EVERSENDAI CORPORATION BERHAD

200301011640 (614060-A)

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Registration No. 200301011640 (614060-A)

EVERSENDAI CORPORATION BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of its subsidiaries are disclosed in Note 15. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year, net of tax	(139,080)	(108,650)
Attributable to:		
Owners of the Company	(137,544)	(108,650)
Non-controlling interests	(1,536)	-
	(139,080)	(108,650)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2020.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) other than those disclosed in the financial statements of the Group and of the Company, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT (continued)

WARRANTS

The Company issued 390,499,496 free warrants which were listed and quoted on Bursa Malaysia Securities Berhad on 23 October 2020 pursuant to the bonus issue on the basis of one (1) warrant for every two (2) existing ordinary shares held in the Company. The warrants are constituted by a Deed Poll dated 10 September 2020 executed by the Company. Each warrant entitles the holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.32 per warrant from 19 October 2020 up to 18 October 2023; first step-up exercise price of RM0.38 per warrant from 19 October 2023 up to 18 October 2024; second step-up exercise price of RM0.45 per warrant from 19 October 2024 up to 18 October 2025. Warrants not exercised at the date of the maturity will thereafter lapse and cease to be valid for any purpose.

As at 31 December 2020, the summary of the movements of warrants is as follows:

Issue Date	Expiry Date	At 19.10.2020	Exercised	Lapsed	At 31.12.2020
19.10.2020	18.10.2025	390,499,496	-	-	390,499,496

The new ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividend, right, allotment and/or other distribution declared, made or paid prior to the relevant date of allotment and issuance of the new shares arising from the exercise of warrants. Further details on the warrants are detailed in Note 26.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any new shares or debentures.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2020, the Company held 101,000 treasury shares out of its 781,100,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM91,000. Further details are disclosed in Note 24(a).

EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT (continued)

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Nathan A/L Elumalay*
Mohammad Nizar Bin Idris
Narla Srinivasa Rao*
Narishnath A/L Nathan*
Datuk Iskandar Bin Sarudin
Nazariah Binti Ibrahim

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Puan Sri Puspawathy A/P Subramaniam	
Shamila Nathan	
Datuk David Rashid Bin Ghazalli	
Prabin Roy	
Subramanian Pandirajan	
Anbu Jayabalan	
K Saravanan	
Gopala Krishnan	(Appointed on 30 September 2020)
Ir. Chandrasegran A/L S P Uthirapathy	(Resigned on 30 September 2020)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Interest in the Company				
Direct interests				
Narla Srinivasa Rao	500,000	-	-	500,000
Indirect interests				
Tan Sri Dato' Nathan A/L Elumalay *	555,363,360	-	-	555,363,360
Interest in the holding company, Vahana Holdings Sdn. Bhd.				
Direct interests				
Tan Sri Dato' Nathan A/L Elumalay	298,230	-	-	298,230
Narishnath A/L Nathan	1,170	-	-	1,170

EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS (continued)

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in warrants in the Company and its related corporations during the financial year were as follows:

	Number of warrants			
	At 1.1.2020	**Entitled**	**Disposed**	**At 31.12.2020**
Interest in the Company				
Direct interests:				
Narla Srinivasa Rao	-	250,000	-	250,000
Indirect interests:				
Tan Sri Dato' Nathan A/L Elumalay *	-	277,681,680	-	277,681,680
Interest in the holding company, Vahana Holdings Sdn. Bhd.				
Direct interests:				
Tan Sri Dato' Nathan A/L Elumalay *	-	149,115	-	149,115
Narishnath A/L Nathan	-	585	-	585

* Shares/warrants held through company in which the director has substantial financial interests.

By virtue of their interests in ordinary shares of the Company and the holding company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Sri Dato' Nathan A/L Elumalay and Narishnath A/L Nathan are deemed to have an interest in shares of the subsidiaries to the extent that the Company and the holding company have an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 10) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 37.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT (continued)

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there was no indemnity given to or insurance effected for any directors or officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 15.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

HOLDING COMPANY

The directors regard Vahana Holdings Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company of the Company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 41.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 8.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

EVERSENDAI CORPORATION BERHAD
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DIRECTORS' REPORT (continued)

AUDITORS (continued)

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

………………………………………………………
TAN SRI DATO' NATHAN A/L ELUMALAY
Director

………………………………………………………
NARLA SRINIVASA RAO
Director

Date: 25 May 2021

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000
Revenue	5	1,113,373	1,558,795	12,503	3,540
Cost of sales		(1,057,129)	(1,401,002)	-	-
Gross profit		56,244	157,793	12,503	3,540
Other operating income	6	39,232	34,483	8,309	2,623
Operating and administrative expenses		(149,587)	(104,637)	(103,604)	(3,486)
Net impairment losses on financial instruments and contract assets		(24,391)	(3,227)	-	-
Finance costs	7	(54,138)	(55,904)	(25,156)	(16,011)
(Loss)/Profit before tax	8	(132,640)	28,508	(107,948)	(13,334)
Income tax expense	11	(6,440)	(12,150)	(702)	(193)
(Loss)/Profit for the financial year		(139,080)	16,358	(108,650)	(13,527)
Other comprehensive loss, net of income tax					
Foreign currency translation		5,444	(26,016)	-	-
Cash flow hedges		(8,206)	-	(8,206)	-
Other comprehensive loss for the financial year		(2,762)	(26,016)	(8,206)	-
Total comprehensive loss for the financial year		(141,842)	(9,658)	(116,856)	(13,527)

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000 (Restated)	RM'000	RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(137,544)	13,497	(108,650)	(13,527)
Non-controlling interests		(1,536)	2,861	-	-
		(139,080)	16,358	(108,650)	(13,527)
Total comprehensive loss attributable to:					
Owners of the Company		(139,559)	(10,633)	(116,856)	(13,527)
Non-controlling interests		(2,283)	975	-	-
		(141,842)	(9,658)	(116,856)	(13,527)
(Loss)/Earnings per share (sen):					
Basic and diluted (sen)	12	(17.6)	1.7		

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

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000 (Restated)	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	795,934	944,655	11,821	12,271
Goodwill	14	11,251	11,251	-	-
Investment in subsidiaries	15	-	-	1,005,853	1,098,352
Amount owing by subsidiary	21	-	-	181,500	-
Deferred tax assets	16	2,914	2,003	-	-
Total non-current assets		810,099	957,909	1,199,174	1,110,623
Current assets					
Inventories	17	301,096	258,615	-	-
Contract assets	18	935,115	882,233	-	-
Trade receivables	19	822,095	1,015,433	-	-
Other receivables, refundable deposits and prepaid expenses	20	108,838	135,954	95	194
Amount owing by subsidiaries	21	-	-	177,727	350,758
Amount owing by holding company	21	2,044	-	1,734	-
Current tax assets		9,956	5,881	-	52
Cash and short-term deposits	22	122,711	145,708	1,496	528
Total current assets		2,301,855	2,443,824	181,052	351,532
TOTAL ASSETS		3,111,954	3,401,733	1,380,226	1,462,155

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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (continued)

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000 (Restated)	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	585,308	585,308	585,308	585,308
Treasury shares	24	(91)	(91)	(91)	(91)
Capital reserve	24	187	187	-	-
Foreign currency translation reserve	24	139,223	138,206	-	-
Fair value adjustment reserve	24	-	30	-	-
Cash flow hedge reserve	24	(8,206)	-	(8,206)	-
Retained earnings	25	22,315	159,859	271,543	380,193
		738,736	883,499	848,554	965,410
Non-controlling interests		15,188	13,513	-	-
TOTAL EQUITY		753,924	897,012	848,554	965,410
Non-current liabilities					
Lease liabilities	27	183,685	281,813	112	204
Borrowings	28	139,003	456,545	123,890	419,219
Employees' service benefits	29	74,639	71,132	-	-
Deferred tax liabilities	16	2,790	3,068	-	-
Total non-current liabilities		400,117	812,558	124,002	419,423
Current liabilities					
Trade payables	30	299,320	350,645	-	-
Other payables and accrued expenses	31	469,225	373,086	5,096	4,141
Contract liabilities	18	100,467	193,389	-	-
Amount owing to directors	32	9,046	11,089	290	2,584
Amount owing to subsidiaries	21	-	-	58,257	42,353
Amount owing to holding company	21	10,009	-	-	-
Derivative financial liability	33	8,206	-	8,206	-
Lease liabilities	27	12,037	17,246	91	86
Borrowings	28	1,009,251	706,967	335,412	28,158
Current tax liabilities		40,352	39,741	318	-
Total current liabilities		1,957,913	1,692,163	407,670	77,322
TOTAL LIABILITIES		2,358,030	2,504,721	531,672	496,745
TOTAL EQUITY AND LIABILITIES		3,111,954	3,401,733	1,380,226	1,462,155

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

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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<------------------------- Attributable to owners of the Company							--------------------------->	
	<------------------------Non-distributable			------------------------>	Distributable				
	Share capital RM'000	Treasury shares RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
As at 1 January 2019	585,308	(91)	187	162,336	30	146,362	894,132	12,538	906,670
Profit for the year	-	-	-	-	-	13,497	13,497	2,861	16,358
Other comprehensive loss	-	-	-	(24,130)	-	-	(24,130)	(1,886)	(26,016)
Total comprehensive (loss)/ income for the year	-	-	-	(24,130)	-	13,497	(10,633)	975	(9,658)
As at 31 December 2019	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012

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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

	<---- Attributable to owners of the Company ----									
	<----Non-distributable----					---->	Distributable			
	Share capital RM'000	Treasury shares RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
As at 1 January 2020	585,308	(91)	187	138,206	30	-	159,859	883,499	13,513	897,012
Disposal of subsidiaries	-	-	-	(5,174)	-	-	-	(5,174)	3,958	(1,216)
Fair value adjustment reserve	-	-	-	-	(30)	-	-	(30)	-	(30)
Loss for the year	-	-	-	-	-	-	(137,544)	(137,544)	(1,536)	(139,080)
Other comprehensive income/(loss)	-	-	-	6,191	-	(8,206)	-	(2,015)	(747)	(2,762)
Total comprehensive income/ (loss) for the year	-	-	-	6,191	-	(8,206)	(137,544)	(139,559)	(2,283)	(141,842)
As at 31 December 2020	585,308	(91)	187	139,223	-	(8,206)	22,315	738,736	15,188	753,924

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

	<-------------------- Attributable to owners of the Company -------------------->				
	<--------------- Non-distributable --------------------->			Distributable	
	Share capital RM'000	**Treasury shares RM'000**	**Cash flow hedge reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Company					
As at 1 January 2019	585,308	(91)	-	393,720	978,937
Loss for the financial year, representing total comprehensive loss for the year	-	-	-	(13,527)	(13,527)
At 31 December 2019	585,308	(91)	-	380,193	965,410
Loss for the financial year	-	-	-	(108,650)	(108,650)
Other comprehensive loss	-	-	(8,206)	-	(8,206)
Total comprehensive loss for the year	-	-	(8,206)	(108,650)	(116,856)
At 31 December 2020	585,308	(91)	(8,206)	271,543	848,554

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

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(132,640)	28,508	(107,948)	(13,334)
Adjustments for:					
Depreciation of property, plant and equipment		67,153	72,113	119	121
Gain on lease modification		(2,114)	-	-	-
Property, plant and equipment written off		1,949	-	365	-
Impairment loss on investment in subsidiaries		-	-	95,506	-
Gain on disposal of property, plant and equipment		(930)	(1,193)	-	(361)
Finance costs		54,138	55,904	25,156	16,011
Interest income		(1,150)	(5,307)	(11)	(17)
Loss/(Gain) on disposal of a subsidiary		556	-	(2,565)	-
Unrealised loss/(gain) on foreign exchange		1,893	(1,255)	2,727	(2,146)
Bad debts written off		44,020	-	36	-
Impairment loss on:					
- trade receivables		26,442	3,152	-	-
- contract assets		516	75	-	-
Reversal of impairment on trade receivables		(2,567)	-	-	-
Provision for employees' service benefits		10,393	10,722	-	-
Reversal of foreseeable losses		-	(2,327)	-	-
Operating profit before working capital changes		67,659	160,392	13,385	274
Inventories		(42,481)	96,984	-	-
Receivables		56,856	(105,490)	63	(29)
Payables		(32,185)	19,446	(1,346)	(2,536)
Net cash from/(used in) operations		49,849	171,332	12,102	(2,291)
Employees' service benefits paid		(6,154)	(10,983)	-	-
Tax paid		(11,187)	(7,969)	(91)	(194)
Net cash from/(used in) operating activities		32,508	152,380	12,011	(2,485)

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Proceeds from disposal of a subsidiary		-	-	-	1,744
Acquisition of a subsidiary		-	-	(442)	-
Interest received		1,150	5,307	11	17
Net changes in deposits with financial institutions		(20,475)	611	-	-
Net cash outflow on disposal of subsidiary company		(316)	-	-	-
Net changes in investment securities		-	23	-	-
Proceeds from disposal of property, plant and equipment		1,670	1,753	-	-
Purchase of property, plant and equipment		(9,279)	(46,339)	(34)	(3)
Net cash (used in)/from investing activities		(27,250)	(38,645)	(465)	1,758
Cash flows from financing activities	**(a)**				
Interest paid		(46,113)	(55,904)	(22,855)	(13,529)
Repayment of lease liabilities		(23,699)	(1,873)	(87)	(58)
(Decrease)/Increase of amount owing to directors		(2,043)	1,395	(2,294)	(3,259)
Repayment of borrowings		(143,281)	(536,198)	(27,124)	(5,100)
Drawdown of borrowings		144,487	452,477	55,513	452,477
Decrease in intercompany balances		-	-	(11,997)	(429,974)
Increase/(Decrease) of amount owing to holding company		7,965	-	(1,734)	-
Net cash (used in)/from financing activities		(62,684)	(140,103)	(10,578)	557
Net (decrease)/increase in cash and cash equivalents		(57,426)	(26,368)	968	(170)
Cash and cash equivalents at the beginning of the financial year		42,553	75,953	528	698
Effect of exchange rate changes on cash and cash equivalents		2,259	(7,032)	-	-
Cash and cash equivalents at the end of the financial year	**22**	(12,614)	42,553	1,496	528

EVERSENDAI CORPORATION BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

(a) Reconciliation of liabilities arising from financing activities

Group	1.1.2020 RM'000	Cash flows RM'000	Drawdowns RM'000	Non-cash: Modification of lease RM'000	Non-cash: Foreign exchange movement RM'000	31.12.2020 RM'000
Amount owing to directors	11,089	(9,287)	7,244	-	-	9,046
Lease liabilities	299,059	(23,699)	-	(79,638)	-	195,722
Borrowings	1,163,512	(143,281)	144,487	-	(16,464)	1,148,254
Amount owing to holding company	-	7,965	-	-	-	7,965
	1,473,660	(168,302)	151,731	(79,638)	(16,464)	1,360,987

Company	1.1.2020 RM'000	Cash flows RM'000	Drawdowns RM'000	Non-cash: Foreign exchange movement RM'000	31.12.2020 RM'000
Amount owing to directors	2,584	(2,294)	-	-	290
Lease liabilities	290	(87)	-	-	203
Borrowings	447,377	(27,124)	55,513	(16,464)	459,302
Amount owing by subsidiaries	(308,405)	(11,997)	-	19,432	(300,970)
Amount owing by holding company	-	(1,734)	-	-	(1,734)
	141,846	(43,236)	55,513	2,968	157,091

EVERSENDAI CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

(a) Reconciliation of liabilities arising from financing activities (continued)

				Non-cash	
Group	**1.1.2019 RM'000**	**Cash flows RM'000**	**Drawdowns RM'000**	**Effect of adoption of MFRS 16 RM'000**	**31.12.2019 RM'000**
Amount owing to directors	9,694	1,395	-	-	11,089
Lease liabilities	6,953	(4,621)	2,748	293,979	299,059
Borrowings	1,247,233	(536,198)	452,477	-	1,163,512
	1,263,880	(539,424)	455,225	293,979	1,473,660

				Non-cash		
Company	**1.1.2019 RM'000**	**Cash flows RM'000**	**Drawdowns RM'000**	**Foreign exchange movement RM'000**	**Effect of adoption of MFRS 16 RM'000**	**31.12.2019 RM'000**
Amount owing to directors	5,843	(3,259)	-	-	-	2,584
Amount owing to subsidiaries	123,715	(429,974)	-	(2,146)	-	(308,405)
Lease liabilities	-	(58)	-	-	348	290
Borrowings	-	(5,100)	452,477	-	-	447,377
	129,558	(438,391)	452,477	(2,146)	348	141,846

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

EVERSENDAI CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Eversendai Corporation Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan, Malaysia.

The ultimate holding company is Vahana Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 May 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

(a) The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 5 June 2020 and 6 April 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#

EVERSENDAI CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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

(a) The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contract*

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

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:
- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

EVERSENDAI CORPORATION BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

2. BASIS OF PREPARATION (continued)

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

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The initial application of the applicable new MFRS and amendments/improvements to MFRSs is not expected to have material impact to the current and prior years financial statements.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency, and has been rounded to the nearest RM’000, unless otherwise stated.

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

The preparation of 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 financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group’s and the Company’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 a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group’s and the Company’s 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 financial statements of the Group and of the Company.

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.4.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.16(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

At the end of each reporting period, 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.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency transactions and operations (continued)

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset where there is objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Revenue and other income

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

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect 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 and the Company use 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 and the Company expect 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 and the Company estimate it by using the costs plus margin approach.

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 and the Company have 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Revenue and other income (continued)

(a) Construction contracts

The Group involves in the engineering, mechanical construction and installation of steel under specific/individual contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control is transferred over time as the Group create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group become entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognise a contract liability for the difference.

The defect liability period of the Group is within 24 months.

(b) Management fee income

Management fee income is recognised upon performance of management services by reference to the contracts entered into.

(c) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 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 and the Company.

(b) Defined contribution plan

(i) Malaysia and Singapore

Define contribution plans are post-employment benefit plans under which the Group pays fixed contribution into separate entities or fund and will leave no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia and Singapore make such contributions to the Employees Provident Fund ("EPF") and Central Provident Fund ("CPF") respectively.

(ii) India

Retirement benefits in the form of provident fund are defined contribution scheme and the contribution are charged to profit or loss when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(c) Defined benefit plans

(i) Middle East

The Group's foreign subsidiaries in the Middle East provide end of service benefits to its employees determined in accordance with the United Arab Emirates ("UAE"), Qatar and Saudi Arabia labour law. The entitlement to these benefits is based upon the employees' salary and length of service subject to the completion of a minimum service period of employment. The expected costs of these benefits are accrued over the period of employment.

(ii) India

Gratuity liability is defined benefit obligation and is provided for on the basis of estimated projected unit credit method made at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur 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.

3.8 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 recoverable 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.

(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 amounts in the 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.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 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.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.10 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment (other than freehold land and capital work-in-progress) are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which take a substantial period of time to be ready for their intended use. This expenditure is stated at cost less accumulated impairment losses, if any. Upon completion of construction, the cost will be reclassified to the respective property, plant and equipment and depreciated according to the depreciation policy of the Group.

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. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.7.

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

(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 or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Property, plant and equipment (continued)

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on the straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal depreciation rates are as follows:

Buildings	2% - 5%
Fabrication factories	5%
Plant and machinery	10% - 25%
Motor vehicles	20% - 33%
Computer systems	13% - 33%
Furniture, fittings and office equipment	10% - 25%

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.

3.11 Leases

(a) Definition of lease

At inception of a contract, the Group and the Company assess 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 and the Company assess whether:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases (continued)

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise 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 and the Company present right-of-use assets in Note 13 and lease liabilities as separate lines in Note 27.

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.

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 3.16(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 and the Company use their 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

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.

The Group and the Company remeasure 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 of 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 and the Company have 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 and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases (continued)

(c) 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.

When the Group and the Company are 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 3.11(b), 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 recognised but is presented in the statements of financial position accordingly 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 and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments

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

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.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost
- 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.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify 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 3.16(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(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 fair value through profit or loss, 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 fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Equity instruments
The Group and the Company 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 benefits 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using 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.

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 and the Company commit themselves 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(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 and the Company have transferred their 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; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(f) Derivatives

The Group and the Company use interest swap contracts to hedge the exposure of floating interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in-first-out basis.
- Finished goods and work-in-progress: costs of raw materials and direct labour and appropriate of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.14 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers.

3.15 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, contract assets 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.

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

- 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 and contract assets, 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 and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 180 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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 and the Company are exposed to credit risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

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 and the Company assess whether financial assets carried at amortised cost 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.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

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 and the Company determine 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 and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets, deferred tax 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 and the Company make an estimate of the asset's recoverable amount. For goodwill that has indefinite useful life, the recoverable amount is estimated at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of assets (continued)

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

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 ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or 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 exceed its recoverable amount, the carrying amount of 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 or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company 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.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have been cancelled including any attributable transaction costs are classified as treasury shares and presented as deduction from total equity.

3.18 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. For management purposes, the Group is organised into operating segments based on their operating activities and geographic which are independently managed by the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Fair value measurement

Fair value of an asset or a liability, except for 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 and the Company use 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 and the Company 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.21 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

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:

(a) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable 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 and the Company use their 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 and the Company's financial positions and results if the actual cash flows are less than the expected.

The carrying amount of the non-financial assets are disclosed in Note 13, 14 and 15.

(b) Impairment of financial assets and contract assets

The impairment provisions for trade receivables 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 and the Company use 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 and the Company use the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company 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 losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial 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 impairment losses on the financial assets and contract assets are disclosed in Note 18 and 19.

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

(c) Construction revenue and expenses

The Group and the Company recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 18.

EVERSENDAI CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. REVENUE

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Timing of revenue recognition:				
Over time				
Construction contract revenue	1,113,297	1,558,795	-	-
At a point in time				
Management fee income	-	-	1,980	2,959
Rental income	-	-	564	564
Interest income:				
Charged to subsidiaries	-	-	9,883	-
Charged to holding company	65	-	65	-
Cash and bank balances	11	-	11	17
	1,113,373	1,558,795	12,503	3,540

6. OTHER OPERATING INCOME

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Gain on disposal of a subsidiary	-	-	2,565	-
Gain on disposal of property, plant and equipment	930	1,193	-	361
Gain on foreign exchange:				
Unrealised	-	1,255	-	2,146
Gain on lease modification	2,114	-	-	-
Interest income	1,139	5,307	-	-
Reversal of impairment on trade receivables	2,567	-	-	-
Sales of scrap	18,341	17,002	-	-
Subsidies from government	2,894	-	-	-
Sundry income	11,247	9,726	5,744	116
	39,232	34,483	8,309	2,623

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7. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on:				
Borrowings *	50,424	50,818	24,869	15,993
Leases	3,714	5,086	15	18
Charged by a subsidiary	-	-	272	-
	54,138	55,904	25,156	16,011

* Included in interest expense on borrowings of the Company in prior year amounting to RM15,993,000 relating to the interest recharged by a subsidiary (Note 37) for the term loan as disclosed in Note 28.

8. (LOSS)/ PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
Current year	1,102	1,139	74	90
Under/(Over) provision in prior years	18	(62)	20	-
Non-audit services	82	-	66	-
Bad debts written off	44,020	-	36	-
Depreciation of property, plant and equipment	67,153	72,113	119	121
Employee benefits expense (Note 9)	302,015	322,453	1,860	1,939
Impairment loss on investment in subsidiaries	-	-	95,506	-
Impairment loss on:				
- trade receivables	26,442	3,152	-	-
- contract assets	516	75	-	-
Loss/(Gain) on disposal of a subsidiary	556	-	(2,565)	-
Loss on foreign exchange:				
Unrealised	1,893	-	2,727	-
Realised	1,310	1,537	3	-
Property, plant and equipment written off	1,949	-	365	-
Provision for employees' service benefits	10,393	10,722	-	-
Expense relating to short term leases:				
Premises	4,239	20,195	-	115
Others	1,067	720	-	-
Reversal of foreseeable losses	-	(2,327)	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive directors' remuneration (Note 10)	8,549	8,854	449	635
Non-executive directors' remuneration (Note 10)	63	200	63	200
Other employees remuneration				
- Cost of sales	250,186	272,734	-	-
- Operating and administrative expenses	43,217	40,665	1,348	1,104
	293,403	313,399	1,348	1,104
Total employees benefits expense	302,015	322,453	1,860	1,939

Included in employee benefits is defined contribution plans amounting to approximately RM16,560,000 (2019: RM17,028,000) and RM152,000 (2019: RM216,000) for the Group and the Company respectively.

10. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>**Directors of the Company**</u>				
Executive Directors:				
- salaries, bonus and other emoluments	8,489	8,814	422	605
- defined contribution plans	60	40	27	30
Executive directors' remuneration (Note 9)	8,549	8,854	449	635
Other emoluments	498	531	-	-
Total executive directors' remuneration	9,047	9,385	449	635
Non-executive Directors: (Note 9)				
- fees	54	174	54	174
- salaries, bonus and other emoluments	9	26	9	26
	63	200	63	200
Total directors' remuneration	9,110	9,585	512	835

11. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2020 and 31 December 2019 are as follows:

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Current income tax:					
- Malaysian income tax		3,644	2,571	419	51
- Foreign income tax		2,548	8,146	-	-
- Adjustment in respect of prior years		1,531	1,022	283	142
		7,723	11,739	702	193
Deferred tax:					
- Current year		(1,570)	158	-	-
- Adjustment in respect of prior years		287	253	-	-
	16	(1,283)	411	-	-
		6,440	12,150	702	193

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year. Taxation of other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

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11. INCOME TAX EXPENSE (continued)

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

	Group		**Company**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(Loss)/Profit before tax	(132,640)	28,508	(107,948)	(13,334)
Tax at Malaysian statutory income tax rate of 24% (2019: 24%)	(31,834)	6,842	(25,908)	(3,200)
Difference in foreign tax rates	26,419	(4,341)	-	-
Tax effects arising from:				
Expenses not deductible for tax purposes	18,899	10,823	33,356	3,252
Income not subject to tax	(10,594)	(2,449)	(7,029)	(1)
Utilisation of deferred tax assets previously not recognised	(60)	-	-	-
Deferred tax assets not recognised during the financial year	1,792	-	-	-
Under provision in prior years:				
Income tax	1,531	1,022	283	142
Deferred tax	287	253	-	-
Income tax expense	6,440	12,150	702	193

12. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2020 RM'000	**2019 RM'000**
(Loss)/Profit for the year attributable to the owners of the Company	(137,544)	13,497
	2020 Units'000	**2019 Units'000**
Weighted average number of ordinary shares	780,999	780,999
Basic (loss)/earnings per ordinary share (sen)	(17.6)	1.7

(b) Diluted (loss)/earnings per ordinary share

	Group	
	2020 RM'000	**2019 RM'000**
(Loss)/Profit for the year attributable to the owners of the Company	(137,544)	13,497
	2020 Units'000	**2019 Units'000**
Weighted average number of ordinary shares for basic earnings per share	780,999	780,999
Shares deemed to be issued for no consideration:		
- Warrants	-*	-
Weighted average number of ordinary shares for diluted earnings per ordinary share computation	780,999	780,999
Diluted (loss)/earnings per ordinary share (sen)	(17.6)	1.7

* The potential conversion of warrants are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of warrants has been ignored in the calculation of dilutive earnings per share.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT

Group

2020	Freehold land RM'000	Fabrication factory and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Right-of-use assets RM'000	Total RM'000
Cost									
At 1 January 2020	143,794	443,786	369,322	54,449	30,218	22,206	88,244	264,270	1,416,289
Additions	-	-	7,102	427	316	485	946	3	9,279
Reclassifications	-	-	(2)	-	(1)	(1,064)	-	-	(1,067)
Disposals	-	-	(4,973)	(1,248)	-	(19)	-	-	(6,240)
Written off	-	-	-	-	-	(458)	(1,491)	-	(1,949)
Reduction in lease	-	-	-	-	-	-	-	(73,291)	(73,291)
Disposal of a subsidiary	(1,313)	(4,400)	(7,711)	(3,804)	(111)	(1,281)	-	-	(18,620)
Exchange differences	(800)	(6,719)	(6,852)	(736)	(476)	1,954	(1,290)	(3,596)	(18,515)
At 31 December 2020	141,681	432,667	356,886	49,088	29,946	21,823	86,409	187,386	1,305,886
Accumulated depreciation									
At 1 January 2020	-	120,633	238,962	51,213	25,858	18,793	-	16,175	471,634
Charge for the year	-	19,609	28,340	2,169	1,964	1,815	-	13,256	67,153
Reclassifications	-	-	(1)	-	(1)	(718)	-	-	(720)
Disposals	-	-	(4,236)	(1,246)	-	(18)	-	-	(5,500)
Disposal of a subsidiary	-	(2,601)	(6,728)	(3,238)	(77)	(1,155)	-	-	(13,799)
Exchange differences	-	(2,586)	(3,900)	(614)	(484)	(537)	-	(695)	(8,816)
At 31 December 2020	-	135,055	252,437	48,284	27,260	18,180	-	28,736	509,952
Carrying amount									
At 31 December 2020	141,681	297,612	104,449	804	2,686	3,643	86,409	158,650	795,934

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

2019	**Freehold land RM'000**	**Fabrication factory and buildings RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Computer systems RM'000**	**Furniture, fittings and office equipment RM'000**	**Capital work-in-progress RM'000**	**Right-of-use assets RM'000**	**Total RM'000**
Cost									
At 1 January 2019	144,285	444,120	346,676	56,641	29,712	21,969	78,183	263,098	1,384,684
Additions	-	5,040	27,548	117	925	1,749	10,960	1,172	47,511
Reclassifications	-	-	-	-	-	(560)	-	-	(560)
Disposals	-	-	(771)	(2,249)	-	(620)	-	-	(3,640)
Exchange differences	(491)	(5,374)	(4,131)	(60)	(419)	(332)	(899)	-	(11,706)
At 31 December 2019	143,794	443,786	369,322	54,449	30,218	22,206	88,244	264,270	1,416,289
Accumulated depreciation									
At 1 January 2019	-	102,576	212,884	50,292	23,508	16,712	-	1,132	407,104
Charge for the year	-	19,197	29,027	3,553	2,655	2,638	-	15,043	72,113
Reclassifications	-	-	-	-	-	(304)	-	-	(304)
Disposals	-	-	(771)	(2,249)	-	(60)	-	-	(3,080)
Exchange differences	-	(1,140)	(2,178)	(383)	(305)	(193)	-	-	(4,199)
At 31 December 2019	-	120,633	238,962	51,213	25,858	18,793	-	16,175	471,634
Carrying amount									
At 31 December 2019	143,794	323,153	130,360	3,236	4,360	3,413	88,244	248,095	944,655

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

Cost	**Freehold land RM'000**	**Motor vehicles RM'000**	**Computer systems RM'000**	**Furniture, fittings and office equipment RM'000**	**Capital work-in-progress RM'000**	**Right-of-use assets RM'000**	**Total RM'000**
At 1 January 2019	11,582	-	3,055	42	365	348	15,392
Additions	-	-	3	-	-	-	3
At 31 December 2019	11,582	-	3,058	42	365	348	15,395
Additions	-	-	3	-	31	-	34
Written off	-	-	-	-	(365)	-	(365)
At 31 December 2020	11,582	-	3,061	42	31	348	15,064
Accumulated depreciation							
At 1 January 2019	-	-	2,976	27	-	-	3,003
Charge for the year	-	-	46	8	-	67	121
At 31 December 2019	-	-	3,022	35	-	67	3,124
Charge for the year	-	-	26	4	-	89	119
At 31 December 2020	-	-	3,048	39	-	156	3,243
Carrying amount							
At 31 December 2019	11,582	-	36	7	365	281	12,271
At 31 December 2020	11,582	-	13	3	31	192	11,821

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Acquisition of property, plant and equipment during the year were acquired by way of:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Leases	-	1,172	-	-
Cash	9,279	46,339	34	3
	9,279	47,511	34	3

(b) Depreciation has been allocated to profit or loss as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cost of sales	47,602	56,186	-	-
Operating and administrative expenses	19,551	15,927	119	121
	67,153	72,113	119	121

(c) The carrying amount of property, plant and equipment of the Group pledged as securities to the financial institutions for credit facilities granted to subsidiaries and lease arrangements are as follows:

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Leases	27	4,771	5,665	-	-
Borrowings	28	308,201	324,439	11,582	11,582
		312,972	330,104	11,582	11,582

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Right of use assets

The Group and the Company lease several assets including leasehold lands, plant and machinery, motor vehicles and office building.

The information about leases for which the Group and the Company are lessee is presented below:

Group 2020	**Leasehold land RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Office building RM'000**	**Total RM'000**
Cost					
At 1 January 2020	252,479	6,177	1,541	4,073	264,270
Additions	-	(14)	17	-	3
Reduction in lease	(73,291)	-	-	-	(73,291)
Exchange differences	(3,545)	-	1	(52)	(3,596)
At 31 December 2020	175,643	6,163	1,559	4,021	187,386
Accumulated depreciation					
At 1 January 2020	13,618	1,623	430	504	16,175
Charge for the year	12,119	576	322	239	13,256
Exchange differences	(683)	-	-	(12)	(695)
At 31 December 2020	25,054	2,199	752	731	28,736
Carrying amount					
At 31 December 2020	150,589	3,964	807	3,290	158,650

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Right of use assets (continued)

Group 2019	**Leasehold land RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Office building RM'000**	**Total RM'000**
Cost					
At 1 January 2019	252,479	-	-	4,073	256,552
Additions	-	-	1,172	-	1,172
Transfer from property, plant and equipment	-	6,177	369	-	6,546
At 31 December 2019	252,479	6,177	1,541	4,073	264,270
Accumulated depreciation					
At 1 January 2019	-	-	-	-	-
Charge for the year	13,618	622	299	504	15,043
Transfer from property, plant and equipment	-	1,001	131	-	1,132
At 31 December 2019	13,618	1,623	430	504	16,175
Carrying amount					
At 31 December 2019	238,861	4,554	1,111	3,569	248,095

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Right of use assets (continued)

Company	**Office building RM'000**
Cost	
At 1 January 2020/ 31 December 2020	348
Accumulated depreciation	
At 1 January 2019	-
Charge for the year	67
At 31 December 2019	67
Charge for the year	89
At 31 December 2020	156
Carrying amount	
At 31 December 2019	281
At 31 December 2020	192

On 19 November 2020 ("amendment date"), the wholly-owned indirect subsidiary, Eversendai Offshore RMC FZE ("EVORF") had amended the 25-years lease agreement with the lessor for the lease of land to reduce the lease rentals by RM2,742,000 per annum and the consideration payable is RM7,322,000 until the end of the lease period of 31 May 2038 in which resulted in a reduction of the Right-of-Use Assets and Lease Liabilities by RM60,758,000. Besides, the leased space reduced by 12,410 sqm from 198,217 sqm to 185,807 sqm effective from 1 September 2020 to 31 December 2022 ("amendment period"), in which resulted in a proportionate reduction of the Right-of-Use Assets and Lease Liabilities by RM10,186,000 and RM11,504,000 as at the amendment date.

On 23 September 2020 ("amendment date"), the wholly-owned subsidiary, Eversendai Engineering FZE ("Eversendai Sharjah") had amended the 25-years lease agreement with the lessor for the lease of land to reduce the leased space by 15,000 sqm from 20,000 sqm to 5,000 sqm effective from 1 October 2020 to 31 December 2032 ("amendment period"), in which resulted in a proportionate reduction of the Right-of-Use Assets and Lease Liabilities by RM4,552,000 and RM5,262,000 as at the amendment date.

Consequently, a gain on lease modification of RM2,114,000 was recognised as other income as disclosed in Note 6.

14. GOODWILL

	Group	
	2020 RM'000	2019 RM'000
At the beginning and end of the year	11,251	11,251

Goodwill arising from business combination has been allocated to the following cash-generating units ("CGU"):

	Group	
	2020 RM'000	2019 RM'000
Eversendai Engineering LLC Dubai	4,143	4,143
Eversendai Engineering Sdn Bhd	5,777	5,777
Eversendai Constructions (M) Sdn Bhd	1,331	1,331
	11,251	11,251

The management carried out its annual review of recoverable amounts of its goodwill. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by directors for the next five years. The key assumptions for the value-in-use calculations are as follows.

	Growth rate		Discount rate	
	2020	2019	2020	2019
Cash-generating units ("CGUs")				
Eversendai Engineering LLC Dubai	1%	1%	10%	10%
Eversendai Engineering Sdn Bhd	1%	1%	10%	13%
Eversendai Constructions (M) Sdn Bhd	1%	1%	12%	13%
Eversendai S-Con Engineering Co Ltd	N/A	1%	N/A	13%

Sensitivity to changes in assumptions

Management believes that any reasonably possible change in the above key assumptions applied are not likely to cause the recoverable amounts to be materially lower than the carrying amounts.

15. INVESTMENT IN SUBSIDIARIES

		Company	
	Note	2020 RM'000	2019 RM'000
Unquoted shares - at cost		378,806	375,799
Less: Impairment losses	(a)	(95,506)	-
		283,300	375,799
Loans that are part of net investments	(b)	722,553	722,553
		1,005,853	1,098,352

(a) Arising from an assessment of the underlying value of subsidiaries, the Company noted that the recoverable amounts of certain subsidiaries were lower than their carrying amount in view of recent operating losses. The recoverable amount of the investment was computed based on the Company's estimated future cash flows expected to be generated by the subsidiary taking into consideration the expected revenue from construction contracts.

Accordingly, an impairment loss of RM95,506,000 (2019: RM Nil) was recognised in profit or loss which was included in operating and administrative expenses during the financial year.

Movements in accumulated impairment losses were as follows:

	Company	
	2020 RM'000	2019 RM'000
At 1 January	-	-
Recognised during the financial year	95,506	-
At 31 December	95,506	-

(b) Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and non-interest bearing. The settlements of the amounts are neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as a long-term source of capital to the subsidiaries. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss, if any.

15. INVESTMENT IN SUBSIDIARIES (continued)

(c) The details of the subsidiaries are as follows:

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group 2020	Proportion of ownership interest held by the Group 2019	Effective interest-in profit based on shareholders' agreement 2020	Effective interest-in profit based on shareholders' agreement 2019	Principal activities
Held by the Company						
Eversendai Engineering Sdn Bhd ("EESB")	Malaysia	100%	100%	N/A	N/A	Engineering, fabrication, design and erection of mechanical and structural steel works
Eversendai Engineering FZE ("Eversendai Sharjah") @	United Arab Emirates	100%	100%	N/A	N/A	Steel, fabrication and painting
Eversendai Engineering LLC ("Eversendai Dubai') ^ @	United Arab Emirates	49%	49%	100%	100%	Fabrication and erection of steel structures
Eversendai Engineering LLC - Abu Dhabi ("Eversendai Abu Dhabi") ^ #	United Arab Emirates	49%	49%	100%	100%	Building, steel structures and general contracting
EVS Construction LLC ("EVSC") ^ #	United Arab Emirates	49%	49%	100%	100%	Engineering and contracting services
Eversendai Engineering Saudi LLC ("Eversendai Saudi") ^ @	Kingdom of Saudi Arabia	80%	80%	100%	100%	Steel construction contracts for buildings, steel construction works related to oil and gas fields. Industrial establishment building contracting, fire proofing and civil works
Eversendai Construction (S) Pte Ltd ("Eversendai Singapore") #	Singapore	100%	100%	N/A	N/A	Building construction including major upgrading works

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15. INVESTMENT IN SUBSIDIARIES (continued)

(c) The details of the subsidiaries are as follows: (continued)

	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group		Effective interest-in profit based on shareholders' agreement		
Name of company		**2020**	**2019**	**2020**	**2019**	**Principal activities**
Held by the Company						
Eversendai Offshore Sdn Bhd ("EOSB")	Malaysia	100%	100%	N/A	N/A	Engineering, procurement, fabrication and construction services for the oil and gas industry
ECB Properties Sdn Bhd ("EPSB")	Malaysia	100%	100%	N/A	N/A	Real property and development
Eversendai Constructions (M) Sdn Bhd ("ECMSB")	Malaysia	69%	69%	N/A	N/A	Civil engineering and general contracting services
Eversendai Resources Sdn Bhd ("ERSB")	Malaysia	49%	49%	100%	100%	General contractors and property developer
Eversendai Engineering LLC ("Eversendai Azerbaijan") #	Azerbaijian	100%	100%	N/A	N/A	Engineering, procurement, fabrication and construction services
Eversendai Construction WLL Kuwait ("Eversendai Kuwait") ^ @	Kuwait	49%	49%	100%	100%	Engineering, procurement, fabrication and construction services
Eversendai Engineering Qatar WLL ("Eversendai Qatar") ^ @	State of Qatar	49%	49%	70%	70%	Engineering, blasting, painting, fabrication, design and erection of mechanical and structural steel works

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15. INVESTMENT IN SUBSIDIARIES (continued)

(c) The details of the subsidiaries are as follows: (continued)

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group 2020	2019	Effective interest-in profit based on shareholders' agreement 2020	2019	Principal activities
Held by the Company						
Eversendai Frontiers Private Limited ("EFPL") @	India	-	100%	-	N/A	Engineering, procurement, fabrication and construction services
Vahana Construction .M (SARL) ("EV Morocco") #	North Africa	100%	-	N/A	N/A	Construction, steel structure, infrastucture and oil and gas industry works.
Held by Eversendai Singapore						
Eversendai Engineering Pte Ltd ("EEPL Singapore") #	Singapore	100%	100%	N/A	N/A	Mechanical, electrical, civil and general engineers and engineering consultants
Eversendai Construction Private Limited ("Eversendai India") @	India	100%	100%	N/A	N/A	Engineering, design, detailing, steel fabrication, development of residential buildings and commercial complexes
Eversendai Steel-S Limited ("EESL") &	United Kingdom	-	100%	-	N/A	Carbon steel and stainless steel fabrication, mechanical construction and installation

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15. INVESTMENT IN SUBSIDIARIES (continued)

(c) The details of the subsidiaries are as follows: (continued)

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group 2020	Proportion of ownership interest held by the Group 2019	Effective interest-in profit based on shareholders' agreement 2020	Effective interest-in profit based on shareholders' agreement 2019	Principal activities
Held by Eversendai Singapore						
Eversendai S-Con Engineering Co Ltd ("ESECL") ^	Thailand	-	49%	-	70%	Carbon steel and stainless steel fabrication, mechanical construction and installation
Held by EOSB						
Eversendai Offshore RMC FZE ("EVORF") @	United Arab Emirates	100%	100%	N/A	N/A	Manufacutring and construction of oil and gas field equipment, oil and gas facility, sea platforms and rigs, structural steel, pressure vessels and other related activities
Held by ECMSB						
Eversendai Engineering (Pvt) Limited ("Eversendai Sri Lanka") #	Sri Lanka	69%	69%	N/A	N/A	Construction

\# Audited by other auditors other than Baker Tilly Monteiro Heng PLT

@ Audited by an independent member firm of Baker Tilly International in the respective countries

& Not required to be audited pursuant to the relevant regulations of the place of incorporation

^ Pursuant to the shareholders' agreements with the respective foreign partners of the subsidiaries and the power of attorney granted by them, the Group controls these subsidiaries by virtue of having the:

(i) power of more than half of the voting rights and to govern the financial and operating policies;

(ii) power to appoint or remove majority of the members of the board of directors or equivalent governing body and control of the entity that is by that board or body; and

(iii) power to cast majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

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15. INVESTMENT IN SUBSIDIARIES (continued)

(d) On 13 January 2020, the Company had incorporated a new wholly-owned subsidiary namely Vahana Construction .M SARL ("EV Morocco") in Morocco with consideration of RM443,100. The principal activities of EV Morocco is involved in providing services in the construction, steel structure, infrastructure and oil and gas industry.

(e) On 1 July 2020, the Company disposed the entire equity interest in Eversendai Frontiers Private Limited ("EFPL"), a wholly-owned subsidiary, to Eversendai Construction Private Limited ("Eversendai India"), an indirect wholly-owned subsidiary, for total consideration of RM2,619,000 which is satisfied by issuance of 4,599,954 ordinary shares. Subsequently, EFPL had been amalgamated with ECPL.

The disposal has been completed on 1 July 2020 and resulted a gain of RM2,565,000 to the Company. The disposal has no financial effect to the Group.

(f) On 24 September 2020, Eversendai Construction (S) Pte. Ltd. ("ECSPL"), the wholly-owned subsidiary of Eversendai Corporation Berhad had disposed its entire equity interests in Eversendai S-Con Engineering Co. Ltd. ("ESECL"). Consequently, ESECL ceased to be a subsidiary of ECSPL.

(i) Summary of the effects of disposal of Eversendai S-Con Engineering Co. Ltd of the Group.:

	Group	
	2020 **RM**	**2020** **RM**
Recognised:		
Cash consideration received		134
Other forms of consideration		334,953
Fair value of consideration received		335,087
Derecognised:		
Fair value of identifiable net assets at disposal date		
Property, plant and equipment	(4,819,443)	
Trade receivables	(319,581)	
Other receivables, refundable deposits and prepaid expenses	(7,821,939)	
Cash and short-term deposits	(315,817)	
Trade payables	8,584,274	
Other payables and accrued expenses	(6,059,838)	
Amount owing to directors	905,165	
Amount owing to a related company	4,326,915	
Borrowings	2,975,123	
Lease liabilities	437,681	
Reclassification adjustment of exchange translation reserve	5,173,885	
Reclassification adjustment of non-controlling interest	(3,957,619)	
Net liabilities		(891,194)
Loss on disposal of ESECL		(556,107)

15. INVESTMENT IN SUBSIDIARIES (continued)

(f) (continued)

(ii) Effects of disposal on cash flows:

	Group 2020 RM
Fair value of consideration received	335,087
Less: Non-cash consideration	(334,953)
Consideration received in cash	134
Less: Cash and cash equivalents of subsidiary disposed	(315,817)
Net cash outflows on disposal	(315,683)

(g) On 2 December 2020, Eversendai Construction (S) Pte. Ltd. ("ECSPL"), the wholly-owned subsidiary of Eversendai Corporation Berhad had submitted an application for voluntary deregistration of Eversendai Steel-S Limited ("EESL") with the Companies House, United Kingdom. At the end of the financial year, EESL has been deregistered. The voluntary deregistration of EESL did not have material financial impact to the Group.

(h) Non-controlling interests in subsidiaries

The financial information of the Group's subsidiaries that have material non-controlling interests are as follows:

	Eversendai Qatar RM'000	ESECL RM'000	Individually immaterial subsidiaries with non-controlling interests RM'000	Total RM'000
2020				
Proportion of ownership interests held by non-controlling interests	30%	N/A	N/A	
Accumulated non-controlling interests	12,415	-	2,773	15,188
Profit/(loss) allocated to non-controlling interests	1,513	-	(3,049)	(1,536)

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15. INVESTMENT IN SUBSIDIARIES (continued)

(h) Non-controlling interests in subsidiaries (continued)

The financial information of the Group's subsidiaries that have material non-controlling interests are as follows: (continued)

	Eversendai Qatar RM'000	ESECL RM'000	Individually immaterial subsidiaries with non-controlling interests RM'000	Total RM'000
2019				
Proportion of ownership interests held by non-controlling interests	30%	30%	N/A	
Accumulated non-controlling interests	20,719	(7,645)	439	13,513
Profit/(loss) allocated to non-controlling interests	2,954	(960)	867	2,861

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15. INVESTMENT IN SUBSIDIARIES (continued)

(i) Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

2020	**Eversendai Qatar RM'000**	**ESECL RM'000**	**Total RM'000**
Summarised statements of financial position			
Non-current assets	19,981	-	19,981
Current assets	429,380	-	429,380
Non-current liabilities	(22,525)	-	(22,525)
Current liabilities	(354,292)	-	(354,292)
Net assets	72,544	-	72,544
Summarised statements of comprehensive income			
Revenue	162,128	-	162,128
Profit for the year	5,815	-	5,815
Total comprehensive income	5,815	-	5,815
Summaried cash flows information			
Net cash used in operating activities	(4,085)	-	(4,085)
Net cash used in investing activities	(5,312)	-	(5,312)
Net cash flows from financing activities	23,991	-	23,991
Net increase in cash and cash equivalents	14,594	-	14,594
2019			
Summarised statements of financial position			
Non-current assets	17,950	7,073	25,023
Current assets	292,428	10,329	302,757
Non-current liabilities	(39,518)	-	(39,518)
Current liabilities	(203,052)	(23,672)	(226,724)
Net assets/(liabilities)	67,808	(6,270)	61,538
Summarised statements of comprehensive income			
Revenue	172,121	8,103	180,224
Profit/(Loss) for the year	9,114	(3,202)	5,912
Total comprehensive income/(loss)	9,114	(3,202)	5,912
Summarised statements of cash flows			
Net cash flows from/(used in) operating activities	11,671	(768)	10,903
Net cash used in investing activities	(89)	-	(89)
Net cash (used in)/from financing activities	(15,120)	492	(14,628)
Net decrease in cash and cash equivalents	(3,538)	(276)	(3,814)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX ASSETS/(LIABILITIES)

		Group	
	Note	2020 RM'000	2019 RM'000
Deferred tax assets			
At 1 January		2,003	2,270
Recognised in profit or loss:	11		
Property, plant and equipment		592	(173)
Other payables and accrued expenses		387	590
Others		582	1,200
		1,561	1,617
Exchange differences		(650)	(1,884)
At 31 December		2,914	2,003
Deferred tax liabilities			
At 1 January		(3,068)	(4,274)
Recognised in profit or loss:	11		
Property, plant and equipment		278	537
Other payables and accrued expenses			669
		278	1,206
At 31 December		(2,790)	(3,068)

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets		
Temporary differences arising from:		
Property, plant and equipment	1,446	209
Other payables and accrued expenses	1,468	1,794
	2,914	2,003
Deferred tax liabilities		
Temporary differences arising from:		
Property, plant and equipment	(2,688)	(3,068)
Other payables and accrued expenses	(102)	-
	(2,790)	(3,068)
Deferred tax assets	2,914	2,003
Deferred tax liabilities	(2,790)	(3,068)
	124	(1,065)

16. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item (stated at gross):

	Group	
	2020 RM'000	**2019 RM'000**
Unutilised tax losses	7,467	-

The availability of unutilised tax losses for offsetting against future taxable profits of the Company is subject to requirements under Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Act 812, special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business loss, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2018 and subsequent year of assessment.

The unutilised tax losses are available to offset against future taxable profits of a subsidiary which will expire in the financial year 2027.

17. INVENTORIES

	Group	
	2020 RM'000	**2019 RM'000**
At cost:		
Materials at fabrication yard and on site	301,096	258,615

Due to the nature of the Group’s business, its procurement policies and rate of inventory turnover, the Group is not exposed to the risk of old or obsolete inventory. Accordingly, no allowance has been made for impairment of inventories.

During the year, approximately RM517,290,000 (2019: RM428,939,000) of inventories were recognised as an expense in cost of sales of the Group.

Certain inventories amounting to RM57,698,000 (2019: RM44,173,000) are pledged against borrowings as disclosed in Note 28.

18. CONTRACT ASSETS/(LIABILITIES)

	Group 2020 RM'000	Group 2019 RM'000
Contract assets relating to construction contract	935,115	882,233
Contract liabilities relating to construction contract	(100,467)	(193,389)
	834,648	688,844

(a) Significant changes in contract balances

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	688,844	650,387
Revenue recognised during the year	1,113,297	1,558,795
Progress billings issued during the year	(966,948)	(1,520,258)
Impairment losses of contract assets	(516)	(75)
Exchange difference	(29)	(5)
At 31 December	834,648	688,844

The contract assets relate to the Group's rights to consideration for work completed on construction contracts but not yet billed. Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This occurs when the Group issues progress billing to its customer.

The contract liabilities represent progress billings received for construction contracts for which performance obligations have not been satisfied. Contract liabilities are recognised as revenue when performance obligations are satisfied.

(b) Impairment

The movement in the impairment of contract assets is as follows:

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	647	577
Charge for the year	516	116
Reversal during the year	-	(41)
Exchange difference	(29)	(5)
At 31 December	1,134	647

(c) Included in contract assets as of 31 December 2020 is an amount of approximately RM212,669,000 (2019: RM240,699,000) relating to contract works carried out on liftboats as disclosed in Note 19(a).

19. TRADE RECEIVABLES

	Group 2020 RM'000	Group 2019 RM'000
Current:		
Trade receivables		
- Third parties	265,305	374,195
- Related parties	259,769	265,944
	525,074	640,139
- Retention sum receivables	422,241	479,026
Less: Allowance for impairment losses	(125,220)	(103,732)
	822,095	1,015,433

(a) Construction of two liftboats for a customer

In Year 2014, the Group secured a contract from Vahana Offshore (S) Pte. Ltd. ("VOPL") to construct 2 self-propelled jack-ups liftboats namely Vahana Aryan and Vahana Arjun. In Year 2018, Vahana Aryan was fully constructed and subsequently went into operation. Via an agreement dated 2 January 2018, the amount owing by VOPL had been assigned to Vahana Offshore (M) Sdn Bhd ("VOSB"), which is the related company of Vahana Offshore (S) Pte Ltd. The second liftboat, Vahana Arjun is currently under construction and scheduled to be completed by 2022.

As of 31 December 2020, included in the trade receivables is the amount owing from VOSB of approximately RM259,769,000 (2019: RM266,097,000).

The directors are of the view that that amount receivable from VOSB and contract assets relating to contract work of relating to liftboats (Note 18(c)) are fully recoverable as VOSB is able to secure the necessary financing from other financial institutions and the liftboats is expected to have a recoverable amount in excess of the carrying amount in the financial statements of the Group. Hence, no impairment is required.

(b) The retention sum receivables are subject to satisfactory completion of the respective project defect liability periods.

The Group's trading terms with its customers are mainly on credit. The Group's average credit term ranges from 30 to 90 days (2019: 30 to 90 days). Trade receivables are non-interest bearing.

19. TRADE RECEIVABLES (continued)

(c) The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables and retention sum receivables are estimated using the "Probability of Default" approach by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date. The Group writes off trade receivables and retention sum receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and retention sum receivables in accordance with the simplified approach set out in MFRS 9.

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January	103,732	101,353
Charge for the year	26,442	3,152
Reversal during the year	(2,567)	-
Exchange difference	(2,387)	(773)
At 31 December	125,220	103,732

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19. TRADE RECEIVABLES (continued)

(c) (continued)

The following details the risk profile of trade receivables collectively assessed based on the Group's "Probability of Default" approach. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer within the same region, the probability of default based on past due status is only distinguished between customer bases from different region.

	Middle East			**India**			**Southeast Asia**			**Other**			**Total**	
2020	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**Total ECL RM'000**
Not past due	397,993	0.1%	301	32,213	1%	327	50,039	0%	-	-	0.0%	-	480,245	628
Past due 1-30 days	5,765	6.5%	375	3,063	5%	162	-	0%	-	-	0.0%	-	8,828	537
Past due 31-60 days	1,029	4.7%	48	2,369	5%	127	-	0%	-	-	0.0%	-	3,398	175
Past due more than 60 days	318,717	1.5%	4,885	17,653	8%	1,451	930	0%	-	-	0.0%	-	337,300	6,336
Total (Collectively assessed)	723,504		5,609	55,298		2,067	50,969		-	-		-	829,771	7,676
Individually assessed														
- The Tower Project													58,142	58,142
- Others													59,402	59,402
Total													947,315	125,220

19. TRADE RECEIVABLES (continued)

(c) (continued)

The following details the risk profile of trade receivables collectively assessed based on the Group's "Probability of Default" approach. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer within the same region, the probability of default based on past due status is only distinguished between customer bases from different region. (continued)

	Middle East			India			Southeast Asia			Other			Total	
2019	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**ECL %**	**ECL RM'000**	**Gross Value RM'000**	**Total ECL RM'000**
Not past due	102,546	0.9%	897	12,933	1.3%	166	26,979	0.3%	84	130	0.0%	-	142,588	1,146
Past due 1-30 days	52,889	0.6%	292	967	23.3%	225	6,564	0.2%	21	166	0.0%	-	60,586	539
Past due 31-60 days	39,226	1.1%	449	1,358	2.6%	35	1,298	5.2%	67	274	0.0%	-	42,155	552
Past due more than 60 days	572,994	0.2%	1,241	32,476	2.0%	663	169,630	0.6%	971	117	0.0%	-	775,216	2,876
Total (Collectively assessed)	767,654		2,880	47,735		1,090	204,470		1,143	687		-	1,020,546	5,113
Individually assessed														
- The Tower Project													58,969	58,969
- Others													39,650	39,650
Total													1,119,165	103,732

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. OTHER RECEIVABLES, REFUNDABLE DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Third parties	5,064	36,254	47	78
Down payments to suppliers	36,679	32,071	-	-
Refundable deposits	19,719	24,682	41	41
Prepaid expenses	9,864	11,297	-	-
GST receivables	37,512	31,650	7	75
	108,838	135,954	95	194

Other receivables disclosed above are neither past due nor impaired at the end of the reporting period.

Down payments to suppliers are to be offset against the suppliers' invoices upon issuance of invoices.

Included in refundable deposits are security deposits amounting to RM9,945,000 (2019: RM10,838,000) relating to accommodation of contract workers which are refundable in their respective countries. Also included in refundable deposits are payments for contract labour cost of RM5,010,000 (2019: RM6,285,000) relating to the working permits which are refundable in the respective countries.

There are no measurement impacts to the carrying amount of other receivables, deposits and prepaid expenses upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the ECL amount is immaterial.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

21. AMOUNT OWING BY/(TO) SUBSIDIARIES & HOLDING COMPANY

(a) The Company is a subsidiary of Vahana Holdings Sdn. Bhd., a company incorporated in Malaysia, which is regarded by the directors as the immediate and ultimate holding company.

(b) Amounts owing by/(to) subsidiaries and other related companies, which arose mainly from trade transactions and payments on behalf, are unsecured, interest-free and repayable on demand, except for net advances to subsidiaries and holding company of approximately RM207,699,000 (2019: RM206,273,000) which bear interest of 4.00% (2019: 4.75%) per annum and are repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and bank balances	60,212	103,684	1,496	528
Deposits with financial institutions	62,499	42,024	-	-
Cash and cash equivalents as reported in the statements of financial position	122,711	145,708	1,496	528
Less: Deposits with financial institutions more than 90 days	(62,499)	(42,024)	-	-
Less: Bank overdrafts	(72,826)	(61,131)	-	-
Cash and cash equivalents as reported in the statements of cash flows	(12,614)	42,553	1,496	528

The weighted average effective interest rate for deposits with financial institutions as at the end of the reporting period for the Group was 2.00% (2019: 3.20%) per annum.

Deposits with financial institutions of the Group amounting to RM62,499,000 (2019: RM42,024,000) are pledged as securities for borrowing facilities granted to the subsidiaries as disclosed in Note 28. The maturity period of the Group's deposits with financial institutions at the reporting date range from 30 to 365 days (2019: 30 to 365 days).

23. SHARE CAPITAL

	Group and Company			
	Number of shares		<------ Amount ------->	
	2020	2019	2020	2019
	'000	'000	RM'000	RM'000
Issued and fully paid up (no par value):				
At the beginning and end of the year	781,100	781,100	585,308	585,308

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24. RESERVES

(a) Treasury shares

	Group and Company			
	Number of shares		<------ Amount ------->	
	2020	2019	2020	2019
	'000	'000	RM'000	RM'000
At cost:				
At the beginning and end of the year	101	101	91	91

(b) Capital reserve

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Legal reserve	187	187	-	-

In accordance with Qatar Companies' Law No.5 of 2002, ("the Qatari Law") and the Articles of Association of Eversendai Qatar, 10% of the Eversendai Qatar's profit for the year is required to be transferred to a Legal Reserve. Eversendai Qatar may resolve to discontinue such annual transfers when the reserve reaches 50% of its capital. The reserve is not normally available for distribution, except in circumstances stipulated under the Qatari Law.

The management of Eversendai Qatar has resolved to cease all transfers as the Legal Reserve is higher than the minimum requirements as at the reporting date.

(c) Foreign currency translation reserve

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

24. RESERVES (continued)

(d) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(e) Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments entered into for cash flow hedges of forecast transactions.

25. RETAINED EARNINGS

The Company is currently under the single-tier income tax system in accordance with Finance Act, 2007 and accordingly, the entire retained earnings of the Company is available for distribution under the single-tier income tax system.

26. WARRANTS

A total 390,499,496 free warrants were issued by the Company on 19 October 2020 on the basis of one (1) warrant for every two (2) existing ordinary shares held. Each warrant entitles the holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.32 per warrant from 19 October 2020 up to 18 October 2023; first step-up exercise price of RM0.38 per warrant from 19 October 2023 up to 18 October 2024; second step-up exercise price of RM0.45 per warrant from 19 October 2024 up to 18 October 2025. The warrants will expire on 18 October 2025.

Issue Date	Expiry Date	At 19.10.2020	Exercised	Lapsed	At 31.12.2020
19.10.2020	18.10.2025	390,499,496	-	-	390,499,496

The salient terms of the warrants are as follows:

(i) The warrants are constituted by a Deed Poll executed on 10 September 2020.

(ii) The warrants are traded separately.

(iii) The warrants can be exercised at any time within a period of five (5) years commencing from and including the date of issue, 19 October 2020 to 18 October 2025 (“Exercise Period”). Any warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

27. LEASE LIABILITIES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments				
Not later than one year	16,026	23,419	102	102
Later than one year and not later than 5 years	62,331	80,029	119	221
Later than 5 years	153,565	259,364	-	-
	231,922	362,812	221	323
Less: Future finance charges	(36,200)	(63,753)	(18)	(33)
Present value of minimum lease payments	195,722	299,059	203	290
Present value of minimum lease payments:				
Not later than one year	12,037	17,246	91	86
Later than one year and not later than 5 years	47,572	57,555	112	204
Later than 5 years	136,113	224,258	-	-
	195,722	299,059	203	290
Less: Amount due within 12 months	(12,037)	(17,246)	(91)	(86)
Amount due after 12 months	183,685	281,813	112	204

Interest rates for finance lease of the Group which are fixed at inception, range from 1.90% to 5.47% (2019: 1.90% to 3.65%) per annum.

The leases are secured by a charge over the property, plant and equipment as disclosed in Note 13.

28. BORROWINGS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured:		**(Restated)**		
Non-current:				
Term loans	139,003	456,545	123,890	419,219
Current:				
Term loans	589,774	275,943	335,412	28,158
Bills payable	346,651	369,893	-	-
Bank overdrafts	72,826	61,131	-	-
	1,009,251	706,967	335,412	28,158
	1,148,254	1,163,512	459,302	447,377
Total borrowings:				
Term loans	728,777	732,488	459,302	447,377
Bills payable	346,651	369,893	-	-
Bank overdrafts	72,826	61,131	-	-
	1,148,254	1,163,512	459,302	447,377

28. BORROWINGS (continued)

(a) Bank overdrafts of the Group bear interest of 8.50% (2019: 9.20%) per annum.

(b) Bills payable are obtained for purchase of steel materials for short-term financing. The bills payable carry interest in the range of 1.45% to 4.50% (2019: 1.45% to 5.00%) per annum and are repayable up to 90 days (2019: 90 days) from the date of disbursement.

(c) The term loans bear interest at variable rates ranging from 3.50% to 5.50% (2019: 4.00% to 5.30%) per annum and are repayable in equal monthly instalments over a period of 12 months to 60 months (2019: 12 months to 60 months).

On 4 November 2019, the Company was granted a 5-year new syndicated term loan facility of USD115 million from MBSB Bank Berhad, Export-Import Bank of Malaysia Berhad, United Overseas Bank (Malaysia) Berhad and Commercial Bank International PSC (the "Facility"). The Facility used for redemption of the outstanding sum for the 5-year syndicated term loan facility obtained in October 2016.

The term loan is subject to financial covenants as of the end of each financial year beginning 2019 to 2023. The Group and the Company have not met certain financial covenants during the financial year. Hence, the scheduled repayment of RM290,110,000 (2019: RM Nil) which is due for repayment in more than one year have been reclassified as current liabilities as of 31 December 2020 in accordance with MFRS 101 *Presentation of Financial Statements*. As at the date of approval of the financial statements, the lenders did not demand for immediate repayment.

In December 2016, the Group had drawn down the Murabaha Facility for the purpose of financing the construction of first liftboat Vahana Aryan as disclosed in Note 19(a)(i). Upon completion of first liftboat in June 2018, as stipulated in the terms of the facility, the Group had drawn down the Ijarah Facility amounted to RM264,000,000 to settle the Murabaha Facility and the balance for working capital purposes. As part of the agreement, the Ijarah Facility allows the Group to transfer the drawn down facility to the related party, Vahana Offshore (M) Sdn Bhd ("VOSB") upon post completion and commercial operation of the first liftboat, subject to the mutual agreement between both parties. Subsequently, the drawn down facility could not be transferred to VOSB according to the agreement due to the merger of the lender with another financial institution.

As the transfer of the Ijarah Facilities could not be executed due to the merger of the lender with another financial institutions, VOSB is seeking alternative sources of financing from other financial institution in order to repay the balances owing to the Group.

On 30 June 2020, the Company has entered into a share sale agreement with Vahana Holding Sdn. Bhd. ("VHSB"), the major shareholder of the Company, wherein the Company to acquire the entire issued and paid-up share capital of Vahana Offshore (M) Sdn. Bhd. ("VOSB"), which currently owns the entire issued and paid-up share capital of Aryan-Inspire Pte Ltd, Arjun-Aspire Pte Ltd and Vahana Marine Solutions DMCC. The share sale agreement has yet to become unconditional as at the date of approval of the financial statements.

28. BORROWINGS (continued)

(d) The borrowings are secured by:
  (i) Joint and several guarantees by certain directors of the Company;
  (ii) Third party legal charges over certain properties belonging to certain directors of the Company;
  (iii) Deed of Legal Agreement and Assignment of all the contract proceeds relating to projects undertaken by certain subsidiaries;
  (iv) Pledge on certain inventories as disclosed in Note 17;
  (v) Cash collateral and counter-guarantee on all performance bond guarantees and advance payment guarantees; and
  (vi) Pledge on certain property, plant and equipment and deposits with financial institutions of the Group as disclosed in Note 13 and Note 22, respectively.

29. EMPLOYEES' SERVICE BENEFITS

Provision is made for the employees' end-of-service benefits in accordance with local requirement for foreign subsidiaries for their period of service up to the reporting date. The provision for the employees' end-of-service benefits is calculated annually.

Movements in the net liability recognised in the statement of financial position are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January	71,132	73,134
Addition during the year	10,393	10,722
Employees' service benefits paid	(6,154)	(10,983)
Exchange differences	(732)	(1,741)
At 31 December	74,639	71,132

30. TRADE PAYABLES

	Group	
	2020 RM'000	**2019 RM'000**
Trade payables	270,695	319,753
Retention sum payables	28,625	30,892
	299,320	350,645

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2019: 30 to 90) days.

31. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables and accrued expenses	189,615	150,795	5,096	4,108
Advances from customers	276,884	214,553	-	-
GST payable	2,726	7,738	-	33
	469,225	373,086	5,096	4,141

The Group's and the Company's other payables are non-interest bearing.

Advances from customers represent advances received from construction contracts.

32. AMOUNT OWING TO DIRECTORS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors of the Company	9,046	11,089	290	2,584

Amount owing to directors, which arose mainly from payments on behalf and remuneration payable, is unsecured and interest-free.

33. DERIVATIVE FINANCIAL LIABILITY

	Group and Company	
	2020 RM'000	2019 RM'000
Derivative used for hedging:		
Interest rate swap contract	8,206	-

Interest rate swap is used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's and the Company's policy. The notional principal amounts of the Group's and the Company's outstanding interest rate swap as at year end was RM125,083,000 (2019: RM Nil).

	Nominal value RM'000	Change in fair value RM'000	Carrying amount RM'000	Line item in the financial statements
Derivative used for hedging	125,083	(8,206)	116,877	Derivative financial liability

34. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

	Group	
	2020 RM'000	**2019 RM'000**
Contracted but not provided for:		
Factory building and labour accommodation	2,375	2,409
Plant and machineries	2,076	1,439
Computer systems and others	345	1,113
	4,796	4,961

(b) Financial guarantees

The Company has provided corporate guarantees for banking facilities to the subsidiaries as follows:

	Company	
	2020 RM'000	**2019 RM'000**
Unsecured:		
Utilised portion	1,462,502	975,290
Unutilised portion	4,608,558	4,985,024
	6,071,060	5,960,314

The Company has provided corporate guarantees for credit facilities to the suppliers of subsidiaries as follows:

	Company	
	2020 RM'000	**2019 RM'000**
Unsecured	27,500	27,500

The Company has assessed the corporate guarantees and concluded that the guarantees are more likely not to be called upon by the financial institution and accordingly not recognised as financial liability as of 31 December 2020.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Amortised cost
(ii) Derivative used for hedging

	Carrying amount RM'000	Amortised cost RM'000	Derivative used for hedging RM'000
2020			
Financial Assets			
Group			
Trade receivables	822,095	822,095	-
Other receivables and refundable deposits	24,783	24,783	-
Amount owing by holding company	2,044	2,044	-
Cash and short-term deposits	122,711	122,711	-
	971,633	971,633	-
Company			
Other receivables and refundable deposits	88	88	-
Amount owing by subsidiaries	359,227	359,227	-
Amount owing by holding company	1,734	1,734	-
Cash and short-term deposits	1,496	1,496	-
	362,545	362,545	-
Financial Liabilities			
Group			
Borrowings	1,148,254	1,148,254	-
Trade payables	299,320	299,320	-
Other payables and accrued expenses	189,615	189,615	-
Amount owing to directors	9,046	9,046	-
Amount owing to holding company	10,009	10,009	-
Lease liabilities	195,722	195,722	-
Derivative financial liability	8,206	-	8,206
	1,860,172	1,851,966	8,206
Company			
Borrowings	459,302	459,302	-
Other payables and accrued expenses	5,096	5,096	-
Amount owing to subsidiaries	58,257	58,257	-
Amount owing to directors	290	290	-
Lease liabilities	203	203	-
Derivative financial liability	8,206	-	8,206
	531,354	523,148	8,206

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NOTES TO THE FINANCIAL STATEMENTS (continued)

35. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

	Carrying amount RM'000	Amortised cost RM'000
2019		
Financial Assets		
Group		
Trade receivables	1,015,433	1,015,433
Other receivables and refundable deposits	60,936	60,936
Cash and short-term deposits	145,708	145,708
	1,222,077	1,222,077
Company		
Other receivables and refundable deposits	119	119
Amount owing by subsidiaries	350,758	350,758
Cash and short-term deposits	528	528
	351,405	351,405
Financial Liabilities		
Group		
Borrowings	1,163,512	1,163,512
Trade payables	350,645	350,645
Other payables and accrued expenses	150,795	150,795
Amount owing to directors	11,089	11,089
Lease liabilities	299,059	299,059
	1,975,100	1,975,100
Company		
Borrowings	447,377	447,377
Other payables and accrued expenses	4,108	4,108
Amount owing to subsidiaries	42,353	42,353
Amount owing to directors	2,584	2,584
Lease liabilities	290	290
	496,712	496,712

35. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amounts of deposits, cash and bank balances, short term receivables and payables are reasonable approximation to their fair values due to relatively short-term nature of these financial instruments.

The carrying amount of long term and short-term floating rate borrowings approximates their fair value as the borrowings will be re-priced to market interest rate on or near reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year (2019: no transfer in either directions).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

35. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments (continued)

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

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020									
Financial liabilities									
Derivative financial liability	(8,206)	-	(8,206)	-	(8,206)	-	-	-	-
Term loans	(139,003)	-	-	-	-	-	(139,003)	-	(139,003)
Company									
2020									
Financial assets									
Amount owing by subsidiaries	181,500	-	-	-	-	-	-	181,500	181,500
Financial liabilities									
Derivative financial liability	(8,206)	-	(8,206)	-	(8,206)	-	-	-	-
Term loans	(123,890)	-	-	-	-	-	(123,890)	-	(123,890)

NOTES TO THE FINANCIAL STATEMENTS (continued)

35. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments (continued)

The following table provides the fair value measurement hierarchy of the Group's and of the Company's financial instruments: (continued)

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2019									
Financial liabilities									
Term loans	(456,545)	-	-	-	-	-	(456,545)	-	(456,545)
Company									
2019									
Financial liabilities									
Term loans	(419,219)	-	-	-	-	-	(419,219)	-	(419,219)

35. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments (continued)

Fair value hierarchy

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

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees policies and procedures for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of financial loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to the credit risk arises primarily from trade and other receivables. For cash and bank balances and deposits with licensed bank, the Group and the Company minimise credit risk by dealing exclusively with high credit rating financial institutions.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. In addition, receivables balances are monitored on an on-going basis with the result that the Group's and the Company's exposure to bad debt is not significant.

Trade receivables and contract assets

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The carrying amount of trade receivables is 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.

<u>Credit risk concentration profile</u>

At the end of the reporting period, approximately 32% (2019: 21%) of the Group trade receivables was due from one (2019: two) major customers.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on the days past due.

The information about the credit risk exposure on the Group's trade receivables using the provision matrix are disclosed in Note 19.

Other receivables and other financial assets

For other receivables and other financial assets (including deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company'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 statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Other receivables and other financial assets (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due from the credit term in making a contractual payment.

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 and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 3.16(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks is representing by the maximum amount the Company could pay if the guarantee is called on is disclosed in Note 34(b). As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables, loans and borrowings.

The Group and the Company maintain sufficient liquidity and available funds of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis

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

		<------ Contractual undiscounted cash flows ------>			
	Carrying amount RM'000	**On demand or within 1 year RM'000**	**Between 1 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
2020					
Group					
Financial liabilities					
Trade payables	299,320	299,320	-	-	299,320
Other payables and accrued expenses	189,615	189,615	-	-	189,615
Amount owing to directors	9,046	9,046	-	-	9,046
Amount owing to holding company	10,009	10,009	-	-	10,009
Borrowings and lease liabilities	1,343,976	1,025,277	201,334	153,565	1,380,176
Derivative financial liability	8,206	8,206	-	-	8,206
	1,860,172	1,541,473	201,334	153,565	1,896,372
Company					
Financial liabilities					
Other payables and accrued expenses	5,096	5,096	-	-	5,096
Amount owing to subsidiaries	58,257	58,257	-	-	58,257
Amount owing to directors	290	290	-	-	290
Borrowings and lease liabilities	459,505	335,514	124,009	-	459,523
Derivative financial liability	8,206	8,206	-	-	8,206
	531,354	407,363	124,009	-	531,372

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NOTES TO THE FINANCIAL STATEMENTS (continued)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

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

		<------ Contractual undiscounted cash flows ------>			
	Carrying amount RM'000	**On demand or within 1 year RM'000**	**Between 1 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
2019					
Group					
Financial liabilities					
Trade payables	350,645	350,645	-	-	350,645
Other payables and accrued expenses	150,795	150,795	-	-	150,795
Amount owing to directors	11,089	11,089	-	-	11,089
Borrowings and lease liabilities (Restated)	1,462,571	762,218	544,399	222,656	1,529,273
	1,975,100	1,274,747	544,399	222,656	2,041,802
Company					
Financial liabilities					
Other payables and accrued expenses	4,108	4,108	-	-	4,108
Amount owing to subsidiaries	42,353	42,353	-	-	42,353
Amount owing to directors	2,584	2,584	-	-	2,584
Borrowings and lease liabilities	447,667	29,738	441,610	-	471,348
	496,712	78,783	441,610	-	520,393

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Foreign currency risk

The currencies giving rise to this risk are primarily US Dollars and Euro. The operational transactions in Euro are immaterial and hence will not give rise to significant currency risk exposure.

The businesses of the Group in the Middle East region are exposed to transactional currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they are related. The operational transactions of the businesses in other major operating countries like India and Malaysia are mainly denominated in the currencies in which they operate.

The Group is also exposed to foreign currency translation risk arising from its investments in foreign operations, including UAE, Qatar, Saudi Arabia, Azerbaijan, Sri Lanka, Morocco, India, Singapore, Australia and United Kingdom. The Group's net investments in these foreign operations are not hedged as the currency positions in these foreign investments are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all the variables held constant on the Group's profit for the financial year.

	Foreign currency risk	
	+5%	**-5%**
Group	**RM'000**	**RM'000**
2020		
USD Impact		
Financial Assets		
Trade receivables	15,557	(15,557)
Cash and bank balances	67	(67)
Financial Liabilities		
Trade payables	(4,172)	4,172
Term loans	(34,111)	34,111
	(22,659)	22,659
2019		
USD Impact		
Financial Assets		
Trade receivables	15,912	(15,912)
Cash and bank balances	430	(430)
Financial Liabilities		
Trade payables	(7,615)	7,615
	8,727	(8,727)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from:

(i) Interest bearing financial assets

Cash deposits are short term in nature and are not held for speculative purposes.

The Group manages its interest rate yield by prudently placing deposits with varying maturity periods.

(ii) Interest bearing financial liabilities

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

2020 Group	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Trade receivables	-	-	822,095	822,095
Other receivables and refundable deposits	-	-	24,783	24,783
Amount owing by holding company	-	2,044	-	2,044
Cash and short-term deposits	-	62,499	60,212	122,711
Total financial assets	-	64,543	907,090	971,633
Financial liabilities				
Trade payables	-	-	299,320	299,320
Other payables and accrued expenses	-	-	189,615	189,615
Amount owing to directors	-	-	9,046	9,046
Amount owing by holding company	-	10,009	-	10,009
Derivative financial liability	-	-	8,206	8,206
Borrowings and lease liabilities	1,023,171	320,805	-	1,343,976
Total financial liabilities	1,023,171	330,814	506,187	1,860,172
Net financial (liabilities)/ assets	(1,023,171)	(266,271)	400,903	(888,539)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

2020 Company	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Amount owing by subsidiaries	-	213,135	146,092	359,227
Other receivables and refundable deposits	-	-	88	88
Amount owing by holding company	-	1,367	367	1,734
Cash and short-term deposits	-	-	1,496	1,496
Total financial assets	-	214,502	148,043	362,545
Financial liabilities				
Other payables and accrued expenses	-	-	5,096	5,096
Amount owing to directors	-	-	290	290
Amount owing to subsidiaries	-	6,803	51,454	58,257
Derivative financial liability	-	-	8,206	8,206
Borrowings and lease liabilities	334,219	125,286	-	459,505
Total financial liabilities	334,219	132,089	65,046	531,354
Net financial (liabilities)/ assets	(334,219)	82,413	82,997	(168,809)

2019 Group	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Trade receivables	-	-	1,015,433	1,015,433
Other receivables and refundable deposits	-	-	60,936	60,936
Cash and short-term deposits	-	42,024	103,684	145,708
Total financial assets	-	42,024	1,180,053	1,222,077
Financial liabilities				
Trade payables	-	-	350,645	350,645
Other payables and accrued expenses	-	-	150,795	150,795
Amount owing to directors	-	-	11,089	11,089
Borrowings and lease liabilities	1,034,371	428,200	-	1,462,571
Total financial liabilities	1,034,371	428,200	512,529	1,975,100
Net financial (liabilities)/ assets	(1,034,371)	(386,176)	667,524	(753,023)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

2019 Company	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Amount owing by subsidiaries	-	206,273	144,485	350,758
Other receivables and refundable deposits	-	-	119	119
Cash and short-term deposits	-	-	528	528
Total financial assets	-	206,273	145,132	351,405
Financial liabilities				
Other payables and accrued expenses	-	-	4,108	4,108
Amount owing to directors	-	-	2,584	2,584
Amount owing to subsidiaries	-	-	42,353	42,353
Borrowings and lease liabilities	318,236	129,431	-	447,667
Total financial liabilities	318,236	129,431	49,045	496,712
Net financial (liabilities)/ assets	(318,236)	76,842	96,087	(145,307)

(e) Hedging activities

The Group and the Company are exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments is interest rate risk.

The Group's and the Company's risk management strategy and how it is applied to manage risk are explained in Note 36(d).

Cash flow hedge

Interest rate swap is designated as hedging instruments in cash flows hedges.

The Group and the Company determine the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors repricing dates and maturities and the notional or par amounts.

The Group and the Company assess whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Hedging activities (continued)

Cash flow hedge (continued)

The hedged ineffectiveness can arise from:

- The effect of the counterparty and the Group's and the Company's own credit risk on the fair value of the swap, which is not reflected in the change of the fair value of the hedged cash flows attributable to the change in interest rates; and
- Differences in repricing date between the swap and the borrowing.

	Under 1 year RM'000	Maturity 1-2 years RM'000	2-5 years RM'000
Group and Company			
2020			
Interest rate risk			
Interest rate swap			
Net exposure	12,508	25,017	87,558
Fixed interest rates	4.8%	4.8%	4.8%

The Group and the Company entered into interest rate swap during the financial year to hedge the cash flow risk in relation to the floating interest rate of a bank loan of RM125,083,000 (2019: Nil). The interest rate swap has nominal value of RM125,083,000 (2019: Nil) and is settled bi-annually, consistent with the interest repayment schedule of the bank loan.

As at 31 December 2019, the Group and the Company did not hold any instruments to hedge exposures to changes in interest rates.

The amounts at the reporting date relating to items designated as hedged items is as follows:

2020	Nominal value RM'000	Change in fair value RM'000	Carrying amount RM'000	Line item in the financial statements
Interest rate swap	125,083	(8,206)	116,877	Derivative financial liability

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income ("OCI") is as follows:

2020	Hedge loss recognised in OCI RM'000
Interest rate swap	(8,206)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

37. RELATED PARTIES

(a) Identity 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) Company's ultimate holding company;
(ii) Subsidiaries;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(a) Significant related party transactions

During the financial year, significant related party transactions undertaken between the Group and the Company with related parties, which are negotiated based on agreed terms and conditions, other than disclosed elsewhere in the financial statements are as follows:

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group					
Rental expense paid by the Group on properties owned by a director of the Company		(1,247)	(1,311)	-	-
Transactions with other related companies					
Provision of services for engineering and fabrication by a subsidiary to Arjun-Aspire Pte Ltd, an indirect subsidiary of the ultimate holding company		24,763	9,455	-	-
Provision of consultancy services by a subsidiary to Hi-tech and Contracting Company Limited, a shareholder of Eversendai Saudi		-	(1,243)	-	-
Purchase of goods and services by a subsidiary from Qatari Investors Industrial Group, a shareholder of Eversendai Qatar		-	(1,422)	-	-

37. RELATED PARTIES (continued)

(b) Significant related party transactions (continued)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Transactions with subsidiaries					
Interest recharged by a subsidiary	7	-	-	-	15,993
Rental charged to a subsidiary	5	-	-	564	564
Interest charged to subsidiaries	5	-	-	9,883	-
Interest charged by a subsidiary	7	-	-	272	-
Interest charged to holding company	5	-	-	65	-
Management fee charged to subsidiaries	5	-	-	1,980	2,959

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company. The remuneration of the key management personnel are disclosed in Note 10.

38. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into business units based on each respective company and has reportable operating segments based on industry segment and geographical segment of the subsidiaries.

The subsidiaries included in the following segments are:

(i) Structural steel works

- (a) Middle East - Eversendai Dubai, Eversendai Qatar, Eversendai Sharjah, Eversendai Abu Dhabi, EVSC, Eversendai Saudi, Eversendai Azerbaijan and Eversendai Kuwait
- (b) India - Eversendai India
- (c) Southeast Asia – EESB, ECMSB, ERSB and EEPL Singapore
- (d) North Africa - EV Morocco

(ii) Energy - EVORF

(iii) Others - EOSB, EPSB, Eversendai Singapore and Eversendai Corporation Berhad

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a company basis as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

38. SEGMENT INFORMATION (continued)

	Structural Steel Works							
Group	**Middle East**	**India**	**Southeast Asia**	**North Africa**	**Energy**	**Others**	**Adjustments and elimination**	**Group**
2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue:								
Revenue from external customers	528,883	175,956	290,088	4,602	113,563	281	-	1,113,373
Inter-segment revenue	115,969	2,520	9,417	-	-	12,428	(140,334)	-
	644,852	178,476	299,505	4,602	113,563	12,709	(140,334)	1,113,373
Results:								
Included in the measure of segment (loss)/profit are:								
Interest income	43	1,070	298	-	-	-	(272)	1,139
Bad debts written off	(1,280)	(375)	(29,095)	-	(13,234)	(36)	-	(44,020)
Gain/(Loss) on disposal of a subsidiary	-	-	-	-	-	2,565	(3,121)	(556)
Gain on disposal of property, plant and equipment	454	13	463	-	-	-	-	930
Gain on lease modification	740	-	-	-	1,374	-	-	2,114
Unrealised foreign exchange gain/(loss)	900	(572)	(172)	52	(624)	(1,477)	-	(1,893)
Depreciation on property, plant and equipment	(24,803)	(12,395)	(5,696)	(28)	(24,112)	(119)	-	(67,153)
Impairment loss on:								
-trade receivables	(22,157)	(1,642)	(2,643)	-	-	-	-	(26,442)
-contract assets	(516)	-	-	-	-	-	-	(516)
Reversal of impairment on trade receivables	186	195	2,186	-	-	-	-	2,567
Property, plant and equipment written off	-	(1,126)	-	-	(458)	(365)		(1,949)
Finance costs	(20,662)	-	(1,893)	(2)	(16,444)	(25,162)	10,025	(54,138)
Income tax expense	(1,297)	38	(4,376)	(82)	-	(723)	-	(6,440)
Segment (loss)/profit	(40,789)	1,790	(17,085)	210	(69,150)	(239,469)	225,413	(139,080)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

38. SEGMENT INFORMATION (continued)

Group 2020	← Structural Steel Works Middle East RM'000	India RM'000	Southeast Asia RM'000	North Africa RM'000 →	Energy RM'000	Others RM'000	Adjustments and elimination RM'000	Group RM'000
Assets:								
Property, plant and equipment	212,769	75,596	37,633	485	346,209	123,242	-	795,934
Other assets*	1,686,858	337,059	921,345	6,997	522,005	1,374,124	(2,532,368)	2,316,020
	1,899,627	412,655	958,978	7,482	868,214	1,497,366	(2,532,368)	3,111,954
Liabilities:								
Segment liabilities^	(1,122,928)	(306,006)	(775,336)	(6,812)	(978,453)	(620,108)	1,451,613	(2,358,030)

* Comprising goodwill, deferred tax assets, inventories, contract assets, trade receivables, other receivables, refundable deposits and prepaid expenses, amount owing by holding company, current tax assets and cash and short-term deposits.
^ Comprising all classes of liabilities in the statements of financial position.

EVERSENDAI CORPORATION BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

38. SEGMENT INFORMATION (continued)

	Structural Steel Works						
Group	**Middle East RM'000**	**India RM'000**	**Southeast Asia RM'000**	**Energy RM'000**	**Others RM'000**	**Adjustments and elimination RM'000**	**Group RM'000**
2019							
Revenue:							
Revenue from external customers	897,374	234,494	377,263	43,212	6,452	-	1,558,795
Inter-segment revenue	176,884	-	124,893	7,492	3,524	(312,793)	-
	1,074,258	234,494	502,156	50,704	9,976	(312,793)	1,558,795
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	3,129	2,058	120	-	-	-	5,307
Gain on disposal of property, plant and equipment	175	88	161	-	769	-	1,193
Unrealised foreign exchange (loss)/gain	(1,019)	(419)	1,117	(539)	2,146	(31)	1,255
Depreciation on property, plant and equipment	(27,207)	(11,809)	(6,859)	(26,185)	(53)	-	(72,113)
Impairment loss on:							
-trade receivables	(1,795)	(3)	(1,354)	-	-	-	(3,152)
-contract assets	(75)	-	-	-	-	-	(75)
Finance costs	(28,076)	(55)	(2,939)	(8,823)	(16,013)	2	(55,904)
Income tax expense	(1,968)	(3,735)	(6,207)	-	(240)	-	(12,150)
Segment profit/(loss)	45,850	8,531	1,287	(42,033)	(13,389)	16,112	16,358

EVERSENDAI CORPORATION BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

38. SEGMENT INFORMATION (continued)

Group	← Structural Steel Works		→				
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Energy RM'000	Others RM'000	Adjustments and elimination RM'000	Group RM'000
2019							
Assets:							
Property, plant and equipment	413,178	89,700	156,911	274,711	12,271	(2,116)	944,655
Other assets*	1,957,952	298,104	1,017,815	720,674	1,453,825	(2,991,292)	2,457,078
	2,371,130	387,804	1,174,726	995,385	1,466,096	(2,993,408)	3,401,733
Liabilities:							
Segment liabilities^	(1,546,835)	(278,782)	(826,441)	(1,039,869)	(501,041)	1,688,247	(2,504,721)

* Comprising goodwill, deferred tax assets, inventories, contract assets, trade receivables, other receivables, refundable deposits and prepaid expenses, current tax assets and cash and short-term deposits.
^ Comprising all classes of liabilities in the statements of financial position.

39. CAPITAL RISK MANAGEMENT

The Group and the Company monitor capital using a gearing ratio, which is total borrowings divided by total equity. The Group and the Company believe that the level of shareholders' funds and total borrowings as at the reporting date is sufficient to support the Group's and the Company's existing and expected level of business operations. The details of capital of the Group, which is made up of total equity and total borrowings are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Borrowings	1,148,254	1,163,512	459,302	447,377
Finance leases (included in lease liabilities)	2,809	5,060	-	-
Total borrowings	1,151,063	1,168,572	459,302	447,377
Total equity	753,924	897,012	848,554	965,410
Gearing ratio	1.53	1.30	0.54	0.46

The Group and the Company do not have any externally imposed capital requirement other than certain financial covenants relating to capital requirements imposed by the financial institutions of the Group and the Company as disclosed in Note 28 to the financial statements.

40. MATERIAL LITIGATIONS

On 14 November 2014, a supplier known as Linsun Engineering Sdn Bhd ("the plaintiff") has served a Writ of Summons against a subsidiary, Eversendai Engineering Sdn Bhd, ("EESB"), for certain supply of manpower for scaffolding erection and dismantling works at the Project known as Manjung 4 Power Plant for an alleged claim of RM8,222,465 plus interest which is disputed by the company.

Trial of the matter is ongoing. The next has been fixed by court in September 2021.

The directors, on solicitor's advice, is of the view it has a very good defence against the above claim.

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The following are significant events of the Group and the Company during the financial year ended 31 December 2020:

(a) On 30 June 2020, the Company has entered into a share sale agreement with Vahana Holding Sdn. Bhd. ("VHSB"), the major shareholder of the Company, wherein the Company to acquire the entire issued and paid-up share capital of Vahana Offshore (M) Sdn. Bhd. ("VOSB"), which currently owns the entire issued and paid-up share capital of Aryan-Inspire Pte Ltd, Arjun-Aspire Pte Ltd and Vahana Marine Solutions DMCC. The share sale agreement has yet to become unconditional as at the date of approval of the financial statements.

On 24 December 2020, the Company announced that the Company and Vahana Holdings Sdn. Bhd. have mutually agreed to extend the period of fulfilment of the conditions precedent as set out in the share sale agreement ("SSA") for a period of 6 months from 1 January 2021 to 30 June 2021.

VOSB is the first and only Malaysian company to own and operate a Self-Propelled Jack-up Barge or also known as Liftboat which is used for maintenance, workover, well-service activities, hook-up, commissioning and decommissioning of offshore platforms in the Oil & Gas industry.

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

The following are significant events of the Group and the Company during the financial year ended 31 December 2020: (continued)

(b) **COVID-19 pandemic**

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed several levels of 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, social distancing and other precautionary measures imposed in various countries.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities. During the financial year, the Group recorded an impairment loss on trade receivables, contract assets and bad debts written off of RM26,442,000, RM516,000 and RM44,020,000 respectively.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2021 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

(c) On 23 October 2020, the Company issued 390,499,496 free Warrants which were listed and quoted on Bursa Malaysia Securities Berhad pursuant to the bonus issue on the basis of one (1) Warrant for every two (2) existing ordinary shares held in the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

42. COMPARATIVE FIGURES

During the financial year, the Group made the following reclassification to restate the consolidated financial statements for the financial year ended 31 December 2019.

(a) Reclassification of non-current borrowing to current borrowing to conform with the current year presentation.

(b) Reclassification of net impairment of financial instruments and contract assets to operating and administrative expenses to conform with the current year presentation.

	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
Group			
31.12.2019			
Statement of Financial Position			
Non-current liabilities			
Borrowings	680,513	(223,968)	456,545
Current liabilities			
Borrowings	482,999	223,968	706,967
Statement of Comprehensive Income			
Operating and administrative expenses	97,744	6,893	104,637
Net impairment of financial instruments and contract assets	10,120	(6,893)	3,227

EVERSENDAI CORPORATION BERHAD
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STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, **TAN SRI DATO' NATHAN A/L ELUMALAY** and **NARLA SRINIVASA RAO**, being two of the directors of Eversendai Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

………………………………………………………..............
TAN SRI DATO' NATHAN A/L ELUMALAY
Director

………………………………………………………………..
NARLA SRINIVASA RAO
Director

Kuala Lumpur

Date: 25 May 2021

EVERSENDAI CORPORATION BERHAD
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STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, **TAN SRI DATO' NATHAN A/L ELUMALAY**, being the director primarily responsible for the financial management of Eversendai Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

………………………………………………………..…
TAN SRI DATO' NATHAN A/L ELUMALAY

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25 May 2021.

Before me,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVERSENDAI CORPORATION BERHAD
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Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Eversendai Corporation Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (International Independence Standards)* ("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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVERSENDAI CORPORATION BERHAD (continued)
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Key Audit Matters

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

Group

Property, plant and equipment and right-of-use assets (Note 4(a) and 13 to the financial statements)

The Group has significant balances of property, plant and equipment and right-of-use assets owned by Eversendai Offshore RMC FZE ("EVORF"), an indirect wholly owned subsidiary, in the Energy segment, amounted to RM256,113,000 and RM90,096,000 respectively. The directors have performed an impairment assessment to estimate the recoverable amount of these assets which involved significant judgements. The significant judgements are made by the directors over the discount rate applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast revenue growth rates, operating expenses and gross profit margin.

Our audit response:
Our audit procedures included, among others,

- evaluating the appropriateness of the methodology and method adopted by the Group in measuring the recoverable amount is in accordance to the requirements of MFRS 136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business;
- comparing the Group's key assumptions in cash flow forecast to externally derived data, which include the Group's assessment and consideration of the current economic and business environment affected by COVID-19 pandemic, in relation to key inputs;
- performing the sensitivity analysis of key assumptions by assessing the impacts of these key assumptions and inputs that are expected to be most sensitive to the recoverable amount.
- testing the mathematical accuracy of the impairment assessment; and
- performing the review of the audit working papers of the component auditor.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD (continued)
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Key Audit Matters (continued)

Revenue and corresponding costs recognition for construction activities (Note 4(c) and 5 to the financial statements)

The amount of revenue and corresponding costs of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project. We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction contracts projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

Our response:
Our audit procedures included, among others,

- reading the terms and conditions of certain agreements with customers;
- understanding the Group's process in preparing project budget and the calculation of the progress towards anticipated satisfaction of a performance obligation;
- comparing directors' major assumptions to contractual terms and discussing with project manager;
- assessing the reasonableness of computed progress towards anticipated satisfaction of performance obligation for certain identified projects against consultant certificate;
- checking the mathematical computation of recognised revenue and corresponding costs for certain projects during the financial year; and
- performing the review of the audit working papers of the component auditor.

Trade receivables and contract assets (Note 4(b), 18 and 19 to the financial statements)

The Group has significant trade receivables and contract assets as at 31 December 2020. We focused on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the Group selected inputs to the impairment calculation, based on the Group's past history and existing market conditions at the end of the reporting period.

Our response:
Our audit procedures included, among others;

- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by the management;
- obtaining confirmations of balances from selected receivables;
- checking subsequent receipts, correspondence documents, and management explanation on recoverability with significant past due balances; and
- performing the review of the audit working papers of the component auditor.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVERSENDAI CORPORATION BERHAD (continued)
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Key Audit Matters (continued)

Company

Investment in subsidiaries and amount owing by subsidiaries (Note 4(a) and (b), Note 15 and 21 to the financial statements)

The Company performs impairment review on the investments in subsidiaries and amount owing by subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of the investments in subsidiaries and amount owing by subsidiaries may not be recoverable in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The impairment made on investment in subsidiaries entails an allowance for doubtful debts to be made to the amount owing by these subsidiaries.

Significant judgement of the directors is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investments in subsidiaries and amount owing by subsidiaries.

Our response:
Our audit procedures included, among others:

- evaluating the cash flow projections prepared by the Company and the Company's forecasting procedures;
- comparing the Company's key assumptions in cash flow forecast to externally derived data, which include the Company's assessment and consideration of the current economic and business environment affected by COVID-19 pandemic, in relation to key inputs;
- testing the mathematical accuracy of the impairment assessment;
- performing the sensitivity of key assumptions by assessing the impacts of these key assumptions and inputs that are expected to be most sensitive to the recoverable amount; and
- Assessing the classification of the amount owing by subsidiaries in the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVERSENDAI CORPORATION BERHAD (continued)
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Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD (continued)
(Incorporated in Malaysia)

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVERSENDAI CORPORATION BERHAD (continued)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

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

Kenny Yeoh Khi Khen
No. 03229/09/2022 J
Chartered Accountant

Kuala Lumpur

Date: 25 May 2021