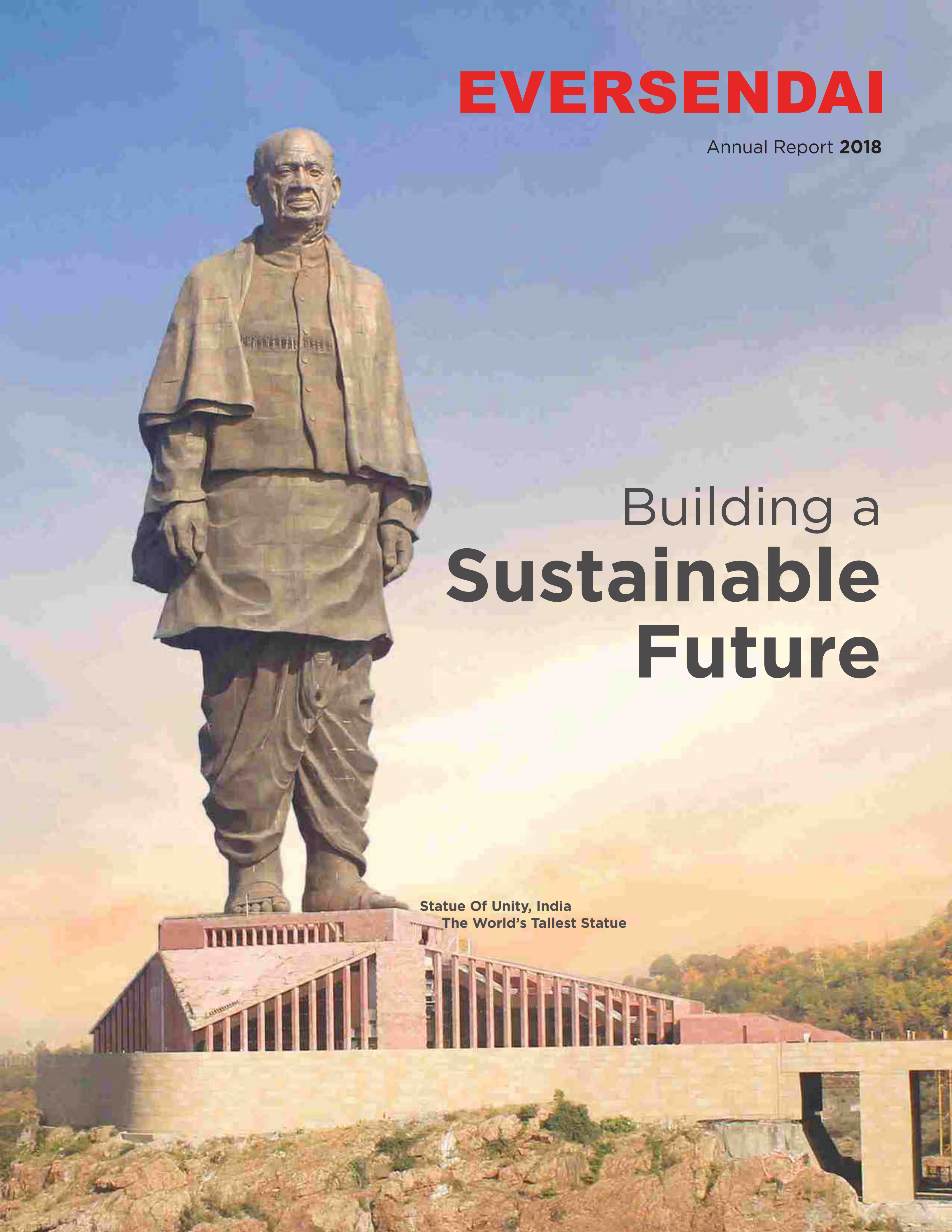
EVERSENDAI

Annual Report **2018**

Building a **Sustainable Future**



Statue Of Unity, India
The World's Tallest Statue

INSIDE THIS REPORT

16th

Annual General Meeting of

EVERSENDAI CORPORATION BERHAD

WHERE

Function Room 2
1st Floor, Main Lobby
TPC Kuala Lumpur
10 Jalan 1/70D
Off Jalan Bukit Kiara
60000 Kuala Lumpur

WHEN

29 May 2019, Wednesday

TIME

3.00 p.m.

ABOUT EVERSENDAI

BUSINESS PERFORMANCE REVIEW

CORPORATE FRAMEWORK

SUSTAINABILITY REPORT

TRANSPARENCY

FINANCIAL REVIEW

ACCOUNTABILITY

Multimedia version of our annual report :

- You can view or download our annual report via this link: http//ir.chartnexus.com/eversendai/docs/ar/ar2018.pdf

- You can also scan the QR Code on the left with your smartphone or tablet to download this annual report onto your device.

Vision

To be a global leader by innovating, excelling and sustaining with our core values in new frontiers.

Mission

- We aim to deliver sustainable value to our stakeholders by fulfilling our commitment to our clients while strengthening and forging new ties.
- We endeavour to maintain and enhance consistent performance, work culture and standards.
- We strongly believe in maximising the value of human capital and aligning it with company initiatives as a fundamental element of our business objectives.

4 Core Values

Compliance to Safety

Adherence to Schedule

Conformance to Quality

Consistent Client Satisfaction

Our Expertise

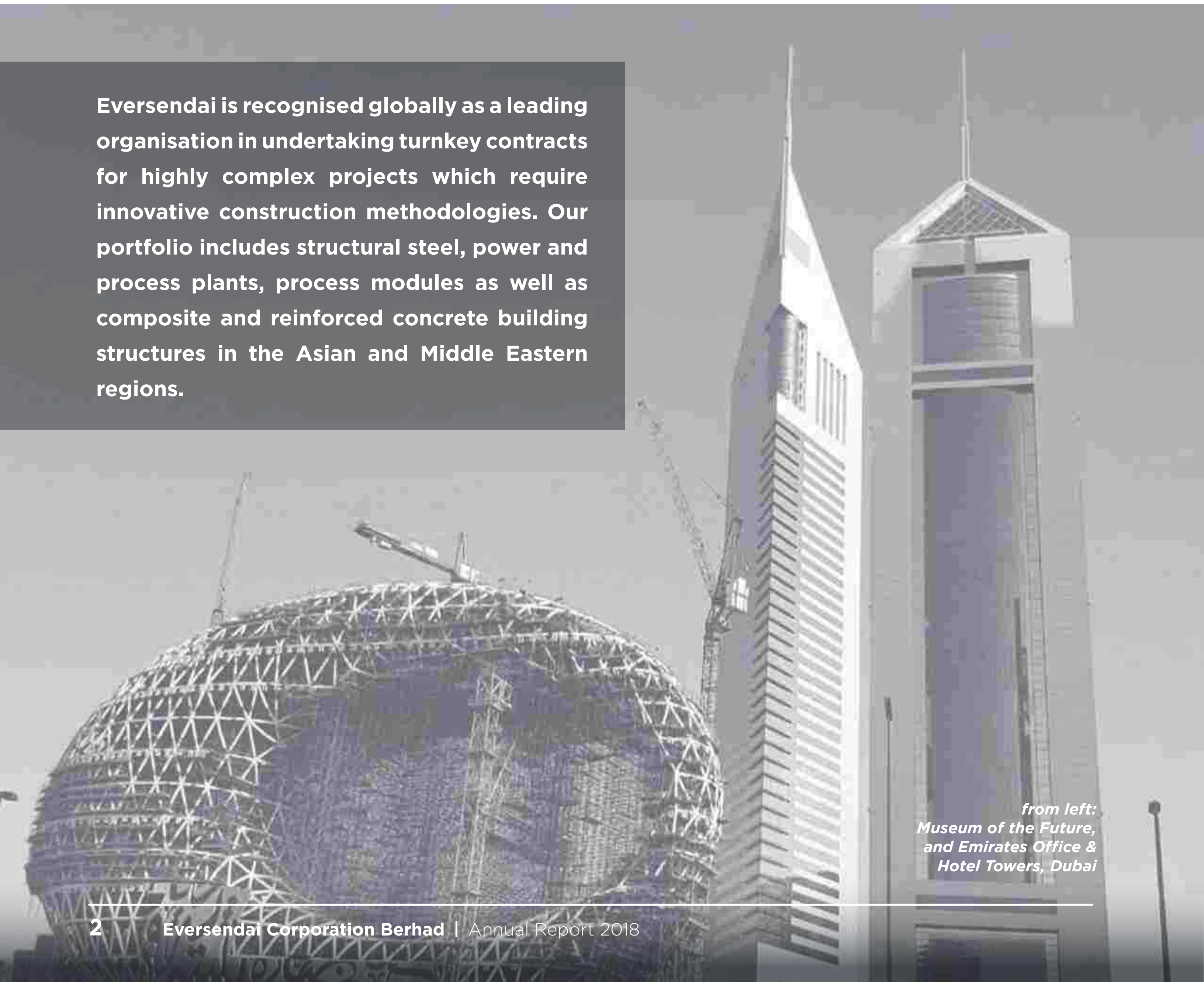
1 Structural Steel Design & Engineering

2 Structural Steel Supply, Fabrication & Erection

3 Composite Structure & Building Construction

4 Mechanical Fabrication, Installation & Modularisation

Eversendai is recognised globally as a leading organisation in undertaking turnkey contracts for highly complex projects which require innovative construction methodologies. Our portfolio includes structural steel, power and process plants, process modules as well as composite and reinforced concrete building structures in the Asian and Middle Eastern regions.



from left: Museum of the Future, and Emirates Office & Hotel Towers, Dubai

Our Expertise (Cont'd)

Structural Steel Design & Engineering

We provide professional, innovative, proactive and effective structural engineering solutions that bring challenging and complex structural designs into reality. We also provide qualified expertise and professional knowledge for a wide range of structural and infrastructural projects with our highly trained and experienced team of qualified engineers coupled with contemporary computer software and design techniques. Our full-fledged engineering capabilities deliver effective outcomes by offering a comprehensive range of professionally-qualified, technically-sound structural engineering services such as detailed design and construction engineering, value engineering, connections design, erection engineering, BIM (Building Information Modeling), 3D detailing and innovative construction methodologies for the entire spectrum of structural steel projects to meet its unique needs.

Structural Steel Supply, Fabrication & Erection

Our strategically located state-of-the-art steel fabrication facilities, which are equipped with highly skilled manpower along with advanced CNC controlled machineries, are capable of fabricating highly complex structures. We also carry out trial/control assemblies on the fabrication shop floors for all the complex structures in order to avoid any mismatches during erection so all pieces will fit with ease without any complications at the respective project sites. We source raw steel materials from reputable and renowned rolling mills from all over the world for all our projects in advance without compromising on specifications and quality. Our group of companies' overall annual fabrication capacity exceeds over 204,000 tonnes.

Our highly skilled project execution teams have completed many iconic projects across the globe by adopting innovative erection techniques including highly complicated strand jacking/sliding methods to lift heavy structures to the required heights. Our past projects' execution track record includes high-rise buildings, major airports, shopping malls and industrial structures. We have all the required credentials in our armoury to build the tallest, largest and longest structures in the world.

Our innovative construction methodologies have resulted in the successful and safe completion of several iconic landmark structures across the globe, which are the pride of their respective nations. This has led to the creation of our unparalleled reputation with matchless track record.

Composite Structure & Building Construction

Eversendai promotes innovation and modular construction using composite materials such as steel and concrete for high-rise buildings. We also undertake concrete building structures in certain countries to diversify and enhance our strength and expertise in line with our vision and company growth strategies.

Mechanical Fabrication, Installation & Modularisation

We undertake EPCC projects and have gained extensive experience in the mechanical fabrication, installation and modularisation of pressure parts and non-pressure parts, piping, electrical and instrumentation, tanks, conveyor systems and installation of auxiliary equipment. We also have experience in and the capability of fabricating and constructing self-propelled jack-up barges/ liftboats, offshore buildings, process modules, topsides, jackets and piles.

Our Presence

Our Presence (Cont'd)

Eversendai Corporation Berhad ("Eversendai") is one of the most sought after structural steel turnkey and mechanical fabrication, installation and modularisation contractors in the world, having served clients in over 16 countries which include Malaysia, Singapore, Indonesia, Thailand, Philippines, United Arab Emirates, Oman, Kingdom of Saudi Arabia, Azerbaijan, Qatar, India, Kuwait, Algeria, Bahrain, Vietnam and Hong Kong. Over the years, Eversendai Group has garnered an enviable reputation in the industry by executing many prestigious and complex projects, both locally and internationally.

Projects	
Malaysia	Singapore
Indonesia	Thailand
Philippines	Oman
United Arab Emirates (UAE)	Azerbaijan
Saudi Arabia	India
Qatar	Algeria
Kuwait	Bahrain
Vietnam	Hong Kong

Fabrication Facilities		
Rawang, Selangor	-	Malaysia
Chachoengsao	-	Thailand
Trichy, Tamil Nadu	-	India
New Industrial Area Doha	-	Qatar
Hamriyah Free Zone, Sharjah	-	UAE
Al Qusais Industrial Area 1, Dubai	-	UAE
RAK Maritime City, Ras Al Khaimah	-	UAE

Chairman's Statement

Dear Valued Shareholders,

Eversendai Corporation Berhad ("Eversendai") sustained its profitability during Financial Year 2018 ("FY2018") in the midst of an increasingly challenging and competitive market environment.

Nevertheless, I am proud to note that Eversendai successfully completed the world's tallest statue in India, the 'Statue of Unity' which is a highly-complex and prominent landmark standing at 182 metres and we have embarked on expanding our facility in India to support the growing business. We delivered the first-ever Malaysian built and owned liftboat, the 'Vahana Aryan', which secured its maiden charter contract working on Saudi Aramco projects in Saudi Arabia and it was the first time we executed a full-scale Engineering, Procurement, Construction and Commissioning ("EPCC") project for an offshore building in Kuwait.

With sheer determination and commitment, we are confident of building a sustainable future going forward. We are blessed with a competent and reliable workforce possessed with exemplary engineering talent and with state-of-the art fabrication facilities to undertake any highly complex structures in the world which we are well known for.

Eversendai's resilience is augmented by its vision, mission, core values and corporate philosophy to sustain us through competitive times, changing environments, as well as sudden economic and market condition changes. Our Motto is to not compromise on safety, quality of workmanship and on time delivery. With that, we have gained the trust of our satisfied and faithful clientele and earned an admirable reputation to win repeat projects.

We are now poised to bank on our impressive portfolio and capitalise on new opportunities not only in markets where we have an established presence but also new economical growth markets.

With this, I have the pleasure and privilege to present on behalf of the Board of Directors ("the Board") the Annual Report and Audited Financial Statements of Eversendai Corporation Berhad for the financial year ended 31 December 2018.

Total Revenue in FY2018

RM1.71billion

(FY2017: RM1.81 billion*)

Profit Before Tax in FY2018

RM79.4million

(FY2017: 104.5 million*)

Profit for the Year in FY2018

RM73.5million

(FY2017: RM87.1 million*)

* FY2017 figures are restated

Piramal Revanta, India

Chairman's Statement (Cont'd)


Vahana Aryan Sea Trial

Launched The Sea Trial of

Vahana Aryan

in **March 2018**

FINANCIAL RESULTS

Eversendai achieved revenue of RM1.71 billion during the year in review, representing a drop of 5.5% over RM1.81 billion recorded in Financial Year 2017 ("FY2017"). The lower revenue resulted from delays in project commencement, longer than expected time frame to secure new contracts, and slower progress in some projects.

The dip in revenue led to lower profit recognition with Profit Before Tax ("PBT") down by 24.0% at RM79.4 million compared with RM104.5 million in FY2017 and Profit for the Year reduced by 15.5% to RM73.6 million against RM87.1 million the previous year. In addition, profits were also impacted by unrealised gains in foreign exchange.

The Middle East continued to contribute the lion's share of our business with a 56.8% share of total revenue (up 1.6% points from 55.2% in FY2017) from Structural Steel Works, and a further 15.7% (FY2017: 14.5%) from Mechanical Fabrication, Installation and Modularisation operations solely in this region.

The contributions from Structural Steel Works in Southeast Asia and India were marginally lower at 14.8% (FY2017: 15.7%) and 12.7% (FY2017: 14.6%) respectively during the year in review. In terms of profits, the Middle East contributed RM75.2 million to PBT and India RM1.9 million with Southeast Asia contributing RM20.8 million.

Eversendai achieved an Earnings Per Share ("EPS") of 9.0 sen as compared with 11.0 sen the previous financial year. As at 31 December 2018, the Shareholders' Funds stood at RM970.3 million against RM897.3 million in FY2017.

Middle East

56.8%
Structural Steel Works
(FY2017: 55.2%)

15.7%
Mechanical Fabrication,
Installation & Modularisation
(FY2017: 14.5%)

Southeast Asia & India

27.5%
Structural Steel Works
(FY2017: 30.3%)

Chairman's Statement (Cont'd)

FINANCIAL RESULTS (CONT'D)

- **Dividend**

  The Board does not recommend any dividend for the year in review in order to develop a strong financial and investment position intended to capitalise on new growth opportunities for Eversendai. The Board is confident that its approach on this issue will bear fruit in the years to come and generate sustained returns for our stakeholders.

PROSPECTS IN 2019 AND BEYOND

Eversendai remains optimistic over our prospects in the new financial year ("FY2019") despite an anticipated slowdown in global economic growth, with the International Monetary Fund ("IMF") forecasting 3.5% for 2019 from 3.7% the year before.

Our confidence is anchored in the positive growth forecasts for our main markets of the Middle East, Southeast Asia and India. GDP in the United Arab Emirates is projected to grow by 3.7% in 2019 (2018: 2.9%) and impact favourably on the construction sector.

Malaysia, which is our dominant market in Southeast Asia, is also projected to expand its economy by 4.9% in 2019 from 4.8% the previous year, according to the Ministry of Finance's Economic Outlook 2019. However, the recent deferment and downsizing of mega projects such as the East Coast Rail Link ("ECRL"), the High-Speed Rail ("HSR") and Mass Rapid Transit ("MRT") phases 2 and 3 have served to dampen the construction sector. This was somewhat softened by an allocation of RM54.7 billion as development expenditure in Budget 2019, which could result in new projects.

In Singapore, construction demand is expected to remain strong in 2019 with new projects valued at between SGD27 billion and SGD32 billion, which is comparable to the preliminary estimate of SGD30.5 billion awarded in 2018. In addition, construction firms are being supported by a new funding framework called BuildSG Transformation, a manpower scheme to facilitate the transformation of the built environment sector.

Order Book

≈ **RM2.4billion**

as of April 2019

Likewise, the Indian economy is forecast to expand by an estimated 7.5% in 2019 with the pace of construction showing no signs of slowing down.

Given the positive outlook in our areas of operation, Eversendai expects to grow revenue and profits in FY2019. I am pleased to note that we have already secured new contracts worth RM602 million by April 2019, bringing our Order Book close to RM2.4 billion worth of projects. Currently, we have 50 on-going projects in the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Thailand, India, Singapore and Malaysia.

In the meantime, we are supporting our operations with improvised management, introducing better internal and cost controls with prudent financial management to improve the bottom line.

Eversendai will always drive to maintain its focus on issues within our sphere of influence as opposed to external forces beyond our control. We will remain true to our core values, corporate philosophy and forward-looking strategies as we pursue opportunities to achieve all our business goals and sustain value to our shareholders.

SUSTAINABILITY

I am pleased to report that Eversendai is gaining ground in embedding sustainability at every level of our operations and activities. We understand the value of sustainable development as the driving force to meet our business aspirations while at the same time addressing the needs of all our stakeholders, from shareholders and investors to our customers, employees, partners, vendors and the communities in which we operate.

Our efforts to drive corporate sustainability are explored in detail in the Sustainability Section of this Annual Report.

**Source: IMF | Source: Statista.com | BCA.gov.sg*

ACKNOWLEDGEMENT

I would like to express my sincere appreciation to my fellow Board members, partners and all stakeholders for their continuous support and encouragement as we forge ahead to build a more dynamic business and be a more responsible corporate citizen. My gratitude also goes out to all employees and management of Eversendai for staying on course through this challenging year and contributing to our performance.

Finally, thank you to our esteemed shareholders for your trust, patience, and continuous confidence in our Company. We hold the responsibility that you have entrusted to us in high regard and we shall endeavour to deliver a better FY2019.

Tan Sri Dato' A K Nathan Elumalay

Executive Chairman & Group Managing Director

Merdeka PNB 118, Malaysia

ICD Brookfield Place, Dubai

Al Shams Sky Tower, Abu Dhabi

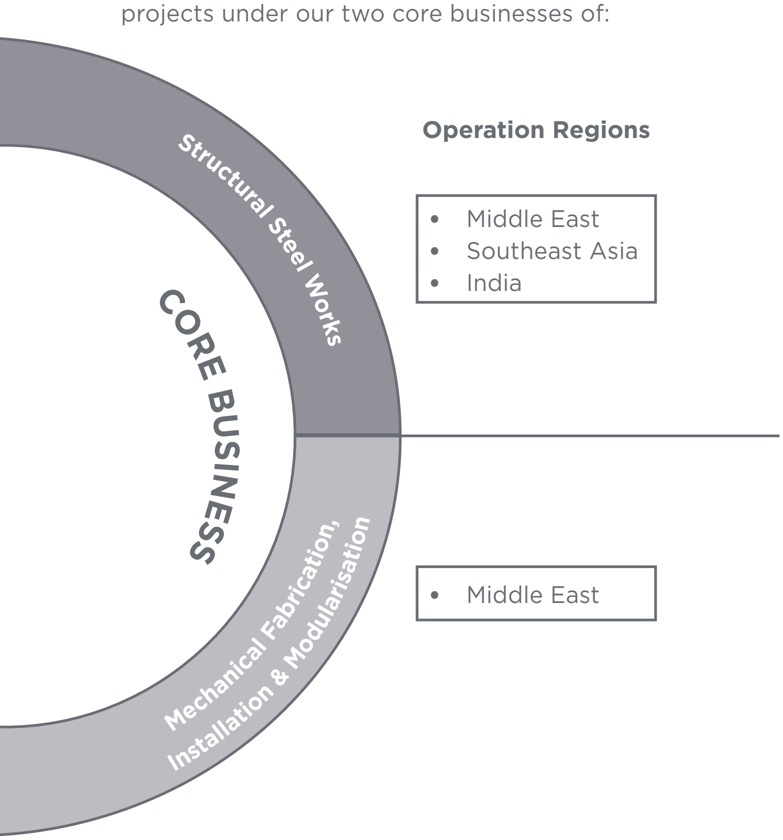
Management Discussion and Analysis

EVERSENDAI BUSINESSES

Eversendai Corporation Berhad ("Eversendai") is a provider of engineering and construction services specialising in structural steel for high-rise buildings, infrastructure and power plants facilities. We have an impressive portfolio of more than 300 contracts including projects for the world's tallest building, Burj Khalifa, and the Burj Al Arab in Dubai, the Petronas Twin Tower 2 in Kuala Lumpur, Qatar National Museum in Qatar, Kingdom Centre in Saudi Arabia and Republic Plaza in Singapore.

Eversendai has an established presence in the Middle East, Southeast Asia and India with a dedicated workforce of over 15,000 people and 7 fabrication plants in Malaysia, Dubai, Sharjah, Qatar, Ras Al Khaimah, India and Thailand capable of producing 204,000 tonnes of steel per annum.

As at 31 December 2018, Eversendai has 50 on-going projects under our two core businesses of:



In the past 35 years, Eversendai has accrued a comprehensive range of expertise and experience in integrated construction encompassing structural steel fabrication and erection, composite and concrete buildings, mechanical fabrication, installation and modularisation works.

FINANCIAL REVIEW

Eversendai achieved healthy financial results for the second year running despite an increasingly challenging global economic landscape and competitive market environment.

Our performance for Financial Year 2018 ("FY2018") could not match the heights reached the year before when we rebounded strongly from a sub-par FY2016 to achieve record revenue and the highest profits over the previous five years.

Nevertheless, Eversendai is well-placed to sustain this growth momentum in the years to come, having secured contracts worth RM1.44 billion to bring our order book to RM2.25 billion as at 31 December 2018.

Revenue

Eversendai recorded revenue of RM1.71 billion during the year in review, which was 5.5% lower than RM1.81 billion in FY2017. The lower revenue resulted from delays in project commencement, longer than expected timeframe to secure new contracts, and slower progress in some projects.

Structural Steel Works continued to be our dominant business segment, contributing 84.3% to revenue with 56.8% from the Middle East, 14.8% from Southeast Asia and 12.7% from India. The remaining 15.7% share of revenue came from Mechanical Fabrication, Installation and Modularisation operations in the Middle East. In terms of regional contribution to revenue, the Middle East remained our largest market with 72.5%.

Management Discussion and Analysis (Cont'd)

FINANCIAL REVIEW (CONT'D)

Profits

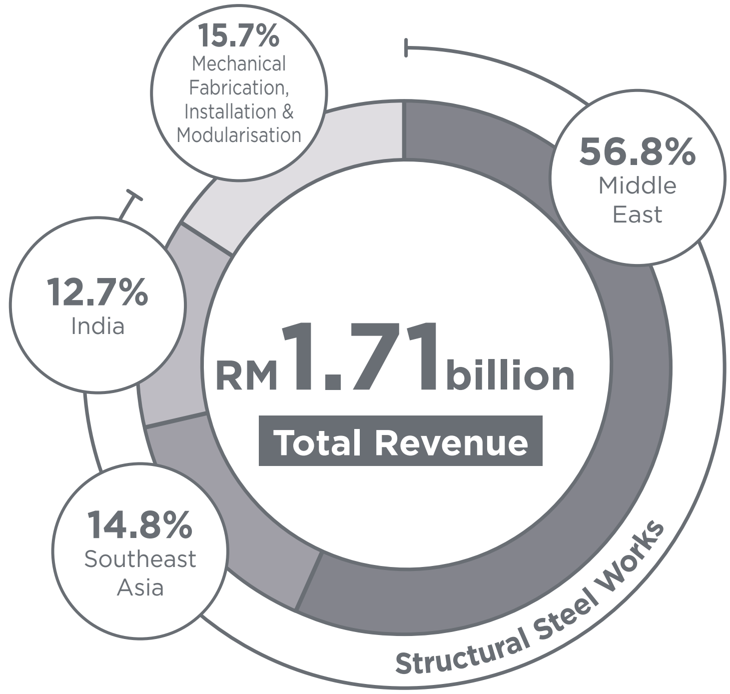
The dip in revenue led to lower profit recognition with profit before tax ("PBT") down by 24.1% at RM79.4 million compared with RM104.5 million in FY2017 and Profit for the Year reduced by 15.5% to RM73.6 million against RM87.1 million the previous year. In addition, profits were also impacted by unrealised gains in foreign exchange. In terms of profits, the Middle East contributed RM75.2 million to PBT and India RM1.9 million with Southeast Asia contributing RM20.8 million.

Earnings per share ("EPS") dropped to 9.0 sen from 11.0 sen the year before.

Shareholders' Equity, Assets & Dividend

The Shareholders' Funds closed the financial year at RM970.3 million against RM897.3 million in FY2017, representing an increase of 8.1%. Our net tangible assets as at 31 December 2018 grew to RM959.1 million, 8.3% more than RM885.2 million as at the end of the previous financial year. Net tangible assets per share was 1.23 compared against 1.13 the year before.

The Board does not recommend any dividend for the year in review in order to develop a strong financial and investment position intended to capitalise on new growth opportunities for Eversendai. The Board is confident that its approach on this issue will augur well in the years to come to continue creating sustainable value for all our stakeholders.



Revenue

Structural Steel Works
84.3%

Mechanical Fabrication, Installation & Modularisation
15.7%

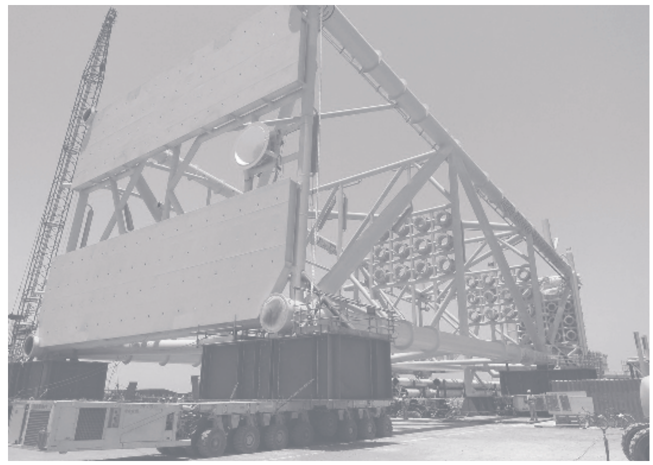
Management Discussion and Analysis (Cont'd)

REVIEW OF OPERATIONS

Eversendai continued to break new ground in innovation and make headway in enhancing our capabilities during the year in review. For our Structural Steel Works business, we completed the world's tallest statue, 'Statue of Unity' in India, which is an intricate landmark standing at 182 metres.

FY2018 was also the busiest year for our Mechanical Fabrication, Installation and Modularisation business with the Ras Al Khaimah fabrication yard completing the self-propelled jack-up 'Vahana Aryan', the first-ever Malaysian-built and owned liftboat. This fabrication yard also delivered 10 units of offshore jackets for national oil company Saudi Aramco and an offshore module for Kuwait.

These milestones have served to strengthen our reputation as a trusted and top-tier provider of engineering and steel construction solutions, which we can leverage on to pursue future opportunities in our key regions as well as other markets.



Saudi Aramco Jacket, Saudi Arabia

STRUCTURAL STEEL WORKS

Revenue

56.8%

The Middle East operations achieved revenue of RM968.0 million in FY2018

MIDDLE EAST

Operations in this region contributed RM968.0 million (56.8%) to Eversendai's revenue, which was marginally lower than RM999.5 million the year before. As at end FY2018, we have 14 major on-going projects here including the DIFC ICD Brookfield Place, Museum of the Future in Dubai, Riyadh Metro, King Abdullah Financial District Iconic Station in Saudi Arabia and the Sabah Al-Salem Kuwait University City project.

United Arab Emirates (UAE)

FY2018 ranked among the best years for Eversendai in UAE, as the company comfortably surpassed its targets in securing contracts, owing to excellent project management and cost control. We secured an additional 9 projects over and above 5 existing ones while also completing 4 projects during the year in review which are the Tiara United Towers, Al Mariyah Central, Warner Bros Theme Park and the Expo 2020 shade mock-up structure.

REVIEW OF OPERATIONS (CONT'D)
STRUCTURAL STEEL WORKS (CONT'D)

Saudi Arabia

Eversendai in Saudi Arabia met its target for FY2018. Structural steel works for a bridge and arches project were secured in FY2018 along with 4 on-going projects.

Qatar

During the year in review, Eversendai in Qatar performed on par with FY2017. We secured 4 projects in FY2018 to add to 4 already in the works while completing another 7 including the Al Wahda Arches, Doha Metro Major Stations, Al Wakrah ITS Gantries, Viva Bahriya, Doha Industrial Area ITS Gantries, Marina COM 20 and Doha Oasis Tower Fit-out.

Kuwait

Eversendai in Kuwait performed better in FY2018. Currently, there is 1 on-going project which is the Sabah Al-Salem Kuwait University City in this region. We have tendered for a few new projects which are in the pipeline..

Qatar Faculty of Islamic Studies, Qatar

Burj Al Arab Jumeirah, Dubai

Management Discussion and Analysis (Cont'd)

REVIEW OF OPERATIONS (CONT'D)
STRUCTURAL STEEL WORKS (CONT'D)

Revenue

14.8%

The Southeast Asia operations achieved revenue of RM251.9 million in FY2018

SOUTHEAST ASIA

This region contributed RM251.9 million (14.8%) to Eversendai's revenue as compared to RM284.2 million the previous financial year, with Malaysia maintaining its status as Southeast Asia's largest market.

Malaysia

We secured 6 new contracts in FY2018 on top of 5 on-going projects including power plants and a pedestrian bridge for our earliest flagship project, Kompleks Dayabumi.

Singapore

Eversendai re-entered Singapore after a 10-year hiatus with the Singapore State Courts project in 2016 which is expected to be completed in FY2019. In FY2018, we secured a 26-storey commercial building project. We are tendering for new projects and are confident to win a few.

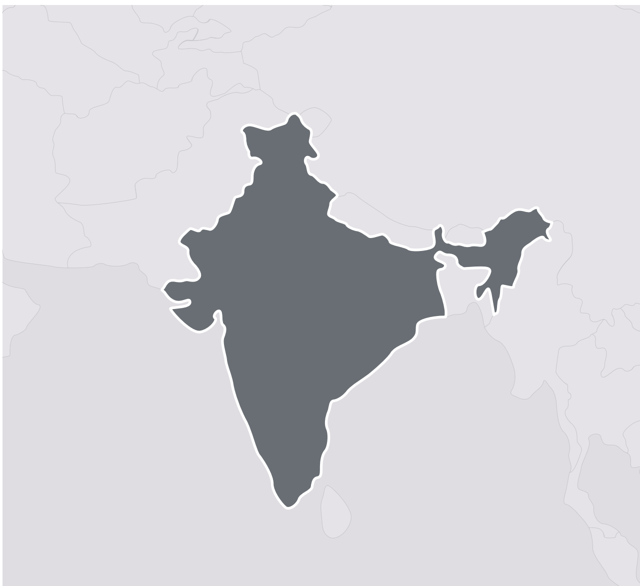
Thailand

Eversendai ventured into Thailand in December 2015 via a 70% stake in S-Con Engineering Co. Ltd, now known as Eversendai S-Con Engineering Co. Ltd. ("ESECL"). ESECL was awarded its maiden project to construct a power plant in 2016 and this was completed in FY2018. No new projects were awarded in FY2018.

Mae Moh Unit 4, Thailand

Management Discussion and Analysis (Cont'd)

REVIEW OF OPERATIONS (CONT'D)
STRUCTURAL STEEL WORKS (CONT'D)



Revenue

12.7%

India operations achieved revenue of RM216.1 million in FY2018

Marathon Futurex, India

DLFT IT Park, India

INDIA

Eversendai in India posted a lower revenue by 18.5% of RM216.1 million against RM265.1 million the previous year due to rescheduled commencement for several projects. We completed 4 projects during the year in review, with another 17 in various stages of completion.

Notwithstanding the financial performance, we have a healthy order book for this region, with 8 new projects secured in FY2018 including a 41-storey commercial tower, DLF IT Park, a 45-storey high-rise residential tower in Worli, a railway bridge project, a state-of-the-art secretariat building featuring a 49-storey and two 47-storey towers as well as an IT and real estate project.

In the meantime, we are placing emphasis on timely project execution, good cash flow management and human capital development to enhance our cost competitiveness. In addition, we are taking on jobs from different states as a hedge against regional market fluctuation.

Management Discussion and Analysis (Cont'd)

REVIEW OF OPERATIONS (CONT'D)
MECHANICAL FABRICATION, INSTALLTION & MODULARISATION

KIPIC Building, Kuwait

Process Module

Eversendai's wholly-owned subsidiary, Eversendai Offshore RMC FZE, recorded revenue of RM268.1 million which is slightly higher than FY2017 revenue of RM262.6 million, representing 15.7% of Eversendai's revenue.

The company's financial performance during the year in review continued to be positive. There are huge projects to be rolled out by Saudi Aramco for mechanical fabrication, installation and modularisation works. Experience gained from meeting the industry's high standards and barriers of entry by competitors has put us in an advantageous position to secure future projects.

In efforts to augment its portfolio, the company broke new ground in several areas during the year in review. Among them were successfully completing and delivering the self-propelled jack-up/liftboat, other projects for Saudi Aramco and a full-scale Engineering, Procurement, Construction and Commissioning ("EPCC") project to construct an offshore building in Kuwait.

Revenue

15.7%

Mechanical Fabrication, Installation & Modularisation achieved revenue of RM268.1 million in FY2018

The company secured one project in FY2018 to fabricate and assemble leg sections for the Offshore Wind Installation Jack-Up Vessel (Deme Innovation) located in Europe. Meanwhile, we have re-modelled our operations and resources to undertake structural steel projects and selective Mechanical Fabrication, Installation and Modularisation projects to ensure positive contribution to Eversendai.

Management Discussion and Analysis (Cont'd)

RISKS AND MITIGATING PROCESSES

Liquidity Risk

Eversendai manages its liquidity risks so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, Eversendai maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. Eversendai also raises committed funding from financial institutions and balances its portfolio with some short-term funding to achieve overall cost-effectiveness.

Political, Regulatory and Economic

Our financial and business prospects and the industry in which we operate are closely linked to the developments in the political, economic and regulatory conditions in countries where we operate or intend to operate. Eversendai Group of companies have and will continue to take effective and adequate measures to mitigate such risks. Eversendai's current significant operations are located in countries that are economically and politically stable.

Exposure to Liabilities for Contract Claims

In the past and as at this reporting period, Eversendai has not been affected by any liability arising from our exposure to contracts undertaken and will not have any material adverse effect on Eversendai's financial position, business and operations.

Business and Project Risks

Eversendai is engaged in the construction industry and depends on securing new contracts for our business and growth.

The structural steel engineering sector that we are involved in is highly dependent on the economies of the countries we operate in and the cyclical nature of the industry. Delay or failure to complete contractual work will potentially affect our net profits and reputation.

However, Eversendai has a good track record of successfully managing project risks in the past and will continuously conduct detailed studies to complete projects on schedule and to avoid project cost overruns.

Eversendai is renowned for its commendable track record for timely project completion conforming to quality and operational practices. With more than 35 years' experience as an industry leader, Eversendai will be able to manage these businesses and mitigate project risks, should such occurrences arise.

OUTLOOK

Global and Regional Perspective

Although global growth is expected to plateau through 2019 and 2020, economic prospects in our operational markets remain healthy with ample opportunities for progressive growth.

As a comparison, global growth is projected by the International Monetary Fund ("IMF") to taper off from 3.7% in 2018 to 3.5% in 2019 but growth is forecast to increase from 3.0% to 3.3% in the Middle East, from 4.8% to 4.9% in Malaysia   7.5% in India.

In addition, crude oil prices are primed to recover further in 2019 and this is expected to lead to many projects in the Gulf Cooperation Council ("GCC") countries, many of which will focus on commercial, infrastructure development, industrial, transportation, and tourism.

Sectorial and Market Specific Perspective

United Arab Emirates (UAE)

Dubai has many on-going infrastructure projects to accommodate the Expo 2020. UAE has allocated USD2.5 billion in its 2019 Budget for infrastructure projects to develop and upgrade its infrastructure and enhance Dubai's appeal as a preferred destination for business and tourism. We are exploring potential projects and are confident of securing new projects in the upcoming financial year.

Management Discussion and Analysis (Cont'd)

OUTLOOK (CONT'D)

Global and Regional Perspective (cont'd)

Qatar

Qatar's oil and natural gas resources are the country's main economic engine and government revenue source, driving Qatar's high economic growth and per capita income levels, robust state spending on public entitlements, and booming construction spending, particularly as Qatar prepares to host the World Cup in 2022. Although the Government has maintained high capital spending levels for on-going infrastructure projects, low oil and natural gas prices in recent years have led the Qatari Government to tighten some spending to help stem its budget deficit.

Qatar's reliance on oil and natural gas is likely to persist for the foreseeable future Despite the dominance of oil and natural gas, Qatar has made significant gains in strengthening non-oil sectors, such as manufacturing, construction and financial services, leading non-oil GDP to steadily rise in recent years to just over half the total.

Following trade restrictions imposed by Saudi Arabia, the UAE, Bahrain, and Egypt in 2017, Qatar established new trade routes with other countries to maintain access to imports. Eversendai has positioned itself well by localising its operations and owning a fabrication facility to cater to projects in Qatar.

Saudi Arabia

This economy appears to be the most active player in Middle East construction under on-going market reforms to diversify away from oil & gas. The market is expected to show significant growth in 2019 and offer lucrative projects according to the nation's 'Vision 2030' and National Transformation Plan ("NTP 2020"). In addition, the Government has announced new projects in the form of the Red Sea Development, NEOM and Qiddiya development and this represents potential business for Eversendai.

Singapore

Construction demand is expected to remain healthy in 2019 with new projects valued at between SGD27 billion and SGD32 billion which is comparable to the preliminary estimate of SGD30.5 billion awarded in 2018. In addition, construction firms are being supported by a new funding framework called BuildSG Transformation, a manpower scheme to facilitate the transformation of the built environment sector. The country is extensively promoting modular construction where Eversendai's strength lies.

Kuwait

Kuwait's economic performance has steadily improved over the past two years, and the outlook for growth remains broadly encouraging. The downgrade of oil price and Government reserves are large.

While Kuwait has potential in terms of long-term growth, its pace of construction has slowed in comparison with other regional economies. However, there are potential projects we are bidding for, and we will continue to look out for future prospects.

Malaysia

On the home front, the outlook appears to be a mixed bag with the deferment and downsizing of mega projects such as the East Coast Rail Link ("ECRL"), High Speed Rail ("HSR") and Mass Rapid Transit ("MRT") projects offset to a degree by a generous RM54.7 billion development allocation in Budget 2019. There are projects in the pipeline which Eversendai could capitalise and undertake.

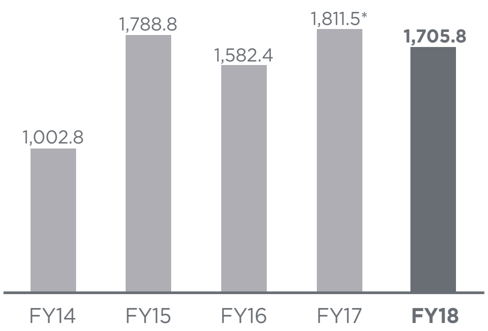
India

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10 to 15 years, backed by its strong democracy and partnerships. India has retained its position as the third largest start-up base in the world with over 4,750 technology start-ups. Additionally, India's labour force is expected to touch 160 to 170 million by 2020, based on rate of population growth.

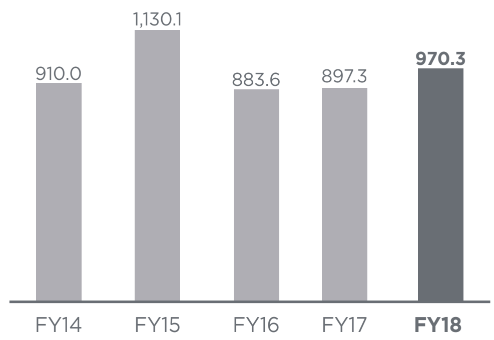
FY2019 looks promising as this market is gaining momentum with many projects expected to be launched following the resolution of lending issues with banks. The industry is expected to perform much better and provide ample opportunities for Eversendai. In particular, we are on the lookout for steel and composite construction projects, which offer good profit margins as well as better payment terms. We have started expanding our factory in Trichy to increase production capacity and have also taken steps to obtain a memorandum of understanding ("MoU") with local steel mills to secure better rates and timely delivery of raw materials.

5-Year Group Financial Highlights

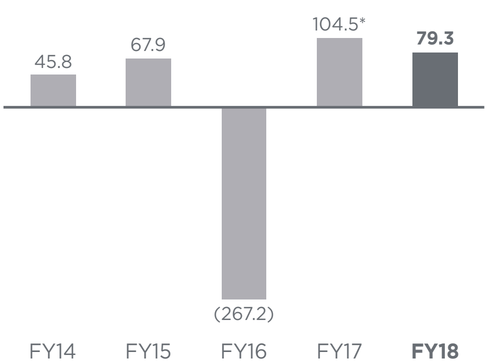
Revenue (RM' Million)



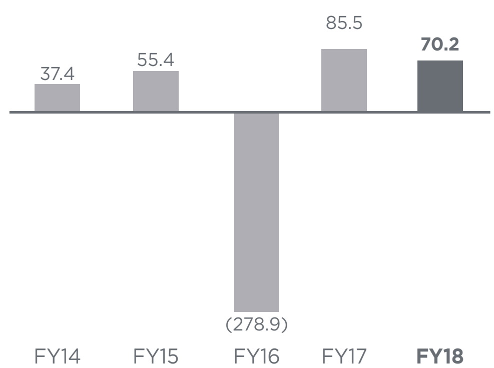
Shareholders' Funds (RM' Million)



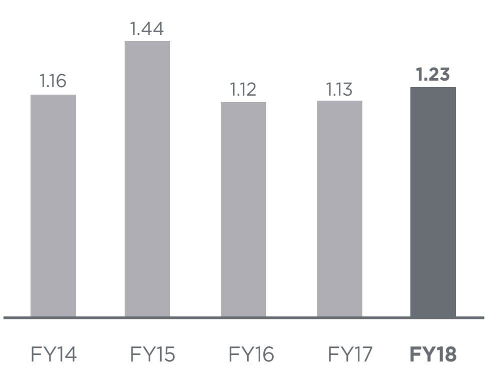
Profit Before Tax (RM' Million)



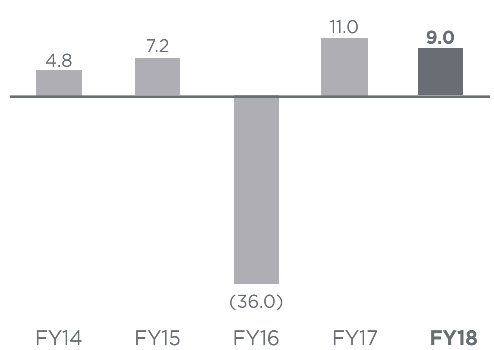
Profit After Tax After Minority Interest (RM' Million)



Net Tangible Assets Per Share (RM)



Net Earnings Per Share (Sen)



* FY2017 figures are restated

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' A K Nathan Elumalay
(Executive Chairman &
Group Managing Director)

Mohammad Nizar Bin Idris
(Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Independent
Non-Executive Director)

Datuk Ng Seing Liong PJN.JP
(Independent
Non-Executive Director)

Narla Srinivasa Rao
(Executive Director)

Narishnath Nathan
(Executive Director)

AUDIT COMMITTEE

Datuk Ng Seing Liong PJN.JP
(Chairman/Independent
Non-Executive Director)

Mohammad Nizar Bin Idris
(Member/Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

REMUNERATION COMMITTEE

Datuk Iskandar Bin Sarudin
(Chairman/Independent
Non-Executive Director)

Mohammad Nizar Bin Idris
(Member/Senior Independent
Non-Executive Director)

NOMINATION COMMITTEE

Mohammad Nizar Bin Idris
(Chairman/Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

Datuk Ng Seing Liong PJN.JP
(Member/Independent
Non-Executive Director)

RISK MANAGEMENT COMMITTEE

Mohammad Nizar Bin Idris
(Chairman/Senior Independent
Non-Executive Director)

Datuk Ng Seing Liong PJN.JP
(Member/Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

COMPANY SECRETARY

Cheok Kim Chee (MACS 00139)

REGISTERED OFFICE

Lot 19956, Jalan Industri 3/6
Rawang Integrated Industrial Park
48000 Rawang
Selangor Darul Ehsan, Malaysia
Telephone : +603 6091 2575
Fax : +603 6091 2577

CORPORATE OFFICE

Unit 9-1, Level 9, Menara Mudajaya
12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Telephone : +603 7733 3300
Fax : +603 7733 3351
Website : www.eversendai.com

PRINCIPAL BANKERS

Malaysia
- Alliance Bank Malaysia Berhad
- HSBC Amanah Malaysia Berhad
- United Overseas Bank (Malaysia) Berhad
- Bank of China (Malaysia) Berhad

Singapore
- United Overseas Bank Limited

India
- Bank of Baroda

UAE
- Abu Dhabi Commercial Bank
- Al Hilal Bank PJSC
- Commercial Bank International
- Dubai Islamic Bank (PJSC)
- Emirates Islamic Bank
- Emirates NBD Bank (PJSC)
- Export Import Bank of Malaysia Berhad
- First Abu Dhabi Bank (National Bank of Abu Dhabi)
- Gulf International Bank
- HSBC Bank Middle East Limited
- MashreqBank PSC
- Union National Bank
- United Arab Bank
- United Bank Limited

Qatar
- HSBC Bank Middle East Limited
- The Commercial Bank (Q.S.C.)

INDEPENDENT AUDITORS

Deloitte PLT (LLP0010145-LCA) (AF0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
Telephone : +603 7610 8888
Fax : +603 7726 8986

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia
Telephone : +603 7849 0777
Fax : +603 7841 8151 / 52
Email : Info.sg@boardroomlimited.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : SENDAI
Stock Code : 5205

Corporate Structure

EVERSENDAI

EVERSENDAI CORPORATION BERHAD (614060-A)

- **Eversendai Engineering LLC** (Azerbaijian)
- **Eversendai Construction WLL** (Kuwait)
- **Eversendai Construction LLC** (Dubai, UAE)
- **Eversendai Engineering LLC** (Dubai, UAE)
- **Eversendai Engineering Qatar WLL** (Qatar)
- **Eversendai Engineering LLC** (Abu Dhabi, UAE)
- **Eversendai Engineering FZE** (Sharjah, UAE)
- **Eversendai Engineering Saudi LLC** (Saudi Arabia)
- **Eversendai Engineering Pvt Ltd,** (Sri Lanka)
- **Eversendai Frontiers Pvt Ltd** (Mumbai, India)
- **Eversendai Construction (S) Pte Ltd** (Singapore)
  - **Eversendai Engineering Pte Ltd** (Singapore)
  - **Eversendai Construction Pvt Ltd** (Chennai, India)
  - **Eversendai S-Con Engineering Co. Ltd** (Thailand)
  - **Eversendai Steel-S Ltd** (United Kingdom)
- **Eversendai Engineering Sdn Bhd** (Malaysia)
- **Eversendai Offshore Sdn Bhd** (Malaysia)
  - **Eversendai Offshore RMC FZE** (Ras Al Khaimah, UAE)
- **Eversendai Constructions (M) Sdn Bhd** (Malaysia)
- **ECB Properties Sdn Bhd** (Malaysia)
- **Eversendai Resources Sdn Bhd** (Malaysia)

Profile of Directors

Tan Sri Dato' A K Nathan Elumalay
Executive Chairman

Age 63 M

Other posts held within the company:
Group Managing Director

Other posts held in external company (ies):
Nil

Appointed to the Board on:
12 August 2004

Tan Sri Dato' A K Nathan Elumalay, the founder of Eversendai, built the company from a modest structural steel erection company in Malaysia to one of the world's most sought after integrated structural steel turnkey contractors. His sheer determination, keen enthusiasm and acute attention to fine details have served as the driving power behind the development of the Eversendai Group.

Under his leadership, the company grew from strength to strength and spread its business from Malaysia to ASEAN, South Asia, the Middle East and North Africa. Some of the prominent structures built by Eversendai over the course of more than three decades of operations include the Petronas Twin Towers (Tower 2), Kuala Lumpur International Airport, Burj Al Arab, Burj Khalifa, Doha International Airport and Capital Gate Tower. He was also instrumental in establishing Eversendai's steel fabrication facilities in Rawang, Thailand, Dubai, Sharjah, Doha, Ras Al-Khaimah and Trichy. Eversendai produces a combined annual capacity of over 204,000 tonnes. Today, Eversendai has a workforce of over 15,000 in 9 countries and operates out of 15 offices.

His charismatic approach to business and the construction industry has earned him many accolades. Some notable ones are the Malaysian Entrepreneur of the Year 2008 from Ernst & Young, the CEO of the Year Award in 2008 by CIDB and the Lifetime Achievement Award for Leadership in Construction Industry by the World Chinese Economic Forum in 2015.

Tan Sri is also a prolific speaker and is often invited to deliver speeches at various seminars, forums, universities and conferences.

Mohammad Nizar Bin Idris
Senior Independent Non-Executive Director

Age 76 M

Other posts held within the company:
Nil

Other posts held in external company (ies):
- Independent Non-Executive Director of MCIS Insurance Bhd
- Chairman of CDC Consulting Sdn Bhd
- Chairman of Bechtel Bina (M) Sdn Bhd
- Board Member of FIDE FORUM

Appointed to the Board on:
1 June 2010

Encik Mohammad Nizar Bin Idris obtained his Bachelor of Law (Honours) Degree from the University of Singapore and was admitted as an Advocate and Solicitor of the High Court of Malaya. He attended the Advance Management Programme at Harvard University, Boston.

After his graduation, he served the Judicial and Legal Service of the Government of Malaysia. He was the Senior Federal Counsel advising the Government of Malaysia on Tax and Fiscal matters. He represented the Government on a number of major cases in the courts in Malaysia and at the Privy Council in London.

He was headhunted to join Royal Dutch Shell and he worked for Shell in Malaysia, United Kingdom and the Netherlands. He was the Head of the Legal Division of Shell International Petroleum Ltd in London responsible for Shell's investment, joint ventures, mergers and acquisitions worldwide. Before retiring from Shell, he returned to Malaysia to assume the position of Deputy Chairman and Executive Director of the Shell Companies in Malaysia. He was also the Chairman of Shell Chemicals.

Upon retirement, he was appointed as a director on the board of several public and private companies including Banking, Investment Banking, Insurance and Unit Trust Management companies.

He was the Chairman of Pacific & Orient Insurance Bhd and Fitters Diversified Bhd.

He was a Director of Khazanah Malaysia Bhd.

Profile of Directors (Cont'd)

Datuk Iskandar Bin Sarudin
Independent Non-Executive Director

Age 63 M

Other posts held within the company:
Nil

Other posts held in external company (ies):
- Director of Complete Logistic Services Berhad and Aeon Co. (M) Berhad
- Independent Director of AEON Malaysia Bhd

Appointed to the Board on:
22 August 2017

Datuk Iskandar Bin Sarudin began his career in the Malaysian Administrative and Diplomatic Service in 1979. He has served the nation in Jakarta, Indonesia and Lagos, Nigeria as the Second Secretary and First Secretary of the Embassy of Malaysia and High Commission of Malaysia respectively. He was then appointed as the Principal Assistant Secretary, Ministry of Foreign Affairs, Malaysia in 1989 before being tasked by the Ministry to establish Embassy of Malaysia in Republic of Chile and Sarajevo, Bosnia and Herzegovina. He has also served as High Commissioner of Malaysia to Sri Lanka, Republic of Maldives and Ambassador of Malaysia to the Republic of Philippines, People's Republic of China and Mongolia in addition to being appointed as Deputy Secretary General (Management Affairs), Ministry of Foreign Affairs in 2006. Datuk Iskandar Sarudin retired in 2015.

Datuk Ng Seing Liong PJN.JP
Independent Non-Executive Director

Age 64 M

Other posts held within the company:
Nil

Other posts held in external company (ies):
- Managing Director of Kota Kelang Development Sdn Bhd
- Senior Partner of S. L. Ng & Associates
- Past President and Patron of REDHA Malaysia (2006 - 2010)
- Member of the MIA Insolvency Committee
- Council Member and Honorary Treasurer of Insolvency Practitioners Association of Malaysia (IPAM)

Appointed to the Board on:
18 June 2010

Datuk Ng Seing Liong holds a Diploma in Commerce from Tunku Abdul Rahman College. He has more than 30 years of experience in the field of Audit, Receivership, Liquidation and Corporate Advisory Services. He is an active member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Certified Public Accountants. He holds a Fellow Member position with Association of Chartered Certified Accountants. In Malaysia, he is a Fellow Member of the Institute of Co-operative and Management Auditors Malaysia and Chartered Tax Institute of Malaysia. Internationally he holds an associate member position with the Institute of Chartered Secretaries & Administrators UK.

Profile of Directors (Cont'd)

Narla Srinivasa Rao
Executive Director

Age 51 M

Other posts held within the company:
Chief Operating officer, Group Structural Steel and Construction

Other posts held in external company (ies):
Nil

Appointed to the Board on:
26 May 2010

Mr. Narla Srinivasa Rao graduated in 1987 with a Diploma in Mechanical Engineering and has a Post Graduate Diploma in Business Administration from Manchester Business School, United Kingdom.

He started his career at Century Construction Pvt Ltd, India as a junior engineer where he gained valuable experience in fabrication and erection of structural steelwork and in hydro and coal-fired power plant construction. Subsequently joining Eversendai in 1993 as a site engineer. He held various positions within Eversendai before being appointed to his current position. He has played a major role in the successful execution of several major landmark projects for Eversendai.

Narishnath Nathan
Executive Director

Age 36 M

Other posts held within the company:
Chief Executive Officer, Group Energy

Other posts held in external company (ies):
Nil

Appointed to the Board on:
26 May 2010

Mr. Narishnath Nathan holds a Bachelor's degree in Business Information Technology (Honours) from Coventry University, United Kingdom. He first joined Eversendai Dubai in 2004, after which he was posted to Eversendai Qatar in 2006 as its General Manager where he, among others, set up Eversendai's fabrication facility and managed several other major projects. He was also instrumental in securing several large contracts for Eversendai.

He also served the company as Country Head/ Executive Director for the Indian operations representing 4 divisions i.e. Infrastructure, Engineering, Power and Fabrication. Today, he is the Chief Executive Officer of Eversendai's Group Energy Division.

He is the son of Tan Sri Dato' A K Nathan Elumalay, the Executive Chairman and Group Managing Director.

Notes:

- Save as disclosed, there are no family relationships between the Directors and/major shareholders of the Company.
- None of the Directors has any conflict of interest with the Company.
- All Directors maintain a clean record with regard to conviction for offences.

Key Senior Management Profiles

Anbu Jayabalan
Chief Executive Officer, India

Age 48 | M

Academic/Professional Qualification:
- B.Tech. Civil., M.E. Structures
- Executive Post Graduate Program in Finance from Indian Institute of Management (IIM) Kozhikode.

Office Location: Chennai, India

Date Appointed: 25 March 2015

Mr. Anbu has 28 years of experience in Business and Construction Management specialising in residential, commercial and infrastructure projects. Currently, he is spearheading Eversendai's Indian operations with project portfolio spread in Steel, Civil and Composite structures with the focus on end to end construction solutions. His previous positions prior to Eversendai include Vice President - Operations in a premier construction firm, leading project development and operations for the southern Indian region, inclusive of luxury category residential and commercial developments. Mr. Anbu has vast experience in Business Optimisation, managing large scale projects, handling PMCs and other consultants, delivering high quality projects in time and keeping the wellness of the stakeholders.

Pashmeena Bhatia
Chief Financial Officer, Middle East & CIS

Age 54 | F

Academic/Professional Qualification:
CPA, CMA Professional

Office Location: Dubai, UAE

Date Appointed: 2005

Ms. Pashmeena joined Eversendai in 1988. For 15 years, she has worked on planning, strategising and managing fiscal aspects of Eversendai's Middle East financial functions. She specialises in financial management, working capital management, raising finance, corporate finance, corporate performance management, internal controls, risk management, leadership qualities in treasury management and qualitative analysis.

Chandrasegran S P Uthirapathy
Chief Operating Officer, Eversendai Engineering Sdn Bhd

Age 58 | M

Academic/Professional Qualification:
- Bachelor's Degree in Electrical & Electronics Engineering
- Institution of Engineering & Technology, UK (Member)
- Registered as a Chartered Engineer (Engineering Council, UK)
- Institution of Engineers, Malaysia (Member)
- Registered as a Professional Engineer (Board of Engineers, Malaysia)

Office Location: Rawang, Malaysia

Date Appointed: March 2001

Mr. Chandrasegran has over 33 years' experience in the power plant construction industry and was responsible for the successful completion of several large power plant and other building & infrastructure projects. Prior to joining Eversendai, he was based in Singapore working in areas of tendering, costing, planning, negotiations, contract administration and project management of several power plant projects in Malaysia, Singapore and Indonesia. Prior to that, he spent 6 years as a Senior Consultant in an engineering consultation firm.

Key Senior Management Profiles (Cont'd)

Pandirajan Subramanian
Senior General Manager, Singapore Operations

Age 55 M

Academic/Professional Qualification:
Bachelor's Degree in Mechanical Engineering

Office Location:
Singapore

Date Appointed:
12 September 1992

Mr. Pandirajan has over 30 years' experience in Structural Steel works. Prior to joining Eversendai Singapore in September 1992, he has worked with IISC Engineers for various projects in India which include Fabrication and Installation of Mobile Service Tower for Polar Satellite Launch Vehicle (PSLV) - Sriharikota, TATA Cement plant in Madhya Pradesh and Upper Sindh Hydel Project in Kashmir. He has worked 14 years in Singapore as General Manager and successfully completed various high-rise composite structure buildings from 20 to 66 floors building before being transferred to Qatar for 7 years to undertake and complete mega airport and industrial projects. Since then, he has been promoted to Senior General Manager and currently oversees the Structural Steel Division in South East Asia and Country Head for Singapore operations. He has vast experience and technical capabilities in the structural steel industry from inception of tender to costing, Engineering, Procurement, Fabrication, Erection until successful handover of projects.

Pardhasaradhi Chadalavada
Operations Director, Dubai & Abu Dhabi

Age 54 M

Academic/Professional Qualification:
B.Tech in Mechanical

Office Location:
Dubai, UAE

Date Appointed:
17 February 2016

Mr. Pardhasaradhi has over 30 years of experience in various segments of the construction industry. He first joined Eversendai in February 2006 as a Deputy General Manager and subsequently promoted as Commercial Director for the Middle East Operations and then as Operations Director/Country Head for the UAE operations. He has vast experience not only in the structural steel industry but also with many plant construction projects coupled with highly competent techno-commercial capabilities. Prior to joining Eversendai, he worked with several leading Indian construction companies in executing several major industrial and infrastructural project assignments in various sectors such as major steel plants, power plants, petrochemical plants, mining projects and other oil refineries in India.

Key Senior Management Profiles (Cont'd)

Muralidharan B
General Manager, Qatar Operations

Age 46 M

Academic/Professional Qualification:
Diploma in Civil Engineering

Office Location:
Doha, Qatar

Date Appointed:
1 April 2016

Mr. Muralidharan has 26 years of experience working in various segments of the construction industry. He first started his career as a Site Engineer in India and was involved in many architectural & industrial construction sectors. He later joined Eversendai in 1996 as a site engineer and held various positions within Eversendai before being appointed as the General Manager. He has executed numerous landmark and highly challenging projects across the Middle East, Malaysia and the Philippines.

Rajagopal Damodharan
General Manager, Sharjah Operations

Age 50 M

Academic/Professional Qualification:
Diploma in Mechanical Engineering

Office Location:
Sharjah, UAE

Date Appointed:
August 2008

Mr. Damodharan has 30 years of experience in various segments of the construction industry. He started his career in heavy structural fabrication activity for 8 years and later joined an international construction company as a project engineer for a refinery project in Surat, India. In 1996, he joined Eversendai as a Senior Project Engineer and held various positions within Eversendai before being appointed to the current position. He has been part of the successful execution of many landmark projects in the Middle East.

Paladugu Bhaskara Rao
General Manager, Saudi Arabia Operations

Age 52 M

Academic/Professional Qualification:
Licensiate In Mechanical Engineering

Office Location:
Riyadh, Saudi Arabia

Date Appointed:
1 January 2016

Mr. Rao has over 30 years of experience in structural steel fabrication and erection works. He started his career in India working on hydel power projects, penstock site fabrication, and installation works. He joined Eversendai in 1993 as a Site Engineer and was involved in the construction of various iconic buildings including malls, power plants, airports, etc. At present, he is managing Eversendai's Saudi Arabia operations for structural steel works which include design, connection design, fabrication and installation of complicated structures as well as fireproofing works and, roofing and cladding works through specialist contractors.

Key Senior Management Profiles (Cont'd)

P. Baskaran
General Manager, Kuwait Operations

Age 49 | M

Academic/Professional Qualification:
Diploma in Mechanical Engineering

Office Location:
Sharq, Kuwait

Date Appointed:
23 January 2017

Mr. Baskaran has a total of 29 years of extensive exposure and experience in the fields of Structural Steel and Plant construction. Innovative and Energetic Operations Professional with sound knowledge in Contracts and Commercial. He began his career in Mumbai, India as an Engineer with Mukand Engineers Limited, working in the areas of Structural Steel Fabrication, Erection, Erection of Rolling Mill (Rotary & Stationary) Equipment followed by testing, commissioning, cold and hot runs including other aspects for various rolling mill operations. He joined the Eversendai Group in 1994 as a Site Engineer in Malaysia and carried out various projects in different industry verticals across Malaysia and Singapore. Since 2003 he joined Eversendai as a Project Manager in Dubai and has been involved in various landmark projects in the UAE, Oman, India and currently in Kuwait.

Notes:

- Save as disclosed, there are no family relationships between the Key Senior Management and/or major shareholders of the Company.
- None of the Key Senior Management holds any Directorship in Public Listed Companies and listed issuers.
- None of the Key Senior Management has any conflict of interest with the Company.
- All Key Senior Management maintain a clean record with regard to conviction for offences.

Sustainability Report

About This Section

Eversendai Corporation Berhad ("Eversendai") is committed to drive its business operations and corporate activities towards sustainability. We manage the plans and processes to implement sustainability in key areas of our business and how they impact our stakeholders where we operate. Our sustainability performance during the year in review is presented in this report.

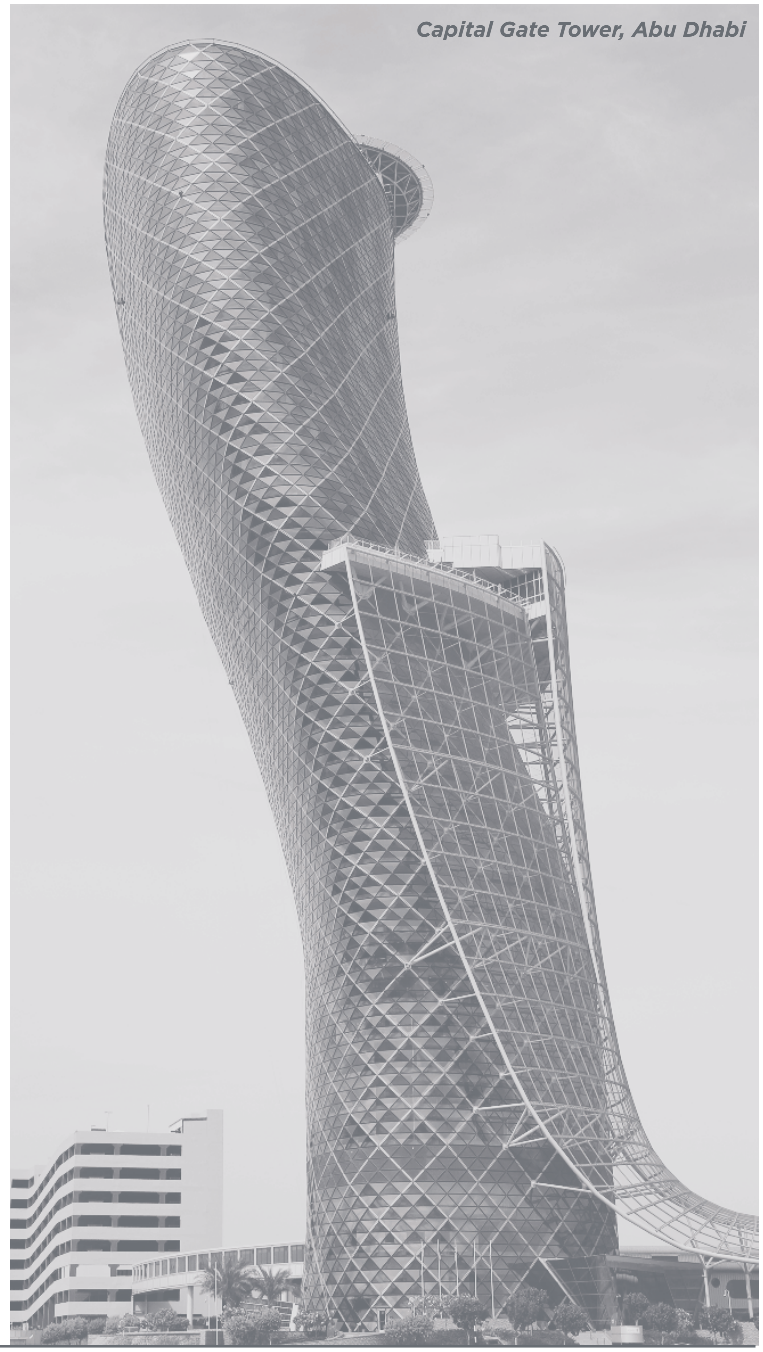
REPORTING PERIOD

1 January to 31 December 2018

REPORTING SCOPE

Eversendai is committed to reviewing, updating and reporting our sustainability performance on an annual basis. We are documenting relevant plans and implementing steps to embed and track the performance of sustainability measures in three key dimensions of Economic, Environment and Social, and the report covers Eversendai Group of Companies. However, it does not include any business operations carried out by Eversendai's joint venture partners or any other activities beyond our direct control. Our reporting adheres to the following guidelines:

- Bursa Malaysia Sustainability Reporting Framework
- GRI Sustainability Reporting Standards



Capital Gate Tower, Abu Dhabi

FEEDBACK

Eversendai looks forward to input by any parties on how we can improve our sustainability initiatives as well as our reporting. For any feedback and enquiries, please contact:

Tel No. : +603 7733 3300
Email : ir@eversendai.com

Sustainability in Eversendai

The history of Eversendai goes back to 1984, starting out humbly as a structural steel erection company and has since grown organically as a specialist in structural steel, composite and reinforced concrete building structures. Today, Eversendai has diversified into mechanical erection works for power, process modules as well as Engineering, Procurement, Construction and Commissioning ("EPCC") for oil and gas projects.

Eversendai, a Malaysian inspiration and an epitome of excellence, has come a long way from humble beginnings to become one of the world's sought-after contractors. Eversendai attributes this success to the prudent management team and our employees who have gone the extra mile through a sense of responsibility, loyalty, commitment and dedication for shared goals and vision to achieve what it is today.

Eversendai's proven competence of high-profile projects in the world has served clients covering 16 countries which include Malaysia, Singapore, Indonesia, Thailand, Philippines, the United Arab Emirates, Oman, Kingdom of Saudi Arabia, Azerbaijan, Qatar, India, Kuwait, Bahrain, Hong Kong and the United Kingdom. We have a dedicated workforce of over 15,000 people working in 9 countries at 15 offices. We own and operate 7 fabrication facilities located in Malaysia, Dubai, Sharjah, Ras Al Khaimah, Qatar, India and Thailand with an annual production capacity of 204,000 metric tonnes of fabricated steel. With our state-of-the art fabrication facilities, we have constructed some of the world's most iconic landmarks and highly complex structures to create an enviable reputation.

Eversendai places considerable emphasis not to compromise on safety, quality of workmanship and timely delivery irrespective of the country in which we operate. Eversendai's in-house quality control and quality assurance department adheres strictly to the technical requirements and specifications, schedules and procedures of inspection and testing stipulated in the project quality management plans.

Workforce of over
15,000 People

9 Countries

15 Offices

High Profile Projects
16 Countries

Annually Produces
204,000 metric tonnes
of **Steel Fabrication**

Sustainability in Eversendai (Cont'd)

Apart from conducting in-house inspections and testing, we also undertake regular inspections along with the clients and third-party testing to ensure the consistency and transparency of the quality checks. Eversendai does not compromise on quality and the finished structure and services are in compliance with all health, safety and environment regulations and in conformance with international codes and standards as required in the countries that we operate in.

Eversendai has a long-standing tradition of hiring competent people who were all trained in their fields to become specialists in their respective disciplines.

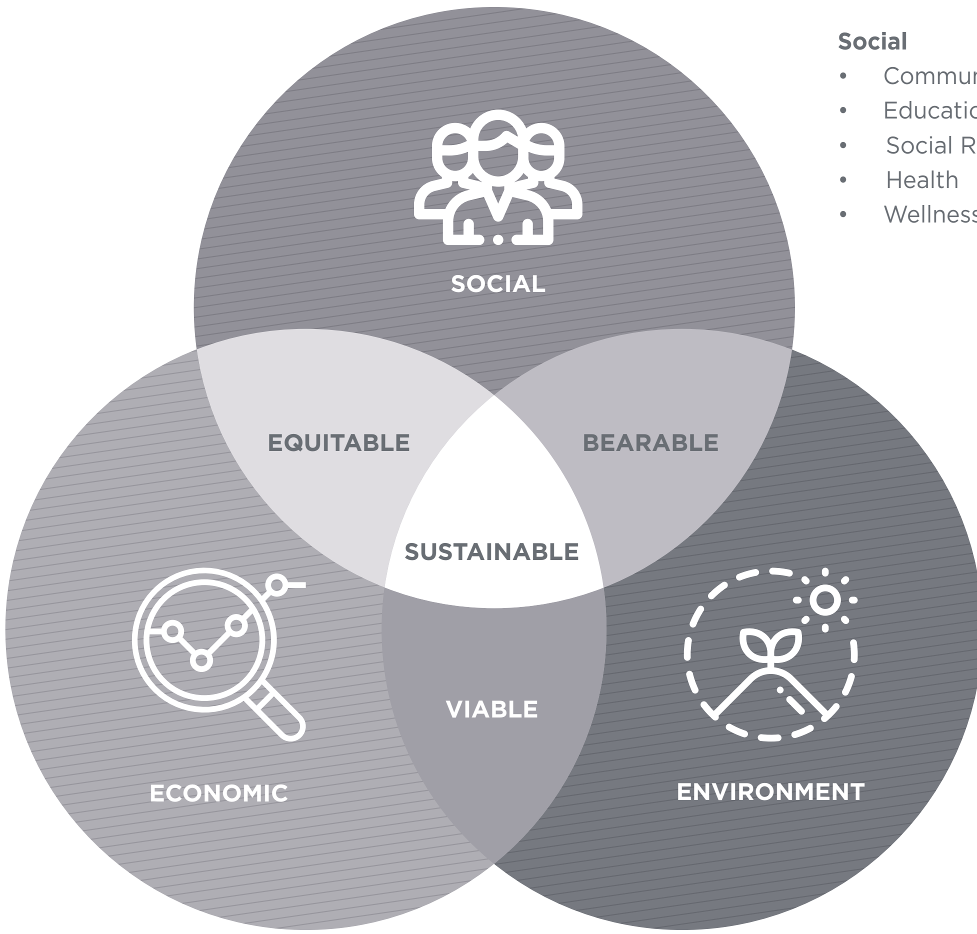
Eversendai has an excellent client relationship with major international clients, with a history of successful collaboration on many landmark projects.

We have established a reputable brand name with an impressive track record to position ourselves as one of the leading and reliable entities. Eversendai has established a good reputation in the market through positive customer generated word-of-mouth. Our clients, architects, consultants, and project managers have been the key influencers in advocating our exemplary capabilities in the industry. We are respected for our discipline, integrity and good quality work by embracing innovative construction methodologies in delivering complex landmark projects. Because of our reputation, we were invited to participate in and eventually execute top-notch projects in foreign countries.

Eversendai's resilience charged with its vision, mission, core values and corporate philosophy has allowed us to sustain through challenging times, changing environments, stakeholders' aspirations and sudden fluctuations in economic and market conditions.

Sustainability in Eversendai (Cont'd)

Sustainability has been an integral part of Eversendai for many years, although we commenced reporting in 2017 on a formal approach to initiate tracking and reporting the performance of the Company and its subsidiaries. We take cognisance that the importance of accurate measurement of economic, environmental and social performance is vital for all sustainability actions in our business operations and activities. We have always understood the values and benefits of incorporating sustainability as a business imperative in every aspect of our operations. We believe the practice of sustainability will generate many benefits not only to Eversendai, but also to all stakeholders impacted by our activities. The priority is to implement a holistic approach to maximise its benefits from an economic and social perspective while also minimising its impact on the environment.



Social
- Community
- Education
- Social Responsibility
- Health
- Wellness

Economic
- Creating Job Opportunities
- Business Continuity
- Cost Control
- Enhancing Productivity
- Reduce Waste
- Improving Profit Margins

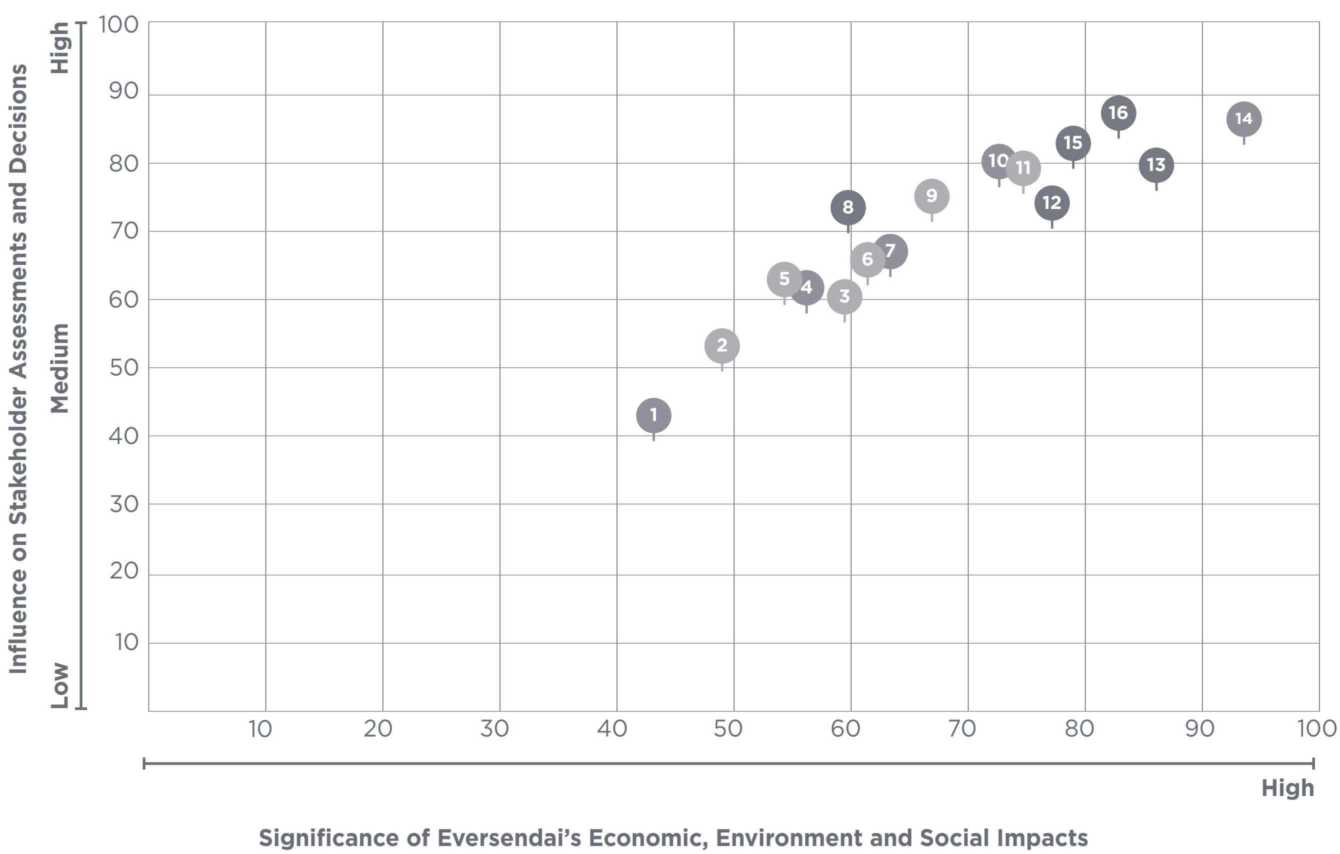
Environment
- Water
- Air
- Greenery
- Energy Conservation

Sustainability in Eversendai (Cont'd)

MATERIALITY ASSESSMENT

For sustainability matters, we undertook a survey which covered various stakeholder groups and their prioritisation. From the results, the overall influence on stakeholder assessment and decisions on the significance of Eversendai's Economic, Environment and Social Impacts were presented to the Board, using the Materiality Assessment ("Toolkit") issued by Bursa Malaysia Securities Berhad.

Eversendai Materiality Matrix 2018



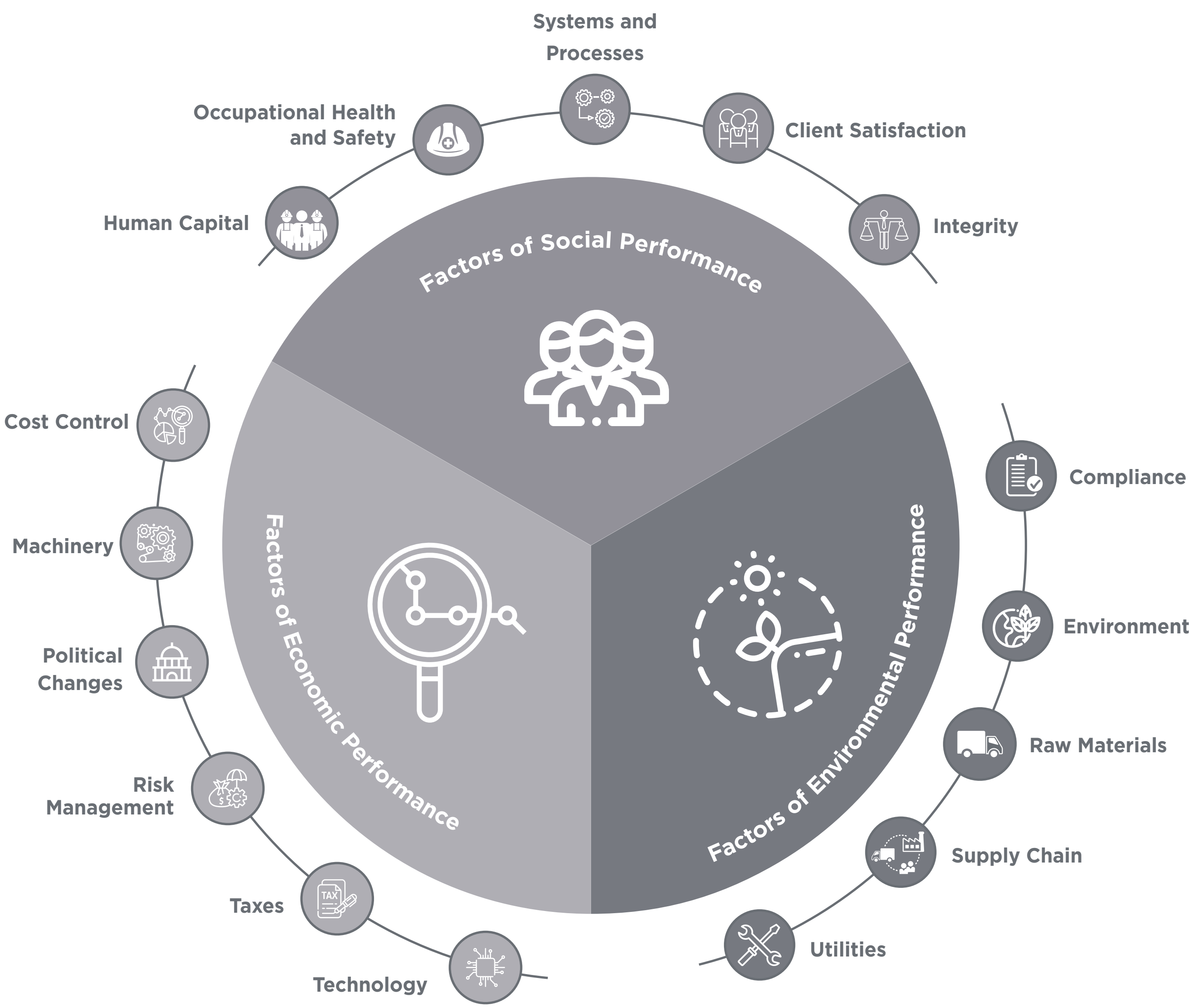
Legend:

- **1** Supply Chain
- **2** Political Changes
- **3** Taxes
- **4** Utilities
- **5** Machinery
- **6** Technology
- **7** Raw Materials
- **8** Integrity
- **9** Risk Management
- **10** Compliance
- **11** Cost Control
- **12** System & Processes
- **13** Occupational Health & Safety
- **14** Environment
- **15** Client Satisfaction
- **16** Human Capital

Sustainability in Eversendai (Cont'd)

MATERIALITY ASSESSMENT (CONT'D)

Reporting is made only on 70%* and above significance of Eversendai's Economic, Environment and Social Impacts. Prioritisation of the impacts were formed based on the importance of the impacts to our organisation and stakeholders such as investors, customers, employees, the government, community, non-governmental organisations (NGOs) and outsourced service providers (suppliers, subcontractors and consultants).



Note: ** The above percentage (%) was extracted from the Eversendai Materiality Matrix graph based on Sustainability Aspects in GRI framework (GRI 2002).*

Sustainability in Eversendai (Cont'd)

EVERSENDAI'S SUSTAINABILITY INITIATIVES

Indicator	Action	Outcome
Environment		
Environmental Management Indicators (EMIs).		Eversendai Environmental Management System has been certified to the international standard of ISO 14001:2015.
S1. Vision, Mission, Values and Policy	Corporate Vision, Mission, Core Values and the Integrated Management System Policy have been implemented and understood by all employees.	
S2. Organisational structure related to environmental management	Organisational structures and job descriptions are available throughout Eversendai.	
S3. Leadership and Management commitment to environmental issues	Leadership and Management commitment to environmental issues have been explained and audited.	
S4. Communication to internal and external stakeholders	Regular communication exists with all stakeholders for consistent feedback and improvement including updates on environment matters.	
Environmental Performance Indicators (EPIs). Environmental Operational Indicators.		
S1. Procurement measures S2. Process measures S3. Product/service use measures S4. Technical measures	Eversendai practises the concept of 3R (Reduce, Reuse and Recycle) in all activities and operations. Relevant stakeholders are also made aware of the 3R principles and practices. • Reducing consumption of paper by providing soft copies of documents; • Recycling paper for preparation of drafts; • Reducing energy consumption by switching off power supply during lunch breaks; • Reducing printing materials by providing soft copies; and • Reusing packaging materials for delivery purposes.	

Sustainability in Eversendai (Cont'd)

EVERSENDAI'S SUSTAINABILITY INITIATIVES (CONT'D)

Indicator (Cont'd)	Action (Cont'd)	Outcome (Cont'd)
Environment (Cont'd)		
Environmental Impact Indicators.		
S1. Energy usage S2. Water usage S3. Raw materials S4. Consumables S5. Domestic waste S6. Scheduled waste S7. Air emissions S8. Water discharge S9. Land discharge S10. Noise emission	Resources usage, discharges, emissions and waste generation are closely monitored and measured. Wherever possible 3R is applied.	
Environmental Condition Indicators (ECIs).		
S1. Temperature S2. Surrounding air contaminant S3. Surrounding noise level S4. Population density S5. Geographical location	Eversendai have established an environment consultative network within the organisation and with relevant external stakeholders to manage practicable environmental conditions.	
Systems and Processes		
Compliance with the requirements and conformance with the specifications.		
S1. Internal audit S2. External audit S3. Internal IMS audit S4. External IMS audit	Eversendai has developed and implemented standardised Group and customised Company Specific policies and procedures. Eversendai conducts scheduled and unscheduled internal audits as well as engages independent auditors for certification, validation and improvement of its Integrated Management System (IMS).	Better and more effective system and process controls, competent personnel, consistent performance and continual improvement.
Human Capital		
Compliance with the national and international standards and labour requirements.		
S1. Recruitment S2. Internship S3. Training, learning and development S4. Performance Management System S5. Talent Management and Succession Planning S6. Work environment S7. Employee welfare S8. Diversity and equality	Employee engagement through meetings, social gatherings, sports and team building workshops.	Retention of competent, compliant and talented pool of employees for business continuity and growth of the company.

Sustainability in Eversendai (Cont'd)

EVERSENDAI'S SUSTAINABILITY INITIATIVES (CONT'D)

Indicator (Cont'd)	Action (Cont'd)	Outcome (Cont'd)
Occupational Health and Safety (OHS)		
Compliance with company in-house requirements, legal and other requirements and subscribed/relevant international standards.		Ensuring a safe and healthy workplace with 24 hours security and surveillance. Eversendai Occupational Health and Safety Management System has been certified to the international standard of OHSAS 18001:2007
S1. OHS Training and Tool Box Meeting S2. Workplace inspection S3. Incident report S4. OHS Audit S5. Health surveillance and welfare S6. Provision of PPE and other safety equipment	Regular meetings and discussions with all relevant stakeholders on OHS focusing on hazards, risks, controls, unsafe acts, unsafe conditions, unsafe work areas, unsafe equipment and machinery, and emergency drills.	
Client Satisfaction		
Compliance and conformance with client requirements.		Establishing benchmarks, contingency, innovation, product improvement and delivery plans.
S1. Audit reports S2. Management reviews S3. Client/customer feedback S4. Joint inspections S5. Product lifespan	Regular meetings and discussions with clients, all relevant outsourced service providers and employees focusing on client requirements.	

CERTIFICATIONS TO INTERNATIONAL STANDARDS

Rawang, Malaysia Fabrication Facility

- ISO 9001:2015 - LRQA
- ISO 14001:2015 – LRQA
- ISO 45001:2018 - LRQA
- OHSAS 18001:2007 - LRQA

Hamriyah Free Zone, Sharjah Fabrication Facility

- Certificate of Conformity of the Factory Production Control - Bureau Veritas
- Accredited Structural Steel Fabricator for Category S1 - Singapore Structural Steel Society
- UNI EN ISO 3834-2:2006 - Bureau Veritas
- ISO 9001:2015 - SGS
- ISO 14001:2015 - SGS
- OHSAS 18001:2007 - SGS

Al Qusais Industrial Area 1, Dubai Fabrication Facility

- ISO 9001:2015 - SGS
- ISO 14001:2015 - SGS
- OHSAS 18001:2007 - SGS

Industrial Area Doha, Qatar Fabrication Facility

- Certificate of Conformity of the Factory Production Control - Bureau Veritas
- ISO 9001:2015 - SGS
- ISO 14001:2015 - SGS
- OHSAS 18001:2007 - SGS

RAK Maritime City, Ras Al Khaimah Fabrication Facility

- Certificate of Conformity of the Factory Production Control - DNV GL
- ISO 9001:2008 - DNV GL
- ISO 14001:2004 - DNV GL
- OHSAS 18001:2007 - DNV GL

Chachoengsao Thailand Fabrication Facility

- ISO 9001:2015 - LRQA

Trichy, India Fabrication Facility

- Certificate of Conformity of the Factory Production Control - SGS
- ISO 9001:2015 – TUV NORD
- ISO 14001:2015 - TUV NORD
- OHSAS 18001:2007 - TUV NORD

Corporate Governance Overview Statement

The Board of Eversendai Corporation Berhad (the “Board”) is committed to upholding the practices of good corporate governance throughout Eversendai as prescribed in the Malaysian Code on Corporate Governance 2017 (the “Code”). The Board believes good corporate governance supports the enhancement of shareholders’ value and sustainable growth. The Board is pleased to share the manner in which the Principles of the Code have been applied within Eversendai in respect of the financial year ended 31 December 2018 and the extent to which the Company has complied with the recommendations of the Code during the financial year ended 31 December 2018 except where otherwise stated.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

There are six (6) members on the Board, comprising the Executive Chairman (who is also the Group Managing Director), two (2) Executive Directors and three (3) Independent Non-Executive Directors.

1.2 Board Balance

The Board comprise members with diverse professional backgrounds, skills, extensive experience and knowledge in the areas of engineering, steel fabrication, information technology, finance, business, general management and strategy required for the successful direction of Eversendai.

There is currently no female representation on the Board of Directors. The Board recognises the need for gender diversification and will gradually be looking to fulfilling this role accordingly.

The profiles of the members of the Board are provided for on pages 22 to 24 in the Annual Report.

The Board is of the view that it has the right mix of individual qualities to fulfill its role. With its diversity of skills, the Board has been able to provide clear and effective collective leadership to Eversendai and has brought informed and independent judgement to Eversendai’s strategy and performance so as to ensure that the highest standards of conduct and integrity are always at the core of Eversendai. None of the Independent Non-Executive Directors participate in the day-to-day management of Eversendai.

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent opinions, advice and decisions to ensure that the interests, not only of Eversendai, but also of shareholders, employees, customers, suppliers and other communities in which Eversendai conducts its business are well represented and considered.

Encik Mohammad Nizar Bin Idris is the Senior Independent Non-Executive Director, to whom affairs of Eversendai may be conveyed.

The Code recommends that there should be clear division of responsibilities at the head of the company to ensure proper balance of power and authority.

Although the roles of the Chairman of the Board and the Group Managing Director are combined, the Board is of the view that there is a strong independent element on the Board and that there are adequate measures and controls to ensure balance of power and authority, so that no individual has unfettered powers of decision. The more significant measures and controls are summarised below.

All Executive and Non-Executive Directors have unrestricted and timely access to all relevant information necessary for informed decision-making. The Executive Chairman encourages participation and deliberation by Board members to tap their collective wisdom and to promote consensus building as much as possible.

Corporate Governance Overview Statement (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.2 Board Balance (Cont'd)

Matters which are reserved for the Board's approval and delegation of powers to the Board Committees, the Group Managing Director, the Chief Executive Officer and the Management are expressly set out in an approved framework on limits of authority. Business affairs of Eversendai are governed by Eversendai's Discretionary Authority Limits and manuals on policies and procedures. Any non-compliance issues are brought to the attention of the Management, Audit Committee and/or the Board, for effective supervisory decision-making and proper governance.

As Eversendai is expanding and its business growing, the division of authority is constantly reviewed to ensure that Management's efficiency and performance remain at its level best.

1.3 Board Roles and Responsibilities

The Board has adopted a Charter, which sets out, amongst others, the Board's strategic intent and outlines the Board's roles and responsibilities. It is a source of reference and primary induction literature for existing and prospective members of the Board. It also sets out the Code of Ethics and Conduct that the members of the Board must observe in the performance of their duties. The Board Charter is subject to review periodically. Details of the Board Charter is available online in the Governance and Responsibility section at www.eversendai.com.

The Board is collectively responsible for the success of Eversendai. The Board's roles and responsibilities include without limitation to the following:

- Reviewing and adopting strategic business plans for Eversendai's effective business performance. In setting Eversendai's strategic business plans, the Board relies on the reports provided by the Group Managing Director who oversees the entire business and operations of Eversendai;
- Overseeing the conduct of Eversendai's business to evaluate whether the business is being effectively managed. At each Board meeting, the Group Managing Director will brief the Directors on the current operations, issues faced and plans of Eversendai in order for the Board to be kept abreast on the conduct, business activities and development of Eversendai;
- Identifying principal risks and ensuring the implementation of appropriate systems to effectively manage and monitor identified risks;
- Reviewing the efficacy of Eversendai's systems of internal control and of management information, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Developing corporate objectives, policies and strategies; and
- Reviewing and approving acquisitions and disposals of undertakings and properties of substantial value and major investments.

The Board is guided by the Code of Conduct which outlines the duties and responsibilities of the Board.

In discharging the Board's duties and responsibilities, the Board has delegated certain duties and responsibilities to the following Board Committees:

(a) Audit Committee;
(b) Risk Management Committee;
(c) Nomination Committee; and
(d) Remuneration Committee.

The Chairman of each Board Committee will report to the Board on issues deliberated at each committee meeting.

1. BOARD OF DIRECTORS (CONT'D)

1.4 Appointments to the Board

The Nomination Committee comprising three Independent Directors makes independent recommendations for appointments to the Board. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, gender diversity, competencies and other qualities, before recommending them to the Board for appointment.

1.5 Re-election of Directors

The Company's Articles provide that one-third (1/3) of the Directors are subject to retirement by rotation at every Annual General Meeting but are eligible for re-election provided that all Directors shall retire from office at least once in three (3) years.

With the coming into force of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors of a company.

1.6 Assessment of Performance

The Board has an on-going responsibility of assessing the Directors. Upon the completion of every financial year, the Nomination Committee undertakes a Board Assessment and Evaluation process to assess the effectiveness of the Board in discharging its duties and responsibilities effectively and efficiently.

The Board Assessment and Evaluation is primarily based on answers to a detailed questionnaire prepared internally by Eversendai's Legal and Secretarial Department taking into account applicable best practices. The assessment questionnaire is distributed to all the respective Board members and covers topics which include, amongst others, the responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting, audit and internal process, human capital management, corporate social responsibility, communication, corporate governance, and shareholders' interest and value.

Other areas being assessed include Board composition and size, the contribution of each member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangements.

Actionable improvement programs will be identified, upon review of the results of the Board and committee assessment by the Nomination Committee and the Board. Such programs may include training needs of individual Directors.

1.7 Directors' Independence and Tenure

The Board takes cognizance of Practice 4.2 of the Code that the tenure of an independent director should not exceed a cumulative term limit of 9 years. Although a longer tenure of directorship may be perceived to influence a director's independence, the Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

Corporate Governance Overview Statement (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.7 Directors' Independence and Tenure (Cont'd)

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such directors who have, over time, gained valuable insights into Eversendai, its market and the industry.

Independent Directors are subject to an independence assessment by the Nomination Committee and the Board during assessment for appointment and on an annual basis. Under the evaluation process, each Independent Director will perform a self-review of his or her independence by completing a declaration form with questions drawn from the requirements imposed by the various authorities. In this respect, the Board had adopted the same criteria used in the definition of "independent directors" prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), including the tenure prescribed by the Code. The declaration form will be submitted to the Nomination Committee for evaluation. The Nomination Committee will evaluate the independence of the Independent Directors based on the criteria approved by the Board and submit its findings to the Board for deliberation.

Each Independent Director has undertaken to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an independent director of the Company.

As at the approved date of this Statement, none of the Independent Directors of the Company have served a tenure of 9 years and above.

1.8 Fostering Commitment

In compliance with the MMLR, each member of the Board holds not more than five directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively.

The Directors have been informed of the expectations of time commitment during their appointments to the Board. This takes the form of the number of Board and Board Committee meetings scheduled to be held in a financial year. All the Directors are aware of their responsibilities and are required to devote sufficient time to discharge their duties and responsibilities, which includes attendance at meetings of the Board, Board Committees and General Meetings, preparatory work ahead of such meetings, keeping abreast of relevant business developments and legislations, contribution to the strategic development of the business, providing counsel and guidance to the Management team and meeting with professional advisers and independent auditors, where necessary.

The Directors' commitment is evidenced by their attendance and input at all Board and Board Committee meetings. The Board is thus satisfied with the level of time commitment by each of the Directors towards fulfilling their roles on the Board and Board Committees.

1. BOARD OF DIRECTORS (CONT'D)

1.9 Board meetings

The Board meets quarterly with additional meetings convened as and when the Board's approval and guidance is required. Upon consultation with the Chairman and Group Managing Director, due notice shall be given of proposed dates of meetings during the financial year and agenda and matters to be tabled to the Board.

Four (4) Board meetings were held during the financial year ended 31 December 2018 and the details of attendance of each Director are as follows:

DIRECTOR	DESIGNATION	NUMBER OF MEETINGS ATTENDED
Tan Sri Dato' A K Nathan Elumalay	Executive Chairman & Group Managing Director	4 out of 4
Cheah Ban Seng*	Executive Director	4 out of 4
Nadarajan Rohan Raj**	Executive Director & Chief Executive Officer - Group Structural Steel & Construction	3 out of 3
Narla Srinivasa Rao	Executive Director & Chief Operating Officer - Group Structural Steel & Plant Construction	4 out of 4
Narishnath Nathan	Executive Director & Chief Executive Officer, Group Energy	4 out of 4
Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	4 out of 4
Datuk Ng Seing Liong	Independent Non-Executive Director	4 out of 4
Datuk Iskandar Bin Sarudin	Independent Non-Executive Director	4 out of 4

* ***Cheah Ban Seng resigned as Director of Eversendai Corporation Berhad on 31 January 2019.***

** ***Nadarajan Rohan Raj resigned as Director of Eversendai Corporation Berhad on 3 October 2018***

1.10 Supply of Information

The Board is supplied with and assured of full and timely access to all relevant information to honour its duties effectively. A set of Board papers (together with a detailed agenda in the case of a meeting) is furnished to the Board members in advance of each Board meeting or Directors' Circular Resolution for consideration, guidance and where required, for decisions.

In addition to updated board meeting papers and reports, the Board is also furnished with ad-hoc reports to ensure that they are appraised on key business, financial, operational, corporate, legal, regulatory and industry matters, as and when the need arises.

The Directors also have direct access to the advice and services of the Group Internal Audit Department and Company Secretary in addition to other members of Senior Management. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. The Board may, at Eversendai's expense, seek external and independent professional advice and assistance from experts in furtherance of their duties.

Corporate Governance Overview Statement (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.11 Company Secretary

The Board is supported by a qualified, experienced and competent Company Secretary. The Company Secretary plays an important advisory role to the Board and takes charge of ensuring overall compliance with the MMLR and Companies Act 2016, and other relevant laws and regulations.

The Company Secretary also:

- Ensures that all appointments to the Board and Committees are properly made;
- Maintains records for the purposes of meeting statutory obligations;
- Ensures that obligations arising from the MMLR or other regulatory requirements are met; and
- Facilitates the provision of information as may be requested by the Directors from time to time.

1.12 Directors' Remuneration

The objectives of Eversendai's policy on Directors' remuneration are to attract and retain Directors of the caliber needed to run Eversendai successfully. In Eversendai Corporation Berhad, the component parts of remuneration for the Executive Directors are structured so as to link rewards to corporate and individual performance. In the case of Independent Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the Independent Non-Executive Directors.

Remuneration Procedures

The Remuneration Committee recommends to the Board the policy and framework of the Directors' remuneration and the remuneration package for the Executive Directors. In recommending Eversendai's remuneration policy, the Remuneration Committee may receive advice from external consultants. It is nevertheless the ultimate responsibility of the Board to approve the remuneration of these Directors.

The determination of the remuneration packages of Independent Non-Executive Directors (whether in addition to, or in lieu of, their fees as Directors), is a matter for the Board as a whole. Individual Directors do not participate in decisions regarding their own remuneration packages.

1. BOARD OF DIRECTORS (CONT'D)

1.12 Directors' Remuneration (Cont'd)

Directors' remuneration for Eversendai is determined at levels which enable Eversendai to attract and retain Directors with the relevant experience and expertise to manage Eversendai effectively.

The details of the remuneration of Directors during the financial year ended 31 December 2018 are set out below:

	Group (RM'000)			Company (RM'000)		
	Directors' fees	Salaries/ bonus/ other allowances	Benefits-in-kind	Directors' fees	Salaries/ bonus/ other allowances	Benefits-in-kind
Tan Sri Dato' A K Nathan Elumalay		6,136	8		382	-
Nadarajan Rohan Raj		1,090	214		-	-
Narla Srinivasa Rao		1,227	355		-	-
Narishnath Nathan		1,689	174		153	-
Cheah Ban Seng		557	28		557	28
Mohammad Nizar Bin Idris	72	10	-	72	10	-
Datuk Ng Seing Liong	72	10	-	72	10	-
Datuk Iskandar Bin Sarudin	72	10	-	72	10	-
Total	**216**	**10,729**	**779**	**216**	**1,122**	**28**

1.13 Directors' Training

The Board is always encouraged to attend seminars, conferences and briefings in order to enhance its skills and knowledge and to keep abreast of the latest developments in the industry and marketplace.

Orientation and familiarisation programmes which include visits to Eversendai's business operations and meetings with key management are, where appropriate, organised for newly-appointed Directors to facilitate their understanding of Eversendai's operations and businesses. Regular talks are scheduled on various topics for the Board and these sessions are held together with Senior Management in order to encourage open discussion and comments.

Corporate Governance Overview Statement (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training (cont'd)

Directors evaluate their training needs on a continuous basis, by determining areas that would best strengthen their contributions to the Board. Regular briefings/updates (some by external advisers) on various subjects including the following are held at Board meetings:

- Market and industry;
- Regulatory and legal developments;
- Information on significant changes in business risks and procedures instituted to mitigate such risks;
- Corporate matters or new acquisitions by Eversendai; and
- New developments in law, regulations and Directors' duties and obligations.

During the financial year under review, the Directors participated in various programmes to enhance their understanding of specific industry and market issues and trends to improve their effectiveness in the boardroom. These sessions have also been attended by invited members of the senior leadership team, with the objective to improve board management dynamics.

The training programmes, seminars and/or conferences attended by the Directors during the financial year are as follows:

Director	Topic	Date
Tan Sri Dato' A K Nathan Elumalay	1. International Construction Transformation Conference (ICTC) 2018 – Developing & Building Competitive Overseas Project by CIDB	26 March 2018
	2. MCIEA Seminar 2018: Towards Excellence in Construction by CIDB	28 March 2018
	3. Annual Safety and Health Conference 2018 by MBAM	25 April 2018
	4. Advocacy Programme on CG Assessment using revised ASEAN CG Scorecard Methodology by Bursa Malaysia	19 July 2018
Mohammad Nizar Bin Idris	1. Managing Cyber Risks in Financial Institutions by FIDE FORUM	22 January 2018
	2. Dinner Talk on the State of the Malaysian Economy by the Harvard Business School Alumni of Malaysia	5 February 2018
	3. Navigating the VUCA World by FIDE FORUM	1 March 2018

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training (cont'd)

Director	Topic	Date
Mohammad Nizar Bin Idris (Cont'd)	4. Briefing on the Bank Negara Report by the Governor of Bank Negara	28 March 2018
	5. Talk by PIDM CEO on the role of PIDM	10 July 2018
	6. Blockchain in Financial Services Industry by FIDE FORUM	17 July 2018
	7. Talk on The Director as Coach: An exclusive dialogue with Dr Marshall Goldsmith by FIDE FORUM	30 October 2018
Datuk Iskandar Bin Sarudin	1. Advocacy Programme on CG Assessment (Malaysian PLCs) by Bursa Malaysia and MSWG	23 July 2018
Datuk Ng Seing Liong	1. Strategising & Managing: Critical Tax Issues 2018 Seminar by REDHA	30 January 2018
	2. National Tax Conference 2018	16 - 17 July 2018
	3. Executive Masterclass in New Land Acquisition by REDHA	25 – 26 July 2018
	4. Global Business Insights Series: Getting More out of Digital Marketing by Securities Industry Development Corporation	4 September 2018
	5. Annual Property Developers Conference: CEO Series 2018 by REDHA	24 September 2018
	6. CAANZ-MICPA Audit Forum 2018: Tech & Audit – Apractitioners New Realty by MICPA	26 September 2018
	7. Housing Conference 2018 by REDHA	9 October 2018
	8. JPA International Meeting by JPA International	25 – 26 October 2018
	9. Power Talk: Effective Boards in a VUCA World by ICDM	31 October 2018
	10. Budget 2019 Commentary by REDHA	13 November 2018
	11. 2019 Budget Seminar by MIA	21 November 2018

Corporate Governance Overview Statement (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training (cont'd)

Director	Topic	Date
Nadarajan Rohan Raj	1. World Blockchain Forum – Investments and ICOs	16 April 2018
Narla Srinivasa Rao	1. World Blockchain Forum – Investments and ICOs	16 April 2018
Narishnath Nathan	1. World Blockchain Forum – Investments and ICOs 2. The OJME (Offshore Jack Up Middle East) 2018 Forum 3. Annual Rig Owners Seminar by ADIPEC	16 April 2018 9 – 10 October 2018 11 – 14 November 2018
Cheah Ban Seng	1. Seminar on Cryptocurrency, Blockchain & Beyond: A Cautionary Tale by Securities Commission Malaysia	29 March 2018

2. BOARD COMMITTEES

The Board delegates certain responsibilities to the respective Committees of the Board which operate within clearly defined terms of reference. These Committees have the authority to examine issues and report to the Board with their proceedings and deliberations. On Board reserved matters, Committees shall deliberate and thereafter state their recommendations to the Board for its approval.

During Board meetings, the Chairman of the various Committees provide summary reports of the decisions and recommendations made at the respective Committee meetings and highlight to the Board any further deliberation that is required at Board level. These Committee reports and deliberations are incorporated into the minutes of the Committees and Board meetings.

The Company has four (4) principal Board Committees:

2.1 Nomination Committee

The Nomination Committee of the Board consists of the following Independent Non-Executive Directors:

- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director and Chairman of the Nomination Committee);
- Datuk Ng Seing Liong (Independent Non-Executive Director); and
- Datuk Iskandar bin Sarudin (Independent Non-Executive Director).

The Nomination Committee has been entrusted with the responsibility of proposing and recommending new nominees to the Board and the Board Committees as well as assessing Directors on an on-going basis.

2. BOARD COMMITTEES (CONT'D)

2.1 Nomination Committee (Cont'd)

The functions of the Nomination Committee include:

- formulating the nomination, selection and succession policies for members of the Board and Board Committees; and
- reviewing and recommending to the Board:
  - (i) the optimum size of the Board;
  - (ii) the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies of Non-Executive Directors; and
  - (iii) appointment to, and membership of, other Board committees.

In addition, the Nomination Committee has the function of assessing:

- the transparency of procedures for proposing new nominees to the Board and Committees of the Board;
- the effectiveness of the Board as a whole and the contribution of each individual Director and Board Committee member; and
- whether the investments of the minority shareholders are fairly reflected through Board representation.

The Nomination Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Nomination Committee had, for the financial year, reviewed and deliberated on the proposed re-nomination of the directors who are retiring at the Sixteenth Annual General Meeting of the Company.

2.2 Remuneration Committee

The Remuneration Committee of the Board consists of the following Directors:

- Datuk Iskandar bin Sarudin (Independent Non-Executive Director and Chairman of the Remuneration Committee); and
- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director).

The Remuneration Committee is entrusted with the following responsibilities:

- Recommending to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the Executive Directors;
- Evaluating the performance and reward of the Executive Directors, including ensuring performance targets are established to achieve alignment with the interests of shareholders of the Company, with an appropriate balance between long and short-term goals;
- Designing and implementing an evaluation procedure for Executive Directors; and
- Reviewing, on a yearly basis, the individual remuneration packages of Executive Directors and making appropriate recommendations to the Board.

The Remuneration Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Remuneration Committee had, for the financial year, reviewed the remuneration packages of the Executive Directors of the Company.

Corporate Governance Overview Statement (Cont'd)

2. BOARD COMMITTEES (CONT'D)

2.3 Audit Committee

The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report.

2.4 Risk Management Committee

The Risk Management Committee of the Board consists of the following Independent Non-Executive Directors:

- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director and Chairman of the Risk Management Committee);
- Datuk Ng Seing Liong (Independent Non-Executive Director); and
- Datuk Iskandar bin Sarudin (Independent Non-Executive Director).

The functions of the Risk Management Committee include:

- Evaluating the effectiveness of the internal control system and risk management framework adopted within Eversendai and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow Eversendai to mitigate losses and maximise opportunities;
- Recommending to the Board steps to improve the system of internal control derived from proposed internal control through the identified potential risk by the Risk Management Sub-Committee;
- Undertaking reviews of the consolidated risk register of major subsidiaries and associates within Eversendai to identify significant risks and whether these are adequately managed;
- Ensuring that the Board receives adequate and appropriate information including the annual risk report for decision making and review respectively;
- Commissioning where required, special projects to investigate, develop or report on specific aspects of the risk management processes of the Company; and
- Reviewing and proposing the Company's risk appetite and its acceptable tolerance level annually.

3. ACCOUNTABILITY AND AUDIT

3.1 Promoting Sustainability

The Board is devoted to promoting a sustainable business by recognising the importance of environmental, social and governance aspects on Eversendai's businesses. These include working within the law and community to be innovative and demonstrate efforts to meet the requirements of various stakeholders.

Details on Eversendai's sustainability activities are set out on pages 29 to 38 of this Annual Report.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.2 Code of Conduct

The Board has an official Code of Conduct which works as an ethical framework to guide actions and behaviours of all Directors and employees while at work. The Code of Conduct is made available to all employees in their respective country's local shared drive. The Code of Conduct lines up the fundamental policies of Health, Safety and Environmental Protection, Sexual Harassment, Accounting Standards and Records, Whistle Blower Policy, and Employee Conduct Expectation, Managing Conflicts of Interest and Preventing the Abuse of Power, Corruption, Insider Trading and Money Laundering and Terrorist Funding.

3.3 Conflict of Interest Situations

The Board is mindful on the probability of potential conflict of interest situations involving the Directors and the Company and guarantees its responsibility to making sure that such aspects of conflicts are avoided. It has been the practice of the Company to require that members of the Board make a declaration at the Board meeting in the event that they have interests in proposals being considered by the Board, including where such interest arises through close family members, in line with various statutory requirements on the disclosure of Director's interest. In all situations where the Directors could be deemed as interested, they would abstain from deliberation and discussion or decisions on matters in which they have a conflicting interest. The minutes of meeting would also reflect as such.

3.4 Whistleblowing Policy

Eversendai Corporation Berhad calls for the highest standards of integrity from all its employees and stakeholders. Eversendai views seriously any wrongdoing on the part of any of its Employees, Management, Directors and Vendors, especially with regards to their obligations to Eversendai's interests.

The Whistleblowing channel is made available to help all stakeholders raise concerns, without fear of retaliation, of any wrongdoing that they may observe within the Eversendai Group of companies.

Parties can report a Whistleblowing complaint if they are aware of any wrongdoings, including, but not limited to the following:

- fraud;
- misappropriation of assets;
- sexual harassment;
- criminal breach of trust;
- illicit and corrupt practices;
- questionable or improper accounting;
- misuse of confidential information;
- acts or omissions which are deemed to be against the interest of the Company, laws, regulations or public policies;
- giving false or misleading information (including suppression of any material facts or information);
- breaches of Group Policies and Code of Conduct; or
- the deliberate concealment of any of the above matter or other acts of wrongdoings.

Corporate Governance Overview Statement (Cont'd)

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.4 Whistleblowing Policy (Cont'd)

Procedures

All Protected Disclosures are to be disclosed in writing to the Group Managing Director or the Chairman of the Audit Committee of the Company. Disclosures can be made through an email whistleblower@eversendai.com, directly accessible to the Group Managing Director or via a letter addressed to Group Managing Director's office.

Action

All reports will be investigated promptly by the investigator appointed by the Group Managing Director or Audit Committee. The appointed investigator for the duration of the enquiry will be reporting all matters directly to the Group Managing Director's office. To ensure proper investigation, all departments are obliged to furnish any documentation asked for by the appointed investigator during the course of enquiry, provided they may be relevant to the investigation.

The progress of investigation will be reported to the Audit Committee no later than at the next scheduled meeting. Upon completion of investigation, appropriate course of action will be recommended to the Committee for their deliberation. Decision made by the Committee will be implemented immediately.

Protection

The Company recognises that the decision to report a concern can be a difficult one to make. The identity of the Whistle Blowers shall be kept confidential to the extent possible and permitted under law. However, if the need arises for the matter to be taken up in court, the Whistle Blower should be willing to present himself/herself to court and furnish details of the malpractices highlighted by him/her.

3.5 Financial Reporting & Compliance

The Board is committed to providing a clear, balanced and comprehensive account on the financial performance and position of Eversendai through quarterly and yearly announcements of its results as well as through its comprehensive annual report.

Company law requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of Eversendai and of the results and cash flows of the Company and Eversendai for that period.

In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently. The Directors have also ensured that all applicable accounting standards have been followed in the preparation of the financial statements.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.6 Internal Control

The Board is responsible in establishing and maintaining a sound internal control system to mitigate any significant risk to the company. The system of internal control is set to ensure the reliability and integrity of financial and operational systems, efficiency and effectiveness in achieving the company objective, safeguarding of assets and compliance with the policies, regulations, procedures and laws.

The Board through Audit Committee will assess the effectiveness of internal control systems by reviewing the issues, recommendations and management responses presented by the Group Internal Audit Function.

3.7 Risk Management

The Board recognises the importance of Enterprise Risk Management ("ERM") in supporting Eversendai's objectives in enhancing shareholders' value and business success by minimising unforeseen risks. Eversendai has in place a clear on-going process for identifying, evaluating and managing significant risks facing Eversendai. The Board through the Risk Management Committee, monitors risks and internal control.

The Statement on Risk Management and Internal Control which provides an overview of Eversendai's state of internal control has been set out on pages 64 and 67 of this Annual Report

3.8 Internal Audit

Eversendai has an established internal audit function performed by the in-house group internal audit department ("GIAD") which is in charge of the overall internal audit activities of Eversendai. Its principle objective is to undertake regular reviews of key processes, monitor compliance with policies and procedures, evaluate the adequacy and effectiveness of the internal control and risk management system, highlight significant findings, as well as propose enhancement and corrective measures in respect of any non-compliance on a timely basis.

3.9 Relationship with Independent Auditors

The Board, through the Audit Committee, maintains a transparent and professional relationship with the internal and independent auditors. The Audit Committee has been explicitly accorded the authority to communicate directly with both the internal and independent auditors. From time to time, the auditors would highlight to the Audit Committee and the Board on matters that require the Board's attention.

3.10 Corporate Disclosure Policy

Eversendai also has in place a Corporate Disclosure Policy, which emphasises on comprehensive, accurate, balanced, clear and timely disclosure of material information to enable informed and orderly decisions by the shareholders and investors.

Corporate Governance Overview Statement (Cont'd)

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

4.1 Shareholders Communication

Eversendai strives to maintain an open and transparent channel with its stakeholders, institutional investors and the investing public at large with the objective of providing clear and complete information of Eversendai's performance and financial standing.

Announcements on all significant developments and matters of Eversendai are made to Bursa Securities. Shareholders and stakeholders are provided with a regular overview of Eversendai's performance via the financial results which are released on a quarterly basis within the mandatory period. The Investor Relations section of Eversendai's website holds all the announcements made by the Company to Bursa Securities.

As part of the Company's active investor relations programme, discussions and dialogues are held with fund managers, financial analyst, shareholders, potential investors and members of the media to convey information about the Company's performance, strategy and other matters affecting shareholders' interest.

4.2 Dialogue between the Company and Investors

The Board believes that Eversendai should be transparent and accountable to its shareholders and investors.

In ensuring this, the Company has been actively communicating with its shareholders and stakeholders through the following medium:

- Release of financial results on a quarterly basis;
- Press releases and announcements to Bursa Securities and subsequently to the media;
- Meetings with institutional investors; and
- Briefing for analysts on a semi-annually basis.

Eversendai's website at www.eversendai.com is a significant communication network to reach shareholders and general public which offers detailed information on Eversendai's businesses and latest developments. It is upgraded and updated from time to time to provide current and comprehensive information about Eversendai.

The website also incorporates a dedicated section for investor relations and corporate governance which enhances the investor relation function by including all relevant up-to-date information of Eversendai such as announcements to Bursa Securities, quarterly results and audited financial statements, annual report, Board Charter, investor presentations, share price and financial information.

The Company acknowledges the need for a specific medium for shareholders and investors to direct their queries or requests for additional information.

To obtain all relevant information about Eversendai, investors and shareholders are encouraged to direct their queries to

Contact details:

Tel no. : +603-7733 3300
Email : ir@eversendai.com

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT (CONT'D)

4.3 Annual General Meeting

The Annual General meeting ("AGM") is the principal forum for dialogue with all shareholders who are encouraged and are given sufficient opportunity to enquire about Eversendai's activities and prospects as well as to communicate their expectations and concerns.

Twenty-one (21) days prior to the meeting, all shareholders of Eversendai will receive a copy of the annual report and notice of AGM, the notice is also advertised in the press and released on Bursa Securities. This leaves the shareholders with sufficient time to review the Annual Report as well as to make necessary arrangements to attend the meeting. Shareholders are also encouraged to participate in the Question and Answer session on the resolutions being proposed or about Eversendai's operations in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.

The Chairman and the Board members are in attendance to provide clarification on shareholders' queries. Where appropriate, the Chairman of the Board will endeavour to provide the shareholders with written answers to any significant questions that cannot be readily answered during the AGM. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and not only at the AGM.

Each notice of a general meeting, which includes any item of special business, will be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

To strengthen transparency and efficiency in the voting process and in line with the recent amendments to the MMLR, Eversendai implements poll voting for all the resolutions set out in the Notice of AGM. Eversendai has appointed an independent external scrutineer to validate all the votes in the coming meeting. The outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day.

This Corporate Governance Overview Statement was approved by the Board on 28 February 2019.

The Corporate Governance Report ("CG Report") which discloses Eversendai's application of each recommended practice in the MCCG 2017 is available on the Bursa Securities Malaysia website at www.bursamalaysia.com.

Audit Committee Report

The Audit Committee ("AC") was established on 21 April 2011. Eversendai Corporation Berhad ("ECB") was listed on the Main Market of Bursa Malaysia Securities Berhad on 1 July 2011.

TERMS OF REFERENCE

The terms of reference are set out on pages 58 to 62.

MEMBERSHIP AND MEETINGS

The AC comprises of three Independent Non–Executive Directors. The Chairman of the Audit Committee, Datuk Ng Seing Liong is a qualified Chartered Accountant and a member of the Malaysia Institute of Accountants.

During the year the Committee held four (4) meetings without the presence of the Executive Directors, except when their attendance was at the invitation of the Committee. The Chief Financial Officer, Finance Controller and Group Internal Audit Department ("GIAD") attended the AC meetings upon invitation by the AC. The representatives of the Independent Auditors also attended two AC meetings upon invitation by the Committee.

The members of the Committee and details of their attendance at meetings during the year are as follows:

Name	Status Of Directorship	No. Of Meetings Attended
Datuk Ng Seing Liong (Chairman)	Independent Non-Executive Director	4 out of 4
En. Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	4 out of 4
Datuk Iskandar Bin Sarudin	Independent Non-Executive Director	4 out of 4

All the members of the Committee are financially literate and are able to analyse and interpret financial statements to effectively honour their duties and responsibilities as members of the AC. The Committee members' profiles are available in the "Profile of Directors" section set out on pages 22 to 24.

SUMMARY OF ACTIVITIES

The activities of the AC during the year encompassed the following:

1. Financial Results and Announcements

- Reviewed the quarterly financial results of Eversendai and the related announcements, prior to recommending to the Board for their approval and the release of the results to Bursa Malaysia Securities Berhad, focusing on the following matters:
  - (i) Changes in or implementation of major accounting policy changes;
  - (ii) Significant and unusual events;
  - (iii) Compliance with accounting standards and other legal requirements; and
  - (iv) The going concern assumption.

Audit Committee Report (Cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

2. Independent Audit

- Reviewed with the Independent auditors, their terms of engagement, proposed auditors' remuneration and the audit plan for the financial year ended 31 December 2018 to ensure that their scope of work adequately covers the activities of Eversendai;
- Reviewed the results and issues arising from the independent auditors' audit of the year-end financial statements and the resolution of issues highlighted in their report to the Committee;
- Reviewed the independence, objectivity, and cost-effectiveness of the independent auditors before recommending to the Board their re-appointment and remuneration; and
- Reviewed compliance of the independent auditors with ECB's external audit independence policy.

3. Internal Audit

- Reviewed the proposed 2018 annual risk-based internal audit plan to ensure adequacy of the scope and coverage of works which includes risk areas and key processes which includes project management, project costing, subcontractor's claims, procurement process, financial statements, human resources and production monitoring by entities;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the Internal Audit function, including adequacy of the terms of reference; and
- Reviewed the internal audit reports and updates, presented by the GIAD.

4. Related Party Transactions

- Reviewed related party transactions for compliance with the Main Market Listing Requirements of Bursa Securities ("MMLR") and Eversendai's policies and procedures as well as the appropriateness of such transactions before recommending them to the Board for its approval; and
- Reviewed the procedures for securing the shareholders' mandate for Recurrent Related Party Transactions.

5. Others

- Reviewed with management, the reports on material litigation; and
- Reviewed the Report of the AC, the Statement on Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Company's Annual Report.

GROUP INTERNAL AUDIT FUNCTION

Eversendai has an established Internal Audit Department which reports to the AC of the Board. The primary responsibility of this independent GIAD function is to undertake regular and systematic reviews of the system of internal controls and to provide reasonable assurance that the system operates satisfactorily and effectively within Eversendai. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of Eversendai to ensure that the relevant controls addressing those risks are reviewed on a rotational basis.

The activities carried out by the GIAD include amongst others, the review of the adequacy and effectiveness of risk management and the system of internal controls, compliance with established rules, guidelines, laws and regulations, reliability and integrity of information and the means of safeguarding assets.

Audit Committee Report (Cont'd)

TERMS OF REFERENCE OF THE AC

The Committee is governed by the following terms of reference which have been applied by Eversendai from 31 May 2018.

1. Composition

The members of Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with all of them being independent. The Board shall at all the times ensure that at least one (1) member of the Audit Committee:

a. must be a member of the Malaysian Institute of Accountants ("MIA"); or

b. if he is not a member of the MIA, he must have at least three (3) years' working experience and:

   i. passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

   ii. must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

   iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The Audit Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.

No alternate director shall be appointed as a member of the Audit Committee. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board annually to determine whether the members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the Committee resulting in the non-compliance of the above paragraph, the Board must fill the vacancy within 3 months.

2. Authority

a. The Audit Committee is authorised by the Board to investigate any matter within the Audit Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to Eversendai and shall have the resources it requires to perform its duties. All employees of Eversendai are required to comply with the requests made by the Audit Committee.

b. The Audit Committee is authorised by the Board to obtain external legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

c. The Audit Committee shall have direct communication channels with the Independent Auditors and person(s) carrying out the internal audit function or activity.

d. The Audit Committee shall be able to convene meetings with the Independent Auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Audit Committee and the Independent Auditors or the internal auditors or both, to discuss problems and reservations and any other matter the Independent Auditors or Internal Auditors may wish to bring up to the attention of the Audit Committee.

e. The Internal Auditors report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of Head of the Internal Audit of Eversendai shall require prior approval of the Audit Committee.

TERMS OF REFERENCE OF THE AC (CONT'D)

3. Duties and Responsibilities

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

a. Financial Reporting

To review the quarterly and annual financial statements of Eversendai prepared by the management, where necessary, together with the Independent Auditor, focusing particularly on:

- Any significant changes to accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- significant adjustments arising from the audit;
- compliance with accounting standards and other legal requirements; and
- going concern assumption.

b. Internal Audit Function

- To review and approve the Group Internal Audit Charter of Internal Audit Function in Eversendai.
- To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties.
- To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work.
- To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function.
- To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations.
- To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties.
- To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party.
- To request and review any special audit which the Committee deems necessary.

Audit Committee Report (Cont'd)

TERMS OF REFERENCE OF THE AC (CONT'D)

3. Duties and Responsibilities (Cont'd)

c. Independent Audit

- To review the Independent Auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the Independent Auditors.
- To review the annual performance assessment, including the suitability and independence of the Independent Auditors and make recommendations to the Board, the appointment or reappointment of the Independent Auditors.
- In assess or determine the suitability and independence of the Independent Auditors, the Audit Committee shall take into consideration of the following:
  - i. the adequacy of the experience and resources of the Independent Auditors;
  - ii. the Independent Auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the Independent Auditor plan;
  - iii. the nature of the non-audit services provided by the Independent Auditors and fees paid for such services relative to the audit fee; and
  - iv. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the Independent Auditors.
- To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the Independent Auditors.
- To review the Independent Auditors' audit report, and management letter and management's response to the management letter.
- To be advised of significant use of the Independent Auditors in performing non-audit services within Eversendai, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised.
- To review the Independent Auditors' findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of Eversendai in order to be satisfied that appropriate action is being taken.
- To review with the Independent Auditors for the Statement on Risk Management and Internal Control of Eversendai for inclusion in the Annual Report.

d. Related Party Transactions/Conflict of Interest Situations

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

TERMS OF REFERENCE OF THE AC (CONT'D)

3. Duties and Responsibilities (Cont'd)

e. Audit Reports

- To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit services and summary of the activities for inclusion in the Annual Report and to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

f. Other Matters

- To exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy of Eversendai.
- To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board.

4. Meetings Of The Committee

- The Committee shall convene meetings as and when required, and at least four times during the financial year of Eversendai Corporation Berhad.
- The meetings and proceedings of the Committee are governed by the provisions of the policies and procedures of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.
- The number of Committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.
- The Chairman, or the Secretary of the Committee on the request of any member, the Head of Internal Audit or the Independent Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member who at the time is overseas.
- The Chairman of the Committee shall chair the Committee meetings and, in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- Officers of Eversendai or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.
- All recommendations of the Committee shall be submitted to the Board for approval.
- A Committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to appoint another one or more Director(s), who meet the membership criteria.

Audit Committee Report (Cont'd)

TERMS OF REFERENCE OF THE AC (CONT'D)

5. QUORUM

The quorum for a meeting of the Audit Committee shall consist of not less than two (2) members, majority of members present must be Independent Non-Executive Directors.

6. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than seven (7) days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

7. SECRETARY AND MINUTES

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Audit Committee. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.

Additional Corporate Disclosure

The following disclosures in respect of the financial year ended 31 December 2018 are provided for shareholders' information and in accordance with the requirements of Bursa Malaysia Securities Berhad:

1. Utilisation of proceeds from corporate proposals

There were no proceeds raised from corporate proposal during the financial year ended 31 December 2018.

2. Non-audit fees

There were no non-audit fees incurred by Eversendai for services rendered by the Company's independent auditors for the financial year ended 31 December 2018 except for a total sum of RM21,000 (2017: RM18,000).

3. Material contracts involving directors and major shareholders' interest

Save for the recurrent related party transactions disclosed in item 4, there were no material contracts including those of a borrowing nature entered into by Eversendai involving the directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 December 2018 or, if not then subsisting, entered into since the end of the previous financial year.

4. Recurrent related party transactions

All recurrent related party transactions entered into by Eversendai were made in the ordinary course of business at arm's length and are based on normal commercial terms that are not more favourable to the transacting related party than those generally available to non-related party and will not be detrimental to the interests of minority shareholders of the Company.

Details of the recurrent related party transactions entered into by Eversendai during the financial year ended 31 December 2018 are disclosed in Note 22 to the Financial Statements on pages 151 to 152 of this Annual Report.

At the Fifteenth Annual General Meeting of the Company held on 31 May 2018, the Company had obtained approval from the shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature with certain related parties. The said shareholders' mandate took effect from 31 May 2018 until the conclusion of the forthcoming Sixteenth Annual General Meeting of the Company, in which the Company intends to seek for a renewal of the shareholders' mandate for existing recurrent party transactions and the proposed new shareholder's mandate for additional recurrent related party transactions, proposed by the Board of Directors. Details of the mandates to be sought are furnished in the Circular to Shareholders dated 30 April 2019 which was despatched together with this Annual Report.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Eversendai Corporation Berhad is pleased to share the key aspects of Eversendai's internal control system in respect of the financial year ended 31 December 2018. Eversendai in honouring its responsibilities has established procedures of internal control that are in accordance with the guidance as set out in the "Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers". These procedures, which are subject to regular review by the Board, provide an on-going process for identifying, evaluating and managing significant risks faced by Eversendai that may affect the achievement of its business objectives.

BOARD'S RESPONSIBILITY

The Board is fully committed to the maintenance of a sound internal control environment to safeguard shareholders' investments and Eversendai's assets. The Board has an overall responsibility for Eversendai's system of internal control and performs a continuous review on the adequacy, integrity, and effectiveness of the risk management and internal control system. The system of internal control is designed to manage, mitigate or eliminate, if practical, risks that may impede the achievement of Eversendai's business objectives. Internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognises the importance of Enterprise Risk Management ("ERM") in supporting Eversendai's objectives in enhancing shareholders' value and business success by minimising unforeseen risks. Eversendai has a clear on-going process for identifying, evaluating and managing significant risks facing Eversendai. Such process has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report. Eversendai has further enhanced its risk management practices by conducting risk awareness workshop to raise awareness to staff and formalising the risk management process through the implementation of the ERM software.

The ERM framework is managed and documented in a risk register to assist Eversendai's operational managers to continuously conduct discussions to identify, analyse, monitor and evaluate the progress of the identified risks and reports the results to the Risk Management Committee ("RMC"). The RMC comprises members of Independent Directors and Risk Management Sub Committee ("RMSC") comprises management team. RMSC will update the RMC on quarterly basis on the consolidated risk register and risk management activities. This will ensure that adequate attention and focus is placed on risk management.

RISK MANAGEMENT FRAMEWORK AND PROCESSES

The framework describes policy and procedures of the risk management process and encompasses the following key elements:

1. CORPORATE RISK MANAGEMENT POLICY

The policy explains the objectives of risk management functions and agreed risk appetite and acceptable level of risk by the Board of Directors and Management.

2. ROLES OF BOARD OF DIRECTORS, MANAGEMENT AND RMC

This section encompasses roles and responsibilities of Board of Directors and the Management towards the risk management functions in the company. RMC members act as primary champions who are responsible to review consolidated risk register of major subsidiaries within Eversendai and to ensure the significant risks are identified and managed adequately. Head of Company at each subsidiary level plays a role in managing the agreed action plan for significant risks with the assistance of appointed Risk Coordinators ("RC").

RISK MANAGEMENT FRAMEWORK AND PROCESSES (CONT'D)

3. RISK MANAGEMENT PROCESS

The company has adopted ISO 31000:2009 Risk Management as a guideline for managing risk throughout Eversendai. Risk owners are responsible to identify, mitigate, prevent or reduce significant risks that would affect Eversendai in achieving its objectives. Each key business unit has nominated RC's who are responsible to guide risk owners to identify, monitor and develop action plans to mitigate the risks. The RCs are supported by Risk Management Unit ("RMU") who monitor and guide the RCs on risk areas. RMU reviews every new risk identified and authenticate the viability of action plan provided by each RC.

The RMSC will present quarterly reports on the enterprise risk map and analysis of the ERM register, status of progress and propose changes for improvements to RMC and the Board for review.

CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes to identify, evaluate and manage significant risks faced by Eversendai. These processes include updating the system of internal control when there are changes to the business environment or regulatory guidelines. The key elements of Eversendai's control environment include the following:

1. ORGANISATION STRUCTURE

The Board is supported by a number of established Board committees, namely the Audit, Nomination, Remuneration and Risk Management Committees, in honouring its responsibilities toward risk management and internal control. Each Committee has a set of clearly defined terms of reference. Responsibility for the implementation of Eversendai's strategies and day-to-day businesses are delegated to management. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship.

2. AUDIT COMMITTEE

The Audit Committee is instituted by the Board to undertake the review of the systems of internal control and risk management framework in Eversendai. The Audit Committee comprises 3 Independent Non-Executive Directors The Audit Committee evaluates the adequacy and effectiveness of Eversendai's internal control systems and reviews internal control issues identified by Internal Auditors, Independent Auditors and the Management. Throughout the financial year, the Audit Committee members are briefed by the management during the presentation of the quarterly financial performance and results on corporate governance practices, updates of Malaysian Financial Reporting Standards, as well as legal and regulatory requirements in addition to key matters affecting the financial statements of Eversendai.

The Audit Committee also reviews and reports to the Board the engagement and independence of the Independent Auditors and their audit plan, nature, approach, scope and other examinations of the independent audit matters. It also reviews the effectiveness of the internal audit function which is further described in the following section on Internal Audit.

The current composition of the Audit Committee members brings with them a wide variety of knowledge, expertise, and experience from different industries and backgrounds. They continue to meet regularly and have full and unimpeded access to the Internal and Independent Auditors and all employees of Eversendai.

Statement on Risk Management and Internal Control (Cont'd)

CONTROL ENVIRONMENT AND STRUCTURE (CONT'D)

3. INTERNAL AUDIT

The Group Internal Audit Department ("GIAD") continues to independently review key processes, monitor compliance with policies and procedures, evaluate the adequacy and effectiveness of internal control and risk management systems and highlight significant findings, enhancements and corrective measures in respect of any non-compliance on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually before the commencement of the following financial year and an update is given to the Audit Committee every quarter. The Audit Committee oversees the Internal Audit department's function, its independence, the scope of work and resources Head of GIAD on a quarterly basis present to the Audit Committee of audit results and significant matters raised in the audit reports for the audits undertaken in the respective area of operations. Follow-up audits were also carried out to determine the status of implementation of agreed corrective actions based on the previous audit issues reported.

During the year, some areas for improvement in the internal control system were reported by the GIAD to the Audit Committee. However, no weakness in internal control has resulted in material losses, contingencies or uncertainties which would require disclosure in this annual report. Management has been responsive to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted. The effectiveness of the system of internal control is constantly reviewed and enhanced in response to changes in the operating environment. The cost of the Group Internal Audit function for 2018 is RM274,423. Further activities of the Internal Audit function are set out in the Audit Committee Report on pages 56 to 62.

4. LEGAL

The Legal department plays a pivotal role in ensuring that the interests of Eversendai are preserved and safeguarded from a legal perspective. It also plays a key role in advising the Board and the Management on legal and strategic matters.

5. LIMITS OF AUTHORITY

The Group's Discretionary Authority Limits ("DAL") policy sets the authorisation limits at the various levels of management and staff, and also matters requiring Board approval; to ensure accountability, segregation of duties and control over Eversendai's financial commitments. The DAL policy is reviewed and updated periodically to reflect business, operational and structural changes.

6. POLICIES AND PROCEDURES

There is extensive documentation of policies and procedures in manuals including those relating to Financial, Contract Management, Procurement, Project Management, Human Resources and Information Systems. These policies and procedures are continuously being enhanced.

CONTROL ENVIRONMENT AND STRUCTURE (CONT'D)

7. FINANCIAL AND OPERATIONAL INFORMATION

A detailed budgeting and reporting process have been established. Comprehensive budgets are prepared by the operating units and presented to the Board. Upon approval of the budget, Eversendai's performance is then tracked and measured against the approved budget on a monthly basis. Reporting systems which highlight significant variances against the plan are in place to track and monitor performance. These variances in financial as well as operational performance indices are incorporated in detail in the monthly management reports. On a quarterly basis, the results are reviewed by the Board to enable them to measure Eversendai's overall performance compared to the approved budgets and prior periods.

MONITORING AND REVIEW

The processes adopted to monitor and review the effectiveness of the system of internal control include:

1. Management Representation to the Board by the Group Managing Director on the control environment of Eversendai, based on representations made to him by management on the control environment in their respective areas. Any exceptions identified are highlighted to the Board.

2. Internal Audit in their quarterly report to the Audit Committee continues to highlight significant issues and exceptions identified during the course of their review on processes and controls compliance. The Chairman of the Audit Committee updates the Board on the significant matters deliberated upon and the decisions made during the Audit Committee meetings.

REVIEW OF STATEMENT BY INDEPENDENT AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the independent auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with ISAE 3000, Assurance Engagements other than Audit or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants does not require the independent auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of Eversendai.

Based on their procedures performed, the independent auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, Eversendai Managing Director and Chief Financial Officer to the best of their ability and knowledge confirm that Eversendai's risk management and internal control systems are adequate and effective to safeguard shareholders' investments and Eversendai's assets. The Board is satisfied that the system of risk management and internal control is satisfactory and has not resulted in any material loss, contingency or uncertainty that would require separate disclosure in Eversendai's Annual Report.

Statement of Directors' Responsibility

In Respect of Audited Financial Statements

The Directors are required by the Companies Act 2016 ("Companies Act") and the Main Market Listing Requirements of Bursa Securities to prepare financial statements for each financial year in accordance with the applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act in Malaysia so as to give a true and fair view of the financial position of Eversendai Group of Companies as at 31 December 2018 and of the Company's financial performance and cash flows for the financial year.

In preparing the financial statements the Directors have:

- considered the requirements of the Companies Act in Malaysia;
- considered the requirements in accordance to MFRSs and IFRSs;
- adopted and consistently applied appropriate accounting policies;
- made prudent and reasonable judgements and estimates; and
- ensured that the financial statements are prepared on a going concern basis as the Directors have a reasonable expectation, having made enquires, that Eversendai Group of Companies have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that Eversendai Group of Companies retain the accounting and other records and the registers of Eversendai Group of Companies and are in accordance with the requirements of the Companies Act in Malaysia.

The Directors have the general responsibility for undertaking reasonable steps to safeguard the assets of Eversendai Group of Companies and are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Financial Review

Financial Statements

Report of The Directors

The directors of **EVERSENDAI CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The information on the name, place of incorporation, principal activities, and percentage of issue share capital held by the Group in each subsidiary is as disclosed in Note 16 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit/(Loss) for the year	73,552	(20,690)
Profit attributable to:		
Equity holders of the Company	70,238	(20,690)
Non-controlling interests	3,314	-
	73,552	(20,690)

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

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.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

TREASURY SHARES

During the financial year, the Company did not purchase its own ordinary shares.

As of 31 December 2018, the Company held 101,000 treasury shares at a carrying amount of approximately RM91,000. Movement in the Company's treasury shares are as disclosed in Note 26 to the Financial Statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Report of The Directors (Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

(a) 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 liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, 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 operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The directors of the Company 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
Datuk Ng Seing Liong
Narla Srinivasa Rao
Narishnath A/L Nathan
Datuk Iskandar Bin Sarudin
Nadarajan Rohan Raj (Resigned on 3 October 2018)
Cheah Ban Seng (Resigned on 31 January 2019)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report (not including those directors listed above) are:

Datuk David Rashid bin Ghazalli
Ir. Chandrasegran A/L S P Uthirapathy
Puan Sri Puspawathy A/P Subramaniam
Shamila Nathan

DIRECTORS' INTERESTS

The shareholdings in the Company and in a related corporation of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares			
	Balance as of 1.1.2018	Bought	Sold	Balance as of 31.12.2018
Shares in the Company				
Direct interest				
Narla Srinivasa Rao	500,000	-	-	500,000
Datuk Ng Seing Liong	70,000	-	-	70,000
Indirect interest				
Tan Sri Dato' Nathan A/L Elumalay *	555,363,360	-	-	555,363,360
Shares in the holding company, Vahana Holdings Sdn Bhd				
Direct interest				
Tan Sri Dato' Nathan A/L Elumalay	298,230	-	-	298,230
Narishnath A/L Nathan	1,170	-	-	1,170

* Deemed interest by virtue of his shareholdings in the holding company.

By virtue of the above directors' interest in the shares of the holding company and in the Company, they are deemed to have an interest in the shares of the subsidiaries to the extent that the Company and the holding company have an interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or being fixed salary of a full-time employee of the Company as disclosed in Note 10 to the Financial Statements) 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 except for any benefits as disclosed in the Note 22 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of The Directors (Cont'd)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for any directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

HOLDING COMPANY

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.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 31 December 2018 is as disclosed in Note 8 to the Financial Statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the directors,

____
TAN SRI DATO' NATHAN A/L ELUMALAY

____
NARLA SRINIVASA RAO

Kuala Lumpur,
23 April 2019

Independent Auditors' Report
To The Members of Eversendai Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **EVERSENDAI CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 181.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report
To The Members of Eversendai Corporation Berhad (Cont'd)

Key audit matters	*Our audit performed and responses thereon*
Recoverability of receivables and amount owing by customers related to the construction of liftboats for a related party.	
The allowance for doubtful debts of the Group continues to be a focus of our audit. The management provide allowances based on certain assumptions which required the use of estimates and judgement. The use of judgement and estimation in determining the allowance may vary due to changes in circumstances from year to year and may impact the value of the receivable balances. Included in the amount owing by customers under construction contracts and trade receivables is an amount of approximately RM241,137,000 and RM235,050,000 respectively, relating to contracts for construction of two liftboats for a related company. The assessment on recoverability of the both balances from the related company involves significant management judgement. The accounting policies for allowance for doubtful debts on amount owing by customers under construction contracts, and trade receivables are set out in Note 3, Note 4, Note 19 and Note 20 to the Financial Statements.	We obtained the Group's impairment provisioning policy on receivables and amount owing by customers under construction contracts to review if it is in accordance with MFRS 9, Financial Instruments. For the recoverability of balances to be received via banking arrangements relating to the liftboat, we have obtained the Facility Agreement and corroborated our understanding of the contractual terms with the Group's management. For the recoverability of remaining balances relating to the two liftboats, we have discussed with the management on the likelihood of collection from the related company. We performed an assessment on the related party's financial position to assess its ability to repay the remaining balances. We have also obtained and sighted to management's plan and assessed the likelihood of the execution of the plan to recover the receivables from the related company.
Estimated revenue and future cost on contracts	
The construction industry is characterised by contract risk with significant judgements that involve the assessment of both current and future financial performance. Contract revenues are recognised based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract. The Group updates the estimated costs to complete of individual contracts on a regular basis and significant judgement is exercised in multiple assessments. The assessments include cost of potential claims by contractors and the cost of meeting other contractual obligations to the customers. Any changes in these judgements and the related estimates can result in material adjustments to the stage of completion of individual contracts and thus affecting the revenue recognised.	We obtained an understanding of key controls over the recognition of contract revenue and evaluated the design and implementation of these controls. We obtained the Group's revenue recognition policy to review if it is in accordance with MFRS 15, Revenue from Contracts with Customers. We selected a sample of contracts in order to challenge management's key judgements inherent in the forecast costs to complete by reviewing the contract terms and conditions in the contract documentation. We obtained the management-prepared budgets for the contracts and compared to actual construction costs incurred to determine the accuracy of budgeted costs. We selected samples of actual costs incurred and verified to supplier invoices, delivery orders, services reports and other supporting documents and ensured that they were recorded in the correct accounting period.

Independent Auditors' Report
To The Members of Eversendai Corporation Berhad (Cont'd)

Key audit matters	***Our audit performed and responses thereon***
Estimated revenue and future cost on contracts (Cont'd) In the current year, the Group has applied MFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on 1 January 2018. MFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. The Group management has recorded provisions for foreseeable losses of RM5,509,000 (2017: RM5,509,000) relating to contracts for construction of a liftboat and RM9,346,000 (2017: RM17,189,000) relating to a construction project in India. The foreseeable losses arising from total budgeted costs exceeding total contract revenue is recognised immediately in profit or loss. Consequently, any changes in the judgements and related estimates in arriving at total budgeted costs will result in a change in the foreseeable losses recognised. The accounting policies and relevant disclosures for revenue are set out in Note 3, Note 4, Note 5 and Note 33 to the Financial Statements.	We recomputed the percentage of completion of major projects based on actual costs incurred and compared to management's computation. We further reviewed selected variation orders ("VOs") to ensure the VOs are endorsed by the customer. We have also reviewed changes in estimates to ensure they were approved by appropriate management personnel. We performed site visits on major construction projects on a rotation basis, discussed with the construction engineers and compared the percentage of completion certified against the physical construction progress.
Financial covenants on borrowings and liquidity Included in the borrowings of the Group is a term loan amounting to approximately RM421,760,000 obtained for the purpose of working capital and other loan settlement. The term loan is subject to certain financial covenants of which the Group has not met. Accordingly, the lenders have the right to declare all or part of the loan be immediately due and payable as stated in the Facilities Agreement. In the event the lenders exercise the right and demand for immediate repayment, the Group will need to meet such demand. This may give rise to concerns about whether the Group have sufficient cash flows to meet this demand. To address this matter, the Group is: • Requesting an indulgence letter from the said lenders for the current financial year; • Seeking for alternative source of funds; Furthermore, the Group has non-core assets pledged for this loan that would be available for realisation. As at the date of approval of the financial statements, the lenders have yet to demand for immediate repayment. The accounting policies and relevant disclosures for borrowings are set out in Note 3 and Note 30 to the Financial Statements.	We have read the terms of the Facilities Agreement and corroborated our understanding of the contractual terms with the Group's management. We have received management's financial covenants computation and recomputed the financial covenants according to the financial definition stated in the Facilities Agreement. We have reviewed management's assessment of the Group's ability to repay the term loan in the event the lenders demand for an immediate repayment. We challenged the assumptions used in management's assessment and sighted to relevant documents. We assessed the disclosures made in regards to the appropriateness of the basis of accounting for the preparation of the financial statements.

We have determined that there are no key audit matters in the audit of financial statements of the Company to communicate in our Auditors' report.

Independent Auditors' Report
To The Members of Eversendai Corporation Berhad (Cont'd)

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.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016, we also report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 16 to the Financial Statements.

Independent Auditors' Report
To The Members of Eversendai Corporation Berhad (Cont'd)

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 towards any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2020 J
Chartered Accountant

Kuala Lumpur
23 April 2019

Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
Revenue	5	**1,705,750**	1,811,460	**5,719**	404,632
Cost of sales		**(1,480,902)**	(1,558,923)	**-**	-
Gross profit		**224,848**	252,537	**5,719**	404,632
Other operating income	6	**29,401**	44,989	**72**	15,799
Operating and administrative expenses		**(125,647)**	(160,971)	**(9,660)**	(10,735)
Finance costs	7	**(49,210)**	(32,096)	**(16,688)**	(14,340)
Profit/(Loss) before tax	8	**79,392**	104,459	**(20,557)**	395,356
Income tax (expense)/credit	11	**(2,350)**	(9,157)	**(133)**	(24)
Profit/(Loss) for the year from continuing operations		**77,042**	95,302	**(20,690)**	395,332
Discontinued operations:					
Loss for the period/year	12	**(3,490)**	(8,236)	**-**	-
Profit/(Loss) for the year		**73,552**	87,066	**(20,690)**	395,332
Other comprehensive income/(loss), net of income tax:					
Items that will not be reclassified subsequently to profit or loss		**-**	-	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		**6,904**	(78,397)	**-**	-
Total comprehensive income/(loss) for the year		**80,456**	8,669	**(20,690)**	395,332

Statements of Profit or Loss and Other Comprehensive Income
For The Year Ended 31 December 2018 (Cont'd)

	Note	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
Profit/(Loss) attributable to:					
Continuing operations:					
Equity holders of the Company		**72,953**	89,536	**(20,690)**	395,332
Non-controlling interests		**4,089**	5,766	**-**	-
		77,042	95,302	**(20,690)**	395,332
Discontinued operations:					
Equity holders of the Company		**(2,715)**	(4,008)	**-**	-
Non-controlling interests		**(775)**	(4,228)	**-**	-
		(3,490)	(8,236)	**-**	-
Total profit/(loss) attributable to:					
Equity holders of the Company		**70,238**	85,528	**(20,690)**	395,332
Non-controlling interests		**3,314**	1,538	**-**	-
		73,552	87,066	**(20,690)**	395,332
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		**76,882**	8,900	**(20,690)**	395,332
Non-controlling interests		**3,574**	(231)	**-**	-
		80,456	8,669	**(20,690)**	395,332
Earnings per share attributable to equity holders of the Company (cent)					
Basic and diluted (cent)	13				
Continuing operations		**9.3**	11.5		
Discontinued operations		**(0.3)**	(0.5)		
		9.0	11.0		

The accompanying Notes form an integral part of the Financial Statements.

Statements of Financial Position

As At 31 December 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	14	**721,028**	714,881	**12,041**	12,394
Goodwill	15	**11,251**	12,119	**-**	-
Investment in subsidiaries	16	**-**	-	**1,100,096**	1,099,985
Deferred tax assets	17	**2,270**	2,161	**-**	-
Total Non-current Assets		**734,549**	729,161	**1,112,137**	1,112,379
Current Assets					
Inventories	18	**359,935**	281,243	**-**	-
Amount owing by customers under construction contracts	19	**757,590**	1,026,144	**-**	-
Trade receivables	20	**990,993**	610,113	**-**	-
Other receivables, refundable deposits and prepaid expenses	21	**197,902**	165,256	**165**	96
Amount owing by subsidiaries	22	**-**	-	**147,884**	150,155
Investment in securities	23	**23**	23	**-**	-
Tax recoverable		**5,483**	1,612	**56**	94
Cash and bank balances	24	**182,876**	273,359	**698**	2,666
		2,494,802	2,357,750	**148,803**	153,011
Non-current assets held for sale	35	**-**	339	**-**	-
Total Current Assets		**2,494,802**	2,358,089	**148,803**	153,011
Total Assets		**3,229,351**	3,087,250	**1,260,940**	1,265,390

Statements of Financial Position
As At 31 December 2018 (Cont'd)

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	25	**585,308**	585,308	**585,308**	585,308
Treasury shares	26	**(91)**	(91)	**(91)**	(91)
Capital reserve	26	**187**	187	**-**	-
Foreign currency translation reserve	26	**162,336**	155,692	**-**	-
Fair value adjustment reserve	26	**30**	30	**-**	-
Retained earnings	27	**206,767**	143,841	**393,720**	414,410
Equity attributable to:					
Equity holders of the Company		**954,537**	884,967	**978,937**	999,627
Non-controlling interests		**15,809**	12,335	**-**	-
Total Equity		**970,346**	897,302	**978,937**	999,627
Non-current Liabilities					
Hire-purchase payables					
- non-current portion	29	**3,187**	3,692	**-**	-
Borrowings					
- non-current portion	30	**267,750**	195,274	**-**	-
Employees' service benefits	31	**73,134**	64,695	**-**	-
Deferred tax liabilities	17	**4,274**	4,274	**-**	-
Total Non-current Liabilities		**348,345**	267,935	**-**	-

Statements of Financial Position
As At 31 December 2018 (Cont'd)

	Note	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
Current Liabilities					
Trade payables	32	**347,589**	302,046	**-**	-
Other payables and accrued expenses	33	**427,878**	467,409	**4,556**	2,681
Amount owing to customers under construction contracts	19	**107,203**	142,457	**-**	-
Amount owing to directors	34	**9,694**	10,282	**5,843**	5,843
Amount owing to subsidiaries	22	-	-	**271,599**	257,182
Hire-purchase payables - current portion	29	**3,766**	4,076	**-**	52
Borrowings - current portion	30	**979,483**	957,125	**-**	-
Tax liabilities		**35,047**	38,618	**5**	5
Total Current Liabilities		**1,910,660**	1,922,013	**282,003**	265,763
Total Liabilities		**2,259,005**	2,189,948	**282,003**	265,763
Total Equity and Liabilities		**3,229,351**	3,087,250	**1,260,940**	1,265,390

The accompanying Notes form an integral part of the Financial Statements.

Statements of Changes In Equity

For The Year Ended 31 December 2018

The Group	Issued capital RM'000	Share premium 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	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	← Attributable to equity holders of the Company →									
	← Non-distributable →						Distributable			
Balance as of 1 January 2017	387,000	191,515	(91)	307	232,320	30	58,313	869,394	14,214	883,608
Increase in share capital (Note 25)	6,673	-	-	-	-	-	-	6,673	-	6,673
Transfer arising from 'no par value' regime (Note 25)	191,635	(191,515)	-	(120)	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	85,528	85,528	1,538	87,066
Other comprehensive loss	-	-	-	-	(76,628)	-	-	(76,628)	(1,769)	(78,397)
Total comprehensive income for the year	-	-	-	-	(76,628)	-	85,528	8,900	(231)	8,669
Dividends	-	-	-	-	-	-	-	-	(1,648)	(1,648)
Balance as of 31 December 2017	585,308	-	(91)	187	155,692	30	143,841	884,967	12,335	897,302
Balance as of 1 January 2018	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**143,841**	**884,967**	**12,335**	**897,302**
Effect of adoption of MFRS 9 (Note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**(7,312)**	**(7,312)**	**(739)**	**(8,051)**
Restated as at 1 January 2018	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**136,529**	**877,655**	**11,596**	**889,251**
Disposal of subsidiaries*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,141**	**5,141**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**70,238**	**70,238**	**3,314**	**73,552**
Other comprehensive income	**-**	**-**	**-**	**-**	**6,644**	**-**	**-**	**6,644**	**260**	**6,904**
Total comprehensive income	**-**	**-**	**-**	**-**	**6,644**	**-**	**70,238**	**76,882**	**3,574**	**80,456**
Dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,502)**	**(4,502)**
Balance as of 31 December 2018	**585,308**	**-**	**(91)**	**187**	**162,336**	**30**	**206,767**	**954,537**	**15,809**	**970,346**

* These subsidiaries were at net liabilities.

Statements of Changes In Equity
For The Year Ended 31 December 2018 (Cont'd)

The Company	← **Attributable to equity holders of the Company** →					
	← **Non-distributable** →				**Distributable**	
	Issued capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Capital reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Balance as of 1 January 2017	387,000	191,515	(91)	120	19,078	597,622
Increase in share capital	6,673	-	-	-	-	6,673
Transfer arising from 'no par value' regime (Note 25)	191,635	(191,515)	-	(120)	-	-
Total comprehensive income for the year	-	-	-	-	395,332	395,332
Balance as of 31 December 2017	585,308	-	(91)	-	414,410	999,627
Balance as of 1 January 2018	**585,308**	**-**	**(91)**	**-**	**414,410**	**999,627**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(20,690)**	**(20,690)**
Balance as of 31 December 2018	**585,308**	**-**	**(91)**	**-**	**393,720**	**978,937**

The accompanying Notes form an integral part of the Financial Statements.

Statements of Cash Flows

For The Year Ended 31 December 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before tax:				
Continuing operations	**79,392**	104,459	**(20,557)**	395,356
Discontinued operations	**(3,429)**	(8,236)	**-**	-
Adjustments for:				
Depreciation of property, plant and equipment	**57,939**	50,393	**359**	577
Finance costs	**49,213**	32,100	**16,688**	14,340
Provision for employees' service benefits	**14,290**	14,212	**-**	-
Unrealised foreign exchange loss/(gain)	**3,601**	(17,902)	**3,170**	(15,799)
Allowance for doubtful debts on trade receivables	**3,233**	2,831	**-**	-
Property, plant and equipment written off	**-**	2,199	**-**	-
Impairment of goodwill	**868**	1,661	**-**	-
(Reversal)/Provision for foreseeable losses	**(7,843)**	4,798	**-**	-
Interest income	**(2,757)**	(2,137)	**(25)**	(687)
Gain on disposal of investment in subsidiaries	**(2,166)**	-	**-**	-
Gain on disposal of asset held for sale	**(276)**	-	**-**	-
Gain on disposal of property, plant and equipment	**(99)**	(125)	**(72)**	-
Impairment of a subsidiary	**-**	-	**-**	3,584
Dividend income from subsidiaries	**-**	-	**-**	(398,318)
Operating Profit/(Loss) Before Working Capital Changes	**191,966**	184,253	**(437)**	(947)
(Increase)/Decrease in:				
Inventories	**(78,692)**	(100,439)	**-**	-
Receivables	**(222,110)**	(61,618)	**(69)**	98
Increase/(Decrease) in:				
Payables	**39,650**	102,834	**(925)**	161
Net changes in intercompany balances	**-**	-	**13,518**	6,264
Cash Generated (Used In)/ from operations	**(69,186)**	125,030	**12,087**	5,576
Employees' service benefits paid	**(5,838)**	(6,035)	**-**	-
Income tax paid	**(7,131)**	(6,917)	**(133)**	(63)
Income tax refunded	-	-	**38**	-
Net Cash (Used In)/From Operating Activities	**(82,155)**	**112,078**	**11,992**	5,513

Statements of Cash Flows
For The Year Ended 31 December 2018 (Cont'd)

	Notes	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment (Note 14)		**(55,338)**	(85,073)	**(6)**	(4)
Proceeds from disposal of property, plant and equipment		**626**	832	**72**	-
Proceeds from disposal of asset held for sale		**615**	-	**-**	-
Incorporation of a subsidiary (Note 16)		**-**	(143)	**-**	(143)
Net changes in investment in subsidiaries (Note 16)		**-**	-	**(111)**	-
Net cash outflow on disposal of subsidiary company		**(2,639)**	-	**-**	-
Increase in deposits with financial institutions		**(5,774)**	(7,753)	**-**	-
Interest received		**2,757**	2,137	**25**	27
Net Cash Used In Investing Activities		**(59,754)**	(90,000)	**(20)**	(120)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Cash from private placement	25	**-**	6,673	**-**	6,673
Drawdowns of bank borrowings	40	**148,632**	-	**-**	-
Repayments of bank borrowings	40	**(53,798)**	(75,103)	**-**	-
Dividends paid to NCI		**(4,502)**	(1,648)	**-**	-
Repayments of hire-purchase payables	40	**(7,270)**	(11,564)	**(52)**	(54)
Increase/(Decrease) of amount owing to directors	40	**464**	(9,323)	**-**	(11)
Interest paid		**(49,213)**	(40,488)	**(13,888)**	(11,775)
Net Cash From/(Used In) Financing Activities		**34,313**	(131,453)	**(13,940)**	(5,167)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(107,596)**	(109,375)	**(1,968)**	226
Foreign exchange differences on translation		**23,877**	(68,865)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**159,672**	337,912	**2,666**	2,440
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**75,953**	159,672	**698**	2,666

The accompanying Notes form an integral part of the Financial Statements.

Notes To The Financial Statements

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 16.

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

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 financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 23 April 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand except where otherwise indicated.

2.1 Adoption of new and revised Standards

In the current year, the Group and the Company have adopted a number of new MFRSs, amendments to MFRS and Interpretations issued by the MASB that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers (and the related Clarification)
Amendments to MFRS 2	Classification and Measurement of Shared-based Payment Transactions
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendment to MFRSs	Annual improvement to MFRSs 2014 – 2016 Cycle

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised Standards (Cont'd)

The adoption of these new MFRSs, amendments to MFRS and Interpretations has no material impact on the disclosures or on the amounts recognised in the financial statements other than disclosed below:

Impact of initial application of MFRS 9 *Financial Instruments*

In the current year, the Group and the Company have applied MFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other MFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of MFRS 9 allow an entity not to restate comparatives.

MFRS 9 introduced new requirements for:

(a) The classification and measurement of financial assets and financial liabilities;
(b) Impairment of financial assets; and
(c) General hedge accounting.

The Group and the Company have applied MFRS 9 in accordance with the transition provisions set out in MFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group and the Company have assessed its existing financial assets and financial liabilities in terms of the requirements of MFRS 9) is 1 January 2018. Accordingly, the Group and the Company have applied the requirements of MFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Notes To The Financial Statements (Cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised Standards (Cont'd)

(a) Classification and measurement of financial assets (Cont'd)

Based on the management's assessment, the financial assets held by the Group and the Company as of 1 January 2018 will be reclassified as follow:

	Existing classification under MFRS 139	New classification under MFRS 9
The Group		
Trade receivables	Loans and receivables	Amortised Cost
Other receivables and refundable deposits	Loans and receivables	Amortised Cost
Investment in securities	Available-for-sale	FVTPL
Cash and bank balances	Loans and receivables	Amortised Cost
The Company		
Other receivables and refundable deposits	Loans and receivables	Amortised Cost
Amount owing by subsidiaries	Loans and receivables	Amortised Cost
Cash and bank balances	Loans and receivables	Amortised Cost

(b) Impairment of financial assets

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires the Group and the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

MFRS 9 requires the Group and the Company to recognise a loss allowance for expected credit losses on trade receivables.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised Standards (Cont'd)

(b) Impairment of financial assets (Cont'd)

In particular, MFRS 9 requires the Group and the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group and the Company are required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables in certain circumstances.

Items existing as at 1 January 2018 that are subject to the impairment provision of MFRS 9	Credit risk attributes at 1 January 2018	Carrying amount as at 31 December 2017 RM'000	Carrying amount as at 1 January 2018 RM'000	Additional loss allowance recognised under MFRS 9 [Retained earning effect as at 1 January 2018] RM'000
The Group				
Trade receivables	The Group applies the simplified approach and recognised lifetime ECL for these assets.	610,113	**602,062**	**8,051**
Other receivables and refundable deposits	Low credit risk 12 months ECL	64,382	**64,382**	-
Cash and bank balances	Low credit risk 12 months ECL	273,359	**273,359**	-
The Company				
Other receivables and refundable deposits	Low credit risk 12 months ECL	69	**69**	-
Amount owing by subsidiaries	Low credit risk 12 months ECL	150,155	**150,155**	-
Cash and bank balances	Low credit risk 12 months ECL	2,666	**2,666**	-

Notes To The Financial Statements (Cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised Standards (Cont'd)

(c) Classification and measurement of financial liabilities

A significant change introduced by MFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

MFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of MFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the entity's risk management activities have also been introduced.

The application of MFRS 9 has had no other impact on the results and financial position of the Group and the Company for the current and prior years as the Group and the Company did not adopt hedge accounting.

(e) Disclosures in relation to the initial application of MFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under MFRS 139 that were subject to reclassification or which the Group has elected to reclassify upon the application of MFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of MFRS 9 (i.e. 1 January 2018). Therefore, there is no disclosure in relation to this.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised Standards (Cont'd)

Impact of application of MFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied MFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. MFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios.

The Group has applied MFRS 15 in accordance with the modified transitional approach and applied the expedient in MFRS 15:C5 (d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

In accordance with MFRS 15, the Group recognises revenue when a performance obligation is satisfied, which is when 'control' of provision of services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

Notwithstanding MFRS 15 uses the terminology "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", the Group continues to use terms "Amount owing by/to customers under construction contracts" in the statement of financial position.

The application of MFRS 15 has not had a significant impact on the financial statements of the Group.

2.2 Standards and Amendments in issue but not yet effective

The following are the accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS 16	Leases[1]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 3	Definition of a Business[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[1]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between on Investor and Its Associate or Joint Venture[4]
IC Interpretation 23	Uncertainty over Income Tax Treatments[1]

Annual Improvements to MFRSs 2015-2017 Cycle[1]

Amendments to References to the Conceptual Framework in MFRS Standards[2]

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced by MASB.

Notes To The Financial Statements (Cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Standards and Amendments in issue but not yet effective (Cont'd)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except for the following:

MFRS 16 *Leases*

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, 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.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group have prepared their financial statements on a going concern basis, notwithstanding that the Group have breached certain financial covenants of a term loan amounting to approximately RM421,760,000, which was obtained for the purpose of working capital and other loan settlement (see Note 30). Accordingly, the lenders have the right to declare all or part of the loan be immediately due and payable as stated in the Facilities Agreement. In the event the lenders exercise the right and demand for immediate repayment, the Group will need to meet such demand. This may give rise to concerns about whether the Group have sufficient cash flows to meet this demand. The Group is currently requesting for indulgence letter for the current financial year and seeking other source of funding. Furthermore, the Group has non-core assets pledged for this loan that would be available for realisation.

As at the date of approval of the financial statements, the lenders have yet to demand for immediate repayment.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Basis of Consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation and Subsidiaries (Cont'd)

All intra-group assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Subsidiaries

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less any accumulated impairment losses, if any, in the Company's financial statements.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits respectively*;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised 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, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue from construction contracts

The Group involves in the engineering, mechanical construction and installation of steel under a specific/individual contract with customers. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The Group becomes entitled to invoice customers for construction claims at the end of every calendar month. The customer is sent a statement showing the amount of work executed and supporting documents and an invoice for the related progress billing. The Group will previously have recognised an "amount due from contract customer" for any work performed, of which it will be reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billings exceed the revenue recognised to date under the cost-to-cost method, then the Group recognises an "amount due to contract customer" for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the progress billing is always less than one year.

Rental income

Rental income is accounted for on a straight line basis over the lease term.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

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

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Management fee income

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

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in RM, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies (Cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Employee Benefits

Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and social contributions are recognised in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

(i) Malaysia and Singapore

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have 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 contributions 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.

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.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Lease Payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing Costs

Borrowing costs 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. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax (Cont'd)

Deferred Tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation (unless stated otherwise) and impairment losses (if any).

Capital work-in-progress comprises the construction of factory building, offices and plant and machineries which have not been commissioned. Capital work-in-progress is not depreciated.

Capital work-in-progress is capitalised in accordance with MFRS 116 *Property, Plant and Equipment* and is recognised as an asset when:

(i) It is probable that future economic benefit associated with the assets will flow to the enterprise; and
(ii) The cost of the assets to the enterprise can be measured reliably.

Property, plant and equipment, other than freehold land and capital work-in-progress which are not depreciated, are depreciated using the straight-line method at rates calculated to write off the cost of the assets over their estimated useful lives. The annual rates used 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 estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

Gain or loss arising on disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment of Non-Financial Assets Other Than Goodwill

The carrying amount of non-financial assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is revised upwards to the estimated recoverable amount, but to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are valued at the lower of cost (determined on the "first-in, first-out" basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and appropriate proportion of production overheads. Net realisable value represents the estimated selling price of inventories in the ordinary course of business less all other estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that the Group will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 events not only wholly within the control of the Group.

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

Goods and Service Tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset.

Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST receivable or GST payable.

GST receivable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

On the 1 June 2018, the new Malaysian government withdrew the Goods and Services Tax (GST). It was replaced with a Sales and Services Tax (SST) on 1 September 2018.

Financial Instruments

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of the financial assets and financial liabilities, derecognition of the financial instruments and impairment of financial assets. The adoption of MFRS 9 from 1 January 2018 resulted in changes in accounting policies.

Financial assets and financial liabilities are recognised in the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets

Accounting policies applied from 1 January 2018

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortisation cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

(i) Amortisation cost and effective interest method (Cont'd)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Accounting policies applied until 31 December 2017

The Group and the Company categorise financial assets as follow:

(a) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market and also includes trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debts securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for debt instrument using the effective interest method is recognised in profit or loss.

Accounting policies applied from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

The Group always recognises lifetime ECL for trade receivables amount owing by customers under construction contracts, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

(i) Significant increase in credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial assets (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

(ii) Definition of default (Cont'd)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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 includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset 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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

(v) Measurement and recognition of expected credit losses (Cont'd)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 117 Leases.

If the Group measures the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Accounting policies applied until 31 December 2017

Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for-sale is not reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Accounting policies applied until 31 December 2017 (Cont'd)

Financial assets (Cont'd)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Derecognition of financial assets

Accounting policies applied from 1 January 2018

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Accounting policies applied until 31 December 2017

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

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (Cont'd)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Ordinary shares are classified as equity.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial liabilities (Cont'd)

Financial liabilities at FVTPL (Cont'd)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities (Cont'd)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions (Cont'd)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be presented as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. In the statement of profit or loss and other comprehensive income, the expense relating to a provision is presented net of the amount recognised for a reimbursement.

Contingent Liabilities and Contingent Assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

Earnings per Ordinary Share

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

Statement of Cash Flow

The Group and the Company adopt the indirect method in the preparation of statements of cash flows. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. Money market fund are deposited in the money market and are managed by investment institutions. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset other than a financial asset held for trading or contingent consideration.

Notes To The Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current versus Non-current Classification

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

(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

(i) Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Liabilities for contract claims

Under UAE laws, certain subsidiaries are jointly liable, without fault, for the cost of rectifying structural defects that appear in a building or structure within ten years of handover. For such liability, referred to as Decennial Liability, to be applicable, it is not necessary to prove any negligence or breach of contract and the liability attached, notwithstanding that the collapse or defect is caused by sub-surface conditions or that the customer had approved the defective work. In the past, the Group has not been affected by any claims in relation to the Decennial Liability through mitigating measures taken by the management and accordingly, no provision has been made in the financial statements. However, there can be no assurance that the Group's exposure to Decennial Liability will not have any material adverse effect on the Group's results.

Consolidation of subsidiaries

The Group has entered into various legal shareholder agreements with its foreign partners in respect of certain subsidiaries in the United Arab Emirates and Thailand. As a result of these agreements, the Group has consolidated these foreign subsidiaries on a basis which differs from the proportion of legal ownership interest and the original profit-sharing agreements. Uncertainties may exist as a result of potential changes in legislations in the foreign countries that may affect the enforceability of these agreements.

The directors are of the opinion that the existing shareholders agreements are enforceable as at the date of these financial statements.

(ii) Key Sources of Estimation Uncertainty

The management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as follows:

Notes To The Financial Statements (Cont'd)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(ii) Key Sources of Estimation Uncertainty (Cont'd)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated.

When value-in-use calculation are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 15.

Impairment of trade receivables and amount owing by customers under construction contracts

Significant estimate is required in determining the impairment of trade receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for trade receivables and amount due from contract customers by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The carrying amount of the Group's amount owing by customers under construction contracts and trade receivables at the reporting date is disclosed in Note 19 and Note 20 respectively.

Computation of income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense and credit already recorded. Such differences of interpretation may arise from a wide variety of issues depending on the condition prevailing in the respective country in which the Group operates. The income tax expense/(credit) of the Group for the financial year is disclosed in Note 11.

Estimated revenue and future cost on contracts

The Group recognised revenue based on the percentage of completion method. The percentage of completion is measured by reference to the costs incurred to date to the estimated total costs for the contract. The percentage of completion method requires the Group to make reasonably dependable estimates of progress towards completion of property development projects and costs in determining the percentage of completion, and the recoverability of development projects. In making the estimate, management relied on opinion/service of experts, past experience and a continuous monitoring mechanism.

5. REVENUE

	The Group		The Company	
	2018 RM'000	**2017 RM'000 (Restated)**	**2018 RM'000**	**2017 RM'000**
Continuing operations				
Construction contract revenue	**1,705,750**	1,811,460	**-**	-
Management fee income (Note 22)	**-**	-	**4,588**	5,063
Rental income (Note 22)	**-**	-	**564**	564
Interest income:				
Charged to subsidiaries (Note 22)	**-**	-	**541**	660
Cash and bank balances	**-**	-	**26**	27
Dividend income from subsidiaries	**-**	-	**-**	398,318
	1,705,750	1,811,460	**5,719**	404,632
Discontinued operations				
Construction contract revenue	**28,629**	18,967	**-**	-

6. OTHER OPERATING INCOME

	The Group		The Company	
	2018 RM'000	**2017 RM'000 (Restated)**	**2018 RM'000**	**2017 RM'000**
Continuing operations				
Sales of scrap	**15,746**	14,211	**-**	-
Sundry income	**7,758**	10,837	**-**	-
Gain on Unrealised foreign exchange	-	17,679	**-**	15,799
Interest income	**2,757**	2,137	**-**	-
Gain on disposal of property, plant and equipment	**99**	125	**72**	-
Gain on disposal of asset held for sale	**276**	-	**-**	-
Gain on disposal of subsidiary (Note 12)	**2,166**	-	**-**	-
Others	**599**	-	**-**	-
	29,401	44,989	**72**	15,799
Discontinued operations				
Gain on Unrealised foreign exchange	**7**	223	**-**	-
Sundry income	**715**	-	**-**	-
	722	223	**-**	-

Notes To The Financial Statements (Cont'd)

7. FINANCE COSTS

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
Continuing operations				
Interest expense on:				
Borrowings*	**49,068**	31,726	**16,136**	13,851
Hire-purchase payables	**142**	370	**1**	4
Amount owing to subsidiaries (Note 22)	**-**	-	**551**	485
	49,210	32,096	**16,688**	14,340
Discontinued operations				
Interest expense on borrowings	**3**	4	**-**	-

* Included in interest expense on borrowings of the Company amounting to RM16,136,000 (2017: RM13,851,000) relating to the interest recharged by a subsidiary (Note 22) for the term loan obtained in October 2016 as disclosed in Note 30(c).

8. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived after charging/(crediting):

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
Continuing operations				
Employee benefits expense (Note 9)	**464,451**	454,281	**3,692**	4,567
Depreciation of property, plant and equipment (Note 14)	**57,905**	50,323	**359**	577
Rental of:				
Premises	**32,243**	29,822	**427**	402
Others	**1,127**	2,207	**7**	17
Provision for employees' service benefits (Note 31)	**14,290**	14,212	-	-
Loss on foreign exchange:				
Unrealised	**3,601**	-	-	-
Realised	**108**	4,939	-	-

8. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Profit/(Loss) before tax is arrived after charging/(crediting): (Cont'd)

	The Group		The Company	
	2018 RM'000	**2017 RM'000 (Restated)**	**2018 RM'000**	**2017 RM'000**
(Reversal)/Provision for foreseeable losses (Note 33)	**(7,843)**	4,798	**-**	-
Allowance for doubtful debts on trade receivables (Note 20)	**2,993**	2,831	**-**	-
Property, plant and equipment written off (Note 14)	**-**	2,199	**-**	-
Impairment of goodwill (Note 15)	**868**	1,661	**-**	-
Auditors' remuneration:				
Audit fees	**1,286**	999	**80**	80
Under/(Over)provision in prior years	**36**	29	**(17)**	16
Non-audit services	**21**	18	**8**	8
Non-executive directors' remuneration (Note 10)	**246**	226	**246**	226
Impairment of a subsidiary (Note 16)	**-**	-	**-**	3,584
Discontinued operations				
Employee benefits expenses	**204**	1,480	**-**	-
Depreciation	**34**	70	-	
Realised loss on foreign exchange	**7**	64	-	-
Allowance for doubtful debts	**240**	-	**-**	-
Audit fees	**6**	12	**-**	-

9. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Continuing operations				
Executive directors' remuneration (Note 10)	**10,699**	13,274	**1,092**	706
Other employees remuneration:				
- Cost of sales	**389,681**	358,155	**-**	-
- Operating and administrative expenses	**64,071**	82,852	**2,600**	3,861
	464,451	454,281	**3,692**	4,567

Notes To The Financial Statements (Cont'd)

9. EMPLOYEE BENEFITS EXPENSE (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Discontinued operations				
Executive directors' remuneration (Note 10)	-	12	-	-
Other employees				
- Remuneration:				
- Cost of sales	173	248	-	-
- Operating and administrative expenses	31	1,220	-	-
	204	1,480	-	-
Total employees benefits expense	464,655	455,761	3,692	4,567

Included in employee benefits expense is defined contribution plans amounting to approximately RM21,002,000 (2017: RM22,876,000) and RM332,000 (2017: RM426,000) for the Group and the Company respectively.

10. DIRECTORS' REMUNERATION

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Executive directors:				
- Salaries	10,538	13,150	995	648
- Defined contribution plan	161	124	97	58
Executive directors' remuneration (Note 9)	10,699	13,274	1,092	706
Other emoluments	779	189	28	4
Total executive directors' remuneration	11,478	13,463	1,120	710
Non-executive directors:				
- Fees	216	198	216	198
- Other emoluments	30	28	30	28
Total Non-executive directors' remuneration (Note 8)	246	226	246	226
Discontinued operations				
Executive directors:				
- Salaries	-	12	-	-
Total directors' remuneration	11,724	13,701	1,366	936

11. INCOME TAX (EXPENSE)/CREDIT

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Continuing operations				
Estimated tax payable:				
Current year:				
Malaysian income tax	**(60)**	(2,310)	**(60)**	(61)
Foreign income tax	**(5,209)**	(7,392)	**-**	-
Over/(Under) provision in prior years	**2,790**	(99)	**(73)**	37
	(2,479)	(9,801)	**(133)**	(24)
Deferred tax (Note 17):				
Current year	**129**	623	**-**	-
Over/(Under) provision in prior years	**-**	21	**-**	-
	129	644	**-**	-
	(2,350)	(9,157)	**(133)**	(24)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation of other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Notes To The Financial Statements (Cont'd)

11. INCOME TAX (EXPENSE)/CREDIT (CONT'D)

A reconciliation of income tax (expense)/credit applicable to (profit)/loss before tax at the applicable statutory income tax rate to income tax (expense)/credit at the effective income tax rate is as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000 (Restated)**	**2018 RM'000**	**2017 RM'000**
(Profit)/Loss before tax	**(79,392)**	(104,459)	**20,547**	(395,356)
Tax at applicable statutory tax rate of 24%	**(19,054)**	(25,070)	**4,931**	(94,885)
Difference in foreign tax rates	**19,185**	(75,074)	**-**	-
Tax effects of:				
Expenses not deductible for tax purposes	**(6,901)**	(10,092)	**(6,092)**	(5,779)
Income not subject to tax	**1,630**	101,157	**1,101**	100,603
(Over)/Underprovision in prior years:				
Income tax	**2,790**	(99)	**(73)**	37
Deferred tax	**-**	21	**-**	-
	(2,350)	(9,157)	**(133)**	(24)

12. DISCONTINUED OPERATIONS

On 3 May 2018, the Company had entered into a share sale agreement for the disposal of 84,000 ordinary shares in its subsidiary, Perisai Kuasa Sdn Bhd ("PKSB"), which represents 60% of the issued and paid up share capital in PKSB*. On 11 July 2018, the disposal has been completed and accordingly, PKSB is no longer a subsidiary of the Company.

Eversendai Oil and Gas (M) Sdn Bhd ("Eversendai O&G"), is a direct subsidiary of the Company, via shares held by PKSB, representing 48% of the issued and paid up share capital in Eversendai O&G. Upon completion of disposal of PKSB, Eversendai O&G is no longer a subsidiary of the Company (Note 16).

The Group therefore presents and discloses in its financial statements, the financial effects of discontinued operations in accordance to MFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations).

* for purchase consideration of RM84.

12. DISCONTINUED OPERATIONS (CONT'D)

The result of the discontinued operations of PKSB and Eversendai O&G, cumulatively, are as follows:

	The Group 2018 RM'000	The Group 2017 RM'000
Revenue	**28,629**	18,966
Cost of sales	**(32,214)**	(25,440)
Gross loss	**(3,585)**	(6,474)
Other income	**722**	223
Operating expenses	**(563)**	(1,981)
Finance cost	**(3)**	(4)
Loss before income tax	**(3,429)**	(8,236)
Income tax expenses	**(61)**	-
Loss after income tax of discontinued operations	**(3,490)**	(8,236)

The cash flow attributable to the discontinued operations is as follows:

	The Group 2018 RM'000	The Group 2017 RM'000
Net cash inflow from operating activities	**2,085**	332
Net cash outflow from financing activities	**-**	(10)
Net cash outflow from investing activities	**(12)**	-
Net increase in cash generated by the subsidiary	**2,073**	322

Gain on disposal of subsidiary company

	The Group RM
Cash consideration received	-*
Carrying amount of net liabilities sold	2,166
Gain on disposal of subsidiary company	2,166

* Due to figures rounded to the nearest thousand.

The carrying amounts of assets and liabilities as at date of disposal (11 July 2018) were:

	The Group RM'000
Property, plant and equipment	169
Amount due from customers under construction contracts	32,700
Trade receivables	9,004
Other receivables, refundable deposits and prepaid expenses	3,485
Amount due from related companies	7,691
Cash and bank balances	2,639
Total assets	55,688

Notes To The Financial Statements (Cont'd)

12. DISCONTINUED OPERATIONS (CONT'D)

The carrying amounts of assets and liabilities as at date of disposal (11 July 2018) were (cont'd):

	The Group RM'000
Trade payables	(14,737)
Other payables and accrued expenses	(14,042)
Tax liabilities	582
Amount due to customers under construction contracts	(1,357)
Amount due to directors	(1,053)
Hire purchase payables	(22)
Amount due to related companies	(32,366)
Non-controlling interests	5,141
Total liabilities	(57,854)
Net liabilities	(2,166)

The comparative profit or loss and cash flows from discontinued operations have been restated.

Net cash outflow arising on disposal of subsidiary company is as follows:

	The Group RM'000
Cash consideration received	-*
Less: Cash and bank balances disposed off	(2,639)
	(2,639)

* Due to figures rounded to the nearest thousand.

13. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

Basic

	The Group	
	2018	**2017**
Profit for the year from continuing operations attributable to equity holders of the Company (RM'000)	**72,953**	89,536
Loss for the year from discontinued operations attributable to equity holders of the Company (RM'000)	**(2,715)**	(4,008)
Weighted average number of ordinary shares	**780,999**	775,641
Basic earnings/(loss) per ordinary share (cent)		
Continuing operations	**9.3**	11.5
Discontinued operations	**(0.3)**	(0.5)
	9.0	11.0

Diluted

The basic and diluted earnings per share are the same as the Company has no potentially dilutive ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	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	Total RM'000
Cost								
Balance as of 1 January 2017	148,638	227,228	307,600	59,086	25,627	19,960	258,320	1,046,459
Additions	-	-	42,696	3,050	3,795	3,076	44,885	97,502
Reclassifications	-	186,701	-	-	-	-	(186,701)	-
Disposals	-	-	(1,415)	(1,129)	(4)	(73)	-	(2,621)
Written Off	(2,116)	-	-	(60)	(71)	-	-	(2,247)
Transfer to non-current assets held for sale (Note 35)	(339)	-	-	-	-	-	-	(339)
Exchange differences	(792)	(26,888)	(23,575)	(4,095)	(1,914)	(1,420)	(16,366)	(75,050)
Balance as of 31 December 2017	145,391	387,041	325,306	56,852	27,433	21,543	100,138	1,063,704
Cost								
Balance as of 1 January 2018	**145,391**	**387,041**	**325,306**	**56,852**	**27,433**	**21,543**	**100,138**	**1,063,704**
Additions	**12**	**18,001**	**22,731**	**2,137**	**2,360**	**1,119**	**15,455**	**61,815**
Reclassifications	**211**	**33,925**	**4,166**	**-**	**9**	**85**	**(38,396)**	**-**
Disposals	**-**	**-**	**(819)**	**(2,442)**	**-**	**(313)**	**-**	**(3,574)**
Written Off	**-**	**-**	**-**	**-**	**(40)**	**-**	**-**	**(40)**
Disposal of subsidiaries	**-**	**-**	**-**	**(94)**	**(99)**	**(297)**	**-**	**(490)**
Exchange differences	**(1,329)**	**5,153**	**1,469**	**557**	**49**	**(168)**	**986**	**6,717**
Balance as of 31 December 2018	**144,285**	**444,120**	**352,853**	**57,010**	**29,712**	**21,969**	**78,183**	**1,128,132**

Notes To The Financial Statements (Cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group (Cont'd)

	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	Total RM'000
Accumulated Depreciation								
Balance as of 1 January 2017	-	78,952	172,833	43,704	17,979	13,502	-	326,970
Charge for the year	-	11,275	26,285	6,878	3,421	2,534	-	50,393
Disposals	-	-	(843)	(1,056)	-	(15)	-	(1,914)
Written off	-	-	-	-	(48)	-	-	(48)
Exchange differences	-	(7,255)	(13,824)	(3,136)	(1,335)	(1,028)	-	(26,578)
Balance as of 31 December 2017	-	82,972	184,451	46,390	20,017	14,993	-	348,823
Accumulated Depreciation								
Balance as of 1 January 2018	**-**	**82,972**	**184,451**	**46,390**	**20,017**	**14,993**	**-**	**348,823**
Charge for the year	**-**	**18,248**	**28,132**	**6,015**	**3,532**	**2,012**	**-**	**57,939**
Disposals	**-**	**-**	**(483)**	**(2,439)**	**1**	**(126)**	**-**	**(3,047)**
Written off	**-**	**-**	**-**	**-**	**(40)**	**-**	**-**	**(40)**
Disposal of subsidiary	**-**	**-**	**-**	**(71)**	**(95)**	**(155)**	**-**	**(321)**
Exchange differences	**-**	**1,356**	**1,785**	**528**	**93**	**(12)**	**-**	**3,750**
Balance as of 31 December 2018	**-**	**102,576**	**213,885**	**50,423**	**23,508**	**16,712**	**-**	**407,104**
Net Book Value								
Balance as of 31 December 2017	145,391	304,069	140,855	10,462	7,416	6,550	100,138	714,881
Balance as of 31 December 2018	**144,285**	**341,544**	**138,968**	**6,587**	**6,204**	**5,257**	**78,183**	**721,028**

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

	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	Total RM'000
Cost						
Balance as of 1 January 2017	11,582	397	3,051	36	365	15,431
Additions	-	-	4	-	-	4
Balance as of 31 December 2017	11,582	397	3,055	36	365	15,435
Balance as of 1 January 2018	**11,582**	**397**	**3,055**	**36**	**365**	**15,435**
Additions	**-**	**-**	**-**	**6**	**-**	**6**
Disposal	**-**	**(397)**	**-**	**-**	**-**	**(397)**
Balance as of 31 December 2018	**11,582**	**-**	**3,055**	**42**	**365**	**15,044**
Accumulated Depreciation						
Balance as of 1 January 2017	-	397	2,050	17	-	2,464
Charge for the year	-	-	572	5	-	577
Balance as of 31 December 2017	-	397	2,622	22	-	3,041
Balance as of 1 January 2018	**-**	**397**	**2,622**	**22**	**-**	**3,041**
Charge for the year	**-**	**-**	**354**	**5**	**-**	**359**
Disposal	**-**	**(397)**	**-**	**-**	**-**	**(397)**
Balance as of 31 December 2018	**-**	**-**	**2,976**	**27**	**-**	**3,003**
Net Book Value						
Balance as of 31 December 2017	11,582	-	433	14	365	12,394
Balance as of 31 December 2018	**11,582**	**-**	**79**	**15**	**365**	**12,041**

Notes To The Financial Statements (Cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Acquisition of property, plant and equipment during the year

Additions to property, plant and equipment were acquired by way of:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Hire-purchase	**6,477**	1,229	**-**	-
Cash	**55,338**	85,073	**6**	4
Interest expense capitalisation	**-**	11,200	**-**	-
	61,815	97,502	**6**	4

The Group has additions of capital work-in-progress amounting to RM3,740,000 (2017: RM38,825,000) and RM8,789,000 (2017: RM1,659,000) for building under construction on a land leased from RAK Maritime City, Ras Al Khaimah, UAE and plant and machinery purchased for the fabrication factory in Sharjah, UAE respectively. The lease term for the leased land from RAK Maritime City is for a period of 25 years effective 1 June 2015 and is renewable for a further period of 25 years. The operating lease commitment is disclosed in Note 36.

Included in the capital work-in-progress is interest expense capitalisation on term loans amounting to RMNil (2017: RM20,985,000).

Allocation of depreciation expenses

Depreciation has been allocated to profit or loss as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cost of sales	**41,012**	36,778	**-**	-
Operating and administrative expenses	**16,927**	13,615	**359**	577
	57,939	50,393	**359**	577

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as securities

Net book value of the property, plant and equipment of the Group and of the Company pledged as securities for borrowings and hire-purchase payables are as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net book value				
Borrowings (Note 30)	**465,818**	450,406	**-**	-
Hire-purchase payables (Note 29)	**11,876**	14,732	**-**	-
	477,694	465,138	**-**	-

Assets acquired under hire-purchase arrangements

As of 31 December 2018, the Group have property, plant and equipment acquired under hire purchase arrangements with carrying value amounting to RM11,876,000 (2017: RM14,732,000).

15. GOODWILL

	The Group	
	2018 RM'000	**2017 RM'000**
At beginning of year	**12,119**	13,780
Impairment (Note 8)	**(868)**	(1,661)
At end of year	**11,251**	12,119

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

	The Group	
	2018 RM'000	**2017 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
Eversendai S-Con Engineering Co Ltd	**-**	868
	11,251	12,119

Notes To The Financial Statements (Cont'd)

15. GOODWILL (CONT'D)

The management carried out its annual review of recoverable amounts of its goodwill. During the financial year, the Group has recognised goodwill impairment amounting to RM868,000 (2017: RM1,661,000) as a result of certain events which gave rise to indication of impairment.

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	
Cash-generating units ("CGUs")	**2018**	**2017**	**2018**	**2017**
Eversendai Engineering LLC Dubai	**1%**	1%	**10%**	7%
Eversendai Engineering Sdn Bhd	**1%**	1%	**11%**	9%
Eversendai Constructions (M) Sdn Bhd	**1%**	1%	**11%**	9%
Eversendai S-Con Engineering Co Ltd	**1%**	1%	**13%**	10%

Sensitivity to change 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.

16. INVESTMENT IN SUBSIDIARIES

	The Company	
	2018 RM'000	**2017 RM'000**
Unquoted shares - at cost		
At beginning of year	**1,099,985**	705,108
Capitalisation of amount owing by subsidiaries	-	398,318
Increase in equity interest in a subsidiary#	**111**	-
Impairment of a subsidiary (Note 8)	-	(3,584)
Incorporation of a subsidiary*	-	143
At end of year	**1,100,096**	1,099,985

\# On 26 April 2018, the Company entered into a share sale agreement with Eversendai Construction (S) Pte Ltd ("Eversendai Singapore"), to acquire 98 number of shares, representing 49% share capital in Eversendai Engineering Qatar WLL ("Eversendai Qatar") for a consideration of RM111,000. The considerations is settled through the set-off of amount owing by subsidiaries. As of the end of financial year, the transfer of shares has been completed. Accordingly, Eversendai Qatar become a direct subsidiary of the Company.

* On 11 May 2017, the Company incorporated Eversendai Construction WLL Kuwait ("Eversendai Kuwait") as a subsidiary of the Company under the Commercial Companies Law of Kuwait as a limited liability company. The issued and paid up share capital of Eversendai Kuwait amounts to approximately RM143,000. The principal activities of Eversendai Kuwait are provision of businesses relating to engineering, supply, fabrication and erection of structural steel works and construction of commercial, domestic and other civil engineering projects.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group 2018 %	Proportion of ownership interest held by the Group 2017 %	Effective interest-in profit based on shareholders' agreement 2018 %	Effective interest-in profit based on shareholders' agreement 2017 %
Held by the Company						
Eversendai Engineering Sdn Bhd ("EESB")	Malaysia	Engineering, fabrication, design and erection of mechanical and structural steel works	**100**	100	**N/A**	N/A
Eversendai Engineering FZE ("Eversendai Sharjah") @	United Arab Emirates	Steel, fabrication and painting	**100**	100	**N/A**	N/A
Eversendai Engineering LLC ("Eversendai Dubai") ^ @	United Arab Emirates	Fabrication and erection of steel structures	**49**	49	**100**	100
Eversendai Engineering LLC - Abu Dhabi ("Eversendai Abu Dhabi") ^ @	United Arab Emirates	Building, steel structures and general contracting	**49**	49	**100**	100
EVS Construction LLC ("EVSC") ^ @	United Arab Emirates	Engineering and contracting services	**49**	49	**100**	100
Eversendai Engineering Saudi LLC ("Eversendai Saudi") ^ @	Kingdom of Saudi Arabia	Steel construction contracts for buildings, steel construction works related to oil and gas fields. Industrial establishment building contracting, fire proofing and civil works	**80**	80	**100**	100
Eversendai Construction (S) Pte Ltd ("Eversendai Singapore") #	Singapore	Building construction including major upgrading works	**100**	100	**N/A**	N/A

Notes To The Financial Statements (Cont'd)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group		Effective interest-in profit based on shareholders' agreement	
			2018 %	2017 %	2018 %	2017 %
Held by the Company (Cont'd)						
Eversendai Offshore Sdn Bhd ("EOSB")	Malaysia	Engineering, procurement, fabrication and construction services for the oil and gas industry	**100**	100	**N/A**	N/A
ECB Properties Sdn Bhd ("EPSB")	Malaysia	Real property and development	**100**	100	**N/A**	N/A
Perisai Kuasa Sdn Bhd ("PKSB")*	Malaysia	Engineering services and technology provider in the oil and gas industry	**N/A**	60	**N/A**	N/A
Eversendai Constructions (M) Sdn Bhd ("ECMSB")	Malaysia	Civil engineering and general contracting services	**69**	69	**N/A**	N/A
Eversendai Frontiers Private Limited ("EFPL") @	India	Engineering, procurement, fabrication and construction services	**100**	100	**N/A**	N/A
Eversendai Engineering LLC ("Eversendai Azerbaijan") #	Azerbaijan	Engineering, procurement, fabrication and construction services	**100**	100	**N/A**	N/A
Eversendai Construction WLL Kuwait ("Eversendai Kuwait") ^ &	Kuwait	Engineering, procurement, fabrication and construction services	**49**	-	**100**	N/A
Eversendai Engineering Qatar WLL ("Eversendai Qatar") ^ @	State of Qatar	Engineering, blasting, painting, fabrication, design and erection of mechanical and structural steel works	**49**	-	**70**	N/A

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group 2018 %	Proportion of ownership interest held by the Group 2017 %	Effective interest-in profit based on shareholders' agreement 2018 %	Effective interest-in profit based on shareholders' agreement 2017 %
Held by Eversendai Singapore						
Eversendai Engineering Pte Ltd ("EEPL Singapore") #	Singapore	Mechanical, electrical, civil and general engineers and engineering consultants	**100**	100	**N/A**	N/A
Eversendai Construction Private Limited ("Eversendai India") @	India	Engineering, design, detailing, steel fabrication, development of residential buildings and commercial complexes	**100**	100	**N/A**	N/A
Eversendai Engineering Qatar WLL ("Eversendai Qatar") ^ @	State of Qatar	Engineering, blasting, painting, fabrication, design and erection of mechanical and structural steel works	**-**	49	**N/A**	70
Eversendai S-Con Engineering Co Ltd ("ESECL") ^ #	Thailand	Carbon steel and stainless steel fabrication, mechanical construction and installation	**49**	49	**70**	70
Eversendai Steel-S Limited ("ESSL") &	United Kingdom	Carbon steel and stainless steel fabrication, mechanical construction and installation	**100**	100	**N/A**	N/A
Eversendai Steel-A Pty Ltd ("ESAPL") !	Australia	Carbon steel and stainless steel fabrication, mechanical construction and installation	**-**	100	**N/A**	N/A
Held by EOSB						
Eversendai Offshore RMC FZE ("EVORF") @	United Arab Emirates	Manufacturing and construction of oil and gas field equipment, oil and gas facility, sea platforms and rigs, structural steel, pressure vessels and other related activities	**100**	100	**N/A**	N/A

Notes To The Financial Statements (Cont'd)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group 2018 %	2017 %	Effective interest-in profit based on shareholders' agreement 2018 %	2017 %
Held by PKSB*						
Eversendai Oil & Gas (M) Sdn Bhd ("Eversendai O&G")*	Malaysia	Engineering services and technology provider in the oil and gas industry	-	48	N/A	N/A
Held by ECMSB						
Eversendai Engineering (Pvt) Limited ("Eversendai Sri Lanka") #	Sri Lanka	Construction	69	69	N/A	N/A

\# Audited by auditors other than auditors of the Company

@ Audited by member firms of Deloitte in the respective countries

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

* Disposed off during the financial year disclosed in Note 12.

^ 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.

! On 10 March 2017, the Group incorporated Eversendai Steel-A Pty Ltd ("ESAPL") in Australia as a proprietary limited company, through its wholly-owned subsidiary, Eversendai Construction (S) Pte Ltd, a company incorporated in Singapore. The issued paid up share capital of ESAPL is RM339. The principal activities of ESAPL is involvement in the provision of businesses relating to engineering, fabrication, design and erection of structural steel works and construction of commercial, domestic and other civil engineering projects. On 6 August 2018, the Group had submitted an application for voluntary deregistration of ESAPL with the Australian Securities and Investments Commission (ASIC). As of the end of financial year, ESAPL has been deregistered. The voluntary deregistration of ESAPL did not have material financial impact to the Group.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

During the financial year, the Company increased its investment in subsidiaries via capitalisation of amount owing by the respective subsidiaries for working capital purposes, as follows:

	The Company	
	2018 RM'000	**2017 RM'000**
Eversendai Dubai	-	398,318

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests RM'000		Accumulated non-controlling interests RM'000	
		2018	**2017**	**2018**	**2017**	**2018**	**2017**
Eversendai Qatar	State of Qatar	**30%**	30%	**3,781**	5,260	**16,964**	16,775
Eversendai O&G	Malaysia	**N/A**	52%	**(711)**	(4,278)	**-**	(3,223)
ESECL	Thailand	**30%**	30%	**(106)**	27	**(1,393)**	(1,267)
Individually immaterial subsidiaries with non-controlling interests	N/A	**N/A**	N/A	**350**	529	**238**	50
				3,314	1,538	**15,809**	12,335

Summarised information of companies with non-controlling interests that are significant to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests of the other subsidiaries which are not material to the Group are not presented.

Notes To The Financial Statements (Cont'd)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of financial position

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2018				
Current assets	**512,780**	**-**	**21,163**	**533,943**
Non-current assets	**19,359**	**-**	**7,123**	**26,482**
Total assets	**532,139**	**-**	**28,286**	**560,425**
Current liabilities	**413,131**	**-**	**31,059**	**444,190**
Non-current liabilities	**56,496**	**-**	-	**56,496**
Total liabilities	**469,627**	**-**	**31,059**	**500,686**
Net assets/(liabilities)	**62,512**	**-**	**(2,773)**	**59,739**
Equity attributable to equity holders of the Company	**46,435**	**-**	**(1,380)**	**45,055**
Non-controlling interests	**16,077**	**-**	**(1,393)**	**14,684**
	62,512	**-**	**(2,773)**	**59,739**
2017				
Current assets	508,528	39,874	18,531	566,933
Non-current assets	22,465	202	8,199	30,866
Total assets	530,993	40,076	26,730	597,799
Current liabilities	393,967	42,452	29,084	465,503
Non-current liabilities	73,132	-	-	73,132
Total liabilities	467,099	42,452	29,084	538,635
Net assets/(liabilities)	63,894	(2,376)	(2,354)	59,164
Equity attributable to equity holders of the Company	47,119	847	(1,087)	46,879
Non-controlling interests	16,775	(3,223)	(1,267)	12,285
	63,894	(2,376)	(2,354)	59,164

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of profit or loss and other comprehensive income

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2018				
Revenue	**143,648**	**28,629**	**33,870**	**177,518**
Profit/(Loss) attributable to:				
- Equity holders of the Company	**7,965**	**(582)**	**(248)**	**7,717**
- Non-controlling interests	**3,781**	**(711)**	**(106)**	**3,675**
Profit/(Loss) for the Year	**11,746**	**(1,293)**	**(354)**	**11,392**
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	**9,636**	**(579)**	**(26)**	**9,610**
- Non-controlling interests	**4,282**	**(707)**	**(40)**	**4,242**
Total comprehensive income/(loss) for the year	**13,918**	**(1,286)**	**(66)**	**13,852**
2017				
Revenue	239,376	18,966	53,246	311,588
Profit/(Loss) attributable to:				
- Equity holders of the Company	10,947	(3,846)	(876)	6,225
- Non-controlling interests	5,260	(4,278)	27	1,009
Profit/(Loss) for the year	16,207	(8,124)	(849)	7,234
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	4,650	(3,519)	(482)	649
- Non-controlling interests	3,371	(4,278)	145	(762)
Total comprehensive income/(loss) for the year	8,021	(7,797)	(337)	(113)

Notes To The Financial Statements (Cont'd)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of cash flows

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2018				
Net cash inflow from operating activities	**18,923**	**-**	**648**	**19,571**
Net cash (outflow)/ inflow from investing activities	**(86)**	**-**	**7**	**(79)**
Net cash (outflow)/inflow from financing activities	**(21,052)**	**-**	**2,104**	**(18,948)**
Net (outflow)/inflow	**(2,215)**	**-**	**2,759**	**544**
2017				
Net cash (outflow)/inflow from operating activities	(59,051)	9,722	3,108	(46,221)
Net cash (outflow)/inflow from investing activities	(33)	1	(697)	(729)
Net cash inflow/(outflow) from financing activities	44,994	(9,397)	258	35,855
Net (outflow)/inflow	(14,090)	326	2,669	(11,095)

17. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year	**2,161**	1,766
Recognised in profit or loss (Note 11):		
Property, plant and equipment	**18**	(159)
Other payables and accrued expenses	**556**	780
Others	**(445)**	23
	129	644
Exchange differences	**(20)**	(249)
At end of year	**2,270**	2,161

Deferred tax assets provided in the financial statements are in respect of the tax effects on the following:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Deferred tax assets:		
Temporary differences arising from:		
Property, plant and equipment	**207**	189
Other payables and accrued expenses	**1,890**	1,164
Others	**173**	808
Deferred tax assets	**2,270**	2,161

Deferred tax liabilities

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year	**(4,274)**	(4,274)
Recognised in profit or loss (Note 11):		
Property, plant and equipment	**(465)**	-
Other payables and accrued expenses	**465**	-
	-	-
At end of year	**(4,274)**	(4,274)

Notes To The Financial Statements (Cont'd)

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax liabilities (Cont'd)

Deferred tax liabilities provided in the financial statements are in respect of the tax effects on the following:

	The Group	
	2018 RM'000	**2017 RM'000**
Deferred tax liabilities:		
Temporary differences arising from:		
Property, plant and equipment	**(3,606)**	(4,071)
Other payables and accrued expenses	**(668)**	(203)
	(4,274)	(4,274)

18. INVENTORIES

	The Group	
	2018 RM'000	**2017 RM'000**
At cost:		
Materials at fabrication yard and on site	**359,935**	281,243

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 RM390,950,000 (2017: RM378,144,000) of inventories was recognised as an expense in cost of sales of the Group.

Certain inventories amounting to RM40,813,000 (2017: RM30,426,000) are pledged against borrowings as disclosed in Note 30.

19. AMOUNT OWING BY/(TO) CUSTOMERS UNDER CONSTRUCTION CONTRACTS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Aggregate costs incurred to date	**13,314,662**	8,954,009
Attributable profits less recognised losses	**1,242,342**	667,897
	14,557,004	9,621,906
Less: Allowance for doubtful debts (Note 20)	**(24,881)**	(24,881)
Less: Progress billings on contracts	**(13,880,699)**	(8,719,429)
Exchange difference	**(1,037)**	6,091
	650,387	883,687
Presented as:		
Amount owing by customers under construction contracts	**757,590**	1,026,144
Amount owing to customers under construction contracts	**(107,203)**	(142,457)
	650,387	883,687

Retention sums on construction contracts are included in trade receivables as disclosed in Note 20.

Included in amount owing by customers under construction contracts as of 31 December 2018 is an amount of approximately RM24,881,000 (2017: RM24,881,000) relating to contract works carried out for a customer who is involved in the construction of a tower at Dubai, UAE ("the Tower"). The construction of the Tower is currently on hold since 2012. The amount has been fully impaired in the previous years.

Included in amount owing by customers under construction contracts as of 31 December 2018 is an amount of approximately RM241,137,000 (2017: RM537,063,000) relating to contract works carried out on a liftboat at Ras Al Khaimah, UAE for a related party.

The management of the Group and the Company measures the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into consideration the historical default experience and the future prospects of the industry.

As the Group and the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group and the Company's different customer base.

There has not been any significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

Notes To The Financial Statements (Cont'd)

20. TRADE RECEIVABLES

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Trade receivables	**650,977**	346,028
Retention sum receivables	**422,267**	333,420
	1,073,244	679,448
Less: Allowance for impairment losses	**(82,251)**	(69,335)
	990,993	610,113

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 (2017: 30 to 90 days). Trade receivables are non-interest bearing.

Included in the trade receivables is an amount of approximately RM235,050,000 related to receivable from a related party.

Included in trade receivables and retention sum receivables is a specific receivable amount which is from a customer involved in the construction of a tower at Dubai, UAE ("the Tower") that was on hold since 2012 as follow:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Contract receivable	**27,461**	26,984
Retention receivable	**6,893**	6,773
Contract work-in-progress	**25,321**	24,881
	59,675	58,638
Less: Allowance for doubtful debts on		
Amount owing by customers under construction contracts (Note 19)	**(24,881)**	(24,881)
Trade receivables	**(33,757)**	(33,757)
Exchange difference	**(1,037)**	-
	-	-

20. TRADE RECEIVABLES (CONT'D)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade 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 director of conditions at the reporting date.

The Group writes off a trade 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. None of the trade receivables that have been written off is subject to enforcement activities.

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

	The Group	
	MFRS 9 2018 RM'000	**MFRS 139 2017 RM'000**
At beginning of year	**69,335**	76,236
Adjustment on application of MFRS 9	**8,051**	-
	77,386	76,236
Charge for the year (Note 8)	**2,993**	2,831
Write back of allowance	**(181)**	(504)
Written-off	**(111)**	(2,010)
Disposal of subsidiaries (Note 12)	**240**	-
Exchange difference	**1,924**	(7,218)
At end of year	**82,251**	69,335

Notes To The Financial Statements (Cont'd)

20. TRADE RECEIVABLES (CONT'D)

The following table 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.

Balance as at 31 December 2018

	Middle East			India			Southeast Asia			Other				
	Gross Value	ECL	ECL	Gross Value	ECL	ECL	Gross Value	ECL	ECL	Gross Value	ECL	ECL	Total Gross Value	Total ECL
	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000
Not past due	113,512	0.2%	227	12,933	0.2%	26	33,275	0.0%	-	130	0.0%	-	159,850	253
Past due 1-30 days	41,894	0.5%	209	967	6.2%	60	11,467	1.0%	115	166	0.6%	1	54,494	385
Past due 31-60 days	46,629	0.1%	47	1,358	2.3%	31	10,501	0.0%	-	274	0.8%	2	58,762	80
Past due more than 60 days	612,865	0.4%	2,445	32,476	0.2%	65	75,813	0.2%	152	117	3.4%	4	721,271	2,666
Total (Collectively assessed)	814,900		2,928	47,734		182	131,056		267	687		7	994,377	3,384
Individually assessed														
- the Tower													59,675	59,675
- Others													19,192	19,192
Total													1,073,244	82,251

21. OTHER RECEIVABLES, REFUNDABLE DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Other receivables	**65,985**	36,260	**39**	31
Down payments to suppliers	**39,472**	47,478	**-**	-
Refundable deposits	**29,718**	28,122	**38**	38
Prepaid expenses	**14,659**	7,631	**-**	-
GST receivables	**48,068**	45,765	**88**	27
	197,902	165,256	**165**	96

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.

Included in refundable deposits are security deposits amounting to RM10,535,000 (2017: RM14,932,000) 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 RM10,962,000 (2017: RM7,097,000) 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.

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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.

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 approximately RM3,684,000 which bear interest of 4.75% per annum and are repayable on demand; In 2017, net advances from subsidiaries amounting to approximately RM12,113,000 which bear interest of 4.75% per annum and are repayable on demand.

Notes To The Financial Statements (Cont'd)

22. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

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, are as follows:

The Group	**2018 RM'000**	**2017 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	**(1,512)**	(1,495)
Transactions with other related companies		
Provision of services for engineering and fabrication by a subsidiary to Vahana Offshore (S) Pte Ltd, a subsidiary of the holding Company	**44,117**	116,612
Provision of consultancy services by a subsidiary to Hi-tech and Contracting Company Limited, a shareholder of Eversendai Saudi	**(2,365)**	(3,339)
Purchase of goods and services by a subsidiary from Qatari Investors Industrial Group, a shareholder of Eversendai Qatar	**(1,661)**	(1,758)

The Company	**2018 RM'000**	**2017 RM'000**
Interest recharged by a subsidiary (Note 7)	**16,136**	13,851
Rental charged to a subsidiary (Note 5)	**564**	564
Interest charged to subsidiaries (Note 5)	**541**	660
Interest charged by subsidiaries (Note 7)	**(551)**	(485)
Management fee charged to subsidiaries (Note 5)	**4,588**	5,063

Compensation of key management personnel

The members of key management personnel of the Company comprise executive directors of the Group and the Company. Details on the compensation for these key management personnel are disclosed in Note 10.

23. INVESTMENT IN SECURITIES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
At fair value				
Available-for-sale financial assets:				
- Unit trust fund	**23**	23	**-**	-

24. CASH AND BANK BALANCES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with financial institutions	**42,636**	36,892	**-**	30
Cash and bank balances	**140,240**	236,467	**698**	2,636
	182,876	273,359	**698**	2,666

The weighted average effective interest rate as at the end of the reporting period for the Group was 3.50% (2017: 2.60%) per annum.

Deposits with financial institutions of the Group amounting to RM42,636,000 (2017: RM36,862,000) are pledged as securities for borrowing facilities granted to the subsidiaries as disclosed in Note 30. The maturity period of the Group's deposits with financial institutions at the reporting date range from 30 to 365 days (2017: 30 to 365 days) with those above 90 days being excluded from cash and cash equivalents for statements of cash flows purposes.

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances and deposits with financial institions	**182,876**	273,359	**698**	2,666
Less: Bank overdrafts (Note 30)	**(64,286)**	(76,825)	**-**	-
	118,590	196,534	**698**	2,666
Less: Deposits with financial institutions (> 90 days)	**(42,637)**	(36,862)	**-**	-
Cash and cash equivalents	**75,953**	159,672	**698**	2,666

Notes To The Financial Statements (Cont'd)

24. CASH AND BANK BALANCES (CONT'D)

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the respective countries' banks. Accordingly, management of the Group and the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group and the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

25. ISSUED CAPITAL AND SHARE PREMIUM

	The Group and The Company			
	No. of shares			
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid				
Ordinary shares:				
At beginning of year	**781,100**	774,000	**585,308**	387,000
Allotment of shares pursuant to:				
Private placement (Note 25(ii))	**-**	7,100	**-**	6,673
Transfer from share premium and capital reserve (Note 25(i))	**-**	-	**-**	191,635
At end of year	**781,100**	781,100	**585,308**	585,308

(i) In accordance with the transitional provisions of the Act, the credit balance of the Company's share premium account of RM191,515,000 and capital reserve account of RM120,000 has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(ii) In the previous financial year, The Company has undertaken a private placement of up to 77,389,900 shares ("Placement Share(s)"), representing up to 10% of the Company's total number of issued shares (excluding 101,000 treasury shares) ("Private Placement").

The Private Placement is implemented in line with the general mandate under Sections 75 of the Companies Act, 2016 ("Act"), which the Company obtained approval from its shareholders at its annual general meeting on 25 May 2017 ("General Mandate"). The Company has subsequently entered into a conditional share subscription agreement with Macquarie Bank, a financial institution based in Australia, in relation to the issuance and allotment of up to 77,389,900 Placement Shares ("Subscription Agreement"). The Private Placement is implemented in multiple tranches within 12 months from the date on which the conditions precedent in the Subscription Agreement are satisfied.

During the current financial year, the Company has decided to terminate the Private Placement and had on 5 February 2018 delivered a termination notice to Macquarie Bank. The termination of the Private Placement shall be effective on 19 February 2018 pursuant to the clause set in the Subscription Agreement.

26. RESERVES

Treasury shares

	The Group and The Company			
	No. of shares			
	2018	**2017**	**2018**	**2017**
	'000	**'000**	**RM'000**	**RM'000**
At Cost:				
At beginning and end of year	**101**	101	**91**	91

Capital reserve

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Legal reserve	**187**	187	**-**	-

Legal reserve

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. 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.

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.

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.

Notes To The Financial Statements (Cont'd)

27. 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.

28. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

29. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments:				
Not later than one year	**4,064**	4,291	**-**	53
Later than one year but less than five years	**3,668**	3,909	**-**	-
Total minimum lease payments	**7,732**	8,200	**-**	53
Less: Future finance charges	**(779)**	(432)	**-**	(1)
Present value of minimum lease payments	**6,953**	7,768	**-**	52
Present value of payments:				
Payable not later than one year	**3,766**	4,076	**-**	52
Payable later than one year but less than five years	**3,187**	3,692	**-**	-
Present value of minimum lease payments	**6,953**	7,768	**-**	52

Interest rates for hire-purchase of the Group and the Company, which are fixed at inception, range from 2.22% to 4.50% (2017: 2.80% to 8.64%) per annum and in 2017, 3.10% to 3.28% per annum respectively.

The hire-purchase payables are secured by a charge over the property, plant and equipment as disclosed in Note 14.

30. BORROWINGS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Current		
Secured [d]:		
Repayable not later than one year:		
Bank overdrafts [a] (Note 24)	**64,286**	76,825
Bills payable [b]	**420,248**	368,579
Term loans [c]	**494,949**	511,721
	979,483	957,125
Non-current		
Secured [d]:		
Repayable later than one year but less than five years:		
Term loans [c]	**267,750**	195,274
	1,247,233	1,152,399

(a) Bank overdrafts of the Group bear interest of 8.90% (2017: 9.50%) 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 5.50% (2017: 1.45% to 7.50%) per annum and are repayable up to 90 days (2017: 90 days) from the date of disbursement.

(c) The term loans of the subsidiaries bear interest at variable rates ranging from 4.00% to 5.30% (2017: 4.00% to 6.25%) per annum and are repayable in equal monthly instalments over a period of 12 months to 60 months (2017: 12 months to 60 months).

In October 2016, the Group had obtained a term loan amounting to RM537,895,000 for the purpose of settlement of Sukuk and working capital of the Group. The term loan is subject to certain financial covenants as of the end of each financial year beginning 2016 to 2020. The Group has not met these financial covenants during the financial year. Hence, the scheduled repayment of RM251,105,000 (2017: RM414,185,000) which is more than one year have been re-classified as current liabilities as of 31 December 2018 in accordance with MFRS 101 *Presentation of Financial Statements* paragraph 74. As of the reporting date, the Group has obtained the indulgence letter for financial year 2016 and 2017.

In the event the lenders exercise the right and demand for immediate repayment, the Group will need to meet such demand. This may give rise to concerns about whether the Group have sufficient cash flows to meet this demand. The Group is currently requesting for indulgence letter for the current financial year and seeking other source of funding. Furthermore, the Group has non-core assets pledged for this loan that would be available for realisation.

As at the date of approval of the financial statements, the lenders have yet to demand for immediate repayment

In December 2016, the Group had drawn down the Murabaha Facility which amounts to RM122,000,000 for the purpose of financing the construction of one of the liftboat as disclosed in Note 19 and Note 20. On 20 June 2018, the construction of the first liftboat, was completed. Upon completion of first liftboat as stipulated in the terms of the facility, the Group had drawn down the Ijarah Facility which amounted to RM264,000,000 to settle 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 upon post completion and commercial operation of the first liftboat, subject to the mutual agreement between both parties. As at 23 April 2019, the transfer of the loan has not been completed.

Notes To The Financial Statements (Cont'd)

30. BORROWINGS (CONT'D)

(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 cum Assignment of all the contract proceeds relating to projects undertaken by certain subsidiaries;
(iv) Pledge on certain inventories as disclosed in Note 18;
(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 14 and Note 24, respectively.

31. EMPLOYEES' SERVICE BENEFITS

Defined benefit plans typically expose the Group to certain risks, namely salary risk, as disclosed below:

Type	Risk
Salary risk	The present value of the defined benefit plans liability is calculated by reference to the future salaries of eligible employees. As such, an increase in the salary of the eligible employees will increase the plan's liability. The employees' service benefits are paid every two years upon expiry of employment contract.

The principal assumptions used for the purpose of the valuation were as follows:

	The Group	
	2018	**2017**
Discount rate	**1.58%**	1.58%
Future salary increases	**11.00%**	11.00%

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

	The Group	
	2018 RM'000	**2017 RM'000**
At beginning of year	**64,695**	65,581
Addition during the year (Note 8)	**14,290**	14,212
Employees' service benefits paid	**(5,838)**	(6,035)
Exchange differences	**(13)**	(9,063)
At end of year	**73,134**	64,695

32. TRADE PAYABLES

	The Group	
	2018 RM'000	2017 RM'000
Trade payables	**318,809**	273,878
Retention sum payables	**28,780**	28,168
	347,589	302,046

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2017: 30 to 90) days.

33. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables and accrued expenses	**148,066**	170,085	**4,514**	2,658
Advances from customers	**216,963**	275,960	**-**	-
GST payable	**62,849**	21,364	**42**	23
	427,878	467,409	**4,556**	2,681

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

Advances from customers represent advances received from construction contracts.

Included in other payables and accrued expenses as of 31 December 2018 are provisions for foreseeable losses in respect of the construction of two liftboats at Ras Al Khaimah, UAE carried out for Vahana Offshore (S) Pte Ltd, a related party incorporated in Singapore, and of the construction of a project in India amounting to approximately RM5,509,000 (2017: RM5,509,000) and RM9,346,000 (2017: RM17,189,000) respectively.

34. AMOUNT OWING TO DIRECTORS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company	**5,843**	5,843	**5,843**	5,843
Directors of the subsidiaries	**3,851**	4,439	**-**	-
	9,694	10,282	**5,843**	5,843

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

Notes To The Financial Statements (Cont'd)

35. NON-CURRENT ASSETS HELD FOR SALE

	The Group	
	2018 RM'000	2017 RM'000
At beginning of year	339	-
Freehold land held for sale	-	339
Disposal of land	(339)	-
At end of year	-	339

The non-current assets held for sale comprises 1,299 square meter of freehold land. On 29 December 2017, the Group has received a notice from the District and Land Office of Gombak to acquire the land. The compulsory acquisition was completed during the financial year with purchase consideration of RM615,506 and resulted in a gain of RM276,320.

36. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

	The Group	
	2018 RM'000	2017 RM'000
Contracted but not provided for:		
Factory building and labour accommodation	8,050	24,750
Plant and machineries	4,334	-
Computer systems and others	7	-
	12,391	24,750

(b) Operating lease commitments in relation to lease of land

	The Group	
	2018 RM'000	2017 RM'000
Within one year	22,759	31,443
After one year but not more than five years	67,747	77,609
More than five years	233,505	250,332
	324,011	359,384

36. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Corporate guarantees

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

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Secured:				
Performance guarantee secured by certain deposits with financial institutions	**1,125,990**	990,164	**-**	-
Unsecured:				
Utilised portion	**-**	-	**1,063,199**	908,652
Unutilised portion	**-**	-	**4,765,356**	5,178,890
	1,125,990	990,164	**5,828,555**	6,087,542

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

	The Company	
	2018 RM'000	**2017 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 2018.

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

37.1 Capital Risk Management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholders' value.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.1 Capital Risk Management (Cont'd)

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, which is made up of equity attributable to the equity holders of the Company, and total borrowings are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank borrowings (Note 30)	**1,247,233**	1,152,399	**-**	-
Hire-purchase payables (Note 29)	**6,953**	7,768	**-**	52
Total borrowings	**1,254,186**	1,160,167	**-**	52
Equity attributable to the equity holders of the Company	**954,537**	884,967	**978,937**	999,627
Gearing (Debt/Equity) ratio	**1.31**	1.31	**0.00**	0.00

37.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

37.3 Categories of Financial Instruments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets				
At amortised cost:				
- Trade receivables (Note 20)	**990,993**	610,113	**-**	-
- Other receivables and refundable deposits (Note 21)	**95,703**	64,382	**77**	69
- Amount owing by subsidiaries	**-**	-	**147,884**	150,155
- Cash and bank balances (Note24)	**182,876**	273,359	**698**	2,666
Fair value through profit and loss:				
- Investment in securities	**23**	23	**-**	-

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.3 Categories of Financial Instruments (Cont'd)

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Financial liabilities				
Other financial liabilities:				
- Hire-purchase payables (Note 29)	**6,953**	7,768	**-**	52
- Borrowings (Note 30)	**1,247,233**	1,152,399	**-**	-
- Trade payables	**347,589**	302,046	**-**	-
- Other payables and accrued expenses (Note 33)	**148,066**	170,085	**4,514**	2,658
- Amount owing to subsidiaries	-	-	**271,599**	257,182
- Amount owing to Directors (Note 34)	**9,694**	10,282	**5,843**	5,843

37.4 Financial Risk Management

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

37.5 Interest Rate Risk Management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Floating interest rates refer to interest rates which are subject to change prior to maturity or repayment of the financial instruments.

Fixed interest rates refer to interest rates which are fixed at inception up to the maturity of the financial instruments.

An increase/decrease of 0.10% in the floating interest rates with all other variables held constant would decrease/increase the profits of the Group and the Company by approximately RM1,247,000 (2017: RM1,152,000) and RMNil (2017: RMNil) respectively.

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.5 Interest Rate Risk Management (Cont'd)

The information on effective interest rates of financial assets and liabilities are disclosed in their respective notes.

The Group 2018	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Trade receivables	**-**	**-**	**990,993**	**990,993**
Other receivables and refundable deposits	**-**	**-**	**95,703**	**95,703**
Investment in securities	**-**	**-**	**23**	**23**
Cash and bank balances	**-**	**42,637**	**140,239**	**182,876**
Total financial assets	**-**	**42,637**	**1,226,958**	**1,269,595**
Financial liabilities				
Trade payables	**-**	**-**	**347,589**	**347,589**
Other payables and accrued expenses	**-**	**-**	**148,066**	**148,066**
Amount owing to directors	**-**	**-**	**9,694**	**9,694**
Borrowings and hire-purchase payables	**1,247,233**	**6,953**	**-**	**1,254,186**
Total financial liabilities	**1,247,233**	**6,953**	**505,349**	**1,759,535**
Net financial (liabilities)/assets	**(1,247,233)**	**35,684**	**721,609**	**(489,940)**

The Group 2017				
Financial assets				
Trade receivables	-	-	610,113	610,113
Other receivables and refundable deposits	-	-	64,382	64,382
Investment in securities	-	-	23	23
Cash and bank balances	-	36,892	236,467	273,359
Total financial assets	-	36,892	910,985	947,877

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.5 Interest Rate Risk Management (Cont'd)

The Group 2017	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial liabilities				
Trade payables	-	-	302,046	302,046
Other payables and accrued expenses	-	-	170,085	170,085
Amount owing to directors	-	-	10,282	10,282
Borrowings and hire-purchase payables	1,152,399	7,768	-	1,160,167
Total financial liabilities	1,152,399	7,768	482,413	1,642,580
Net financial (liabilities)/assets	(1,152,399)	29,124	428,572	(694,703)

The Company 2018				
Financial assets				
Amount owing by subsidiaries	**-**	**12,184**	**135,700**	**147,884**
Other receivables and refundable deposits	**-**	**-**	**77**	**77**
Cash and bank balances	**-**	**-**	**698**	**698**
Total financial assets	**-**	**12,184**	**136,475**	**148,659**
Financial liabilities				
Other payables and accrued expenses	**-**	**-**	**4,514**	**4,514**
Amount owing to directors	**-**	**-**	**5,843**	**5,843**
Amount owing to subsidiaries	**-**	**12,393**	**259,206**	**271,599**
Borrowings and hire-purchase payables	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**12,393**	**269,563**	**281,956**
Net financial assets/(liabilities)	**-**	**(209)**	**(133,088)**	**(133,297)**

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.5 Interest Rate Risk Management (Cont'd)

The Company 2017	Floating interest rate RM'000	Fixed interest rate RM'000	Non-interest bearing RM'000	Total RM'000
Financial assets				
Amount owing by subsidiaries	-	13,895	136,260	150,155
Other receivables and refundable deposits	-	-	69	69
Cash and bank balances	-	30	2,636	2,666
Total financial assets	-	13,925	138,965	152,890
Financial liabilities				
Other payables and accrued expenses	-	-	2,658	2,658
Amount owing to directors	-	-	5,843	5,843
Amount owing to subsidiaries	-	10,211	246,971	257,182
Borrowings and hire-purchase payables	-	52	-	52
Total financial liabilities	-	10,263	255,472	265,735
Net asset/(liability)	-	3,662	(116,507)	(112,845)

37.6 Foreign Currency Risk Management

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, 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.

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.6 Foreign Currency Risk Management (Cont'd)

The table below indicates the Group's foreign currency exposure as at 31 December. The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against the exchange rate with all other variables held constant, on the profit or loss (due to the fair value of currency sensitive monetary assets and liabilities). The effect of increase in the currency rates is expected to be equal and opposite to the effect of the decreases to equity and profit or loss shown below:

	Carrying amount RM'000	Foreign currency risk +5% RM'000	Foreign currency risk -5% RM'000
The Group			
2018			
USD Impact			
Financial Assets			
Trade receivables	**295,670**	**14,784**	**(14,784)**
Cash and bank balances	**12,276**	**614**	**(614)**
Financial Liability			
Trade payables	**93,923**	**(4,696)**	**4,696**
Total increase/(decrease)		**10,702**	**(10,702)**
2017			
USD Impact			
Financial Assets			
Trade receivables	48,766	2,438	(2,438)
Cash and bank balances	15,017	751	(751)
Financial Liability			
Trade payables	57,834	(2,892)	2,892
Total increase/(decrease)		297	(297)

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

37.7 Liquidity risk management

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. Also refer to disclosure in Note 3 *Basic of Accounting* and Note 30 *Borrowings* concerning management of bank borrowings.

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.7 Liquidity risk management (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on undiscounted contractual payments:

The Group				**Contractual cash flow**		
	Carrying amount RM'000	**Contractual interest rate %**	**Contractual cash flows RM'000**	**On demand and within 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**
2018						
Trade payables	**347,589**	**-**	**347,589**	**347,589**	**-**	**-**
Other payables and accrued expenses	**148,066**	**-**	**148,066**	**148,066**	**-**	**-**
Amount owing to directors	**9,694**	**-**	**9,694**	**9,694**	**-**	**-**
Secured:						
Borrowings and hire-purchase payables	**1,254,186**	**1.45 – 12.50**	**1,317,817**	**1,033,459**	**284,358**	**-**
	1,759,535		**1,823,166**	**1,538,808**	**284,358**	**-**
2017						
Trade payables	302,046	-	302,046	302,046	-	-
Other payables and accrued expenses	170,085	-	170,085	170,085	-	-
Amount owing to directors	10,282	-	10,282	10,282	-	-
Secured:						
Borrowings and hire-purchase payables	1,160,167	1.45 - 8.64	1,221,137	1,011,924	209,213	-
	1,642,580		1,703,550	1,494,337	209,213	-

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.7 Liquidity risk management (Cont'd)

The Company

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Contractual cash flow: On demand and within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2018						
Other payables and accrued expenses	**4,514**	**-**	**4,514**	**4,514**	**-**	**-**
Amount owing to Subsidiaries	**259,206**	**-**	**259,206**	**259,206**	**-**	**-**
Amount owing to Subsidiaries	**12,393**	**4.75**	**12,982**	**12,982**	**-**	**-**
Amount owing to directors	**5,843**	**-**	**5,843**	**5,843**	**-**	**-**
	281,956		**282,545**	**282,545**	**-**	**-**
2017						
Other payables and accrued expenses	2,658	-	2,658	2,658	-	-
Amount owing to Subsidiaries	246,971	-	246,971	246,971	-	-
Amount owing to Subsidiaries	10,211	4.75	10,696	10,696	-	-
Amount owing to directors	5,843	-	5,843	5,843	-	-
Secured:						
Hire-purchase payables	52	2.48	53	53	-	-
	265,735		266,221	266,221	-	-

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.8 Credit Risk Management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and policies and procedures are in place to ensure that the Group's exposure to bad debts is kept to a minimum. The Group did not impose requirement for collateral on their trade receivables.

As a significant portion of the Group's operations is in the Middle Eastern markets such as UAE and Qatar, the performance of the Group is invariably linked to the economic environment of these countries. The dependence on the Middle Eastern market could potentially limit the Group's sources of revenue. Any negative systemic impact on the domestic country or general economic condition of the region could have adverse effects on the Group's results and financial performance. At the reporting date, the Group does not have significant credit risk exposure to any single counterparty.

The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management.

The credit risk of the Group's and the Company's other financial assets, which comprise cash and cash equivalents and non-current investments, arises from potential default of the counterparty. The Group and the Company monitor the credit risks on a regular basis and the Group does not expect any counterparty to fail to meet its obligations.

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

The Group and the Company determine concentrations of credit risk by monitoring the country profile of its receivables, deposits and bank balances, investment in securities and derivative financial assets on an ongoing basis. For trade receivables, the Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit loss. Please refer to Note 20 for further details on the loss allowance of trade receivables.

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.8 Credit Risk Management (Cont'd)

The credit risk concentration profile at the reporting date are as follows:

The Group	Receivables* RM'000	Cash and bank balances RM'000	Investment in securities and derivative financial assets RM'000
2018			
By country:			
Qatar	**168,119**	**4,681**	**-**
United Arab Emirates	**1,169,484**	**108,950**	**-**
Malaysia	**140,301**	**16,802**	**23**
India	**209,386**	**30,730**	**-**
Saudi	**118,312**	**8,789**	**-**
Singapore	**20,936**	**6,973**	**-**
Azerbaijan	**3,632**	**67**	**-**
Thailand	**13,429**	**5,844**	**-**
United Kingdom	**687**	**40**	**-**
	1,844,286	**182,876**	**23**
2017			
By country:			
Qatar	193,718	10,824	-
United Arab Emirates	1,032,794	208,946	-
Malaysia	145,835	15,654	23
India	197,739	27,224	-
Saudi	98,391	5,864	-
Singapore	9,617	1,701	-
Azerbaijan	7,577	4	-
Thailand	14,968	3,085	-
United Kingdom	-	57	-
	1,700,639	273,359	23

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.8 Credit Risk Management (Cont'd)

The Company	Receivables* RM'000	Cash and bank balances RM'000	Amount owing by subsidiaries RM'000
2018			
By country:			
Qatar	**-**	**-**	**2,224**
United Arab Emirates	**-**	**-**	**(4,105)**
Malaysia	**39**	**698**	**101,171**
India	**-**	**-**	**2,340**
Saudi	**-**	**-**	**818**
Singapore	**-**	**-**	**45,224**
Azerbaijan	**-**	**-**	**202**
United Kingdom	**-**	**-**	**10**
	39	**698**	**147,884**
2017			
By country:			
Qatar	-	-	1,593
United Arab Emirates	-	-	(2,564)
Malaysia	69	2,666	103,160
India	-	-	1,905
Saudi	-	-	373
Singapore	-	-	45,476
Azerbaijan	-	-	202
United Kingdom	-	-	10
	69	2,666	150,155

* Comprising amount owing by customers under construction contracts, trade receivables and other receivables and refundable deposits.

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.9 Fair values

Financial instruments measured at fair values

Financial instruments comprise financial assets, financial liabilities and also derivatives.

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The valuations of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is also an integral part of valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustment, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/ parameters.

In addition, the Group continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Determination of fair value

MFRS 7 Financial Instruments: Disclosures requires an entity to classify its financial instruments measured at fair value according to 3 levels of hierarchy. The detail of these hierarchy is disclosed in Note 3.

Notes To The Financial Statements (Cont'd)

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.9 Fair values (Cont'd)

Fair value disclosures based on 3-Level hierarchy

Classification of financial instruments measured at fair values using the following fair value hierarchies:

Financial assets	Fair value as of 2018 RM'000	Fair value as of 2017 RM'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The Group						
Investment in securities (Notes 23)	23	23	Level 1	Fair values are estimated based on quoted prices in active market (from readily available closing prices from an exchange at the end of the reporting period).	N/A	N/A

At reporting date, the Group and the Company did not have any financial instruments measured at fair value using significant unobservable inputs.

Financial instruments not measured at fair values

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Company are as follows:

- **Cash and bank balances, deposits with financial institutions, trade and other receivables, refundable deposits, intercompany indebtedness, trade and other payables, accrued expenses and amount owing to directors:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.

- **Term loan payables (other than Islamic medium-term notes):** As term loans were obtained from licensed banks at floating rates which reflects the current market rates, the carrying amount of term loans approximate their fair values.

37. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

37.9 Fair values (Cont'd)

- **Hire-purchase payables:** The fair value is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangement (Level 2). The carrying amount and fair value of hire-purchase payables are as follows:

	2018		2017	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
The Group				
Financial liabilities				
Hire-purchase payables	**6,953**	**6,684**	7,768	7,512
The Company				
Financial liabilities				
Hire-purchase payables	**-**	**-**	52	52

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, EFPL

(c) Southeast Asia – EESB, ECMSB, EEPL Singapore, Eversendai Singapore, EOSB, EPSB and ESECL

(d) Others - ETPL, EOSB, EPSB, ESSL, ESAPL and Eversendai Corporation Berhad

(ii) Mechanical fabrication, installation & modularisation - EVORF

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 (Cont'd)

37. SEGMENT INFORMATION (CONT'D)

Segment Revenue and Results

The Group 2018	Structural Steel Works				Mechanical Fabrication, Installation & Modularisation	Adjustments And elimination	Total Continuing Operations	Discontinued Operations	Group
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:									
External	968,043	216,712	251,930	1,458	268,147	-	1,705,750	4,456	1,710,206
Internal	229,859	-	110,407	5,152	-	(369,591)	(24,173)	24,173	-
Total revenue	1,197,902	216,712	362,337	6,610	268,147	(369,591)	1,681,577	28,629	1,710,206
Results:									
Interest income	1,762	1,756	127	25	-	(913)	2,757	-	2,757
Gain on disposal of property, plant and equipment	(45)	72	-	72	-	-	99	-	99
Unrealised foreign exchange (loss)/gain	(564)	(193)	(665)	(3,170)	1,125	(134)	(3,601)	7	(3,594)

38. **SEGMENT INFORMATION (CONT'D)**

Segment Revenue and Results (Cont'd)

The Group 2018	Structural Steel Works				Mechanical Fabrication, Installation & Modularisation	Adjustments And elimination	Total Continuing Operations	Discontinued Operations	Group
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation on property, plant and equipment	(23,015)	(9,913)	(8,654)	(359)	(15,963)	-	(57,905)	(34)	(57,939)
Finance costs	(29,639)	(131)	(1,458)	(16,138)	(2,761)	917	(49,210)	(3)	(49,213)
Income tax expense	(2,236)	(138)	8	(133)	-	149	(2,350)	(61)	(2,411)
Segment profit/(loss)	72,996	1,737	20,754	(18,001)	(2,595)	2,151	77,042	(3,490)	73,552
Assets:									
Property, plant and equipment	176,442	79,879	162,896	12,042	291,886	(2,117)	721,028	-	721,028
Other assets*	2,642,558	377,005	1,017,220	1,264,170	935,079	(3,006,681)	3,229,351	-	3,229,351
Segment liabilities^	(1,851,543)	(272,490)	(634,812)	(281,714)	(909,670)	1,691,224	(2,259,005)	-	(2,259,005)

* Comprising goodwill, deferred tax assets, inventories, amount due from customers under construction contracts, trade receivables, other receivables, refundable deposits and prepaid expenses, tax recoverable, investment in securities and deposits and bank balances.

^ Comprising all classes of liabilities in the statements of financial position.

Notes To The Financial Statements (Cont'd)

38. SEGMENT INFORMATION (CONT'D)

Segment Revenue and Results (Cont'd)

The Group 2017 (Restated)	**Structural Steel Works: Middle East RM'000**	**Structural Steel Works: India RM'000**	**Structural Steel Works: Southeast Asia RM'000**	**Structural Steel Works: Others RM'000**	**Mechanical Fabrication, Installation & Modularisation RM'000**	**Adjustments And elimination RM'000**	**Total Continuing Operations RM'000**	**Discontinued Operations RM'000**	**Group RM'000**
Revenue:									
External	999,538	265,086	284,225	-	262,612	-	1,811,461	18,966	1,830,427
Internal	240,305	780	15,470	403,945	-	(660,500)	-	-	-
Total revenue	1,239,843	265,866	299,695	403,945	262,612	(660,500)	1,811,461	18,966	1,830,427
Results:									
Interest income	1,042	1,747	294	27	-	(973)	2,137	-	2,137
Gain on disposal of property, plant and equipment	65	36	24	-	-	-	125	-	125
Unrealised foreign exchange (loss)/gain	(188)	453	4,460	15,799	(2,781)	-	17,743	159	17,902

38. SEGMENT INFORMATION (CONT'D)

Segment Revenue and Results (Cont'd)

The Group 2017 (Restated)	Structural Steel Works Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000	Mechanical Fabrication, Installation & Modularisation RM'000	Adjustments And elimination RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Group RM'000
Depreciation on property, plant and equipment	(22,588)	(8,988)	(8,491)	(577)	(9,679)	-	(50,323)	(70)	(50,393)
Finance costs	(13,759)	(280)	(1,770)	(13,855)	(3,405)	973	(32,096)	(4)	(32,100)
Income tax expense	(2,323)	(2,902)	(2,953)	(24)	(955)	-	(9,157)	-	(9,157)
Segment profit/(loss)	84,709	5,847	6,634	395,242	5,101	(402,231)	95,302	(8,236)	87,066
Assets:									
Property, plant and equipment	175,812	81,424	165,920	12,394	279,129	-	714,679	202	714,881
Other assets*	2,345,663	289,839	729,541	1,259,615	550,502	(2,847,325)	2,327,835	44,534	2,372,369
Segment liabilities^	(1,798,886)	(260,104)	(533,130)	(269,543)	(801,266)	1,516,504	(2,146,425)	(43,523)	(2,189,948)

* Comprising goodwill, deferred tax assets, inventories, amount due from customers under construction contracts, trade receivables, other receivables, refundable deposits and prepaid expenses, tax recoverable, investment in securities and deposits and bank balances.

^ Comprising all classes of liabilities in the statements of financial position.

Notes To The Financial Statements (Cont'd)

39. MATERIAL LITIGATIONS

Linsun Engineering Sdn Bhd against Eversendai Engineering Sdn Bhd

On 14 November 2014, a supplier known as Linsun Engineering Sdn Bhd ("the plaintiff") has served a Writ of Summons against 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.

The case has been set for trial on 27– 31 May 2019, 11 – 14 June 2019.

Management is of the view it has a very good defence against the above claim.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities:

The Group	Borrowings (Note 30) RM'000	Hire-purchase payables (Note 29) RM'000	Amount owing to directors RM'000	Total RM'000
As of 1 January 2017	1,170,351	18,103	19,605	1,208,059
Drawdowns of bank overdraft (Note 24)	57,151	-	-	57,151
Acquisition of property, plant and equipment (Note 14)	-	1,229	-	1,229
Repayments	(75,103)	(11,564)	(9,323)	(95,990)
31 December 2017/ As of 1 January 2018	1,152,399	7,768	10,282	1,170,449
Drawdowns of bank overdraft (Note 24)	148,632	-	-	148,632
Acquisition of property, plant and equipment (Note 14)	-	6,477	-	6,477
(Repayments)/drawdowns	(53,798)	(7,270)	464	(60,604)
Disposal of subsidiaries	-	(22)	(1,053)	(1,075)
As of 31 December 2018	**1,247,233**	**6,953**	**9,693**	**1,263,879**

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

The Company	**Hire-purchase Borrowings (Note 30) RM'000**	**Hire-purchase payables (Note 29) RM'000**	**Amount owing to directors RM'000**	**Total RM'000**
As of 1 January 2017	-	106	5,843	5,949
Repayments	-	(54)	(11)	(65)
As of 31 December 2017/ 1 January 2018	-	52	5,832	5,884
Repayments	-	(52)	-	(52)
As of 31 December 2018	**-**	**-**	**5,832**	**5,832**

Statement By Directors

The directors of **EVERSENDAI CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 81 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 of 31 December 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

TAN SRI DATO' NATHAN A/L ELUMALAY

NARLA SRINIVASA RAO

Kuala Lumpur,
23 April 2019

Declaration By The Director
Primarily Responsible For The Financial Management Of The Company

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

TAN SRI DATO' NATHAN A/L ELUMALAY

Subscribed and solemnly declared by the above named
TAN SRI DATO' NATHAN A/L ELUMALAY at **KUALA LUMPUR**
this 23th day April 2019.

Before me,

COMMISSIONER FOR OATHS

List of Group Properties

As At 31 December 2018

	Location & address	Description of property / existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
	Eversendai Corporation Berhad						
1	Lot 19191, 19956 and 19957, Seksyen 20, Bandar Rawang, District of Gombak Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan, Malaysia	2-storey office building and 1-storey factory/ head office and fabrication factory/ 3 pieces of land under the category of land use for industrial purpose/ fabrication factory	94,722/ 471,771	Freehold/-	< 9 years	2007	^28,182
2	Lot 19072, 19073 and 19074, Seksyen 20, Bandar Rawang, District of Gombak Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan, Malaysia	3 pieces of land under the category of land use for industrial purpose/ fabrication factory	-/204,719	Freehold/-	-	2010	4,610
	ECB Properties Sdn Bhd						
3	Geran 111868, Lot No. 67331 and Geran 111869, Lot No. 67332, Mukim of Sungai Buloh, Daerah Petaling, Negeri Selangor in Mutiara Damansara, Malaysia	2 parcels of commercial land	-/87,759	Freehold/-	-	2013	61,290
4	Geran 93135, Lot No. 22510, Bandar Kundang, Daerah Gombak, Negeri Selangor, Malaysia	1 piece of land under the category of land use for agriculture	-/2,080,661	Freehold/-	-	2013	50,131
	Eversendai Engineering LLC, Dubai						
5	Plot no. 242-337, Al-Qusais Industrial Area 1, Dubai, UAE	2 blocks of 2-storey office buildings and a 3-bays shop/ head office and fabrication factory	85,315/ 80,000	Leasehold 30 years expiring 10 May 2029	< 19 years	1999	1,146
6	Plot no. 264-972, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	3 blocks of 2-storey steel buildings with 96 rooms/ worker accommodation	29,572/ 36,400	Leasehold 30 years expiring 13 July 2038	< 13 years	2006	16,045

List of Group Properties (Cont'd)

As At 31 December 2018

	Location & address	Description of property / existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
	Eversendai Engineering LLC, Dubai (Cont'd)						
7	Plot no. 264-573, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	1 block of 3-storey concrete building with 263 rooms/ worker accommodation	93,570/ 39,811	Leasehold 99 years expiring 4 August 2109	< 12 years	2007	8,473
8	Plot no. 264-488, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	Plot for worker accommodation	121,092/ 60,000	Leasehold 99 years / 29 January 2107	< 2 years	2017	36,362
	Eversendai Engineering Qatar WLL						
9	Plot no. 6089/6090, Qatar Medium and Small Industrial Area, Street No.41, New Industrial Area, P.O. Box 35283, Doha, Qatar	2-storey office building with a 3-bays factory/ head office and fabrication factory	285,665/ 296,427	Leasehold 25 years expiring 15 August 2031	< 12 years	2007	15,662
	Eversendai Construction Private Limited, India						
10	Plot no. 2/12, Poonthottam 1st Street, Nanganallur, Chennai 600 114, No. 134, Nanganallur Village, Tambaram Taluk, Kancheepuram District, Chennai South Registration District, Alandur Sub Registration District, Alandur Municipality Limits, Tamil Nadu, India	3-storey office building/ engineering office	5,500/ 3,750	Freehold/-	< 44 years	2010	588
11	No.199/4, 8, 472/1A, 1B, 2, 3, 4, 5, 6 & 7A Siruganur Village, Manachanallur Talu, Trichy District, Tamil Nadu & No.266/3A, 3B, 3C & 3D, 267/2A, 2B, 2C, 3 & 4, 268/1, 2, 269/6.7A, 7B, 8, 9 & 10, Reddimangudi Village, Lalgudi Taluk, Trichy District, Tamil Nadu	Land/ Work shop (U-shaped industrial sheds) with office buildings, paint shop, canteen buildings, open yard storage/ steel fabrication, painting, storage of temporary support steel structure and scaffolding, lifting tools and tackles, and industrial	676,166 & 1,004,427	Freehold/-	< 5 years	2011	10,247 & 14,266

List of Group Properties (Cont'd)

As At 31 December 2018

	Location & address	Description of property / existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
	Eversendai Construction Private Limited, India (Cont'd)						
12	Plot no.1 & 2 (Np), The Lords. Block-1, 5th & 6th Floor, Northern Extension Area, Thiru-vi-ka Industrial Estate Ekkatuthangal, Chennai 600032	Office Building	35,296	Freehold	< 13 years	2013	16,942
	Eversendai Engineering FZE, Sharjah						
13	Plot no. 1F-18, 1G-15, 31 and 32, 2C-02 And 13, 2D-03, 04, 14, 15 and 18, 2E-01, 02, 04, 05, 06, 07, 09 and 10, 2J-7A, 2M 13A, 13B, 14 and 15, 3E-03 and IZ-8-19 and 27-38 P.O. Box 42531 Hamriyah Free Zone, Sharjah, UAE	Work shop (U-shaped Industrial sheds) with Office buildings, paint shop, canteen buildings, open yard storage/ steel fabrication, painting storage of temporary support steel structure and scaffolding lifting tools and tackles, and industrial	1,957,578/ 4,004,139	Leasehold 5 to 15 years expiring between 4 July 2025 and 4 July 2030	< 14 years	2005	30,334
	Eversendai S-Con Engineering Co Ltd, Thailand						
14	Title deed no. 5697, Land no. 9, survey Page no. 3080 at Khu Mi Sub-District, Sanam Chai Khet District, Chachoengsao	Fabrication factory, open yard painting storage, office building and canteen	439,813/ 843,632	Freehold/-	< 14 years	2005	5,170
	Eversendai Offshore RMC FZE, Ras Al Khaimah						
15	Plot#12,13,14,15,16, 17, part of Plot#8 and Plot#39A, Hulayla, RAK Maritime City, Ras-Al-Khaimah UAE, 65159	1 block of 3-storey office building/ a 3-bays Shop Fabrication Factory	586,574/ 2,133,590	Leasehold 25 years expiring 31 May 2038 +25 years	< 2 years	2017	23,256 & 112,643

Notes:

^ Comprised of 3 pieces of freehold industrial land with total net book value of RM6,971,976 owns by the Company, and a 2-storey office building and a 1-storey factory building with total net book value of RM21,210,003 owned by Eversendai Engineering Sdn Bhd.

Analysis of Shareholdings Summary

As At 12 April 2019

Total number of Issued Shares	781,100,000* Ordinary Shares
Class of Shares	Ordinary Shares
Voting Rights	1 Vote per Ordinary Share

* Includes 101,000 ordinary shares held in treasury

DISTRIBUTION OF SHAREHOLDINGS AS PER THE RECORD OF DEPOSITORS

Size of Shareholdings	Number of shareholders	%	Number of shares held	%
Less than 100	26	0.42	540	0.00
100 to 1,000	634	10.15	468,500	0.06
1,001 to 10,000	3,211	51.43	19,251,160	2.47
10,001 to 100,000	2,096	33.57	70,789,240	9.06
100,001 to less than 5% of the issued shares	275	4.40	94,840,600	12.14
5% and above of issued shares	2	0.03	595,648,960	76.27
Total*	**6,244**	**100.00**	**780,999,000**	**100.00**

* Excluding 101,000 ordinary shares held in treasury

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders		No. of Shares Held	%*
1	Vahana Holdings Sdn Bhd *Shares held in the name of:*		555,363,360	71.11
	a) DB (Malaysia) Nominee (Tempatan) Sendirian Berhad	70,000,000		
	b) UOBM Nominees (Tempatan) Sdn Bhd	140,000,000		
	c) Own Account	345,363,360		
2	Urusharta Jamaah Sdn Bhd		40,285,600	5.16

* Excluding 101,000 ordinary shares held in treasury

Analysis of Shareholdings Summary (Cont'd)

As At 12 April 2019

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND IN THE SUBSIDIARY AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest No. of Shares Held	%*	Indirect Interest No. of Shares Held	%*
Tan Sri Dato' A K Nathan Elumalay	-	0.00	555,363,360	71.11*
Narla Srinivasa Rao	500,000	0.06	-	0.00
Datuk Ng Seing Liong	70,000	0.01	-	0.00

* Excluding 101,000 ordinary shares held in treasury

Indirect interest pursuant to Section 8(4) of the Companies Act, 2016.

Tan Sri Dato' A K Nathan Elumalay, by virtue of his interest in shares in the holding company of the Company Vahana Holdings Sdn Bhd, is also deemed interested in the shares of all the company's subsidiaries to the extent of the Company has an interest.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS
(without aggregate the securities from different securities accounts to the same Depositors)

	Name	No. of Shares Held	%*
1	Vahana Holdings Sdn Bhd	345,363,360	44.22
2	UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Vahana Holdings Sdn Bhd (PCB)	140,000,000	17.93
3	DB (Malaysia) Nominee (Tempatan) Sdn Bhd Deutsche Bank AG Singapore For Vahana Holdings Sdn Bhd (Maybank SG)	70,000,000	8.96
4	Urusharta Jamaah Sdn Bhd	40,285,600	5.16
5	Cartaban Nominees (Asing) Sdn Bhd Daiwa Capital Mkts SG For Hanwa Co Ltd	3,900,000	0.50
6	Goh Ching Mun	3,500,000	0.45
7	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Lim Ooi Wah	3,280,000	0.42
8	Er Soon Puay	2,869,000	0.37
9	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Hock Fatt (E-SS2)	2,000,000	0.26
10	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Teik Soon	1,577,900	0.20
11	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kelvin Ling Koi Ming	1,500,000	0.19
12	VM Team Engineering Sdn Bhd	1,500,000	0.19
13	RHB Capital Nominees (Tempatan) Sdn Bhd Balachandran A/L Govindasamy (JBA)	1,400,000	0.18

Analysis of Shareholdings Summary (Cont'd)

As At 12 April 2019

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS (without aggregate the securities from different securities accounts to the same Depositors) (cont'd)

	Name	No. of Shares Held	%*
14	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goi Gek Sai (E-TSA)	1,250,000	0.16
15	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Jaya Balan A/L Diraviyam (T-Melawati–CL)	1,205,100	0.15
16	Looi Kum Pak @ Looi Kam Phak	1,200,000	0.15
17	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS)	1,194,000	0.15
18	Maybank Nominees (Tempatan) Sdn Bhd For Lim Ooi Wah	1,165,500	0.15
19	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For Acadian Emerging Markets Small Cap Equity Fund, LLC	1,142,700	0.15
20	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Toung Kok Chew (E-PRA/BTW)	1,100,000	0.14
21	Wee Fei Hoon	1,005,000	0.13
22	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teh Poo Seng (M02)	1,000,000	0.13
23	HSBC Nominees (Asing) Sdn Bhd Exempt An For Bank Julius Baer & Co Ltd (Singapore Bch)	1,000,000	0.13
24	Tan Boon Seng @ Krishnan	1,000,000	0.13
25	Cartaban Nominees (Asing) Sdn Bhd Exempt An For Barclays Capital Securities Ltd (SBL/PB)	877,000	0.11
26	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liow Ling Hing (7001316)	871,500	0.11
27	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Foong Cheng (Tmn Cheras–CL)	837,900	0.11
28	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Boon Chai	760,600	0.10
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Kok Hong	700,000	0.09
30	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Theivandran A/L S Rajadurai (REM-622)	663,200	0.08
		634,148,360	**81.20**

* Excluding 101,000 ordinary shares held in treasury

Notice of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Eversendai Corporation Berhad (the "Company") will be held at Function Room 2, 1st Floor, Main Lobby, TPC Kuala Lumpur, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 29 May 2019 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESSES

1 To receive the Audited Financial Statements of the Company for the year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. **Note 7**

2 To approve payment of Directors' fees. **Ordinary Resolution 1** **Note 8**

3 To approve the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM50,000 for the period from 30 May 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 2** **Note 9**

4 To re-elect the following Director who retires by rotation in accordance with Article 128 of the Company's Constitution and being eligible, offers himself for re-election: **Note 10**

Mr. Narla Srinivasa Rao **Ordinary Resolution 3**

5 To re-appoint Deloitte PLT as the Company's Auditors and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4** **Note 12**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions, with or without modifications, as Ordinary and Special Resolutions of the Company:

6 **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 5** **Note 13**

"THAT, subject always to the Constitution of the Company and the approvals of the relevant Regulatory Authorities, pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes and to such person(s) as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued and allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

Notice of Sixteenth Annual General Meeting (Cont'd)

AS SPECIAL BUSINESSES (CONT'D)

7 **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and the Proposed New Shareholder's Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature** **Ordinary Resolution 6** **Note 14**

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Eversendai Corporation Berhad ("ECB") and its subsidiaries ("ECB Group") to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, Section 2.4 of the Circular to Shareholders dated 30 April 2019, provided such transactions are necessary for the day-to-day operations of ECB Group and are carried out in the ordinary course of business of ECB Group, made on an arms length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the AGM; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extensions as may be allowed pursuant to section 340(4) of the Companies Act 2016); or

(c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company;

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of ECB Group to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the transactions contemplated and/or authorised by this resolution."

8 **Proposed Authority to the Company to Purchase its Own Shares** **Ordinary Resolution 7** **Note 15**

"THAT subject to the Companies Act 2016, the Company's Constitution, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time on the market of the Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT:

AS SPECIAL BUSINESSES (CONT'D)

8 **Proposed Authority to the Company to Purchase its Own Shares (Cont'd)**

(a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its Own Shares shall not exceed the Company's retained profits based on the latest Audited Financial Statements of the Company at the time of the purchase;

(c) the authority conferred by this resolution of the Company shall commence immediately upon passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier; and

upon completion of the purchase(s) of its Own Shares ("Company's Shares") by the Company, the Directors of the Company be and are hereby authorised to cancel the Company's Shares so purchased or to retain the Company's Shares so purchased as treasury shares (of which may be distributed as dividends to shareholders and/or resold on the Bursa Malaysia Securities Berhad and/or subsequently cancelled), or to retain part of the Company's Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Companies Act, 2016, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised and empowered to do all acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to implement, finalise or to effect the purchase(s) of the Company's Shares with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities."

Notice of Sixteenth Annual General Meeting (Cont'd)

AS SPECIAL BUSINESSES (CONT'D)

9 **Proposed Alteration and Adoption of New Constitution of the Company ("Proposed Alteration and Adoption")** **Special Resolution 8** **Note 16**

"THAT the existing Constitution of the Company be deleted in this entirely and the new Constitution as set out in Appendix II of the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the new Constitution of the Company;

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

10 **To transact any other business of which due notice shall have been given**

BY ORDER OF THE BOARD

CHEOK KIM CHEE
Company Secretary

Rawang

30 April 2019

Notice of Sixteenth Annual General Meeting (Cont'd)

Notes:

1 Voting at the forthcoming Sixteenth Annual General Meeting of the Company will be conducted by poll. Poll Administrator and Independent Scrutineer will be appointed respectively to conduct polling-voting process and to verify the results of the poll.

2 A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.

3 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing proxy must be initialled.

4 The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5 Where a member appoints more than one proxy to attend and vote at the same meeting, he shall specify the proportion of his shareholding to be represented by each proxy.

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

7 Item 1 of the Agenda

This Agenda item is to table the Audited Financial Statements of the Company pursuant to the provision of Section 340(1)(a) of the Companies Act 2016 for discussion only. The Audited Financial Statements do not require a formal approval and/or adoption by the shareholders of the Company and hence, is not put forward for voting.

8 Ordinary Resolution 1 - To approve payment of Directors' fees

Proposed Ordinary Resolution 1 is to approve the Directors' fees for the period from this Annual General Meeting to the next Annual General Meeting of the Company, to be payable on a quarterly basis. Section 230(1) of the Companies Act 2016 provides that the fees payable to the directors of a public company; or of a listed company and its subsidiaries shall be approved at a general meeting.

9 Ordinary Resolution 2 - To approve payment of Directors' benefits

The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board and Board Committee Meetings from 30 May 2019, being the day after the Sixteenth Annual General Meeting until the next Annual General Meeting.

10 Ordinary Resolution 3 - To re-elect Mr. Narla Srinivasa Rao as Director

Article 128 of the Company's Constitution provides that at every annual general meeting one-third of the directors shall retire by rotation. A director who retires from office shall be eligible for re-election.

The Nomination Committee of the Company has assessed the performance and contribution of Mr. Narla Srinivasa Rao and recommended for his re-election. The Board has endorsed the Nomination Committee's recommendation that he be re-elected as Director of the Company.

Notice of Sixteenth Annual General Meeting (Cont'd)

Notes: (Cont'd)

11 Datuk Ng Seing Liong who is subject to retire pursuant to Article 128 of the Company's constitution has indicated that he does not wish to seek for re-election at the forthcoming Sixteenth Annual General Meeting of the Company.

12 Ordinary Resolution 4 - To re-appoint Deloitte PLT as the Company's auditors

The Audit Committee undertook an annual assessment of the suitability and independence of Deloitte PLT, the Independent Auditors. In the assessment, the Audit Committee considered several factors including the following:

(a) their performance;

(b) experience and competency of professional staff assigned to the audit;

(c) adequacy of resources;

(d) independence; and

(e) level of non-audit services rendered to the Group.

The Audit Committee is satisfied with the suitability of Deloitte PLT in term of independence, quality of audit, performance, competency and sufficiency of resources and recommend to the Board to seek the approval of the shareholders at the forthcoming Sixteenth Annual General Meeting. The Board adopted the Audit Committee's recommendation.

Explanatory notes on Special Business:-

13 Ordinary Resolution 5 - Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The existing general mandate for the authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016, was approved by the shareholders of the Company at the Fifteenth Annual General Meeting held on 31 May 2018.

The Mandate granted by the shareholders on 31 May 2018 had not been utilised and hence no proceed was raised therefrom.

The proposed Ordinary Resolution 5 is a renewal of the general mandate for the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. The proposed Ordinary Resolution 5, if passed, will empower the Directors to issue and allot shares up to an amount not exceeding ten percent (10%) of the Company's total issued share capital for the time being upon such terms and conditions and for such purposes and to such person(s) as the Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company or at the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked or varied by the Company at a general meeting, whichever is earlier.

If there should be a decision to issue new shares after the general mandate is approved by the shareholders at the forthcoming Sixteenth Annual General Meeting, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

In case of any strategic opportunities involving equity deals, which may require the Company to allot and issue new shares speedily, the Company may capitalise on its advantageous position if the Board considers it to be in the best interest of the Company. Any delay arising from and the cost involved in convening a general meeting to approve such issuance of shares would be eliminated.

Notice of Sixteenth Annual General Meeting (Cont'd)

Notes: (Cont'd)

14 Ordinary Resolution 6 - Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and the Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

Please refer to Part A of the Circular to Shareholders dated 30 April 2019.

15 Ordinary Resolution 7 - Proposed Authority to the Company to Purchase its Own Shares

Please refer to Part C of the Circular to Shareholders dated 30 April 2019.

16 Special Resolution 8 - Alteration and Adoption of New Constitution of the Company ("Proposed Alteration and Adoption")

Please refer to Part B of the Circular to Shareholders dated 30 April 2019.

Members Entitled to Attend Sixteenth Annual General Meeting

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 May 2019. Only a member whose name appears on the Record of Depositors as at 21 May 2019 shall be entitled to attend this meeting or appoint a proxy to attend and vote on his behalf.

Annual Report 2018

The Company issues to shareholders its Annual Report 2018 in CD-ROM. A full version of the Annual Report in print form shall be provided to shareholders within four (4) market days from the date of receipt of the written request. Shareholders who wish to receive the full version of the Annual Report 2018 in printed form can send the duly completed form to the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

Registration

Registration of members/proxies attending the meeting will start from 1.30 p.m. and shall remain open until 3.00 p.m. on the day of the Meeting. At the close thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Sixteenth Annual General Meeting and/or any adjournment thereof, a member of the Company:

1 consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

2 warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents) the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

3 agrees that the member will indemnify the Company and its officers in respect of any penalties, claims, demands, losses and damages as a result of the member's breach of warranty.

Statement Accompanying
Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) and information as set out in Appendix 8A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no individual seeking for election as a Director at the forthcoming Sixteenth Annual General Meeting of the Company.

(Statement relating to general mandate for issue of shares in accordance to Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in the Explanatory Note 13 of the Notice of Sixteenth Annual General Meeting.

Proxy Form

Sixteenth Annual General Meeting

(Before completing the form, please refer to the notes overleaf)

EVERSENDAI

EVERSENDAI CORPORATION BERHAD (614060-A)

Number of Ordinary Share(s) Held	CDS Account No.

*I/We ____

(Full Name in Block Letters)

*NRIC/Passport/Company No. ______________________ of ______________________________

(Full Address)

____

(Full Address)

being a Member of **EVERSENDAI CORPORATION BERHAD**, (the "Company") hereby appoint:

______________________________ *NRIC/Passport No. ______________________

(Full Name in Block Letters)

of ____

(Full Address)

and/or failling *him/her ______________________________ *NRIC/Passport No. ______________________

(Full Name in Block Letters)

of ____

(Full Address)

or failing *him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the **Sixteenth Annual General Meeting** of the Company, to be held on **Wednesday, 29 May 2019** at **3.00 p.m.** and at any adjournment thereof.

Please indicate your vote with an "X" in the respective box of each resolution. If no specific direction as to voting is given, the proxy will vote or abstain from voting on the resolutions at his/her discretion.

No		Resolution	For	Against
1	To approve payment of Directors' fees.	**1**		
2	To approve payment of Directors' benefits.	**2**		
3	To re-elect Mr. Narla Srinivasa Rao as Director.	**3**		
4	To re-appoint Deloitte PLT as the Company's auditors.	**4**		
5	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	**5**		
6	Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and the Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a new Revenue of Trading Nature.	**6**		
7	Proposed Authority to the Company to Purchase its Own Shares.	**7**		
8	Proposed Alteration and Adoption of New Constitution of the Company.	**8**		

**** Strike out whichever is not applicable***

Dated this __________ day of ____________________, 2019

____

Signature(s) of Shareholder(s) or Common Seal

Notes:

1 A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under the corporation's common seal or under the hand of an officer or attorney duly authorised.

3 The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any alteration to the instrument appointing a proxy must be initialled.

4 Where a member appoints more than one proxy to attend and vote at the same meeting, he shall specify the proportion of his shareholding to be represented by each proxy.

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

6 Voting at the forthcoming Sixteenth Annual General Meeting of the Company will be conducted by poll. Poll Administrator and Independent Scrutineer will be appointed respectively to conduct polling-voting process and to verify the results of the poll.

7 Only members whose names appear on the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the Meeting or appoint proxy to attend and/or vote on his behalf.

8 Registration of members/proxies attending the meeting will start from 1.30 p.m. and shall remain open until 3.00 p.m. on the day of the Meeting. At the close thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

Personal Data Privacy

By submitting an instrument appointing a proxy and/or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of the Sixteenth Annual General Meeting dated 30 April 2019.

Fold Here

Affix
Stamp

Eversendai Corporation Berhad
c/o Boardroom Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold Here

EVERSENDAI

• Malaysia • Singapore • Thailand • India
• United Arab Emirates • Qatar • Kuwait
• Saudi Arabia • United Kingdom

www.eversendai.com