equivalents	(367)	2,121	(1,504)	1,116
Effect of exchange rate changes	(100)	*	49	6
Cash and cash equivalents at the beginning of the financial years	993	526	2,647	1,192
Cash and cash equivalents at the end of the financial years	526	2,647	1,192	2,314

Note:

* Less than RM1,000

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our combined financial information for FYE 2016 to 2019 should be read in conjunction with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations**(i) Principal activities**

Our Group is principally involved in the provision of support services for the O&G industry, where our main business activities comprise:

- (a) EPC and project management;
- (b) supply of manpower;
- (c) supply of materials, tools and equipment; and
- (d) provision of drilling rig charter services.

Please refer to Section 7 of our Group's detailed business overview.

12. FINANCIAL INFORMATION (Cont'd)

(ii) Revenue

Revenue from EPC and project management, supply of manpower and supply of materials, tools and equipment are recognised upon performance of services.

Revenue derived from provision of drilling rig charter services was solely in relation to our partnership with Noble and our Group acts as an agent to charter drill ships, semi submersibles etc. owned by Noble, to Malaysian based O&G customers.

Our Group earns a commission income calculated based on a pre-agreed percentage of fees charged for drilling rig charter services by Noble (through OVE) to these O&G companies. However, our Group is only entitled for commission if the drilling rigs are chartered for use in Malaysian water. Noble may charge for other services (including drilling rig charter services outside of Malaysian waters, additional crew members, logistic services and accommodation expenses) to these O&G customers through OVE, where we are not entitled for any commission income.

Contractually, OVE will bill these O&G companies for the above fees and Noble (or its affiliate, Noble Contracting Offshore Drilling (M) Sdn Bhd) will bill OVE for such services provided under the Noble Arrangement. As such, we recognise the amount receivable (from our customers under the Noble Arrangement) and amount payable to Noble Contracting Offshore Drilling (M) Sdn Bhd as the said amounts are contractual obligations between our customers with our Group, and our Group with Noble Contracting Offshore Drilling (M) Sdn Bhd. Our Group will only make payment to Noble Contracting Offshore Drilling (M) Sdn Bhd after we received payments from the O&G customers, as this is a pass-through arrangement.

(iii) Cost of sales

The cost of sales comprise the invoiced price of the materials, plus the directly attributable costs to the production of our goods or supply of services such as subcontractor fees and overheads. Overheads include depreciation, rental of machineries, yard and site expenses, training, travelling expenses and staff costs.

(iv) Other income

Other income includes mainly interest income, investment income and net realised /unrealised gain on foreign exchange.

(v) Administration expenses

Administration expenses are not directly attributable to the production of goods and services which include overheads incurred to maintain our operations such as administrative staff costs, directors' remuneration, depreciation, travelling and accommodation, legal and professional fee as well as upkeep and maintenance.

(vi) Finance costs

Finance costs comprise interest expense on our borrowings and lease liabilities.

(vii) Recent developments

Save for the Acquisitions and the recent outbreak of the Covid-19, there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2019.

12. FINANCIAL INFORMATION (Cont'd)

12.2.2 Review of our results of operations

(i) Revenue

Our customers typically include international drilling contractors, oilfield service companies, and international and national oil companies. We have delivered our services for customers operating in over 15 countries in the regions of Asia Pacific, Middle East, Africa, Europe and the Americas.

Our sales are mainly derived locally and denominated in RM, while our sales derived from overseas are denominated in USD, SGD and BND.

Our revenue from the local market based on geographical segment contributed approximately 70.92% to 87.16% of our total revenue while our overseas market ranged from 12.84% to 29.08% of our total revenue for FYE 2016 to 2019.

Business activity	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
EPC and project management	10,370	58.77	7,901	32.90	12,264	40.22	12,397	21.27
Supply of manpower	3,268	18.52	11,875	49.46	14,592	47.86	41,040	70.41
Supply of materials, tools and equipment	3,447	19.54	3,569	14.87	3,636	11.92	4,847	8.32
Provision of drilling rig charter services	560	3.17	664	2.77	-	-	-	-
	17,645	100.00	24,009	100.00	30,492	100.00	58,284	100.00

Revenue by geographical location

Geographical location ⁽¹⁾	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	15,156	85.89	17,028	70.92	23,682	77.67	50,798	87.16
Asia Pacific ⁽²⁾	2,101	11.91	5,717	23.81	4,970	16.30	6,068	10.41
Americas ⁽³⁾	336	1.91	732	3.05	327	1.07	708	1.21
Others ⁽⁴⁾	52	0.29	532	2.22	1,513	4.96	710	1.22
	17,645	100.00	24,009	100.00	30,492	100.00	58,284	100.00

Notes:

- (1) For the purposes of geographical segmentation, revenue is classified according to the locations where our products or services are rendered or utilised
- (2) Asia Pacific comprises Brunei Darussalam, Japan, Singapore, Thailand, Myanmar, Hong Kong, India, Timor-Leste and Australia but excludes Malaysia
- (3) Americas comprises United States of America, Mexico, Colombia, Aruba, Uruguay, Cayman Islands, Trinidad and Tobago
- (4) Others comprises Saudi Arabia, Spain, Ghana, Mauritius, Equatorial Guinea, Namibia, Norway, Qatar and United Kingdom

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2016 and FYE 2017**

Our Group's total revenue increased by RM6.36 million or 36.07% from RM17.65 million to RM24.01 million. This was due to an increase from supply of manpower segment by RM8.61 million from RM3.27 million in FYE 2016 to RM11.88 million in FYE 2017. Supply of manpower representing approximately 49.46% of our Group's total revenue in FYE 2017.

Revenue from supply of manpower increased by RM8.61 million, mainly attributable to the increasing demand for outsourced manpower supply by our customers. Our revenue for the supply of manpower from Seadrill Group increased from RM0.73 million in FYE 2016 to RM5.06 million in FYE 2017. During the same period, our revenue for the supply of manpower from Maersk Group increased from RM0.76 million to RM3.24 million. The increase in revenue contribution from supply of manpower is mainly due to the reactivation of more rigs during FYE 2017 and the number of contracts that were secured by the drilling contractors (our customers) as the crude oil price began stabilising.

The increase in revenue was partially offset by a decrease in revenue contribution from EPC and project management segment of RM2.47 million or 23.81% from RM10.37 million in FYE 2016 to RM7.90 million in FYE 2017.

Decrease in demand for our EPC and project management services resulted in revenue from the EPC and project management reducing by approximately RM2.47 million or 23.81% compared to FYE 2016 as we secured fewer projects from our existing customers in FYE 2017 as compared to FYE 2016. During FYE 2017, more rigs were being reactivated and the EPC and project management spending by our existing customers were limited to critical activities such as rig repair and maintenance works such as NDT inspections and blasting and painting works. This is as during reactivation period, our customers focused more activities that would return the rig to a "ready" state, this also included on staffing of crews on the rig with the necessary crew positions. In FYE 2017, we were able to provide a more comprehensive range of crew positions to reactivate these rigs comprising drilling crew, marine crew and maintenance crew under the manpower supply segment.

Revenue for supply of materials, tools and equipment increased by RM0.12 million due to higher demand for tools and equipment, particularly as Transocean Group increased their purchase of tools and equipment by approximately RM1.30 million.

The commission income under the Noble Arrangement for the provision of drilling rig charter services (i.e. our commission income under the Noble Arrangement) increased by RM0.10 million as we provided more drilling rig charter services in FYE 2017 as compared to FYE 2016.

Comparison between FYE 2017 and FYE 2018

Our Group's total revenue increased by RM6.48 million or 27.00% from RM24.01 million in FYE 2017 to RM30.49 million in FYE 2018. This was mainly due to:

- (i) an increase from EPC and project management by RM4.36 million or 55.22% from RM7.90 million in FYE 2017 to RM12.26 million in FYE 2018, representing approximately 40.22% of our Group's total revenue in FYE 2018; and

12. FINANCIAL INFORMATION (Cont'd)

- (ii) an increase from supply of manpower segment by RM2.72 million or 22.88% from RM11.88 million in FYE 2017 to RM14.59 million in FYE 2018, representing approximately 47.86% of our Group's total revenue in FYE 2018.

However, in FYE 2018, we did not secure any new project the provision of drilling rig charter service.

Revenue from supply of manpower increased by RM2.72 million as we secured purchase order from our new customer, Belati Oilfield Sdn Bhd for RM2.13 million. The increase was also contributed by our major customers (Transocean Group, Seadrill Group and Maersk Group) of RM0.19 million in total and other existing customers of RM0.40 million.

Revenue from the EPC and project management registered an increase of approximately RM4.36 million or 55.22% compared to FYE 2017 as our customers increased their spending on our services. Sales demand from the EPC and project management increased mainly from our major customers. Transocean Group increased their orders by RM1.05 million or 25.20%, to RM5.23 million; Seadrill Group increased their orders by RM0.15 million or 24.09%, to RM0.75 million; and Maersk Group increased their orders by RM0.07 million or 96.05%, to RM0.15 million as compared to FYE 2017. This was due to our major customers securing more drilling contracts from PETRONAS and international oil companies. The increase in sales from this segment is correlated with the activation of drilling rigs by drilling contractors. In May 2018, we secured our first downstream O&G project from ASEAN Bintulu Fertilizer Sdn Bhd for the provision of plant change project work in Bintulu, Sarawak for RM0.86 million and completed the project in November 2018.

During the FYE 2018, the demand for supply of materials, tools and equipment registered slight increased by RM0.07 million arising from relatively stable demand from the customers.

Comparison between FYE 2018 and FYE 2019

Our Group's total revenue increased by RM27.79 million or 91.15% from RM30.49 million in FYE 2018 to RM58.28 million in FYE 2019. This was mainly due to an increase from supply of manpower segment by RM26.45 million or 181.25% from RM14.59 million in FYE 2018 to RM41.04 million in FYE 2019, representing approximately 70.41% of our Group's total revenue in FYE 2019.

Revenue from supply of manpower increased by RM26.45 million mainly due to increase in revenue contributed by our major customers (Seadrill Group and Maersk Group) of RM14.50 million collectively, and new customers, namely Petrovietnam Drilling and Well Services Corporation, Deep Drilling4 Pte Ltd and Aban 8 Pte Ltd, of RM4.13 million, RM2.40 million and RM2.19 million, respectively. The increase in sales demand from our major customers are as follows:

- (i) Seadrill Group increased their manpower orders by RM12.92 million or 288.22%, to RM17.40 million; and
- (ii) Maersk Group increased their manpower orders by RM1.58 million or 39.24%, to RM5.60 million.

12. FINANCIAL INFORMATION (Cont'd)

The year 2019 saw a revival of exploration activities and activation of drilling rigs that had previously been deferred, and that had benefitted our major customers who were able to secure more drilling contracts from PETRONAS and international oil companies.

Revenue from the EPC and project management segment registered a slight increase of approximately RM0.13 million or 1.08% compared to FYE 2018 as we secured more projects.

During the FYE 2019, the demand for supply of materials, tools and equipment registered an increase of approximately RM1.21 million or 33.31% compared to FYE 2018 due to two new customers, namely Velesto Drilling Sdn Bhd and Borr Drilling Malaysia Sdn Bhd, of approximately RM0.95 million and RM0.48 million respectively.

(ii) Cost of sales, GP and GP margin

Analysis of cost of sales by activities

Administrative costs incurred on the commission earned under the Provision of drilling rig charter services segment are negligible and therefore not included in this analysis.

	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
EPC and project management								
• Materials	652	5.91	814	5.69	507	2.69	2,550	5.86
• Subcontractors' fee	4,138	37.50	3,370	23.56	4,161	22.04	4,244	9.76
• Overheads	2,207	20.00	1,984	13.87	3,149	16.67	1,781	4.10
	6,997	63.41	6,168	43.12	7,817	41.40	8,575	19.72
Supply of manpower								
• Materials	-	-	-	-	-	-	666	1.53
• Subcontractors' fee	1,393	12.62	5,072	35.47	7,783	41.22	23,532	54.10
• Overheads	93	0.85	642	4.49	821	4.35	7,422	17.06
	1,486	13.47	5,714	39.96	8,604	45.57	31,620	72.69
Supply of materials, tools and equipment								
• Materials	2,293	20.78	2,196	15.36	2,286	12.11	3,160	7.27
• Subcontractors' fee	-	-	-	-	-	-	-	-
• Overheads	258	2.34	223	1.56	173	0.92	140	0.32
	2,551	23.12	2,419	16.92	2,459	13.03	3,300	7.59
	11,034	100.00	14,301	100.00	18,880	100.00	43,495	100.00
Total cost of sales								
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
• Materials	2,945	26.69	3,010	21.05	2,793	14.79	6,376	14.66
• Subcontractors' fee	5,531	50.13	8,442	59.03	11,944	63.26	27,776	63.86
• Overheads	2,558	23.18	2,849	19.92	4,143	21.95	9,343	21.48
	11,034	100.00	14,301	100.00	18,880	100.00	43,495	100.00

12. FINANCIAL INFORMATION (Cont'd)

Cost of sales consists of 3 major components, namely materials, subcontractors' fees and overheads. Materials include purchase cost of materials, equipment and spare parts. Subcontractors' fees comprise amounts paid to for contractual workers' salaries and third-party subcontractors. Overheads include logistics, depreciation, rental of machineries, yard and site expenses, training, travelling expenses and staff costs.

Analysis of GP and GP margin by business activities

	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
EPC and project management	3,373	32.53	1,733	21.93	4,447	36.26	3,822	30.83
Supply of manpower	1,782	54.53	6,161	51.88	5,988	41.04	9,420	22.95
Supply of materials, tools and equipment	896	25.99	1,150	32.22	1,177	32.37	1,547	31.92
Provision of drilling rig charter services	*560	100.00	*664	100.00	-	-	-	-
	6,611	37.47	9,708	40.43	11,612	38.08	14,789	25.37

Note:

- * This represents the net commission earned by our Group pursuant to the Noble Arrangement.

In FYE 2019, we recorded revenue of RM58.28 million, where our GP was RM14.78 million and GP margin was 25.37%. Despite the reduction in GP margin for FYE 2019, OVH Group is able to maintain a healthy GP margin relative to industry players as:

- OVH has access to a wide database of drilling, marine and maintenance crew as well as onshore crew for O&G projects that allows it to fulfil customers' staffing needs in a timely manner. As at the LPD, OVH Group has more than 850 candidates in its database;
- OVH's database of crew are primarily Malaysian nationals, thereby allowing OVH Group to save on expenditure such as visa expenses that other industry players may incur for the recruitment of foreign nationals; and
- OVH is able to procure materials, tools and equipment for its business at competitive rates as it pays suppliers in a timely manner and within the suppliers' stipulated credit period.

Comparison between FYE 2016 and FYE 2017

Our Group's total cost of sales increased by RM3.27 million or 29.61% from RM11.03 million in FYE 2016 to RM14.30 million in FYE 2017, which was in line with the growth in our revenue. The increase in total cost of sales was mainly attributed by the subcontractors' fee in supply of manpower segment, increased by RM3.68 million from RM1.39 million in FYE 2016 to RM5.07 million in FYE 2017.

Subcontractors' fee is the main contributor for the total cost of sale, which accounted for 50.13% and 59.03% for the total cost of sales in FYE 2016 and FYE 2017 respectively.

12. FINANCIAL INFORMATION (Cont'd)

The overall percentage increase in revenue was higher than the percentage increase in cost of sales which resulted in our Group's overall GP margin increasing from 37.47% in FYE 2016 to 40.43% in FYE 2017. The overall improved GP margin was mainly due to increased GP contribution from the supply of manpower, which has a higher margin compared to the other segments, of 26.96% of total GP in FYE 2016 to 63.46% of total GP in FYE 2017.

Our GP margin from EPC and project management decreased from 32.53% to 21.93% as our cost of sales did not reduce in tandem with the lower revenue in FYE 2017. We continued to incur expenses such as staff costs and depreciation that are fixed in nature.

Our GP margin from supply of manpower also decreased from 54.53% in FYE 2016 to 51.88% in FYE 2017 due to higher training and travelling expenses. During FYE 2017, we deployed more crews and contractual workers to fulfil Seadrill and Maersk purchase orders. As a result of hiring more new crews and contractual workers to fulfil these purchase orders, we incurred higher initial expenses (i.e. training cost, travelling expenses, work permits and medical examination cost as well as personal protective equipment) for these newly recruited crews and contractual workers that required mandatory and/or additional specialised training for the tasks.

During the FYE 2017, the GP margin for the supply of materials, tools and equipment increased from 25.99% to 32.22% as we supplied more higher margin materials, tools and equipment such as blasting and painting supplies, steel profiles and plates and personal protective equipment, welding gases and related consumables.

Our GP margin from the provision of drilling rig charter services in FYE 2017 remained consistent at 100.00% as the administrative costs incurred on the commission income from Noble Contracting Offshore Drilling (M) Sdn Bhd were negligible.

Comparison between FYE 2017 and FYE 2018

Our Group's total cost of sales increased by RM4.58 million or 32.02% from RM14.30 million in FYE 2017 to RM18.88 million, in tandem with the increase in our revenue. The increase in total cost of sales was mainly attributed by:

- (i) the subcontractors' fee in supply of manpower which increased by RM2.71 million or 53.45% from RM5.07 million in FYE 2017 to RM7.78 million in FYE 2018; and
- (ii) the overheads in EPC and project management which increased by RM1.17 million or 58.72% from RM1.98 million in FYE 2017 to RM3.15 million in FYE 2018.

This increase of total cost of sales was partially offset by a decrease in the purchase of materials for EPC and project management by RM0.30 million or 37.71% from RM0.81 million in FYE 2017 to RM0.51 million in FYE 2018.

During FYE 2018, subcontractors' fee was the major component of our cost of sales which contributed 63.26% of our Group's total cost of sales. Our overall GP margin decrease from 40.43% in FYE 2017 to 38.08% in FYE 2018 was mainly due to the decrease in GP margin for supply of manpower (51.88% in FYE 2017 to 41.04% in FYE 2018). This was a result of certain out-of-pocket expenses incurred fulfilling a purchase order from Belati Oilfield Sdn Bhd. The out-of-pocket expenses that we incurred were mobilisation cost comprising training and travelling as well as some

12. FINANCIAL INFORMATION (Cont'd)

additional cost associated with unplanned crew change request. During FYE 2018, we also incurred higher travelling expenses as we deployed our crews and contractual workers to USA and Spain, where our customer's rigs were operating.

However, this was offset by the GP margin for EPC and project management which increased from 21.93% in FYE 2017 to 36.26% in FYE 2018. This higher GP margin was due to higher revenue. However, our cost of sales did not increase correspondingly with revenue as expenses such as staff cost and depreciation are fixed in nature. In addition, we secured project from Transocean for the provision of NDT and rope access services which contributed to a higher gross margin of 46.05% in FYE 2018.

GP margin for supply of materials, tools and equipment remains relatively constant, recording a slight increase in 32.22% in FYE 2017 to 32.37% in FYE 2018.

Comparison between FYE 2018 and FYE 2019

Our Group's total cost of sales increased by RM24.62 million or 130.38% from RM18.88 million in FYE 2018 to RM43.50 million in FYE 2019, in tandem with the increase in our revenue. The increase in total cost of sales was mainly attributed to:

- (i) the subcontractors' fee in supply of manpower which increased by RM15.75 million or 202.35% from RM7.78 million in FYE 2018 to RM23.53 million in FYE 2019;
- (ii) the overheads in supply of manpower which increased by RM6.60 million or 804.02% from RM0.82 million in FYE 2018 to RM7.42 million in FYE 2019; and
- (iii) the purchase of materials in EPC and project management which increased by RM2.04 million or 402.96% from RM0.51 million in FYE 2018 to RM2.55 million in FYE 2019.

This increase of total cost of sales was partially offset by a decrease in the overheads for EPC and project management by RM1.37 million or 43.44% from RM3.15 million in FYE 2018 to RM1.78 million in FYE 2019.

During FYE 2019, the subcontractors' fee was the major component of our cost of sales which contributed 63.86% of our Group's total cost of sales. Our overall GP margin decrease from 38.08% in FYE 2018 to 25.37% in FYE 2019 mainly due to the decrease in the GP margin for supply of manpower (from 41.04% in FYE 2018 to 22.95% in FYE 2019) as we provided more competitive pricing to secure additional contracts from new customers. Our revenue for supply of manpower grew by 181.25%. Other factors that also affect the lower GP margin are as follows:

- (i) deployment of a higher number of newly recruited crews and contractual workers to fulfil purchase orders from existing and new customers. As a result, we incurred higher initial expenses such as training course, work permit, medical fee and purchase of protective equipment for the newly recruited crews and contractual workers;
- (ii) certain out-of-pocket expenses such as crew permit, crew training, medical cost, travelling and accommodation costs incurred for fulfilling purchase orders from Belati Oilfield Sdn Bhd and Petrovietnam Drilling and Well Services Corporation had to be borne by the Company;

12. FINANCIAL INFORMATION (Cont'd)

- (iii) higher travelling and accommodation costs incurred for unplanned crew change request made by customers in FYE 2019;
- (iv) certain subcontractors charge rate had been revised upwards due to their improved performance and increased experience level, as well as our Group's effort to remain competitive and retain the services of experience crew. We were not able to fully charge out this increase to our customers.

The GP margin for EPC and project management segment decreased from 36.26% in FYE 2018 to 30.83% in FYE 2019, due to higher depreciation for additional machinery and equipment acquired during the year. In addition, we secured a project from Serba Dinamik Sdn Bhd for civil works in relation to the upgrading project for Bintulu Integrated Facility (gas sales facilities) worth RM1.21 million which had relatively lower margin, as we provided a competitive quote to expand our business into the downstream segments.

GP margin for supply of materials, tools and equipment remained relatively sizeable, recording a slight decrease from 32.37% in FYE 2018 to 31.92% in FYE 2019.

(iii) Other income

	Audited							
	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income ⁽¹⁾	*	-	23	19.16	7	5.43	12	3.18
Net realised foreign exchange gain	-	-	-	-	68	52.71	149	39.52
Net unrealised foreign exchange gain	66	75.00	-	-	43	33.33	165	43.77
Gain on disposal of available-for-sale investments ⁽²⁾	8	9.09	68	56.67	-	-	-	-
Investment income ⁽³⁾	12	13.64	-	-	-	-	-	-
Miscellaneous ⁽⁴⁾	2	2.27	29	24.17	11	8.53	51	13.53
	88	100.00	120	100.00	129	100.00	377	100.00

Notes:

* Less than RM1,000

(1) Interest income was derived from interest earned on our Group's current bank balances.

(2) Gain from the disposal of unit trust.

(3) Income distribution from the unit trust.

(4) Miscellaneous include other income from rebates and discount received from supplier as well as credit card rebates.

Comparison between FYE 2016 and FYE 2017

Our other income increased by RM0.03 million from RM0.09 million in FYE 2016 to RM0.12 million in FYE 2017 due to higher interest income, gain on disposal of unit trust and miscellaneous income.

12. FINANCIAL INFORMATION (Cont'd)

In FYE 2017, we sold our entire investment of RM0.60 million in USD-denominated unit trust for RM0.67 million and recorded a gain from disposal of RM0.07 million.

Comparison between FYE 2017 and FYE 2018

Other income increased by RM0.01 million from RM0.12 million in FYE 2017 to RM0.13 million in FYE 2018 due to gain on realised and unrealised foreign exchange of RM0.11 million.

Comparison between FYE 2018 and FYE 2019

Other income increased by RM0.25 million from RM0.13 million in FYE 2018 to RM0.38 million in FYE 2019 due to gain on realised and unrealised foreign exchange of RM0.31 million.

(iv) Administrative expenses

	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	1,781	59.68	2,051	39.49	2,459	52.81	3,415	57.74
Professional fee ⁽²⁾	96	3.22	91	1.75	857	18.41	506	8.55
Travelling & accommodation	190	6.37	158	3.04	350	7.52	807	13.64
Upkeep and maintenance ⁽³⁾	178	5.97	180	3.46	305	6.55	376	6.36
Rental of premises	157	5.26	194	3.74	228	4.90	48	0.81
Depreciation	208	6.97	187	3.59	186	3.99	343	5.80
Utilities	173	5.80	123	2.37	126	2.71	154	2.60
Marketing expenses ⁽⁴⁾	41	1.37	32	0.62	58	1.25	119	2.01
Printing & stationery	23	0.77	30	0.58	57	1.22	71	1.20
Share-based payments ⁽⁵⁾	-	-	1,773	34.14	-	-	-	-
Realised loss on foreign exchange	66	2.21	20	0.39	-	-	-	-
Unrealised loss on foreign exchange	-	-	249	4.79	-	-	-	-
Other ⁽⁶⁾	71	2.38	106	2.04	30	0.64	76	1.29
	2,984	100.00	5,194	100.00	4,656	100.00	5,915	100.00

Notes:

- (1) Staff costs include salaries, allowance and bonus as well as welfare and training expenses and directors' remuneration.
- (2) Professional fees include fees incurred for book keeping, audit, tax, legal and listing. The listing related fees for the listing exercise undertaken by our Group in FYE 2018 and FYE 2019 were approximately RM0.69 million and RM0.30 million, respectively.
- (3) Upkeep and maintenance include upkeep of computer, factory, office, motor vehicle and office equipment and insurance expenses.
- (4) Marketing expenses include advertisement and entertainment expenses.

12. FINANCIAL INFORMATION (Cont'd)

- (5) Expenses relating to the share-based payment arising from Call Option 2 which falls within the scope of MFRS 2.
- (6) Other expenses include license fee, withholding tax, GST expenses, penalty and others.

Comparison between FYE 2016 and FYE 2017

Administrative expenses increased by RM2.21 million or 74.06% from RM2.98 million in FYE 2016 to RM5.19 million in FYE 2017. The increase was mainly attributable to the share-based payment expense of approximately RM1.77 million relating to the Call Option 2, staff costs of approximately RM0.27 million and unrealised loss on foreign exchange of approximately RM0.20 million in FYE 2017. The increase in staff costs was due to the higher bonus payouts in FYE 2017 and higher trainings costs to maintain staff competency.

Rental of premises increased by approximately RM0.04 million arising from the higher rental paid for our office at Puchong, Selangor and Bintulu, Sarawak.

Comparison between FYE 2017 and FYE 2018

Administrative expense decreased RM0.54 million or 10.36% from RM5.19 million in FYE 2017 to RM4.66 million in FYE 2018. The decrease was mainly attributable to the realised/unrealised loss on foreign exchange and the share-based payment expense of approximately RM1.77 million relating to Call Option 2, which was recognised only in FYE 2017. This decrease in administrative expense was partially offset with the following items:

- (i) an increase of approximately RM0.41 million in staff costs where our Group had newly employed an additional 18 staff during FYE 2018;
- (ii) an increase of approximately RM0.77 million in professional fee which included listing related fees of approximately RM0.69 million for FYE 2018;
- (iii) an increase of travelling and accommodation from travelling to east Malaysia for business operation purposes, which includes flight cost, transportation, petrol, toll, parking as well as hotel expenses, by RM0.19 million from RM0.16 million in FYE 2017 to RM0.35 million in FYE 2018. We incurred higher travelling expenses for our Executive Directors, key senior management and our Engineers who commuted between our offices in Puchong to our offices in Bintulu and Labuan as well as our fabrication yard in Johor, as well as to visit client site offices. There was increased frequency of travel in FYE 2018 as we undertook more activities for manpower supply as well as EPC and project management for the upstream and downstream O&G segment; and
- (iv) an increase of upkeep and maintenance includes upkeep for computer, office equipment, yard, motor vehicles and machineries as well as quit rent and insurance expense by RM0.13 million or 69.44% from RM0.18 million in FYE 2017 to RM0.31 million in FYE 2018.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2018 and FYE 2019**

Administrative expenses increased by RM1.26 million or 27.04% from RM4.66 million in FYE 2018 to RM5.92 million in FYE 2019. The increase in administrative expenses was mainly attributable to:

- (i) an increase of approximately RM0.96 million in staff costs where our Group had employed an additional 5 staff for the finance department and 2 staff for the procurement department during FYE 2019; and
- (ii) an increase of travelling and accommodation for business operation purposes, which includes flight cost, transportation, petrol, toll, parking as well as hotel expenses, by RM0.46 million from RM0.35 million in FYE 2018 to RM0.81 million in FYE 2019. There was increased frequency of traveling in FYE 2019 as there were more activities for manpower supply as well as EPC and project management for the upstream and downstream O&G segment, particularly in Bintulu, Labuan, fabrication yard in Johor as well as client site offices.

This increase in administrative expense was partially offset with the lower professional fee which decreased from RM0.86 million in FYE 2018 to RM0.51 million in FYE 2019 due to lower listing related fees paid in FYE 2019.

(v) Finance cost

	Audited							
	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
Term loan	73	73.00	71	79.78	72	96.00	69	67.00
Finance lease liabilities	21	21.00	10	11.23	3	4.00	2	1.94
Bankers' acceptance	6	6.00	8	8.99	-	-	5	4.85
Lease liabilities	-	-	-	-	-	-	27	26.21
	100	100.00	89	100.00	75	100.00	103	100.00

Comparison between FYE 2016 and FYE 2017

For FYE 2017, finance costs decreased by approximately RM0.01 million. The decrease was mainly attributable to lower term loan interest and hire purchase interest. The term loan was used to finance the purchase of our fabrication yard in Senai, Johor where we have set up a fabrication yard. Whereas, the hire purchases were used to finance the purchase of motor vehicles and machinery. In FYE 2017, we paid off 1 of our hire purchases on our motor vehicle, which led to a lower hire purchase interest.

Comparison between FYE 2017 and FYE 2018

For FYE 2018, finance cost decreased by approximately RM0.01 million as compared to FYE 2017. The decrease was mainly attributable to lower hire purchase interest and the absence of banker's acceptances interest. We also paid off 3 hire purchases, resulting to a lower hire purchase interest for FYE 2018.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, finance cost increased by approximately RM0.03 million as compared to FYE 2018. The increase was mainly attributable to higher interest on banker's acceptances and lease liabilities.

(vi) PBT and PAT

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
PBT (RM'000)	3,615	4,545	7,010	9,148
PBT margin (%)	20.49	18.93	22.99	15.70
PAT (RM'000)	2,710	3,020	5,173	6,917
PAT margin (%)	15.36	12.58	16.97	11.87

Comparison between FYE 2016 and FYE 2017

For FYE 2017, our PBT recorded an increase from approximately RM3.62 million for FYE 2016 to approximately RM4.55 million for FYE 2017, mainly due to the increase in revenue. Our PBT margin recorded a decrease from 20.49% for FYE 2016 to 18.93% for FYE 2017, mainly attributed to one-off share-based payment expense in FYE 2017. Correspondingly, our PAT margin decreased from 15.36% to 12.58% in FYE 2017, while our PAT increased slightly from RM2.71 million in FYE 2016 to RM3.02 million in FYE 2017.

Comparison between FYE 2017 and FYE 2018

For FYE 2018, our PBT and PBT margin recorded an increase from approximately RM4.55 million or 18.93% for FYE 2017 to approximately RM7.01 million or 22.99% for FYE 2018, arising from an increase in revenue and the absence of share-based payment expense. Correspondingly, our PAT and PAT margin improved to approximately RM5.17 million or 16.97% in FYE 2018 from approximately RM3.02 million or 12.58% in FYE 2017.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, our PBT recorded an increase from approximately RM7.01 million for FYE 2018 to approximately RM9.15 million for FYE 2019, mainly due to the increase in revenue. However, our PBT margin recorded a decrease from 22.99% in FYE 2018 to 15.70% in FYE 2019, mainly attributed to GP margin for supply of manpower in FYE 2019 decreased from 41.04% in FYE 2018 to 22.95% in FYE 2019. Correspondingly, our PAT margin decreased from 16.97% to 11.87% in FYE 2019, while our PAT increased from RM5.17 million in FYE 2018 to RM6.92 million in FYE 2019.

12. FINANCIAL INFORMATION (Cont'd)**(vii) Taxation**

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Taxation	905	1,525	1,837	2,231
Statutory tax rate	24%	24%	24%	24%
Effective tax rate ⁽¹⁾	25.03%	33.55%	26.21%	24.39%

Note:

- (1) We qualify for lower statutory tax rates of 19.00%, 18.00%, 18.00% and 17.00% on the first chargeable income of RM0.50 million for FYEs 2016, 2017, 2018 and 2019 respectively.
- (2) In FYE 2017, the effective tax rate increased to 33.55% due to the share-based payment arising from Call Option 2, which is a non-deductible expense.

12.2.3 Review of financial position**(i) Assets**

	Audited			
	As at 31 December			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	4,504	4,126	4,416	7,536
Other investment	645	-	-	-
Total non-current assets	5,149	4,126	4,416	7,536
Current assets				
Trade and other receivables	52,297	11,707	15,726	18,941
Current tax assets	5	6	12	6
Cash and bank balances	526	2,647	1,192	2,314
Total current assets	52,828	14,360	16,930	21,261
Total Assets	57,977	18,486	21,346	28,797

Comparison between FYE 2016 and FYE 2017

Total assets decreased by RM39.49 million from RM57.98 million as of 31 December 2016 to RM18.49 million as of 31 December 2017. This was due to the decrease in our non-current asset and current assets by RM1.02 million and RM38.47 million, respectively.

During FYE 2017, our non-current asset reduced by RM1.02 million due to the depreciation charge on fixed asset, disposal of a motor vehicle and disposal of the entire investments in unit trust fund.

The decrease in current assets was mainly due to the significant decrease in trade and other receivables in FYE 2017 as we made full collection of revenue for our drilling charter services which amounted to approximately RM45.59 million, which we subsequently used to pay our trade payables (Noble Contracting Offshore Drilling (M)

12. FINANCIAL INFORMATION (Cont'd)

Sdn Bhd), as agreed under the Noble Arrangement. Please refer to Section 7.2.4 for further details.

Comparison between FYE 2017 and FYE 2018

Total assets increased by RM2.86 million from RM18.49 million as of 31 December 2017 to RM21.35 million as of 31 December 2018 resulting from an increase in non-current assets by RM0.29 million and current assets by RM2.57 million.

The increase in non-current asset was mainly due to the purchase of computer and software as well as machinery and equipment.

The increase in current assets was mainly due to higher trade receivables by RM4.51 million which is in line with the higher trade receivables turnover period of 152 days during FYE 2018 as compared to 122 days during FYE 2017.

Comparison between FYE 2018 and FYE 2019

Total assets increased by RM7.45 million from RM21.35 million as of 31 December 2018 to RM28.80 million as of 31 December 2019 resulting from the increases in non-current assets by RM3.12 million and current assets by RM4.33 million.

The increase in non-current asset was mainly due to the purchase of computer and software, machinery and equipment as well as right-of-use assets from leases.

The increase in current assets was mainly due to higher trade and other receivables by RM3.22 million which was in line with the higher revenue of RM58.28 million for FYE 2019 as compared to RM30.49 million FYE 2018.

(ii) Liabilities

	Audited			
	As at 31 December			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Loans and borrowings	1,583	1,469	1,435	1,448
Lease liabilities	-	-	-	179
Deferred tax liabilities	117	49	166	424
Total non-current liabilities	1,700	1,518	1,601	2,051
Current liabilities				
Loans and borrowings	481	376	41	103
Lease liabilities	-	-	-	142
Current tax liabilities	821	1,224	749	449
Trade and other payables	46,682	2,309	2,523	4,210
Total current liabilities	47,984	3,909	3,313	4,904
Total Liabilities	49,684	5,427	4,914	6,955

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2016 and FYE 2017**

Total liabilities decreased significantly by RM44.26 million from RM49.69 million as of 31 December 2016 to RM5.43 million as of 31 December 2017. This was due to the decrease in trade and other payables by RM44.37 million as a result of the settlement amount due to Noble Contracting Offshore Drilling (M) Sdn Bhd for the charter of drilling rigs. Please refer to Section 7.2.4 for further details of the Noble Arrangement.

Excluding the current liabilities arising from the Noble Arrangement, our trade and other payables as at 31 December 2016 amounted to RM1.08 million.

We also paid off a hire purchase, which led to reduction in finance lease liabilities.

Comparison between FYE 2017 and FYE 2018

Total liabilities decreased slightly by RM0.51 million from RM5.43 million as of 31 December 2017 to RM4.91 million in as of 31 December 2018. This was mainly due to settlement of 3 hire purchase facilities, which led to reduction in finance lease liabilities.

Comparison between FYE 2018 and FYE 2019

Total liabilities increased by RM2.04 million from RM4.91 million as at 31 December 2018 to RM6.95 million in as at 31 December 2019. This was mainly due to higher trade and other payables recorded at RM4.21 million which was in line with the higher cost of sales of RM43.49 million for FYE 2019 as compared to RM18.88 million for FYE 2018. Our Group also recorded lease liabilities of RM0.32 million. The lease liabilities arising from the adoption of MFRS 16: Leases which require our Group to recognise our existing off-balance sheet operating leases, namely for the Puchong office and vacant land in Labuan. As a result, we will no longer be able to recognise any rental expenses from operating leases, either in terms of profit or loss, but we will need to recognise the lease liability and the corresponding right-of-use asset in our balance sheet.

12.2.4 Review of cash flows

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	1,366	2,002	1,255	6,129
Net cash (used in)/from investing activities	(831)	639	(714)	(3,311)
Net cash used in financing activities	(902)	(520)	(2,045)	(1,702)
Net (decrease)/increase in cash and cash equivalents	(367)	2,121	(1,504)	1,116
Cash and cash equivalents at beginning of the financial years	993	526	2,647	1,192
Effect of exchange rate changes	(100)	*	49	6
Cash and cash equivalents at end of the financial years	526	2,647	1,192	2,314

Note:

* Less than RM1,000

12. FINANCIAL INFORMATION (Cont'd)**FYE 2016****Net cash from operating activities**

In FYE 2016, our Group recorded net cash inflows from operating activities of approximately RM1.37 million. We collected RM18.29 million from our customers, which was offset by cash paid amounting to RM16.92 million for the following:

- (i) approximately RM16.18 million was paid to our employees and suppliers; and
- (ii) approximately RM0.74 million paid in income taxes.

Net cash used in investing activities

In FYE 2016, our Group recorded net cash outflows from investing activities of approximately RM0.83 million. This was due to the purchase of machinery such as scaffolding materials, fibregrass grating and air blower for the EPC and Project Management as well as office equipment for our Puchong and Miri office including our fabrication yard in Senai, Johor for approximately RM1.06 million and investment income of approximately RM0.01 million.

The cash outflows were partially offset by proceeds from disposal of our USD-denominated unit trust of approximately RM0.22 million. We disposed part of our unit trust to fund our working capital of the business operations and running cost. Our Group has not established any accounting policy for investment into unit trusts and do not intend to make any such investments moving forward, unless such policy and necessary controls have been put in place.

Net cash used in financing activities

In FYE 2016, we recorded net cash outflow from financing activities amounted to RM0.90 million, which was mainly due to the following:

- (i) repayment of borrowings of approximately RM0.19 million in relation to our term loan for our fabrication yard in Senai, Johor and finance lease liabilities of our machineries and motor vehicles;
- (ii) net repayment to our Director of approximately RM0.23 million. The advances from Director were previously obtained for business related expenses on behalf of OVE;
- (iii) advances to related parties, namely Borneo Material Handling Sdn Bhd and Dynamic Force Marketing Sdn Bhd (*formerly known as Ocean Vantage Trading Sdn Bhd*), of approximately RM0.70 million to fund its working capital; and
- (iv) payment of interest relating to term loan of our fabrication yard in Senai, Johor, finance lease liabilities for our machinery and motor vehicle and bankers' acceptance amounting to RM0.07 million, RM0.02 million and RM0.01 million, respectively.

The cash outflows were partially offset by drawdown of bankers' acceptance of approximately RM0.32 million, for working capital purposes.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2017****Net cash from operating activities**

In FYE 2017, our Group recorded net cash inflows from operating activities of approximately RM2.00 million. We collected RM185.11 million from our customers, of which RM163.84 million was from end customer under the Noble Arrangement. We paid cash amounting to RM183.11 million for the following:

- (i) approximately RM181.92 million was paid to our employees and suppliers, of which RM163.84 million was paid to Noble pursuant to the Noble Arrangement; and
- (ii) approximately RM1.19 million paid in income taxes.

Net cash from investing activities

In FYE 2017, our Group recorded net cash inflow from investing activities amounted to RM0.64 million. This was due to the proceeds from disposal of motor vehicles and disposal of the entire investment in unit trust funds of approximately RM0.003 million and RM0.67 million, respectively. These proceeds were used for our working capital.

The cash inflows were partially offset by purchase of computers and notebooks for approximately RM0.03 million.

Net cash used in financing activities

In FYE 2017, the net cash outflow from financing activities amounted to RM0.52 million, which was mainly attributable to the following:

- (i) advances to a director for business related expenses on behalf of OVE of approximately RM0.65 million;
- (ii) repayment of borrowings of approximately RM0.22 million; and
- (iii) payment of interest relating to term loan of our fabrication yard in Senai, Johor, finance lease liabilities for our machinery and motor vehicle and bankers' acceptance amounting to RM0.07 million, RM0.01 million and RM0.01 million, respectively.

The cash outflows were partially offset by repayments of advances from related parties, namely Borneo Material Handling Sdn Bhd and Dynamic Force Marketing Sdn Bhd (*formerly known as Ocean Vantage Trading Sdn Bhd*) of approximately RM0.44 million. These advances were extended for their working capital purposes.

FYE 2018**Net cash from operating activities**

In FYE 2018, our Group recorded net cash inflows from operating activities of approximately RM1.26 million. We collected RM26.27 million from our customers, which was partially offset by cash paid amounting to RM25.02 million mainly for the following:

- (i) approximately RM22.82 million was paid to our employees and suppliers; and
- (ii) approximately RM2.20 million paid in income taxes.

12. FINANCIAL INFORMATION (Cont'd)

Net cash used in investing activities

In FYE 2018, our Group recorded net cash outflows from investing activities of approximately RM0.71 million. This was due to the purchase of computer and notebooks for approximately RM0.10 million as well as purchase of machinery and equipment such as drilling machine, counter weight equipment as well as anti-intrusion barrier equipment for approximately RM0.61 million.

Net cash used in financing activities

In FYE 2018, the net cash outflows from financing activities amounting to approximately RM2.05 million, attributable to the following:

- (i) payment of dividend of approximately RM1.80 million for the dividend declared in FYE 2017;
- (ii) repayment of borrowings of approximately RM0.37 million; and
- (iii) payment of interest for term loan of our fabrication yard in Senai, Johor and finance lease liabilities for our machinery and motor vehicle amounting to RM0.07 million and RM0.01 million, respectively.

The cash outflows were partially offset by reduction of the balance advances to director of approximately RM0.20 million due to the utilisation of the director to pay operating expenses such as salaries and wages of the contractual workers on behalf of OVE.

FYE 2019**Net cash from operating activities**

In FYE 2019, our Group recorded net cash inflows from operating activities of approximately RM6.13 million. We collected RM55.12 million from our customers, which was partially offset by cash paid amounting to RM48.99 million mainly for the following:

- (i) approximately RM46.71 million was paid to our employees and suppliers; and
- (ii) approximately RM2.28 million paid in income taxes.

Net cash used in investing activities

In FYE 2019, our Group recorded net cash outflows from investing activities of approximately RM3.31 million. This was due to the purchase of computers and notebooks for approximately RM0.07 million, as well as fixed assets - comprised of machinery and equipment such as relief valves, anti-intrusion barrier equipment, scaffolding materials and skid beams as well as diving panel and dive control system equipment for subsea diving operations for approximately RM3.16 million.

Net cash used in financing activities

In FYE 2019, the net cash outflows from financing activities amounting to approximately RM1.70 million, attributable to the following:

- (i) payment of dividend of approximately RM1.50 million for the dividend declared in FYE 2019;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) payment of leases for Puchong office and vacant land in Labuan of approximately RM0.18 million;
- (iii) payment of interest for term loan of our fabrication yard in Senai, Johor and finance lease liabilities for our Puchong office and vacant land in Labuan amounting to RM0.07 million and RM0.03 million, respectively; and
- (iv) repayment of borrowings of approximately RM0.05 million.

The cash outflows were partially offset by the settlement of the balance advances to director of approximately RM0.13 million, when he paid operating expenses such as salaries and wages of contractual workers on behalf of OVE. This arrangement was done as some contractual workers has requested for their salaries to be paid in cash. After FYE 2019, OVH has put in place policies to encourage contractual workers to use bank account for purposes of salaries payment.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business is financed by a combination of internal and external sources of funds. Our internal sources of funds are shareholders' equity and cash generated from operations while our external sources of funds comprise term loan and hire purchases. The principal uses of these funds are for working capital purposes and purchases of materials, equipment, properties and motor vehicles. Cash generated from operations constitutes collections from our customers.

As at 31 December 2019, we have:

- (i) cash and bank balances of approximately RM2.31 million; and
- (ii) credit facilities (i.e. trade facilities, hire purchase and term loans) up to a total limit of RM2.22 million, of which RM1.55 million has been utilised.

As at 4 May 2020, we have cash and bank balances of RM3.58 million and unutilised credit facilities of RM0.38 million. Taking into consideration our existing available liquid funds and that our operations were not affected during throughout the period of MCO and CMCO (please refer to Section 7.13), we do not foresee any circumstances which may materially affect the liquidity position of our Group.

Our Group demonstrated continued profitability and generated positive operating cash flow over the FYE 2016 to 2019. However, our Group experienced a net outflow in cash and cash equivalents of RM0.37 million in FYE 2016 and RM1.50 million in FYE 2018. In FYE 2017 and FYE 2019, our Group experienced a net inflow in cash and cash equivalents of RM2.12 million and RM1.12 million respectively. Our Group's gearing decreased from 0.25 times as at 31 December 2016 to 0.14 times as at 31 December 2017 to 0.09 times as at 31 December 2018, and subsequently 0.07 times as at 31 December 2019.

Based on the pro forma consolidated statements of financial position of our Group as at 31 December 2019 (after the Acquisitions but before Public Issue), our net asset position stood at RM21.84 million and our gearing level was 0.07 times. Our net asset position after the Acquisitions, Public Issue and utilisation of proceeds is RM33.85 million and our gearing level is at 0.05 times. Our Group's current ratio increased from 3.03 times as at FYE 2016 to 3.67 times as at FYE 2017 to 5.11 times as at FYE 2018, and subsequently declined to 4.34

12. FINANCIAL INFORMATION (Cont'd)

times as at FYE 2019.

Premised on the above, our Board is of the opinion that after taking into account our Group's continued profitability, improved gearing level and current ratio and the banking facilities currently available to us which will mainly be utilised for the following future plans:

- (i) to broaden our range of support services in EPC and project management segment to capture opportunities in the O&G industry; and
- (ii) to further strengthen our project management capabilities for the downstream O&G segment.

Our Group has adequate working capital after the Public Issue for its business operations for its existing needs and foreseeable requirements for a period of 12 months from date of this Prospectus.

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12. FINANCIAL INFORMATION (Cont'd)

12.4 BORROWINGS

All our bank borrowings are secured and interest-bearing. Our total outstanding borrowings as at 31 December 2019 stood at RM1.55 million, details of which are set out below:

	Purpose	Security	Tenure	Interest rate	As at 31 December 2019
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Term loan	Purchase of property	(i) Fixed charge over land and buildings (ii) Personal guarantee by our Managing Director and 2 Executive Directors	300 months	2.10% below bank's base lending rate per annum	42
Hire purchase	Purchase of machineries	Machineries	24 months	6.24% per annum	61
Interest bearing long-term borrowings, payable after 1 year:					
Term loan	Purchase of property	(i) Fixed charge over land and buildings (ii) Personal guarantee by our Managing Director and 2 Executive Directors	300 months	2.10% below bank's base lending rate per annum	1,400
Hire purchase	Purchase of machineries	Machineries	24 months	6.24% per annum	48
Total borrowings					1,551

Gearing (times)

After Acquisitions but before Public Issue ⁽¹⁾

After Public Issue and utilisation of proceeds ⁽²⁾

0.07
0.05

Notes:

⁽¹⁾ Computed based on our pro forma equity attributable to the owners of the Company of RM21.84 million in the pro forma consolidated statements of financial position after the Acquisitions but before Public Issue and proposed utilisation of proceeds

⁽²⁾ Computed based on our pro forma equity attributable to the owners of the Company of RM33.85 million in the pro forma consolidated statements of financial position after the Acquisitions, Public Issue and utilisation of proceeds

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the maturities of our borrowings and finance lease liabilities:

	Audited			
	As at 31 December			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Bank borrowings				
Carrying amount	2,064	1,845	1,476	1,551
Contractual cash flow				
on demand or within 1 year	563	449	108	173
Between 1 and 5 years	513	430	430	480
More than 5 years	1,864	1,757	1,748	1,679
	2,940	2,636	2,286	2,332

As at the LPD, the total outstanding borrowings stood at RM1.50 million.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the FYE 2016 to 2019. As at the LPD, neither our Group nor our subsidiaries is in breach of any terms, conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2016 to 2019, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4, we do not have or utilise any other financial instruments or have any other treasury policies. All our banking facilities are for working capital, purchase of materials and equipment as well as purchases of property, plant and equipment. As at 31 December 2019, save for our finance lease creditors which are based on fixed rates, all our other facilities with licensed financial institutions are based on base lending rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at the LPD, our Group does not have any material capital commitment.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITY

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Directors do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD. There are no contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries.

12. FINANCIAL INFORMATION (Cont'd)

12.8 KEY FINANCIAL RATIOS

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Trade receivables turnover (days) ⁽¹⁾	101	122	152	104
Trade payables turnover (days) ⁽²⁾	24	26	30	22
Current ratio (times) ⁽³⁾	3.03	3.67	5.11	4.34
Gearing ratio (times) ⁽⁴⁾	0.25	0.14	0.09	0.07

Notes:

- (1) Computed based on average trade receivables as at year end over revenue for the year multiplied by 365 days for each financial year

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	*4,139	*5,622	10,482	14,994
Closing trade receivables	*5,622	10,482	14,994	18,111
Revenue	17,645	24,009	30,492	58,284
Average trade receivables turnover period (days)	101	122	152	104

Note:

- * Excluding the end customers under the Noble Arrangement

Our Group had entered into an arrangement with Noble where the customer's billing and cost for drilling rig charter services will be passed through via our Group. This results in recognition of revenues and corresponding cost of sales (almost cancelling out each other); nevertheless, our Group earns a percentage of commission from the Noble Arrangement. For avoidance of any discrepancy, any amount related to the Noble Arrangement has been eliminated for the purpose of calculation of trade receivables turnover period. The same applies to the calculation of trade payables turnover period and current ratio.

- (2) Computed based on average trade payables as at year end over costs of sales for the year multiplied by 365 days for each financial year

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	*965	*467	1,572	1,500
Closing trade payables	*467	1,572	1,500	3,830
Cost of sales	11,034	14,301	18,880	43,495
Average trade payables turnover period (days)	24	26	30	22

Note:

- * Excluding customers under the Noble Arrangement

- (3) Computed based on current assets excluding receivables under the Noble Arrangement over current liabilities excluding payables under the Noble Arrangement as at each financial year end

- (4) Computed based on the total borrowings over total equity as at each financial year end

12. FINANCIAL INFORMATION (Cont'd)

12.8.1 Trade receivables turnover

The normal credit period granted by our Group to our customers is between 30 to 60 days from the date of invoice. Other credit terms are assessed and approved on a case-by-case basis.

Our overall trade receivables turnover days for FYE 2016 to 2019 were between 101 and 152 days, which is above our normal credit period due to the following reasons:

- (a) as OVE is a subcontractor, the timing of receipt of payment from our major customers (the direct contractors for PETRONAS, international oil companies and other oilfield service providers), is affected by, amongst others, the receipt of payment from their direct customers and their cash flow levels. Our major customers have taken a cautious approach in managing their cash flows due to the uncertainties surrounding crude oil prices. This is despite the improvement from the recovery of crude oil prices and increased upstream spending by PETRONAS in 2018. Smaller vendors such as OVE who have been engaged as subcontractors continue to be affected by late payment even though we have completed our obligations under the purchase orders/projects that we secured. Nevertheless, our customers continue to honour the payments throughout this period; and
- (b) our major customers namely, Seadrill Group, Maersk Group and Transocean Group had undertaken internal restructuring exercises, which took place throughout 2017 to 2018. As a result, the payment process was delayed as the implemented revised payment process was affected and lengthened.

The ageing analysis of our trade receivables as at 31 December 2019 is as follows:

	Trade receivables as at 31 December 2019		Amount collected subsequent from 1 January 2020 up to LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	Percentage collected (b)/(a)	RM'000	Percentage of trade receivables net of subsequent collections (c)/total of (c)
	(a)	(a)	(b)	(b)/(a)	(c) = (a) - (b)	(c)/total of (c)
Neither past due nor impaired	6,225	34.37	(5,418)	87.04	807	37.83
Past due but not impaired:						
• 1 to 30 days	5,342	29.50	(4,433)	82.98	909	42.62
• 31 to 60 days	4,343	23.98	(4,080)	93.94	263	12.33
• 61 to 90 days	1,290	7.12	(1,287)	99.77	3	0.14
• More than 90 days	911	5.03	(760)	83.42	151	7.08
	11,886	65.63	(10,560)	88.84	1,326	62.17
Total	18,111	100.00	(15,978)	88.22	2,133	100.00

Our Group has outstanding trade receivables of approximately RM18.11 million as at 31 December 2019. Our normal trade terms are non-interest bearing and normal credit terms from 30 to 60 days.

12. FINANCIAL INFORMATION (Cont'd)

Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, quantum of amount owing as well as the reason for the customers' inability to pay within the normal credit period. We use ageing analysis to monitor the credit quality of our trade receivables.

As at the LPD, we have collected RM15.98 million of the trade receivables due as at 31 December 2019. The Board of the view that the remaining balance of RM2.13 million remains collectible.

Our Group has not encountered any major disputes with our debtors and hence no allowance for impairment was provided for as there were no doubtful receivables outstanding for the FYEs 2016, 2017, 2018 and 2019.

12.8.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 December 2019 is as follows:

	Trade payables as at 31 December 2019		Amount paid subsequent from 1 January 2020 up to LPD		Trade payables net of subsequent payment	
	RM'000 (a)	Percentage of trade payables (a)/total of (a)	RM'000 (b)	Percentage paid (b)/(a)	RM'000 (c) = (a)- (b)	Percentage of trade payables net of subsequent payment (c)/total of (c)
Neither past due nor impaired	1,597	41.70	(1,322)	82.78	275	44.14
Past due but not impaired:						
• 1 to 30 days	1,618	42.25	(1,270)	78.49	348	55.86
• 31 to 60 days	282	7.36	(282)	100.00	-	-
• 61 to 90 days	144	3.76	(144)	100.00	-	-
• More than 90 days	189	4.93	(189)	100.00	-	-
	2,233	58.30	(1,885)	84.42	348	55.86
Total	3,830	100.00	(3,207)	83.73	623	100.00

The normal trade terms granted to our Group by our suppliers are credit terms within 30 to 60 days. Our average trade payables turnover period as at for the FYEs 2016, 2017, 2018 and 2019 were 24 days, 26 days, 30 days and 22 days respectively, which showed an improved in payment and within credit period in FYE 2019.

As at the LPD, we have outstanding trade payables of RM0.62 million to be repaid at 31 December 2019.

As at the LPD, there are no disputes in respect of any trade payables and no legal action has been initiated by our suppliers to demand for payment.

12. FINANCIAL INFORMATION (Cont'd)**12.8.3 Current ratio**

Our current ratio throughout the financial years under review are as follows:

Including the balances related to the Noble Arrangement

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Current assets	52,828	14,360	16,930	21,261
Current liabilities	(47,984)	(3,909)	(3,313)	(4,904)
Net current assets	4,844	10,451	13,617	16,357
Current ratio (times)	1.10	3.67	5.11	4.34

Excluding the balances related to the Noble Arrangement

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Current assets (excluding receivables under the Noble Arrangement)	7,233	14,360	16,930	21,261
Current liabilities (excluding payables under the Noble Arrangement)	(2,389)	(3,909)	(3,313)	(4,904)
Net current assets	4,844	10,451	13,617	16,357
Current ratio (times)	3.03	3.67	5.11	4.34

Our current ratio excluding the balances related to the Noble Arrangement ranged from 3.03 times to 5.11 times for the financial years under review. Our Group recorded higher sales in FYE 2019, which resulted in higher trade receivables (RM18.11 million) and cash collections, which were used to, amongst others, pare down payables. The higher receivable contributed to lower current ratio of 4.34 times in FYE 2019. However, this was partially offset by higher borrowings and payables in FYE 2019.

12.8.4 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	As at 31 December			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings				
Term loan	1,538	1,506	1,476	1,442
Finance lease liabilities	210	80	-	109
Bankers' acceptance	316	259	-	-
	2,064	1,845	1,476	1,551
Total equity	8,293	13,059	16,432	21,842
Gearing (times)	0.25	0.14	0.09	0.07

Our Group's gearing ratio ranged from 0.07 times to 0.25 times for the financial years under review. Over the financial years under review, we reduced our borrowings from RM2.06 million as at 31 December 2016 to RM1.55 million as at 31 December 2019. The calculation of gearing ratio does not include the amounts due from directors and related parties as it does not carry any interest. As at LPD, the amount due have been fully settled.

12. FINANCIAL INFORMATION (Cont'd)

12.9 SIGNIFICANT FACTORS AFFECTING OUR BUSINESS

Section 9 of this Prospectus details a number of risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our Group's revenue and financial performance.

The significant factors affecting our revenues and profits include the following:

(i) Fluctuation of foreign exchange rate

Our revenue is denominated in RM, USD, SGD and BND. Any significant change in foreign exchange rates may affect our Group's financial results. For the FYEs 2016, 2017, 2018 and 2019, approximately 79.23%, 82.24%, 95.40% and 81.68% of our revenues were denominated in RM.

Sales transacted	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BND	-	0.00	21	0.09	19	0.06	-	-
RM	13,981	79.23	19,745	82.24	29,090	95.40	47,604	81.68
SGD	-	0.00	38	0.16	19	0.06	-	-
USD	3,664	20.77	4,205	17.51	1,364	4.48	10,680	18.32
	17,645	100.00	24,009	100.00	30,492	100.00	58,284	100.00

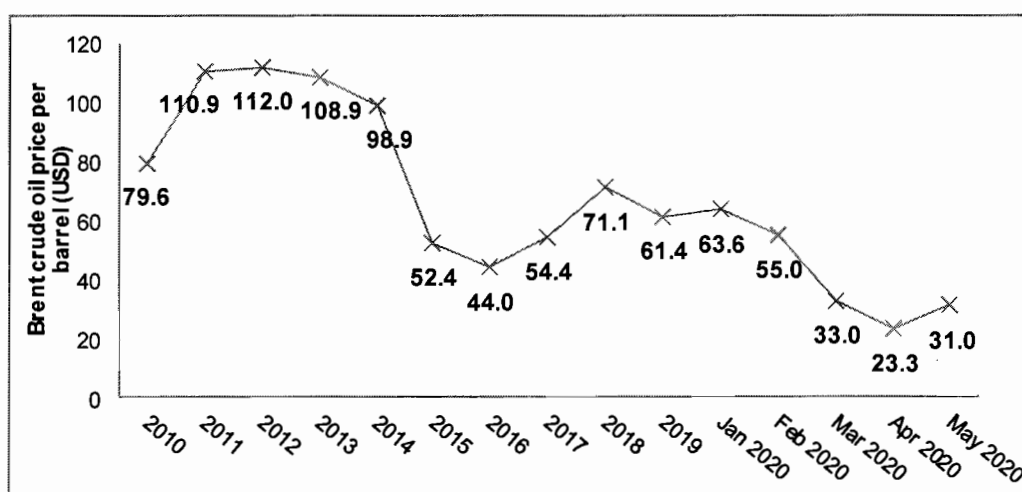
Any appreciation or depreciation of the USD against RM will affect the costs of our materials, equipment and revenue.

We maintain foreign currency accounts arising from our sales to settle our purchases in foreign currency.

(ii) Fluctuation in the prices of crude oil

O&G exploration activities vary depending on crude oil prices as it correlates with profitability. The capital expenditure of our customers is influenced by crude oil prices, where rising crude oil prices typically result in higher capital expenditure.

The following graph illustrates the movement of the Brent crude oil price from 2010 to May 2020:



Source: World Bank

12. FINANCIAL INFORMATION (Cont'd)

As an illustration, during the period of high oil prices and high exploration activities, the demand for offshore support services by international drilling contractors would increase as new drilling rigs are activated.

During the period of low oil prices, international drilling contractors would focus on maintenance activities where capital expenditure costs are minimised. Thus, the pricing and rates for our products and services may vary under the abovementioned price environments.

Other than describe above, there were no exceptional or extraordinary items during the FYEs 2016 to 2019. Our audited financial statements for the FYEs 2016 to 2019 were not subject to any audit qualifications.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the financial years under review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12.11 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance insofar as we are unable to pass on the higher costs to our customers through increase in selling prices.

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

12.12.1 Impact of foreign exchange rates

We are exposed to transactional currency exposure as approximately 20.77%, 17.76%, 4.60% and 18.32% of our revenues were denominated in USD, BND and SGD for FYEs 2016, 2017, 2018 and 2019 respectively. Our Group's GP margin is therefore affected by the foreign currencies exchange rate fluctuation.

An appreciation of the RM against the USD may ultimately affect our revenue. This may adversely affect our financial performance as it would reduce our GP margin.

We maintain foreign currency accounts arising from our sales to settle our purchases in foreign currency. Our Group mitigates the foreign exchange risk through a natural hedge via operating foreign currency accounts using payment received from our sales to pay expenses.

12. FINANCIAL INFORMATION (Cont'd)**12.12.2 Impact of interest rates**

Interest coverage ratio measures the number of times a company can make its interest payments with EBIT. The interest coverage ratio for the financial years under review is as follows:

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
EBIT	3,715	4,611	7,078	9,239
Finance cost	100	89	75	103
Interest coverage ratio (times) ⁽¹⁾	37.15	51.81	94.37	89.70

Note:

(1) Computed based on EBIT over finance costs for the FYE 2016 to 2019.

Our interest coverage ratio of between 37.15 times to 94.37 times for the FYE 2016 to 2019 indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations.

Our Group's financial results for the FYE 2016 to 2019 were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.12.3 Impact of commodity prices

Our Group is exposed to fluctuation in the prices of materials, particularly on steel. Presently, although there are various sources of local and foreign supply of steel, their prices may fluctuate and such fluctuation may affect our financial performance.

Nonetheless, it is our practice to find multiple sources of supply to obtain competitive prices. Some of our purchases of materials are made upon receipt of confirmed orders from our customers to minimise the impact of any adverse price fluctuations in our main materials.

Our suppliers regularly keep us abreast of the supply condition and price trend of our main materials to ensure that we are aware and are prepared for increase in prices of materials.

12.13 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our services and products based on purchase orders received.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (i) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the O&G industry as set out in the IMR Report in Section 8;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our future plans as stated in Section 7.21; and
- (iii) Our capital resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

There are no known circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

Based on our track record for the past years under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (i) For the past financial years, an average 32.92% and average 54.26% of our revenue was derived from EPC and project management and supply of manpower. We expect the EPC and project management and supply of manpower to continue contributing significantly to our revenue in the future;
- (ii) For the past financial years, average 81.78% of our revenue was derived locally. We expect this trend to continue in the future;
- (iii) For the past financial years, the main component of our cost of sales was subcontractors' fees, which constituted average 61.22% of total cost of sales. We expect this trend to continue.
- (iv) Due to the recent outbreak of Covid-19, the Government has imposed the MCO throughout Malaysia which took effect from 18 March 2020 to 3 May 2020, CMCO from 4 May 2020 to 9 June 2020 and RMCO from 10 June 2020 to 31 August 2020 to combat the rise of Covid-19 cases in the country. The MCO has halted most of the economic sectors and activities, especially those operating in non-essential services.

Globally, as a result of Covid-19, Brent crude oil prices have fallen by almost two-thirds to USD23.34 per barrel in April 2020 from the USD65.85 per barrel in December 2019. In May 2020, Brent crude oil prices rose slightly to USD31.02 per barrel. Transport disruptions and an economic decline have weakened demand for crude oil. Despite the decline in global oil prices, Our Group has yet to be negatively impacted. However, it is still early to fully assess the impact of Covid-19 on Malaysia's offshore oilfield services industry. Any sustained decline in demand for crude oil could result in lower activities, possible project deferments or cancellations and increased margin pressures across the board in all value chains within the O&G industry in the short term. There is potentially an increased risk of delay in contract awards and activities within the upstream space in 2020 as Malaysia has committed to a production cut.

During the initial period of MCO, we faced some disruption that affected our delivery coordination and transportation as certain suppliers were not able to fully operate their businesses during this period. Subsequent to PETRONAS issuing a statement on its position that O&G, production, refining, storage, supply and distribution of fuel and lubricants are considered essential services and all operations falling within the above essential services including all support services should continue, our Group was able to resume coordinating delivery and transportation of materials from our suppliers.

12. FINANCIAL INFORMATION (Cont'd)

Apart from the temporary delay from certain suppliers for our supply of materials, tools and equipment which have since been resolved, our Group operations did not encounter any major disruptions throughout the period of MCO and CMCO. As at LPD, we have not received any indication of or requests from our customers for the deferment or cancellation/termination of existing works/projects.

Our Group has yet to be negatively impacted by the Covid-19 outbreak and the MCO (CMCO and RMCO). However, our Group is unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 as the situation is still evolving and the uncertainty of the outcome of the current events. Local and worldwide measures against the spread of Covid -19 will have an impact on our financial performance. Our Group will continuously monitor the impact of Covid-19 on our operations and financial performance. Our Group will also be taking appropriate and timely measures to minimise the impact of the outbreak on our Group's operations

As at LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Section 7.13, 9.1.4, 12.2, 12.9 and 12.12;
- (b) Material commitments for capital expenditure;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.13, 9.1.4, 12.2, 12.9 and 12.12;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Section 7.13, 9.1.4, 12.2, 12.9 and 12.12; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Section 7.13, 9.1.4, 12.2, 12.9 and 12.12.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths set out in Section 7.20 and our Group's intention to implement the business strategies as set out in Section 7.21.

12.16 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans,

12. FINANCIAL INFORMATION (Cont'd)

business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Our Group declared dividends for FYE 2017 amounting to RM1.80 million and was paid in FYE 2018. In FYE 2019, our Group declared and paid dividends amounting to RM1.50 million. No dividend was declared or paid out for FYE 2016 and FYE 2018.

12.17 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

- (i) Based on the latest unaudited financial information as at 4 May 2020; and
- (ii) After adjusting for the effects of Public Issue and utilisation of proceeds.

	OVH	I	II
	As at 4 May 2020⁽¹⁾	After the Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	24,473	45,845	36,477
Total capitalisation	24,473	45,845	36,477
Indebtedness⁽²⁾			
Current			
Term loans	25	25	25
Finance lease liabilities	62	62	62
Bankers' acceptances	120	120	120
Non-current			
Term loans	1,407	1,407	1,407
Finance lease liabilities	27	27	27
Total indebtedness	1,641	1,641	1,641
Total capitalisation and indebtedness	26,114	47,486	38,118
Gearing ratio⁽³⁾(times)	0.07	0.04	0.04

Notes:

- (1) The acquisition of OVE and OVIT was completed on 12 February 2020.
- (2) All of our indebtedness are secured.
- (3) Calculated based on the total indebtedness divided by the total capitalisation.

13. ACCOUNTANTS' REPORT



Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

4 June 2020

The Board of Directors
Ocean Vantage Holdings Berhad
No. 7-1 Jalan 109F
Plaza Danau 2, Taman Danau Desa
58100 Kuala Lumpur
W.P. Kuala Lumpur

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Ocean Vantage Holdings Berhad

Opinion

We have audited the accompanying combined financial statements of Ocean Vantage Holdings Berhad, as defined in Note 2 to the combined financial statements (the "Group"), which comprise of the combined statements of financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 5 to 94.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of Ocean Vantage Holdings Berhad gives a true and fair view of the combined financial positions of the Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division I: Equity of the Prospectus Guideline as issued by the Securities Commission.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report.

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) (AF 0117) was registered on 05.03.2019 and with effect from that date, Baker Tilly Monteiro Heng (AF 0117), a conventional partnership was converted to a limited liability partnership.

Baker Tilly Monteiro Heng PLT is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

13. ACCOUNTANTS' REPORT (Cont'd)



OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Combined Financial Statements

The directors of Ocean Vantage Holdings Berhad are responsible for the preparation of the combined financial statements contained in the Accountants' Report of Ocean Vantage Holdings Berhad, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

The directors of Ocean Vantage Holdings Berhad are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' 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 combined financial statements.

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

- identify and assess the risks of material misstatement of the combined financial statements of the Group, 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.

13. ACCOUNTANTS' REPORT (Cont'd)



OCEAN VANTAGE HOLDINGS BERHAD

Accountants' Report

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements (continued)

- 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group 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 to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group 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 combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the SC, we report that the significant subsequent events identified by the Group since 31 December 2019, the reporting date of the most recent audited combined financial statements to the date of this report, are as disclosed in Note 27 to the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)



OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

Other Matters

This report is made solely to the board of directors of Ocean Vantage Holdings Berhad and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission of Malaysia and for inclusion in the Prospectus of Ocean Vantage Holdings Berhad in connection with the listing and quotation of the entire issued and paid-up share capital of Ocean Vantage Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purposes. We do not assume responsibility to any other persons for the content of this report.

A handwritten signature in black ink, appearing to be "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to be "Dato' Lock Peng Kuan".

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

Kuala Lumpur

Date: 4 June 2020

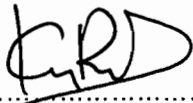
13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **KENNY RONALD NGALIN** and **YAU KAH TAK**, being two of the directors of OCEAN VANTAGE HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and of its financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



.....
KENNY RONALD NGALIN
Director



.....
YAU KAH TAK
Director

Puchong

Date: 4 June 2020

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	4,503,748	4,126,138	4,415,546	7,536,367
Other investment	6	644,873	-	-	-
Total non-current assets		5,148,621	4,126,138	4,415,546	7,536,367
Current assets					
Trade and other receivables	7	52,297,184	11,707,420	15,725,686	18,941,182
Current tax assets		5,500	6,000	12,000	6,000
Cash and bank balances	8	525,540	2,646,628	1,192,576	2,314,143
Total current assets		52,828,224	14,360,048	16,930,262	21,261,325
TOTAL ASSETS		57,976,845	18,486,186	21,345,808	28,797,692
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	9	1,600,000	1,600,000	1,600,000	1,600,010
Reserves	10	590,043	2,335,967	2,335,967	2,335,967
Retained earnings		6,102,560	9,122,573	12,495,935	17,906,498
TOTAL EQUITY		8,292,603	13,058,540	16,431,902	21,842,475
Non-current liabilities					
Loans and borrowings	11	1,582,823	1,468,694	1,434,500	1,448,401
Lease liabilities	12	-	-	-	178,843
Deferred tax liabilities	13	117,703	49,109	166,422	423,333
Total non-current liabilities		1,700,526	1,517,803	1,600,922	2,050,577
Current liabilities					
Loans and borrowings	11	480,924	376,283	41,131	102,939
Lease liabilities	12	-	-	-	142,119
Current tax liabilities		820,640	1,224,557	748,508	449,287
Trade and other payables	14	46,682,152	2,309,003	2,523,345	4,210,295
Total current liabilities		47,983,716	3,909,843	3,312,984	4,904,640
TOTAL LIABILITIES		49,684,242	5,427,646	4,913,906	6,955,217
TOTAL EQUITY AND LIABILITIES		57,976,845	18,486,186	21,345,808	28,797,692

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Revenue	15	17,645,442	24,008,892	30,492,378	58,284,131
Cost of sales		(11,034,221)	(14,301,573)	(18,880,677)	(43,495,638)
Gross profit		6,611,221	9,707,319	11,611,701	14,788,493
Other income	16	87,534	120,425	129,348	377,476
Administrative expenses		(2,983,714)	(5,193,962)	(4,656,058)	(5,914,681)
Operating profit		3,715,041	4,633,782	7,084,991	9,251,288
Finance costs	17	(100,296)	(88,812)	(74,701)	(103,356)
Profit before tax	18	3,614,745	4,544,970	7,010,290	9,147,932
Income tax expense	20	(905,259)	(1,524,957)	(1,836,928)	(2,230,969)
Profit for the financial year		2,709,486	3,020,013	5,173,362	6,916,963
Other comprehensive loss, net of tax	21				
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value loss of available-for-sale financial assets		(11,876)	(26,769)	-	-
Other comprehensive loss for the financial year		(11,876)	(26,769)	-	-
Total comprehensive income for the financial year		2,697,610	2,993,244	5,173,362	6,916,963

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)
OCEAN VANTAGE HOLDINGS BERHAD
 Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Group				Retained earnings RM	Total equity RM
		Invested equity RM	Available- for-sale reserve RM	Share option reserve RM	Other reserve RM		
At 1 January 2016		1,600,000	38,645	563,274	-	3,393,074	5,594,993
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	2,709,486	2,709,486
Other comprehensive loss for the financial year		-	(11,876)	-	-	-	(11,876)
Total comprehensive income		-	(11,876)	-	-	2,709,486	2,697,610
At 31 December 2016		1,600,000	26,769	563,274	-	6,102,560	8,292,603
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	3,020,013	3,020,013
Other comprehensive loss for the financial year		-	(26,769)	-	-	-	(26,769)
Total comprehensive income		-	(26,769)	-	-	3,020,013	2,993,244
Transaction with owners							
Share-based payment	10(b)	-	-	1,772,693	-	-	1,772,693
At 31 December 2017		1,600,000	-	2,335,967	-	9,122,573	13,058,540

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Note	Attributable to owners of the Group				Retained earnings RM	Total equity RM
		Invested equity RM	Available-for-sale reserve RM	Share option reserve RM	Other reserve RM		
At 1 January 2018		1,600,000	-	2,335,967	-	9,122,573	13,058,540
Total comprehensive income for the financial year							
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	5,173,362	5,173,362
Total comprehensive income		-	-	-	-	5,173,362	5,173,362
Transaction with owners							
Share option issued	10	-	-	(2,335,967)	2,335,967	-	-
Dividend paid on shares	22	-	-	-	-	(1,800,000)	(1,800,000)
Total transaction with owners		-	-	(2,335,967)	2,335,967	(1,800,000)	(1,800,000)
At 31 December 2018		1,600,000	-	-	2,335,967	12,495,935	16,431,902
Total comprehensive income for the financial year							
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	6,916,963	6,916,963
Total comprehensive income		-	-	-	-	6,916,963	6,916,963
Transaction with owners							
Dividend paid on shares	22	-	-	-	-	(1,500,000)	(1,500,000)
Common control established	10	-	-	-	-	(6,400)	(6,390)
Total transaction with owners		10	-	-	-	(1,506,400)	(1,506,390)
At 31 December 2019		1,600,010	-	-	2,335,967	17,906,498	21,842,475

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS**

	← As at 31 December →			
	2016	2017	2018	2019
Note	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	3,614,745	4,544,970	7,010,290	9,147,932
Adjustments for:				
Depreciation of property, plant and equipment	422,465	401,454	424,912	812,323
Loss on disposal of property, plant and equipment	-	7,500	-	-
Gain on disposal of available-for-sale investment	(7,445)	(68,055)	-	-
Finance costs	100,296	88,812	74,701	103,356
Interest income	(767)	(22,779)	(7,021)	(11,859)
Investment income	(11,924)	-	-	-
Net unrealised (gain)/loss on foreign exchange	(66,137)	249,231	(42,655)	(165,452)
Share-based payment	-	1,772,693	-	-
Operating profit before changes in working capital	4,051,233	6,973,826	7,460,227	9,886,300
Changes in working capital:				
Trade and other receivables	(31,630,652)	40,250,839	(4,222,383)	(3,189,153)
Trade and other payables	29,686,416	(44,055,032)	212,537	1,686,950
Net cash generated from operations	2,106,997	3,169,633	3,450,381	8,384,097
Income tax refunds	-	-	-	12,000
Income tax paid	(741,629)	(1,190,134)	(2,201,664)	(2,279,279)
Interest received	767	22,779	7,021	11,859
Net cash from operating activities	1,366,135	2,002,278	1,255,738	6,128,677
Cash flows from investing activities				
Investment income	11,924	-	-	-
Purchase of property, plant and equipment	(a) (1,062,243)	(33,844)	(714,320)	(3,305,377)
Proceeds from disposal of property, plant and equipment	-	2,500	-	-
Proceeds from disposal of other investment	219,107	670,592	-	-
Common control established	-	-	-	(6,390)
Net cash (used in)/from investing activities	(831,212)	639,248	(714,320)	(3,311,767)

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Cash flows from financing activities	(b)				
Dividends paid		-	-	(1,800,000)	(1,500,000)
Interest paid		(100,296)	(88,812)	(74,701)	(103,356)
Repayment of term loans		(29,101)	(32,125)	(29,902)	(33,726)
Repayment of finance lease liabilities		(164,501)	(129,754)	(80,444)	(14,665)
Drawdown of bankers' acceptance		315,891	-	-	-
Repayment of bankers' acceptance		-	(56,891)	(259,000)	-
Repayment of lease liabilities		-	-	-	(182,705)
Net changes in amount owing by/to a director		(228,534)	(651,129)	198,756	128,721
Net changes in amount owing to related parties		(695,784)	438,729	-	4,000
Net cash used in financing activities		(902,325)	(519,982)	(2,045,291)	(1,701,731)
Net (decrease)/increase in cash and cash equivalents		(367,402)	2,121,544	(1,503,873)	1,115,179
Cash and cash equivalents at the beginning of the financial years		993,238	525,540	2,646,628	1,192,576
Effect of exchange rate changes		(100,296)	(456)	49,821	6,388
Cash and cash equivalents at the end of the financial years	8	525,540	2,646,628	1,192,576	2,314,143

(a) Purchase of property, plant and equipment:

	Note	← FYE 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Purchase of property, plant and equipment	5	1,062,243	33,844	714,320	3,429,477
Financed by way of finance lease arrangements		-	-	-	(124,100)
Cash payments on purchase of property, plant and equipment		1,062,243	33,844	714,320	3,305,377

(b) Changes in liabilities arising from financing activities comprise of net cash flows from the dividend paid, interest paid, repayment of term loans, bankers' acceptance, finance lease liabilities, lease liabilities, net repayment from amounts owing by/to a director and related parties during the financial year. There were no non-cash changes in liabilities arising from financing activities.

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ocean Vantage Holdings Berhad was incorporated on 10 October 2018 as a private limited liability company, and is domiciled in Malaysia. Ocean Vantage Holdings Berhad was converted to a public company limited by shares and assumed its present name on 10 April 2019. The registered office of Ocean Vantage Holdings Berhad is located at No. 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia. The principal place of business of the Ocean Vantage Holdings Berhad is located at Lot 5570, 1st Floor, Jalan Desa Pujut, Desa Pujut Shophouse, Pusat Bandar Permyjaya, 98100 Miri, Sarawak.

The principal activity of Ocean Vantage Holdings Berhad is investment holding. The details of the combined entities are as follows:

Combined entities	Principal place of business/ country of incorporation	Principal activities
Ocean Vantage Engineering Sdn. Bhd.	Malaysia	Provision of offshore and onshore project management, engineering, procurement and construction ("EPC"), supply of manpower, materials, tools, and equipment and drilling rig charter services
Ocean Vantage Inspection Testing Sdn. Bhd.	Malaysia	Provision of non-destructive testing ("NDT") services

There have been no significant changes in the nature of these activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 June 2020.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION**

The combined financial statements of the Ocean Vantage Holdings Berhad (as defined herein) for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared pursuant to the listing and quotation of the entire issued and paid-up share capital of Ocean Vantage Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control (collectively hereinafter referred to as "Ocean Vantage Holdings Berhad" or the "Group") for each of the financial years:

Entities Under Common Control	FYE 31 December			
	2016	2017	2018	2019
Ocean Vantage Holdings Berhad	*	*	#	✓, ^
Ocean Vantage Engineering Sdn. Bhd.	✓, @	✓, @	✓, ^	✓, ^
Ocean Vantage Inspection Testing Sdn. Bhd.	✓, @	✓, @	✓, ^	✓, ^

✓ *The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years.*

* *No financial statements available for Ocean Vantage Holdings Berhad as the company was incorporated on 10 October 2018.*

Common control not established as at financial year ended 31 December 2018.

@ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which was lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

^ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

The audited financial statements of all the operating entities within the Group for the relevant years reported above were not subject to any modifications.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)**

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of Compliance

The combined financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group has adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRS

MFRS 16 Leases

Amendments/improvements to MFRSs

MFRS 3 Business Combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowings Costs

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the combined financial statements of the Group and did not result in significant changes to the Group's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its combined statements of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its combined statements of financial position except for short-term and low value asset leases.

On initial application of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On application of this standard, the Group are required to capitalise their rented premises and vacant land on the combined statements of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

The Group adopted MFRS 16 using the modified retrospective method of adoption. The effect of the transition on current period has been disclosed. The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contract entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

The Group presented its right-of-use assets as part of the "property, plant and equipment" in the statements of financial position. The related lease liabilities were presented as separate line items in combined statements of financial position.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the combined financial statements. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On initial application of this standard, for most leases, the Group:

- recognised the right-of-use assets and lease liabilities in the combined statements of financial position, initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year;
- separated the total amount of cash paid into a principal portion and interest (presented within financing activities) in the combined statements of cash flows for the current financial year.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as operating lease under MFRS 117

The right-of-use assets are measured at either:

- (a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117.

- (a) applied a single discount rate to a portfolio of leases with similar characteristics.
- (b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- (c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application.
- (d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.
- (e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group had recognised the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 which determined at the carrying amount of the lease asset and finance lease liability under MFRS 117 immediately before the date of initial application.

For those leases, the Group account for the right-of-use asset and the lease liability applying this Standard from the date of initial application.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of MFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liabilities adjusted for any prepaid or accrued lease payments that existed at the date of transition.

For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under MFRS 117 immediately before the date of initial application.

The following reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 January 2019:

	Carrying amount at 31 December 2018	Remeasurement	MFRS 16 carrying amount at 1 January 2019
	RM	RM	RM
Property, plant and equipment	4,415,546	503,667	4,919,213
Lease liabilities	-	(503,667)	(503,667)

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective

- (a) The Group has not adopted the following new MFRS, amendments/improvements to MFRSs and amendments of IC Int that have been issued, but yet to be effective:

<u>New MFRS</u>	Effective for financial periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of MFRSs	1 January 2021 [#]
MFRS 2 Share-based Payment	1 January 2020*
MFRS 3 Business Combinations	1 January 2020*/ 1 January 2021 [#]
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 [#]
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7 Financial Instruments: Disclosures	1 January 2020/ 1 January 2021 [#]
MFRS 9 Financial Instruments	1 January 2020/ 1 January 2021 [#]
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 14 Regulatory Deferral Accounts	1 January 2020*
MFRS 15 Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101 Presentation of Financial Statements	1 January 2020*/ 1 January 2021 [#]
MFRS 107 Statements of Cash Flows	1 January 2021 [#]
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020*
MFRS 116 Property, Plant and Equipment	1 January 2021 [#]
MFRS 119 Employee Benefits	1 January 2021 [#]
MFRS 128 Investments in Associates and Joint Ventures	Deferred/ 1 January 2021 [#]
MFRS 132 Financial instruments: Presentation	1 January 2021 [#]
MFRS 134 Interim Financial Reporting	1 January 2020*
MFRS 136 Impairment of Assets	1 January 2021 [#]
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021 [#]
MFRS 138 Intangible Assets	1 January 2020*/ 1 January 2021 [#]
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140 Investment Property	1 January 2021 [#]

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective (continued)

		Effective for financial periods beginning on or after
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRSs*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

- (b) The Group plans to adopt the above applicable new MFRS, amendments/improvements to MFRSs and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and amendments to IC Int are summarised below.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at:

- (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus
- (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability/(asset).

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, amendments/improvements to MFRSs and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to References to the Conceptual Framework in MFRSs

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the MFRSs Framework on 30 April 2018.

The revised *Conceptual Framework* comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the *Conceptual Framework* issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised *Conceptual Framework* include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the sixteen Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 3, MFRS 5, MFRS 7, MFRS 9, MFRS 15, MFRS 101, MFRS 107, MFRS 116, MFRS 119, MFRS 128, MFRS 132, MFRS 136, MFRS 137, MFRS 138 and MFRS 140.

- (c) The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, and amendments to IC Int.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.6 Use of estimates and judgement

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the combined financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements of the Group comprise the financial statements of Ocean Vantage Engineering Sdn. Bhd. and Ocean Vantage Inspection Testing Sdn. Bhd.. The financial statements used in the preparation of the combined financial statement are prepared for the same reporting date as Ocean Vantage Holdings Berhad. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)****(a) Business combination**

The Group applies the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of combining entities are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the combining entities is taken to merger reserve or merger deficit.

(b) Transactions eliminated on combination

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

3.2 Foreign currency transactions and operations**Translation of foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

The gain or loss arising on translation of non-monetary items are measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments**

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies their debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.7(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.7(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(b) Financial guarantee contracts (continued)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition (continued)

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at FVPL, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

Financial assets at FVPL

Financial assets are classified as financial assets at FVPL when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(a). Gains and losses are recognised in profit or loss through the amortisation process.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(a).

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied until 31 December 2017 (continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3.4 Property, plant and equipment**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Building	50
Computer and software	5
Furniture and fittings	10
Machinery	10
Motor vehicles	5
Office equipment	10
Renovation	10
Signboard	10
Tools and equipment	10
Right-of-use	1 to 10

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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 arising on derecognition of the asset is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases

Accounting policies applied from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets that do not meet the definition of property, plant and equipment in Note 5 and lease liabilities in Note 12.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liability (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(b) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessor accounting (continued)

When the Group is intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the combined statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group apply MFRS 15 to allocate the consideration under the contract to each component

3.6 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

3.7 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the combined statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as FVPL) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Loans and receivables and held-to-maturity investments (continued)

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Available-for-sale financial assets (continued)

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGU").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced 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 of groups of units on a pro-rata basis.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss.

For other assets, 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. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.8 Equity instruments

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.9 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share-based payments

Equity-settled share-based payment

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity-settled share-based payments are set out in Note 10.

The fair value determined at the grant date of the equity-settled share-based payments is expensed off based on the Group's estimate of equity instruments that will eventually vest.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the Group obtains the goods or the counterparty renders the service.

3.11 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue and other income (continued)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(a) Sales of goods

Revenue from sales of goods is recognised at the point in time when the control of goods and products is transferred to customers with a right of return within a specified period.

(b) Rendering of services

Revenue from services are recognised over time upon performance of service.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Commission income

Commission income is received upon the services rendered.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.13 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Income tax (continued)

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount in the combined statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is measured at the tax rates that are expected to apply in the period 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.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3.15 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4(c), the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment are disclosed in Note 5.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)****4.2 Impairment of financial assets**

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's financial assets are disclosed in Note 23(b).

4.3 Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expenses of the Group are disclosed in Note 20.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.4 Share-based payments

The owner of the Group granted share options to certain employees of the Group for the purpose of recognising their contribution in the Group. The share options granted are measured at fair value at grant date using a binomial option pricing model. The key assumptions or inputs used in the binomial option pricing model include: (a) the current price, (b) the exercise price, (c) the risk-free rate, (d) the volatility of the share price (e) the dividend yield and (f) the time period to maturity. The volatility share price is estimated based on professional valuation of the Group and the share options. These differences may affect the fair value measurement of the options granted but they are not adjusted retrospectively because the equity component of the options granted is not remeasured to fair value subsequent to their initial recognition.

The carrying amount of share option reserve and assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 10.

4.5 Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group uses its judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial positions and results if the actual cash flows are less than the expected

The carrying amounts of the non-financial assets are disclosed in Note 5.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RM	Building RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Tools and equipment RM	Total RM
2016												
Cost												
At 1 January 2016		1,000,000	1,258,948	180,328	79,022	1,071,952	491,076	103,065	332,443	12,672	26,184	4,555,690
Additions		-	-	-	-	1,050,663	-	11,580	-	-	-	1,062,243
At 31 December 2016		1,000,000	1,258,948	180,328	79,022	2,122,615	491,076	114,645	332,443	12,672	26,184	5,617,933
Accumulated depreciation												
At 1 January 2016		-	50,358	87,067	20,487	196,938	219,936	23,983	82,482	4,400	6,069	691,720
Depreciation charge for the financial year	18	-	25,179	35,114	7,902	212,261	93,415	11,465	33,244	1,267	2,618	422,465
At 31 December 2016		-	75,537	122,181	28,389	409,199	313,351	35,448	115,726	5,667	8,687	1,114,185
Carrying amount												
At 1 January 2016		1,000,000	1,208,590	93,261	58,535	875,014	271,140	79,082	249,961	8,272	20,115	3,863,970
At 31 December 2016		1,000,000	1,183,411	58,147	50,633	1,713,416	177,725	79,197	216,717	7,005	17,497	4,503,748

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2017	Freehold land	Building	Computer and software	Furniture and fittings	Machinery	Motor vehicles	Office equipment	Renovation	Signboard	Tools and equipment	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2017	1,000,000	1,258,948	180,328	79,022	2,122,615	491,076	114,645	332,443	12,672	26,184	5,617,933
Additions	-	-	32,722	-	-	-	1,122	-	-	-	33,844
Disposals	-	-	-	-	-	(25,000)	-	-	-	-	(25,000)
At 31 December 2017	1,000,000	1,258,948	213,050	79,022	2,122,615	466,076	115,767	332,443	12,672	26,184	5,626,777
Accumulated depreciation											
At 1 January 2017	-	75,537	122,181	28,389	409,199	313,351	35,448	115,726	5,667	8,687	1,114,185
Depreciation charge for the financial year	-	25,179	38,243	7,902	212,261	69,163	11,577	33,244	1,267	2,618	401,454
Disposals	-	-	-	-	-	(15,000)	-	-	-	-	(15,000)
At 31 December 2017	-	100,716	160,424	36,291	621,460	367,514	47,025	148,970	6,934	11,305	1,500,639
Carrying amount											
At 1 January 2017	1,000,000	1,183,411	58,147	50,633	1,713,416	177,725	79,197	216,717	7,005	17,497	4,503,748
At 31 December 2017	1,000,000	1,158,232	52,626	42,731	1,501,155	98,562	68,742	183,473	5,738	14,879	4,126,138

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2018 Cost	Note	Freehold	Building	Computer	Furniture	Machinery	Motor	Office	Renovation	Signboard	Tools and	Total
		land	RM	and	and	RM	vehicles	equipment	RM	RM	equipment	
		RM	RM	software	and	RM	RM	RM	RM	RM	RM	RM
At 1 January 2018		1,000,000	1,258,948	213,050	79,022	2,122,615	466,076	115,767	332,443	12,672	26,184	5,626,777
Additions		-	-	96,537	-	157,640	-	2,943	-	-	457,200	714,320
At 31 December 2018		1,000,000	1,258,948	309,587	79,022	2,280,255	466,076	118,710	332,443	12,672	483,384	6,341,097
Accumulated depreciation												
At 1 January 2018		-	100,716	160,424	36,291	621,460	367,514	47,025	148,970	6,934	11,305	1,500,639
Depreciation charge for the financial year	18	-	25,179	36,912	7,903	222,756	69,159	11,772	33,245	1,268	16,718	424,912
At 31 December 2018		-	125,895	197,336	44,194	844,216	436,673	58,797	182,215	8,202	28,023	1,925,551
Carrying amount												
At 1 January 2018		1,000,000	1,158,232	52,626	42,731	1,501,155	98,562	68,742	183,473	5,738	14,879	4,126,138
At 31 December 2018		1,000,000	1,133,053	112,251	34,828	1,436,039	29,403	59,913	150,228	4,470	455,361	4,415,546

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2019 Cost	Note	Freehold land RM	Building RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Tools and equipment RM	Right-of- use RM	Total RM
At 1 January 2019		1,000,000	1,258,948	309,587	79,022	2,280,255	466,076	118,710	332,443	12,672	483,384	-	6,341,097
- As previously stated		-	-	-	-	-	-	-	-	-	-	503,667	503,667
- Adjustment on initial application of MFRS 16		-	-	(4,374)	-	-	-	-	-	-	-	-	(4,374)
Adjusted balance at 1 January 2019		1,000,000	1,258,948	309,587	79,022	2,280,255	466,076	118,710	332,443	12,672	483,384	503,667	6,844,764
Additions		-	-	73,824	3,865	2,472,175	-	-	-	-	730,800	148,813	3,429,477
Written off		-	-	(4,374)	-	-	-	-	-	-	-	-	(4,374)
At 31 December 2019		1,000,000	1,258,948	379,037	82,887	4,752,430	466,076	118,710	332,443	12,672	1,214,184	652,480	10,269,867
Accumulated depreciation		-	125,895	197,336	44,194	844,216	436,673	58,797	182,215	8,202	28,023	-	1,925,551
At 1 January 2019		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the financial year	18	-	25,179	40,779	8,095	368,264	29,398	11,871	33,244	1,268	97,478	196,747	812,323
Written off		-	-	(4,374)	-	-	-	-	-	-	-	-	(4,374)
At 31 December 2019		-	151,074	233,741	52,289	1,212,480	466,071	70,668	215,459	9,470	125,501	196,747	2,733,500
Carrying amount		1,000,000	1,133,053	112,251	34,828	1,436,039	29,403	59,913	150,228	4,470	455,361	503,667	4,919,213
At 1 January 2019 (Adjusted)		1,000,000	1,107,874	145,296	30,598	3,539,950	5	48,042	116,984	3,202	1,088,683	455,733	7,536,367
At 31 December 2019													

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amount of assets under finance lease arrangements are as follows:

	←	As at 31 December		→
	2016	2017	2018	2019
	RM	RM	RM	RM
Machineries	341,399	296,270	-	145,093
Motor vehicles	45,200	22,600	-	-
	<u>386,599</u>	<u>318,870</u>	<u>-</u>	<u>145,093</u>

(b) Assets pledged as security

	←	As at 31 December		→
	2016	2017	2018	2019
	RM	RM	RM	RM
Freehold land and building	2,183,411	2,158,232	2,133,053	2,107,874

Freehold land and building has been pledged as security to secure loans and borrowings of the Group as disclosed in Note 11.

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 11(b).

(c) Right-of-use assets

The Group leases office and vacant land for their office space and operation site. The leases for office space and operation site generally have lease term between 2 to 3 years with options to renew every two (2) years.

The Group has lease machineries with lease term of 2 years, and have options to purchase the assets at the end of the contract term.

The net carrying amount of property, plant and equipment that are right-of-use assets as follows:

	Net carrying amount	Depreciation charge
	RM	RM
Buildings	310,640	193,027
Machineries	145,093	3,720
	<u>455,733</u>	<u>196,747</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER INVESTMENT

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Available-for-sale ("AFS") financial assets				
At fair value:				
- Investment in unit trust	644,873	-	-	-

7. TRADE AND OTHER RECEIVABLES

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Trade receivables	(a)				
Third parties		50,630,937	9,667,756	14,800,807	18,110,771
Related parties		373,209	-	-	-
Accrued revenue		213,164	813,992	192,743	-
		<u>51,217,310</u>	<u>10,481,748</u>	<u>14,993,550</u>	<u>18,110,771</u>
Non-trade					
Other receivables		514,260	801,771	365,574	507,672
Deposits		93,680	56,870	64,860	63,650
Prepayments		29,205	35,554	168,981	259,089
Amount owing by related parties	(b)	442,729	4,000	4,000	-
Amount owing by a director	(b)	-	327,477	128,721	-
		<u>1,079,874</u>	<u>1,225,672</u>	<u>732,136</u>	<u>830,411</u>
Total trade and other receivables		<u>52,297,184</u>	<u>11,707,420</u>	<u>15,725,686</u>	<u>18,941,182</u>

(a) Trade receivables

Included in trade receivables for the financial year 2016 is an amount of RM45,595,424 which is related to a drilling rig charter service contract, acting as an agent on behalf for a customer of the Group.

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 60 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

	← As at 31 December →			
	2016	2017	2018	2019
	RM	RM	RM	RM
Neither past due nor impaired	48,596,309	6,783,042	5,254,462	6,224,880
Past due but not impaired	2,621,001	3,698,706	9,739,088	11,885,891
1-30 days past due not impaired	678,978	1,377,308	4,232,869	5,342,143
31-60 days past due not impaired	452,041	572,807	1,925,726	4,342,959
61-90 days past due not impaired	62,258	303,337	1,602,588	1,289,863
91-120 days past due not impaired	146,016	4,795	588,591	169,625
More than 120 days past due not impaired	1,281,708	1,440,459	1,389,314	741,301
	<u>51,217,310</u>	<u>10,481,748</u>	<u>14,993,550</u>	<u>18,110,771</u>

(b) Amount owing by related parties and a director

Amount owing by related parties and a director are unsecured, non-interest bearing and repayable on demand.

8. CASH AND BANK BALANCES

For the purpose of the combined statements of cash flow, cash and cash equivalents comprise the following:

	← As at 31 December →			
	2016	2017	2018	2019
	RM	RM	RM	RM
Cash in hand	10,565	5,134	12,462	30,789
Cash at banks	514,975	2,641,494	1,180,114	2,283,354
	<u>525,540</u>	<u>2,646,628</u>	<u>1,192,576</u>	<u>2,314,143</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of Ocean Vantage Engineering Sdn. Bhd., Ocean Vantage Inspection Testing Sdn. Bhd. and Ocean Vantage Holdings Berhad.

10. RESERVES

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Available-for-sale reserve	(a)	26,769	-	-	-
Share option reserve	(b)	563,274	2,335,967	-	-
Other reserve	(b)	-	-	2,335,967	2,335,967
		590,043	2,335,967	2,335,967	2,335,967

(a) Available-for-sale reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(b) Share option reserve/Other reserve

The share option reserve and the other reserve comprises the cumulative fair value of services contributed to the Group by certain employees of the Group through issuance of share options by the owners of the Group. The share option is recognised at grant date and subsequently transfer to other reserve upon exercised.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****10. RESERVES (CONTINUED)****(b) Share option reserve/Other reserves (continued)**Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices of, and movement in, share options:

	2016 RM	2017 RM	2018 RM	2019 RM
At 1 January	563,274	563,274	2,335,967	-
Granted on 11 August 2017	-	1,772,693	-	-
Exercised	-	-	(2,335,967)	-
At 31 December	563,274	2,335,967	-	-
Exercisable as at 31 December	563,274	2,335,967	-	-

There are no options outstanding as at 31 December 2018 and 31 December 2019. The options outstanding at 31 December 2017 have exercise prices of RM16.80 (2016: RM2.27) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was Nil (2016: 4 years and 2017: 3 years).

The fair values of the share options granted were determined using a binomial option pricing model, and the inputs were:

	Option 1 RM	Option 2 RM
Fair value of share options and assumptions		
Weighted average fair value of share option at grant date (RM)	563,274	1,772,693
Weighted average share price (RM)	2	17
Options life (years)	5	3
Risk-free rate(%)	3.69	3.26
Expected dividends (%)	-	-
Expected volatility (%)	15.67	9.60

The expected volatility is based on the historical volatility of FTSE Bursa Malaysia Small Cap index ("FBMSC Index"). When determine the fair value, the management has also taken into consideration of the exercise restrictions and exercise behaviour.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****11. LOANS AND BORROWINGS**

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Current:					
Term loan	(a)	35,279	36,839	41,131	41,856
Finance lease liabilities	(b)	129,754	80,444	-	61,083
Bankers' acceptance	(c)	315,891	259,000	-	-
		480,924	376,283	41,131	102,939
Non-current:					
Term loan	(a)	1,502,379	1,468,694	1,434,500	1,400,049
Finance lease liabilities	(b)	80,444	-	-	48,352
		1,582,823	1,468,694	1,434,500	1,448,401
Total loans and borrowings					
Term loan	(a)	1,537,658	1,505,533	1,475,631	1,441,905
Finance lease liabilities	(b)	210,198	80,444	-	109,435
Bankers' acceptance	(c)	315,891	259,000	-	-
		2,063,747	1,844,977	1,475,631	1,551,340

(a) Term loan

Term loan of RM1,441,905 (2016: RM1,537,658, 2017: RM1,505,533 and 2018: RM1,475,631) bears interest rate at 2.10% below bank's base lending rate per annum and is repayable by monthly instalments over a period of 25 years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Registered first party first legal charged over the freehold land and building of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by the directors of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. LOANS AND BORROWINGS (CONTINUED)

(b) Finance lease liabilities

Certain machineries and motor vehicles of the Group as disclosed in Note 5 are pledged for finance leases. Such lease does not have terms to renewal which would give the Group an option to purchase at nominal values at the end of lease term. The average interest rate implicit in the leases is 6.24% (2016: 6.76%, 2017: 6.86% and 2018: Nil%)

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

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Minimum lease payments:				
Not later than one year	139,977	82,832	-	66,084
Later than one year and not later than five years	82,832	-	-	49,562
	<u>222,809</u>	<u>82,832</u>	<u>-</u>	<u>115,646</u>
Less: Future finance charges	(12,611)	(2,388)	-	(6,211)
Present value of minimum lease payments	<u>210,198</u>	<u>80,444</u>	<u>-</u>	<u>109,435</u>
Present value of minimum lease payment payable:				
Not later than one year	129,754	80,444	-	61,083
Later than one year and not later than five years	80,444	-	-	48,352
	<u>210,198</u>	<u>80,444</u>	<u>-</u>	<u>109,435</u>
Less: Amount due within twelve months	(129,754)	(80,444)	-	(61,083)
Amount due after twelve months	<u>80,444</u>	<u>-</u>	<u>-</u>	<u>48,352</u>

(c) Bankers' acceptance

The bankers' acceptance are secured against the following:

- (i) Registered first party first legal charged over the freehold land and building of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by the directors of the Group.

The effective interest rate for banker's acceptance is Nil% (2016: 6.50%, 2017: 3.90% and 2018: Nil%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. LEASE LIABILITIES

	As at 31 December 2019 RM
Current	142,119
Non-current	178,843
	<u>320,962</u>

13. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	At 1 January 2016 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2016 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2017 RM
Deferred tax liability:					
Property, plant and equipment	63,630	46,148	109,778	(854)	108,924
Deferred tax assets:					
Unrealised foreign exchange	46,062	(38,137)	7,925	(67,740)	(59,815)
	<u>109,692</u>	<u>8,011</u>	<u>117,703</u>	<u>(68,594)</u>	<u>49,109</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax relates to the following: (continued)

	At 1 January 2018 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2018 RM	Recognised in profit or loss (Note 20) RM	At 31 December 2019 RM
Deferred tax liability:					
Property, plant and equipment	108,924	47,296	156,220	232,544	388,764
Deferred tax assets:					
Unrealised foreign exchange	(59,815)	70,017	10,202	26,845	37,047
Lease liabilities	-	-	-	(2,478)	(2,478)
	<u>49,109</u>	<u>117,313</u>	<u>166,422</u>	<u>256,911</u>	<u>423,333</u>

Unrecognised deferred tax assets

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

	← 2016 RM	As at 31 December		→ 2019 RM
	2016 RM	2017 RM	2018 RM	2019 RM
Deferred tax liability:				
Property, plant and equipment	(9,476)	(8,609)	(7,742)	(6,875)
Deferred tax assets:				
Unused tax losses	57,833	82,461	91,442	58,432
Unrealised foreign exchange	1,602	(237)	(149)	-
Unabsorbed capital allowances	9,497	12,544	15,591	-
	<u>68,932</u>	<u>94,768</u>	<u>106,884</u>	<u>58,432</u>
	<u>59,456</u>	<u>86,159</u>	<u>99,142</u>	<u>51,557</u>

The availability of unused tax losses for offsetting against future taxable profits in Malaysia are subject to requirements under the Income Tax, 1967 and guidelines issued by the tax authority.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 years consecutive years of assessment.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****14. TRADE AND OTHER PAYABLES**

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Trade payables					
Third parties	(a)	46,038,580	1,136,707	749,845	3,235,026
Accrued costs		23,400	434,992	749,724	595,091
		46,061,980	1,571,699	1,499,569	3,830,117
Non-trade					
Other payables		137,880	368,105	648,623	123,004
Accruals		157,719	368,278	374,232	257,174
Deposits		921	921	921	-
Amount owing to a director	(b)	323,652	-	-	-
		620,172	737,304	1,023,776	380,178
Total trade and other payables		46,682,152	2,309,003	2,523,345	4,210,295

(a) Trade payables

Included in trade payables for the financial year 2016 is an amount of RM45,595,424 which is related to a drilling rig charter service contract, acting as an agent on behalf for a customer of the Group.

Trade payables are non-interest bearing and are normally settled within 30 to 60 days.

(b) Amount owing to a director

Amount owing to a director are unsecured, non-interest bearing and repayable upon demand.

For explanations on the Group's liquidity risk management processes, refer to Note 23(b)(ii).

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. REVENUE

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
At a point in time:				
Sales of goods	3,447,472	3,569,442	3,636,293	4,847,227
Commission income	559,529	663,831	-	-
Over time:				
Services	13,638,441	19,775,619	26,856,085	53,436,904
	17,645,442	24,008,892	30,492,378	58,284,131

16. OTHER INCOME

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Interest income	767	22,779	7,021	11,859
Net realised foreign exchange gain	-	-	68,644	148,835
Net unrealised foreign exchange gain	66,137	-	42,655	165,452
Gain on disposal of available-for-sale investments	7,445	68,055	-	-
Investment income	11,924	-	-	-
Miscellaneous	1,261	29,591	11,028	51,330
	87,534	120,425	129,348	377,476

17. FINANCE COSTS

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Interest expense on:				
- Term loan	73,413	70,387	72,313	68,739
- Finance lease liabilities	20,540	10,223	2,388	1,856
- Bankers' acceptance	6,343	8,202	-	5,465
- Lease liabilities	-	-	-	27,296
	100,296	88,812	74,701	103,356

13. ACCOUNTANTS' REPORT (Cont'd)
OCEAN VANTAGE HOLDINGS BERHAD
 Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
18. PROFIT BEFORE TAX

Other than disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	Note	← As at 31 December →			
		2016 RM	2017 RM	2018 RM	2019 RM
Auditors' remuneration					
- current year		26,500	26,500	41,000	52,000
- prior year		250	550	1,160	9,173
Depreciation of property, plant and equipment	5	422,465	401,454	424,912	812,323
Loss on disposal of property, plant and equipment		-	7,500	-	-
Net realised foreign exchange loss		67,614	20,476	-	-
Net unrealised foreign exchange loss		-	249,231	-	-
Employee benefits expense	19	5,935,831	10,151,950	13,625,417	29,280,155
Rental expense on:					
- Office premises		157,100	193,500	227,517	45,607
- Machinery and equipment		452,044	58,657	143,264	242,888
- Motor vehicles		3,160	1,805	1,693	-
Share-based payment		-	1,772,693	-	-

19. EMPLOYEE BENEFITS EXPENSE

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Salaries, allowances and bonuses	2,120,305	2,281,766	2,720,240	3,447,184
Defined contribution plans	262,922	259,840	334,590	448,060
Other staff related expenses	142,414	286,507	216,413	356,080
Subcontractors' fees	3,410,190	7,323,837	10,354,174	25,028,831
	5,935,831	10,151,950	13,625,417	29,280,155
Included in employee benefits are Directors' remuneration:				
- Salaries, allowances and bonuses	240,000	240,000	240,000	604,500
- Defined contribution plans	28,800	28,800	28,800	72,540
- Other staff related expenses	742	829	923	2,308
	269,542	269,629	269,723	679,348

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****20. INCOME TAX EXPENSE**

The major components of income tax expense for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 are as follows:

	←	As at 31 December		→
	2016	2017	2018	2019
	RM	RM	RM	RM
Combined statements of comprehensive income				
Current income tax:				
- Current income tax charge	874,834	1,593,551	1,719,615	2,005,560
- Adjustment in respect of prior years	22,414	-	-	(31,502)
	<u>897,248</u>	<u>1,593,551</u>	<u>1,719,615</u>	<u>1,974,058</u>
Deferred tax (Note 13):				
Origination/(reversal) of temporary differences	8,011	(68,594)	117,313	251,431
Adjustment in respect of prior years	-	-	-	5,480
	<u>8,011</u>	<u>(68,594)</u>	<u>117,313</u>	<u>256,911</u>
Income tax expense recognised in profit or loss	<u>905,259</u>	<u>1,524,957</u>	<u>1,836,928</u>	<u>2,230,969</u>

Domestic income tax is calculated at the Malaysia statutory rate of 24% of the estimated assessable profit for the financial year.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below is subject to the statutory tax rate of 17% (2016: 19%, 2017 and 2018: 18%) on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 24% is still applicable.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Profit before tax	3,614,745	4,544,970	7,010,290	9,147,932
Tax at Malaysian statutory income tax rate of 24%	867,539	1,090,793	1,682,470	2,195,504
SME tax savings	(25,000)	(30,000)	(30,000)	(35,000)
Adjustments:				
Non-deductible expenses	32,283	457,755	181,342	107,907
Deferred tax not recognised on tax losses and temporary differences	8,023	6,409	3,116	-
Utilisation of previously unrecognised tax losses and capital allowances	-	-	-	(11,420)
Adjustment in respect of current income tax of priors years	22,414	-	-	(31,502)
Adjustment in respect of deferred tax of prior years	-	-	-	5,480
Income tax expense	905,259	1,524,957	1,836,928	2,230,969

21. OTHER COMPREHENSIVE INCOME

	Available- for-sale reserve RM	Total (Net of tax) RM
2016		
Items that may be reclassified subsequently to profit or loss		
Fair value loss of available-for-sale financial assets	(11,876)	(11,876)
	<u>(11,876)</u>	<u>(11,876)</u>
2017		
Items that may be reclassified subsequently to profit or loss		
Fair value loss of available-for-sale financial assets	(26,769)	(26,769)
	<u>(26,769)</u>	<u>(26,769)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. DIVIDENDS**

	As at 31 December	
	2018	2019
Recognised during the financial year:	RM	RM
Interim dividend of RM1.20 per ordinary share of RM1 each in respect of the financial year ended 31 December 2017	1,800,000	-
Interim dividend of RM1 per ordinary share of RM1 each in respect of the financial year ended 31 December 2019	-	1,500,000

23. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:

(i) Amortised cost

On or before 31 December 2017

(i) Loans and receivables ("L&R")

(ii) Other financial liabilities ("FL")

(iii) Available-for-sale financial assets ("AFS")

	Carrying amount RM	L&R / (FL) RM	AFS RM
At 31 December 2016			
Financial assets			
Other investments	644,873	-	644,873
Trade and other receivables, less prepayments	52,267,979	52,267,979	-
Cash and bank balances	525,540	525,540	-
	<u>53,438,392</u>	<u>52,793,519</u>	<u>644,873</u>
Financial liabilities			
Loans and borrowings	(2,063,747)	(2,063,747)	-
Trade and other payables	(46,682,152)	(46,682,152)	-
	<u>(48,745,899)</u>	<u>(48,745,899)</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM	L&R / (FL) RM
At 31 December 2017		
Financial assets		
Trade and other receivables, less prepayments	11,671,866	11,671,866
Cash and bank balances	2,646,628	2,646,628
	<u>14,318,494</u>	<u>14,318,494</u>
Financial liabilities		
Loans and borrowings	(1,844,977)	(1,844,977)
Trade and other payables	(2,309,003)	(2,309,003)
	<u>(4,153,980)</u>	<u>(4,153,980)</u>
	Carrying amount RM	Amortised cost RM
At 31 December 2018		
Financial assets		
Trade and other receivables, less prepayments	15,556,705	15,556,705
Cash and bank balances	1,192,576	1,192,576
	<u>16,749,281</u>	<u>16,749,281</u>
Financial liabilities		
Loans and borrowings	(1,475,631)	(1,475,631)
Trade and other payables	(2,523,345)	(2,523,345)
	<u>(3,998,976)</u>	<u>(3,998,976)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM	Amortised cost RM
At 31 December 2019		
Financial assets		
Trade and other receivables, less prepayments	18,682,093	18,682,093
Cash and bank balances	2,314,143	2,314,143
	<u>20,996,236</u>	<u>20,996,236</u>
Financial liabilities		
Loans and borrowings	(1,551,340)	(1,551,340)
Lease liabilities	(320,962)	(320,962)
Trade and other payables	(4,210,295)	(4,210,295)
	<u>(6,082,597)</u>	<u>(6,082,597)</u>

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency, interest rate risk and market price risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the combined statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group has a significant concentration of credit risk in the form of five (5) trade receivables, representing approximately 58% (2016: 94%, 2017: 67% and 2018: 41%) of the Group's total trade receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As there is no evidence of impairment for the years under review, the expected credit loss is assessed as zero%.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Trade receivables (continued)**

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is as follows:

	Trade receivables					Total
	Current	1 to 30 days past due	31 to 60 days past due	31 to 90 days past due	91 to 120 days past due	
At 31 December 2018						
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	5,254,462	4,232,869	1,925,726	1,602,588	588,591	1,389,314
Impairment losses	-	-	-	-	-	-
At 31 December 2019						
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	6,224,880	5,342,143	4,342,959	1,289,863	169,625	741,301
Impairment losses	-	-	-	-	-	-

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group considers 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 compares 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 supportive forward-looking information. Especially 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 borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- 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 borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.7(a) for the Group's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Group is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to a related party. The Group monitors the results of the related party and its repayment on an on-going basis. The maximum exposure to credit risks as at 31 December 2016, 31 December 2017 and 31 December 2018 amounts to RM1,382,730 representing the maximum amount the Group could pay if the guarantee is called on as disclosed in Note 23(b)(ii). As at the reporting date, there was no financial guarantee given to banks in respect of loans granted to a related party.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM	Contractual cash flows			Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
At 31 December 2016					
Trade and other payables	46,682,152	46,682,152	-	-	46,682,152
Term loan	1,537,658	107,556	430,224	1,864,304	2,402,084
Finance lease liabilities	210,198	139,977	82,832	-	222,809
Bankers' acceptance	315,891	315,891	-	-	315,891
Finance guarantee contract	-	1,382,730	-	-	1,382,730
	48,745,899	48,628,306	513,056	1,864,304	51,005,666
At 31 December 2017					
Trade and other payables	2,309,003	2,309,003	-	-	2,309,003
Term loan	1,505,533	107,556	430,224	1,756,748	2,294,528
Finance lease liabilities	80,444	82,832	-	-	82,832
Bankers' acceptance	259,000	259,000	-	-	259,000
Finance guarantee contract	-	1,382,730	-	-	1,382,730
	4,153,980	4,141,121	430,224	1,756,748	6,328,093
At 31 December 2018					
Trade and other payables	2,523,345	2,523,345	-	-	2,523,345
Term loan	1,475,631	107,556	430,224	1,747,785	2,285,565
Finance guarantee contract	-	1,382,730	-	-	1,382,730
	3,998,976	4,013,631	430,224	1,747,785	6,191,640
At 31 December 2019					
Trade and other payables	4,210,295	4,210,295	-	-	4,210,295
Term loan	1,441,905	107,556	430,224	1,678,741	2,216,521
Finance lease liabilities	109,435	66,084	49,562	-	115,646
Lease liabilities	320,962	158,000	187,000	-	345,000
	6,082,597	4,541,935	666,786	1,678,741	6,887,462

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign currency rates relates primarily to the Group's operating activities (when sales and purchases are denominated in a foreign currency).

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures.

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	← As at 31 December →			
	2016	2017	2018	2019
	RM	RM	RM	RM
Financial assets and (liabilities) not held in functional currency:				
<u>Trade and other receivables</u>				
US Dollar ("USD")	47,098,963	2,278,228	292,007	4,298,202
Singapore Dollar ("SGD")	-	-	19,236	-
Bruneian Dollar ("BND")	-	15,429	-	-
	47,098,963	2,293,657	311,243	4,298,202
<u>Other investment</u>				
USD	644,873	-	-	-
<u>Cash and bank balances</u>				
USD	325,342	4,737	127,768	1,565,595
<u>Trade and other payables</u>				
USD	(45,754,580)	(7,120)	(4,607)	(15,576)
SGD	(12,894)	(13,945)	(6,075)	(14,130)
BND	-	-	(12,300)	-
	(45,767,474)	(21,065)	(22,982)	(29,706)

Sensitivity analysis on foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, SGD and BND.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis on foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the USD, SGD and BND, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate	Effect on profit for the financial years/equity RM
31 December 2016		
- USD	+15%	263,864
	-15%	(263,864)
- SGD	+15%	(1,470)
	-15%	1,470
31 December 2017		
- USD	+15%	259,446
	-15%	(259,446)
- SGD	+15%	(1,590)
	-15%	1,590
- BND	+15%	1,759
	-15%	(1,759)

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis on foreign currency risk (continued)

	Change in rate	Effect on profit for the financial years/equity RM
31 December 2018		
- USD	+15%	47,329
	-15%	(47,329)
- SGD	+15%	1,500
	-15%	(1,500)
- BND	+15%	(1,402)
	-15%	1,402
31 December 2019		
- USD	+15%	666,697
	-15%	(666,697)
- SGD	+15%	(1,611)
	-15%	1,611

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Interest rate risk (continued)**Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year:

	Carrying amount RM	Change in basis point	Effect on profit for the financial years/equity RM
31 December 2016			
Term loan	1,537,658	+ 50	(5,843)
		- 50	5,843
31 December 2017			
Term loan	1,505,533	+ 50	(5,721)
		- 50	5,721
31 December 2018			
Term loan	1,475,631	+ 50	(5,607)
		- 50	5,607
31 December 2019			
Term loan	1,441,905	+ 50	(5,479)
		- 50	5,479

(v) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market price (other than interest or exchange rates).

The Group's investments in unit trust are subject to market price risk. Such exposure are not hedged as the investments are mostly investment fund, where the risks accepted are commensurated with the expected returns.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(v) Market price risk (continued)

Sensitivity analysis for equity price risk

The following table demonstrates the sensitivity to a reasonably change of prices, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM	Change in % of price	Effect on profit for the financial years/equity RM
31 December 2016			
Other investment	644,873	+10%	49,010
		-10%	(49,010)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and loans and borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year end (2016, 2017 and 2018: no transfer in either directions).

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total RM
		Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	
At 31 December 2016								
Financial assets								
Other investments	644,873	644,873	-	-	-	-	-	644,873
Financial liabilities								
Term loan	(1,502,379)	-	-	-	-	-	(1,606,383)	(1,606,383)
Finance lease liabilities	(80,444)	-	-	-	-	-	(77,890)	(77,890)
At 31 December 2017								
Financial liabilities								
Term loan	(1,468,694)	-	-	-	-	-	(1,552,268)	(1,552,268)

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

Carrying amount RM	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	
At 31 December 2018							
Financial liabilities							
Term loan	-	-	-	-	-	(1,547,713)	(1,547,713)
	(1,434,500)						
At 31 December 2019							
Financial liabilities							
Term loan	-	-	-	-	-	(1,514,984)	(1,514,984)
Finance lease liabilities	-	-	-	-	-	(46,622)	(46,622)

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Entities in which certain directors of the Group have substantial financial interests; and
- (ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	← As at 31 December →			
	2016 RM	2017 RM	2018 RM	2019 RM
Sales to:				
- Related parties	854,000	-	-	-
Purchase from:				
- Related parties	843,147	-	-	-
Rental expenses charged by:				
- Related parties	69,500	104,400	119,100	132,000

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. RELATED PARTIES (CONTINUED)****(c) Compensation of key management personnel**

	← As at 31 December →			
	2016	2017	2018	2019
	RM	RM	RM	RM
Short-term employee benefits:				
- Salaries, allowances and bonuses	741,800	736,800	836,000	1,087,700
- Defined contribution plans	85,965	85,063	99,389	130,524
- Other staff related expenses	39,700	36,500	36,500	4,617
	867,465	858,363	971,889	1,222,841

25. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 are as follows:

		← As at 31 December →			
	Note	2016	2017	2018	2019
		RM	RM	RM	RM
Loans and borrowings	11	2,063,747	1,844,977	1,475,631	1,551,340
Trade and other payables	14	46,682,152	2,309,003	2,523,345	4,210,295
Total debts		48,745,899	4,153,980	3,998,976	5,761,635
Total equity		8,292,603	13,058,540	16,431,902	21,842,475
Gearing ratio (times)		5.88	0.32	0.24	0.26

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to external imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 29 March 2019, Ocean Vantage Holdings Berhad entered into a conditional shares sale agreement to acquire the entire equity interest of Ocean Vantage Engineering Sdn. Bhd. for a total purchase consideration of RM16,439,990 which will be wholly satisfied by the issuance of 328,799,900 shares in Ocean Vantage Holdings Berhad at RM0.05 per share.

The purchase consideration of RM16,439,990 was arrived at on a willing-buyer-willing-seller basis based on the adjusted net assets of Ocean Vantage Engineering Sdn. Bhd. as at 31 December 2018.

- (b) On 29 March 2019, Ocean Vantage Holdings Berhad entered into a conditional shares sale agreement to acquire the entire equity interest of Ocean Vantage Inspection Testing Sdn. Bhd. for a total purchase consideration of RM100 which will be wholly satisfied by cash.

The purchase consideration of RM100 was arrived at on a willing-buyer-willing-seller basis based on the adjusted net assets of Ocean Vantage Inspection Testing Sdn. Bhd. as at 31 December 2018.

- (c) On 11 November 2019, Ocean Vantage Holdings Berhad has obtained approval by Bursa Malaysia Securities Berhad to be listed on the ACE Market of Bursa Securities.

27. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

- (a) On 6 February 2020, the Company issued and allotted 328,799,900 new ordinary shares fully paid in the capital of the Company at an issue price of RM0.05 per share for a total consideration of RM16,439,990.
- (b) The acquisition of Ocean Vantage Engineering Sdn. Bhd. and Ocean Vantage Inspection Testing Sdn. Bhd. was completed on 12 February 2020.
- (c) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR (CONTINUED)

(c) Coronavirus outbreak (continued)

For the Group's combined financial statements for the financial year ended 31 December 2019, the COVID-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group is unable to reasonably estimate the financial impact of COVID-19 for the financial year ending 31 December 2020 to be disclosed in the combined financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the COVID-19 will have adverse effects on the Group's sales, operations and supply chains. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

28. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The four reportable operating segments are as follows:

Segments	Product and services
EPC and Project management	Project management and engineering services
Supply of manpower	Manpower supply services
Supply of materials, tools and equipment	Trading of materials, tool and equipment
Provision of drilling rig charter services	Commission services

Inter-segment pricing is determined on negotiated basis.

Segments profit

Segment performance is used to measure performance as Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

Segments assets

Segments assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment assets.

Segments liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liability.

	Note	EPC and Project Management RM	Supply of manpower RM	Supply of materials, tools and equipment RM	Provision of drilling rig charter services RM	Adjustments and eliminations RM	Total RM
31 December 2016							
Revenue:							
Revenue from external customers		10,370,228	3,268,213	3,447,472	559,529	-	17,645,442
Inter-segment revenue	A	170,772	-	-	-	(170,772)	-
		<u>10,541,000</u>	<u>3,268,213</u>	<u>3,447,472</u>	<u>559,529</u>	<u>(170,772)</u>	<u>17,645,442</u>
Segment profit		3,373,504	1,781,768	896,421	559,528	-	6,611,221
Other income							87,534
Unallocated expenses							(2,983,714)
Finance costs							(100,296)
Income tax expense							(905,259)
Profit for the financial year							<u>2,709,486</u>
Results:							
<i>Included in the measure of segments profit are:</i>							
Employee benefits expense		770,861	-	-	-	-	770,861
Sub-contractor fees		3,858,020	1,392,777	-	-	-	5,250,797
Depreciation		214,879	-	-	-	-	214,879

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	EPC and Project Management RM	Supply of manpower RM	Supply of materials, tools and equipment RM	Provision of drilling rig charter services RM	Adjustments and eliminations RM	Total RM
31 December 2017							
Revenue:							
Revenue from external customers		7,900,693	11,874,926	3,569,442	663,831	-	24,008,892
Inter-segment revenue	A	157,861	-	-	-	(157,861)	-
		<u>8,058,554</u>	<u>11,874,926</u>	<u>3,569,442</u>	<u>663,831</u>	<u>(157,861)</u>	<u>24,008,892</u>
Segment profit		1,732,230	6,160,418	1,150,840	663,831	-	9,707,319
Other income							120,425
Unallocated expenses							(5,193,962)
Finance costs							(88,812)
Income tax expense							(1,524,957)
Profit for the financial year							<u>3,020,013</u>
Results:							
<i>Included in the measure of segments profit are:</i>							
Employee benefits expense		788,098	-	-	-	-	788,098
Sub-contractor fees		3,369,625	5,072,254	-	-	-	8,441,879
Depreciation		214,879	-	-	-	-	214,879

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	EPC and Project Management RM	Supply of manpower RM	Supply of materials, tools and equipment RM	Provision of drilling rig charter services RM	Adjustments and eliminations RM	Total RM
31 December 2018							
Revenue:							
Revenue from external customers		12,264,401	14,591,684	3,636,293	-	-	30,492,378
Inter-segment revenue	A	157,992	-	-	-	(157,992)	-
		<u>12,422,393</u>	<u>14,591,684</u>	<u>3,636,293</u>	<u>-</u>	<u>(157,992)</u>	<u>30,492,378</u>
Segment profit		4,447,699	5,987,417	1,176,585	-	-	11,611,701
Other income							129,348
Unallocated expenses							(4,656,058)
Finance costs							(74,701)
Income tax expense							(1,836,928)
Profit for the financial year							<u>5,173,362</u>
Results:							
<i>Included in the measure of segments profit are:</i>							
Employee benefits expense		868,841	-	-	-	-	868,841
Sub-contractor fees		4,161,468	7,783,272	-	-	-	11,944,740
Depreciation		239,474	-	-	-	-	239,474

13. ACCOUNTANTS' REPORT (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	EPC and Project Management RM	Supply of manpower RM	Supply of materials, tools and equipment RM	Provision of drilling rig charter services RM	Adjustments and eliminations RM	Total RM
31 December 2019							
Revenue:							
Revenue from external customers		12,396,832	41,040,072	4,847,227	-	-	58,284,131
Inter-segment revenue	A	244,138	-	-	-	(244,138)	-
		<u>12,640,970</u>	<u>41,040,072</u>	<u>4,847,227</u>	<u>-</u>	<u>(244,138)</u>	<u>58,284,131</u>
Segment profit		3,821,336	9,419,719	1,547,438	-	-	14,788,493
Other income							377,476
Unallocated expenses							(5,914,681)
Finance costs							(103,356)
Income tax expense							(2,230,969)
Profit for the financial year							<u>6,916,963</u>
Results:							
<i>Included in the measure of segments profit are:</i>							
Employee benefits expense		835,885	-	-	-	-	835,885
Sub-contractor fees		4,244,105	23,532,741	-	-	-	27,776,846
Depreciation		469,462	-	-	-	-	469,462

13. ACCOUNTANTS' REPORT (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SEGMENT INFORMATION (CONTINUED)****A Inter-segment revenue**

Inter-segment revenues are eliminated on combination.

Geographical information

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

	Revenue RM	Non-current assets RM
31 December 2016		
Local	15,155,649	4,503,748
Overseas	2,489,793	-
	17,645,442	4,503,748
31 December 2017		
Local	17,027,656	4,126,138
Overseas	6,981,236	-
	24,008,892	4,126,138
31 December 2018		
Local	23,681,568	4,415,546
Overseas	6,810,810	-
	30,492,378	4,415,546
31 December 2019		
Local	50,798,171	7,536,367
Overseas	7,485,960	-
	58,284,131	7,536,367

The Group operates predominantly in Malaysia and hence, non-current assets is all held in Malaysia.

Information about major customers

For EPC and project management, supply of manpower segment and supply of materials, tools and equipment, revenue from one customer represented approximately RM10,856,627 (2016: RM5,519,157, 2017: RM3,910,722 and 2018: RM3,490,451) of the Group's total revenue.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION



Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

4 June 2020

The Board of Directors
Ocean Vantage Holdings Berhad
No. 7-1, Jalan 109F
Plaza Danau 2, Taman Danau Desa
58100 Kuala Lumpur
W.P. Kuala Lumpur

Dear Sirs,

OCEAN VANTAGE HOLDINGS BERHAD

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Ocean Vantage Holdings Berhad ("OVH" or the "Company") and its subsidiaries, namely Ocean Vantage Engineering Sdn. Bhd. and Ocean Vantage Inspection Testing Sdn. Bhd. (the "Group") for which the directors of OVH are solely responsible. The pro forma consolidated statements of financial position consists of the pro forma consolidated statements of financial position as at 31 December 2019 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of OVH have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statements of financial position of the Group has been compiled by the directors of OVH, for illustrative purposes only, for inclusion in the prospectus of OVH ("Prospectus") in connection with the initial public offering ("IPO") of the IPO shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of OVH on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of the Group as at 31 December 2019 adjusted for the transactions as described in Note 2.7 to the pro forma consolidated statements of financial position, the public issue and the utilisation of proceeds as described in Notes 1.2 and 3.2.2 to the pro forma consolidated statements of financial position.

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) (AF 0117) was registered on 05.03.2019 and with effect from that date, Baker Tilly Monteiro Heng (AF 0117), a conventional partnership was converted to a limited liability partnership.

Baker Tilly Monteiro Heng PLT is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2019 Included in A Prospectus



As part of this process, information about the Group's pro forma consolidated statements of financial positions has been extracted by the directors of OVH from the audited financial statements of OVH and its subsidiaries as follows:

Company Name	Financial year ended ("FYE")
OVH	31 December 2019
Ocean Vantage Engineering Sdn. Bhd. ("OVE")	31 December 2019
Ocean Vantage Inspection Testing Sdn. Bhd. ("OVIT")	31 December 2019

The audited financial statements of OVH and its subsidiaries for the FYE 31 December 2019 were reported by us to their respective members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The directors of OVH are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2019 Included in A Prospectus



Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the directors of OVH based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of OVH have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of OVH in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to Listing and the acquisition of subsidiaries as described in Notes 1 and 2.7.1 to the pro forma consolidated statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of OVH for the FYE 31 December 2019 and the audited financial statements of its subsidiaries for the FYE 31 December 2019, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FYE 31 December 2019 and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2019 Included in A Prospectus



The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, Listing in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

Our opinion

In our opinion:

- (a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of OVH for the FYE 31 December 2019 and the audited financial statements of its subsidiaries for the FYE 31 December 2019 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FYE 31 December 2019, which had been adopted by OVH as its group's accounting policies and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

Other matters

This report has been prepared for inclusion in the Prospectus of OVH in connection with Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Dato' Lock Peng Kuan".

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of Ocean Vantage Holdings Berhad ("OVH" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been compiled by the directors of OVH, for illustrative purposes only, for inclusion in the prospectus of OVH in connection with the initial public offering ("IPO") of the IPO shares in conjunction with the listing of and quotation for the entire enlarged issued share capital of OVH on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 OVH is undertaking a listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities. The IPO comprises the following:

1.2 Public Issue

The public issue of 82,200,000 new ordinary shares in OVH ("Shares"), at the IPO price of RM0.26 for each Share, representing 20.0% of the enlarged number of shares of OVH, to be allotted in the following manner:

- (i) 20,550,000 new Shares available to the Malaysian public;
- (ii) 4,110,000 new Shares available for application by the eligible directors and employees of the Group who have contributed to the success of the Group; and
- (iii) 57,540,000 new Shares by way of private placement to selected investors.

(Collectively hereinafter referred to as "Public Issue").

1.3 Offer for sale

Offer for sale of 41,100,000 existing Shares at the IPO price of RM0.26 per Share representing 10.0% of the enlarged number of Shares of OVH by way of placement to selected investors.

1.4 Listing

The admission of OVH to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM37,812,000 comprising 411,000,000 Shares on the ACE Market of Bursa Securities.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- 2.1 The pro forma consolidated statements of financial position has been prepared to illustrate that the pro forma consolidated financial position of the Group as at 31 December 2019, adjusted for the transactions as described in Note 2.7, the Public Issue and the utilisation of proceeds as described in Notes 1.2 and 3.2.2 respectively.
- 2.2 The pro forma consolidated statements of financial position has been prepared based on the following audited financial statements for the financial year ended ("FYE") 31 December 2019 of the OVH and its subsidiaries adjusted for the transactions as described in Note 2.7:

Company Name	FYE
OVH	31 December 2019
Ocean Vantage Engineering Sdn. Bhd. ("OVE")	31 December 2019
Ocean Vantage Inspection Testing Sdn. Bhd. ("OVIT")	31 December 2019

- 2.3 The audited financial statements of OVH and the subsidiaries for the financial year under review were reported by us to their respective members without any modifications.
- 2.4 The pro forma consolidated statements of financial position of the Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma consolidated statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited financial statements of the Company and the subsidiaries for the FYE 31 December 2019 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

- 2.6 The pro forma consolidated statements of financial position of the Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FYE 2019 and the adoption of the following new accounting policies, which had been adopted by the Group as the group's accounting policies.

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group;
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve/deficit.

- 2.7 In connection with Listing, the pro forma consolidated statements of financial position has been presented after adjusting for the following material transactions subsequent to 31 December 2019 but before the Public Issue as described in Note 1.2.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.7.1 Acquisition of subsidiaries (the "Acquisitions")

2.7.1.1 Acquisition of OVE

OVH had on 29 March 2019 entered into a conditional share sale agreement with Kenny Ronald Ngalin, Martin Philip King Ik Piau and Mary King Siaw Ning to acquire the entire issued share capital of OVE comprising 1,500,000 ordinary shares for a total purchase consideration of RM16,439,990. The acquisition of OVE is to be wholly satisfied by issuance of 328,799,900 new Shares at an issue price of RM0.05 per Share.

The total purchase consideration of RM16,439,990 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of OVE as at 31 December 2018 of RM16,437,755.

2.7.1.2 Acquisition of OVIT

OVH had on 29 March 2019 entered into a conditional share sale agreement with Kenny Ronald Ngalin to acquire the entire issued share capital of OVIT comprising 100,000 ordinary shares for a total purchase consideration of RM100. The acquisition of OVIT is to be wholly satisfied by way of cash.

The total purchase consideration of RM100 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited net liabilities ("NL") of OVIT as at 31 December 2018 of RM5,853.

The acquisition of OVE and OVIT was completed on 12 February 2020.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

- 3.1 The pro forma consolidated statements of financial position of the Group as set out below, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2019, had the transactions as described in Note 2.7, the Public Issue and the utilisation of proceeds as described in the Notes 1.2 and 3.2.2, respectively, been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statement of Financial Position as at 31 December 2019 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	7,536	7,536	18,564
Total non-current assets	-	7,536	7,536	18,564
Current assets				
Trade and other receivables	35	18,941	18,941	18,697
Current tax assets	-	6	6	6
Cash and bank balances	*	2,314	23,686	3,534
Total current assets	35	21,261	42,633	22,237
TOTAL ASSETS	35	28,797	50,169	40,801
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	*	16,440	37,812	37,212
Reorganisation reserve	-	(15,031)	(15,031)	(15,031)
Reserves (Accumulated losses)/ Retained earnings	-	2,336	2,336	2,336
	(191)	18,097	18,097	9,329
TOTAL EQUITY	(191)	21,842	43,214	33,846

Pro Forma Consolidated Statements of Financial Position



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)**OCEAN VANTAGE HOLDINGS BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)****3.1 (Continued)**

	Audited Statement of Financial Position as at 31 December 2019 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
Non-current liabilities				
Loans and borrowings	-	1,448	1,448	1,448
Lease liabilities	-	179	179	179
Deferred tax liabilities	-	424	424	424
Total non-current liabilities	-	2,051	2,051	2,051
Current liabilities				
Loans and borrowings	-	103	103	103
Lease liabilities	-	142	142	142
Current tax liabilities	-	449	449	449
Trade and other payables	226	4,210	4,210	4,210
Total current liabilities	226	4,904	4,904	4,904
TOTAL LIABILITIES	226	6,955	6,955	6,955
TOTAL EQUITY AND LIABILITIES	35	28,797	50,169	40,801
Number of ordinary shares assumed to be in issue ('000)	@	328,800	411,000	411,000

(NL)/NA^ (RM'000)	(191)	21,842	43,214	33,846
(NL)/NA per ordinary share (RM)	(1,910)	0.07	0.11	0.08

^ attributable to owners of the Group

* RM10
@ 100 shares

Pro Forma Consolidated Statements of Financial Position

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The pro forma consolidated statements of financial position of the Group, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of the Group as at 31 December 2019, had the transactions as described in Note 2.7, the Public Issue and the utilisation of proceeds as described in Notes 1.2 and 3.2.2, respectively, been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be utilised in the following manner:

	Note	RM'000	%
Broadening range of support services	(i)	3,236	15.14%
Capital expenditure for the downstream oil and gas segment		8,592	40.20%
General working capital	(ii)	6,544	30.62%
Listing expenses		3,000	14.04%
		<u>21,372</u>	<u>100.00%</u>

(i) Broadening range of support services

This comprise expansion of the Group's range of support services for the oil and gas industry to broaden the Group's revenue stream. RM3.2 million of the proceeds from the Public Issue for the enhancement and strengthening of our capabilities which will include expenditure on the following:

	RM'000
Purchase of equipment for underwater diving services	1,200
Attainment of specialised licenses	200
Purchase of advance non-destructive testing ("NDT") and inspection equipment and tools	1,236
Hiring of engineer, sales and marketing personnel	600
	<u>3,236</u>

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(ii) General working capital

General working capital comprise the following:

	RM'000
Expansion of workforce	3,264
Secure distributorship	500
Marketing expenses	480
Business operation and running cost	2,300
	<u>6,544</u>

3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporate the effects of the Acquisitions as described in Note 2.7.1 on the audited statement of financial position of OVH as at 31 December 2019.

The reorganisation reserve of the Acquisitions are as below:

	RM'000
Purchase consideration	16,440
Less: Share capital of subsidiaries	(1,600)
Add: Accumulated loss of OVH	191
Reorganisation reserve	<u>15,031</u>



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(a) Pro Forma I

The Acquisitions had the following impact on the audited statement of financial position of OVH as at 31 December 2019:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Liabilities/ Equity RM'000
Property, plant and equipment	7,536	-
Trade and other receivables	18,906	-
Current tax assets	6	-
Cash and bank balances	2,314	-
Share capital	-	16,440
Reorganisation reserve	-	(15,031)
Reserves	-	2,336
(Accumulated losses)/		
Retained earnings	-	18,288
Deferred tax liabilities	-	424
Loans and borrowings		
- Non-current	-	1,448
- Current	-	103
Lease liabilities		
- Non-current	-	179
- Current	-	142
Current tax liabilities	-	449
Trade and other payables	-	3,984
	28,762	28,762



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue as described in Note 1.2.

The Public Issue will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2019:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	21,372	-
Share capital	-	21,372
	21,372	21,372

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM21.4 million after netting off RM3.0 million of estimated expenses.

The remaining proceeds expected from the Public Issue of RM18.4 million will be utilised in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for purchase of tools and equipment of RM2.4 million which form part of the broadening range of support services and capital expenditure for the downstream oil and gas segment of RM8.6 million is assumed to meet the criteria of capitalisation as property, plant and equipment and therefore will be debited to the Property, Plant and Equipment Account.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III

The proceeds arising from the Public Issue earmarked for the Group's general capital of RM6.5 million and a total of RM0.8 million for the attainment of specialised licenses and hiring of engineer, sales and marketing personnel (form part of broadening range of support services) will be included in Retained Earnings Account.

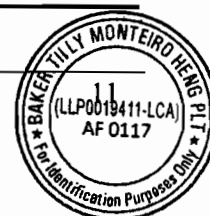
As at 31 December 2019, out of the RM3.0 million listing expenses, RM1.2 million has already been incurred of which RM1.0 million is charged to the Retained Earnings Account and RM0.2 million has been recognised as prepayment. The RM0.2 million is recognised as prepayment as this are directly attributable expenses relating to the new issuance of shares which will be capitalised under Share Capital Account upon Listing.

Out of the remaining estimated listing expense to be incurred of RM1.8 million, RM1.4 million will be charged to Retained Earnings Account and RM0.4 million is recognised in Share Capital Account as this are directly attributable expenses relating to the new issuance of shares. Together with the amount previously recorded as prepayment of RM0.2 million, a total of RM0.6 million will be capitalised under Share Capital Account.

The utilisation of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2019:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Property, plant and equipment	11,028	-
Trade and other receivables	(244)	-
Cash and bank balances	(20,152)	-
Share capital	-	(600)
(Accumulated losses)/ Retained earnings	-	(8,768)
	(9,368)	(9,368)

Pro Forma Consolidated Statements of Financial Position



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Reorganisation reserve RM'000	Reserves RM'000	(Accumulated losses)/ Retained earnings RM'000
Audited statement of financial position of OVH as at 31 December 2019	&	-	-	(191)
Arising from the Acquisitions	16,440	(15,031)	2,336	18,288
Per Pro Forma I	16,440	(15,031)	2,336	18,097
Arising from the Public Issue	21,372	-	-	-
Per Pro Forma II	37,812	(15,031)	2,336	18,097
Arising from the defrayment of remaining estimated expenses in relation to the Listing	(600)	-	-	(8,768)
Per Pro Forma III	37,212	(15,031)	2,336	9,329

& RM10



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.5 Movements in cash and bank balances are as follows:

	RM'000
Audited statement of financial position of OVH as at 31 December 2019	&
Arising from the Acquisitions	2,314
Per Pro Forma I	2,314
Arising from the Public Issue	21,372
Per Pro Forma II	23,686
Arising from the utilisation of proceeds:	
- purchase of property, plant and equipment	(11,028)
- general expenses	(7,344)
- defrayment of remaining estimated expenses in relation to the Listing	(1,780)
Per Pro Forma III	3,534
& RM10	

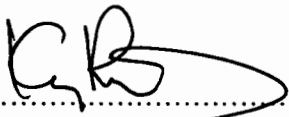


14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL INFORMATION (Cont'd)

OCEAN VANTAGE HOLDINGS BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Ocean Vantage Holdings Berhad in accordance with a resolution dated 4 June 2020.



Kenny Ronald Ngain
Director



Yau Kah Tak
Director

15. STATUTORY AND OTHER INFORMATION**15.1 SHARE CAPITAL**

- (i) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank equally with one another.
- (ii) Save for the Pink Form Allocations as disclosed in Sections 4.3.2,
 - (a) no Directors or employees have been or are entitled to be given or have exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iii) Save for the new Shares issued under the Acquisitions and to be issued under the Public Issue as disclosed in Section 6.2 and 4.3 respectively, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (iv) Other than our Public Issue as disclosed in Section 4.3, there is no intention on the part of our Directors to further issue any Shares.
- (v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES**15.2.1 OVE**

OVE share capital as at LPD is RM1,500,000 comprising 1,500,000 ordinary shares. The movements in the share capital of OVE since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital RM'000
25 May 2011	10,000	Cash/Ordinary Shares	10
15 August 2012	90,000	Cash/Ordinary Shares	100
3 January 2013	150,000	Cash/Ordinary Shares	250
18 June 2013	250,000	Cash/Ordinary Shares	500
3 April 2014	500,000	Cash/Ordinary Shares	1,000
22 October 2015	500,000	Cash/Ordinary Shares	1,500

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in OVE. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.2 OVIT**

OVIT share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in the share capital of OVIT since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital RM'000
25 April 2012	50,000	Cash/Ordinary Shares	50
24 August 2012	50,000	Cash/Ordinary Shares	100

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in OVIT. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

15.3.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

(i) Clause 93 – Directors' Remuneration

The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree provided always that:

- 93.1 salaries payable to executive Director(s) may not include a commission on or percentage of turnover;
- 93.2 fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;
- 93.3 fees of directors, and any benefits payable to directors shall be subject to annual shareholder approval at a general meeting; and
- 93.4 any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

(ii) Clause 94 - Reimbursement of expenses

94.1 The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending board meetings of the Company.

94.2 If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

(iii) Clause 117 - Remuneration of Managing Director

The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

(iv) Clause 111 - Chairman to have a casting vote

111.1 Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one (1) vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.

111.2 In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only two (2) of the Directors form a quorum and only such Directors are present at the meeting or where only two (2) of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

(v) Clause 113 - Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 221 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

(vi) Clause 114 - Power to vote

Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:-

114.1 any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

114.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

(vii) Clause 98 - Directors' Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

15.3.2 Changes to share capital

The provisions in our Constitution dealing with changes in share capital are as follows:

(i) Clause 52 - Power to increase capital

Subject to the Act, this Constitution, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

(ii) Clause 53 - Offer of new shares to the Member

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities of whatever kind for the time being unissued and not allotted and any new shares or securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may also dispose of any new shares or securities which

15. STATUTORY AND OTHER INFORMATION (Cont'd)

(by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(iii) Clause 55 - Power to alter capital

The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:-

- 55.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- 55.2 subdivide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association of the Company by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;
- 55.3 cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- 55.4 convert and/or re-classify any class of shares into any other class of shares.

(iv) Clause 56 - Power to reduce capital

The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by law.

15.3.3 Transfer of securities

The provisions in our Constitution in respect of transfer of securities of our Company are as follows:

(i) Clause 31- Transfer of Deposited Securities

Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

(ii) Clause 32 - Transfer of shares (non-Deposited Securities)

- 32.1 Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his shares by way of instrument in writing in any usual or common form or in any other form which the Directors may approve. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.
- 32.2 The instrument of transfer must be left for registration at the registered office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.
- 32.3 The Directors may decline to register any transfer of shares not being fully paid shares to a person of whom they do not approve and may also decline to register any transfer of shares on which the Company has a lien.
- 32.4 The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any year.
- 32.5 Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.
- 32.6 No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
- 32.7 Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any shares by the allottee thereof in favour of some other persons.
- 32.8 If the Directors refuse to register a transfer they shall within one month after the date on which the transfer was lodged with the Company send to the transferee and the transferor notice of the refusal in accordance with the provisions of the Act.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

32.9 All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (interalia) of transferring shares which may be lodged produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the registered office of the Company.

32.10 The Company shall be entitled to charge a fee, being a sum of money to be paid in advance, as the Directors may from time to time determine and which the Company may be permitted to charge by law, for the registration of every transfer, plus the amount of the proper duty or taxes with which each certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force.

15.3.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

(i) Clause 8 - Issue of Shares

8.1 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act, the Listing Requirements, any other statutory requirements, and to this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

8.2 No shares shall be issued at a discount except in compliance with the provisions of the Act.

8.3 The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution.

8.4 No issue of shares shall be made without the prior approval of the members of the Company in general meeting.

8.5 No Director shall participate in a scheme that involves a new issuance of shares to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

(ii) Clause 9 - Rights of preference shareholders

9.1 Subject to the Act, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option

15. STATUTORY AND OTHER INFORMATION (Cont'd)

of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.

9.2 A holder of preference shares must have a right to vote in each of the following circumstances:-

- (a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects the rights attached to the preference shares;
- (e) on a proposal to wind up the Company; and
- (f) during the winding up of the Company.

9.3 A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, and audited financial statements, and attending meetings.

(iii) Clause 11 - Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

(vi) Clause 12 - Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.4 GENERAL INFORMATION

- (i) Save for the dividends declared in FYE 2017 and paid to the shareholders of our subsidiaries in FYE 2018 and the dividend declared and paid in 2019, purchase consideration paid to the shareholders of our subsidiaries for the Acquisitions as disclosed in Section 6.2, Directors' remuneration as disclosed in Section 5.4.1, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoter, Director or substantial shareholder.
- (ii) Save as disclosed in Section 11.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application and acceptance are set out in Section 16.
- (iv) There is no limitation on the right to own shares including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 CONSENTS

- (i) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Principal Banker, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (ii) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated statements of financial position in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (iii) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report titled "Outlook of Malaysia's Offshore Oilfield Services Industry and the Global Oil and Gas Industry", in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) Our Constitution;
- (ii) Audited financial statements of our Company and each of our subsidiary prepared in accordance with MFRS for the FYE 2016 to 2019;

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iii) Accountants' Report as set out in Section 13;
- (iv) Reporting Accountants' report relating to our pro forma consolidated statements of financial position as set out in Section 14;
- (v) IMR Report as set out in Section 8;
- (vi) Material contracts as set out in Section 6.4; and
- (vii) Letters of consent as set out in Section 15.5.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledge that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 30 June 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 9 July 2020

In the event of Any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors

Application Method

Applications by our eligible Directors, employees and business associates/persons who have contributed to the success of our Group

Pink Application Form only

Applications by the Malaysian Public:

(i) Individuals

White Application Form or Electronic Share Application or Internet Share Application

(ii) Non-Individuals

White Application Form only

16.2.2 Placement

Types of Application

Application Method

Applications by:
Selected investors

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform STRICTLY to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.26 for each IPO Share.

Payment must be made out in favour of "**TIH SHARE ISSUE ACCOUNT NO. 693**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods: -

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 9 July 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.8 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

16.8.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.8.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tjih.online>, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.