

# EVERSEND AI

Annual Report 2019

## FORTIFYING STRENGTHS



The Royal Atlantis Resort & Residences, Dubai



## OUR VISION

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



## OUR 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.

## CORE VALUES



**COMPLIANCE TO SAFETY**



**CONFORMANCE TO QUALITY**



**ADHERENCE TO SCHEDULE**



**CONSISTENT CLIENT SATISFACTION**

## TABLE OF CONTENTS

• Our Vision, Mission & Core Values	<b>58</b>	Audit Committee Report
<b>2</b> Our Expertise	<b>65</b>	Additional Corporate Disclosure
<b>4</b> Our Presence	<b>66</b>	Statement on Risk Management and Internal Control
<b>6</b> Chairman's Statement	<b>70</b>	Statement of Directors' Responsibility
<b>10</b> Management Discussion and Analysis	<b>71</b>	Financial Statements
<b>20</b> Corporate Information	<b>190</b>	List of Group Properties
<b>21</b> Corporate Structure	<b>193</b>	Analysis of Shareholdings Summary
<b>22</b> Profile of Directors		
<b>25</b> Key Senior Management Profiles		
<b>29</b> Sustainability Report		
<b>41</b> Corporate Governance Overview Statement		



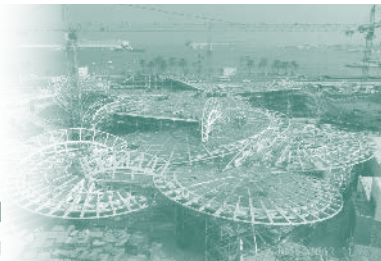
Multimedia version of our annual report :

- You can view or download our annual report via this link:  
<http://ir.chartnexus.com/eversendai/docs/ar/ar2019.pdf>
- You can also scan the QR Code on the left with your smartphone or tablet to download this annual report onto your device.

## OUR EXPERTISE

**Eversendai Corporation Berhad** ("Eversendai") is recognised globally as a leading organisation in undertaking turnkey contracts for highly complex projects with the involvement of very skilled and 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. With all our proactive approaches and with the backing of our professional services under one roof, we are contributing to the overall development of the respective regions and countries where we operate in our unique way which surpasses the satisfaction levels of all involved stakeholders.

### Structural Steel Design & Engineering



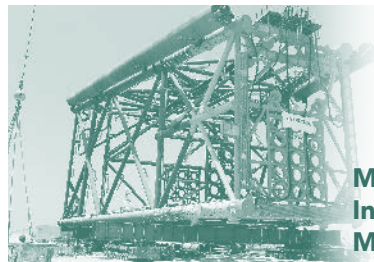
### Composite Structure & Building Construction



### Structural Steel Supply, Fabrication & Erection



### Mechanical Fabrication, Installation & Modularisation



### Renewable Energy – Offshore Wind



## 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 design and detailing software along with state-of-the-art techniques. Our full-fledged engineering capabilities deliver effective outcomes by offering a comprehensive range of professionally-qualified, technically-sound structural engineering services which include detailed design and construction engineering, value engineering, connections design, erection engineering, BIM (Building Information Modeling), 3D modeling/detailing and very innovative construction methodologies for the entire spectrum of structural steel projects by meeting all the necessary and unique needs required in this specialised field.



## OUR EXPERTISE (CONT'D)

### 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 to ensure that all segments and assemblies will fit with ease, and 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 of our projects in advance without compromising on specifications and quality in order to meet the delivery requirements. Our group of companies' overall annual fabrication capacity exceeds over 200,000 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 and positions. Our track record includes complex geometrical high-rise buildings, major airports, shopping malls and industrial structures. We have all the credentials required 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 symbols of pride in their respective nations. This has led to the creation of our unparalleled reputation with a 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. Along with structural steel construction activities, we also undertake concrete building structures in certain regions and countries to diversify and enhance our strength and expertise in line with our vision and company growth strategies.

### MECHANICAL FABRICATION, INSTALLATION & MODULARISATION

We undertake Engineering, Procurement, Construction and Commissioning (EPCC) projects and have gained extensive experience in mechanical fabrication, installation and modularisation of pressure parts and non-pressure parts, piping, electrical and instrumentation, tanks, conveyor systems and installation of auxiliary equipment for power plants, wind mills, oil and gas industries (for both upstream and downstream requirements). We also have the experience and capability of fabricating and constructing self-propelled jack-up barges/lift-boats, offshore buildings, process modules, topsides, jackets and piles for the oil and gas sector.

### RENEWABLE ENERGY – OFFSHORE WIND

We have the capability to undertake construction engineering services, procurement, fabrication works of jackets and piles, substation topside including mechanical completion, pre-commissioning, load out and sea fastening, construction of HVAC systems and architectural works.

# OUR PRESENCE



## OUR PRESENCE (CONT'D)



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 has garnered an enviable reputation in the industry by executing many prestigious and complex projects, both locally and internationally.

### PROJECTS

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

### FABRICATION FACILITIES

Rawang, Selangor	– Malaysia
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,

2019 was a tough year and we had our fair share of challenges dealing with external factors that impacted the global economy. However, the experience has strengthened our resilience in expanding Eversendai Group's business opportunities. The current economic landscape continues to be challenging. Nevertheless, the Group will continue to actively bid for new projects to ensure a resilient performance in the coming years.



Total Revenue in FY2019

**RM1.56 billion**  
FY2018: RM1.70 billion\*



Profit Before Tax in FY2019

**RM28.5 million**  
FY2018: RM53.5 million\*



Profit for the Year in FY2019

**RM16.4 million**  
FY2018: RM47.8 million

\* FY2018 figures are restated.

## CORPORATE OVERVIEW

I am proud to announce that we have completed the Singapore State Courts project after re-entry into the island republic following a lapse of 10 years.

Our brand-new venture into the renewable energy sector saw us handling our first ever European offshore wind renewable project intended for Holland's transmission system operator, TenneT. We are very excited about this new endeavour, especially the significant and positive progress made on this enormously complex, sophisticated and important project. It further provides testament to Eversendai Group's diversification strategy. This breakthrough will provide opportunities for us to penetrate into the European offshore wind renewable segment which has been growing significantly and is expected to expand further in the coming years.

The key driver for our continuous growth throughout the years has been our dedicated and competent employees who have been instrumental in exceeding our clients' expectations by ensuring the delivery of highly complex projects within tight schedules. We have strictly adhered to our core values of safety, quality workmanship and timely delivery of projects entrusted to us. We have gained the trust and confidence of our satisfied and loyal clientele, earning us the incentive of being repeatedly awarded projects. We remain committed to these core values as we believe this stamps our firm intent to dominate the various industries which we are involved in and be among the undisputed market leaders in the areas we serve.



## CHAIRMAN'S STATEMENT (CONT'D)



*The Address Residences Jumeirah Resort and Spa, Dubai.*



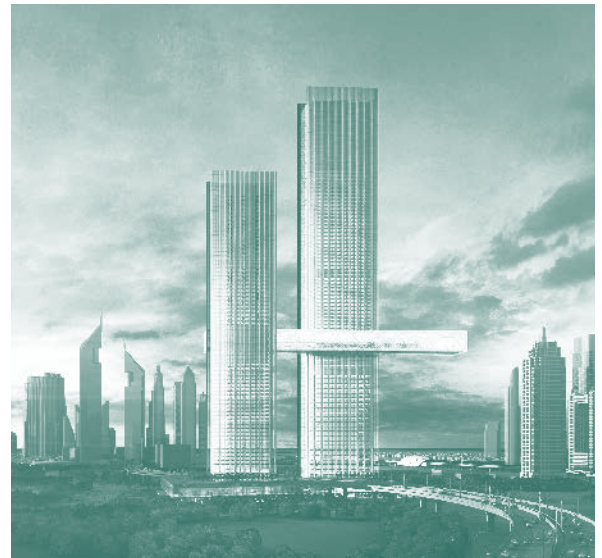
*One Lodha Place, India.*

### BUSINESS OVERVIEW

The Group's revenue was RM1.56 billion for the financial year ended 31 December 2019 ("FY2019"), representing a decrease of 8.2% from RM1.70 billion reported last year. The Group recorded a net profit of RM16.4 million, a 65.7% drop compared with RM47.8 million recorded in the previous year and this was mainly due to the inadequate utilisation of the fabrication yard in Ras Al Khaimah, the United Arab Emirates ("UAE"). Nevertheless, we anticipate Eversendai will bounce back with improved top-line and bottom-line growth over the span of the year.

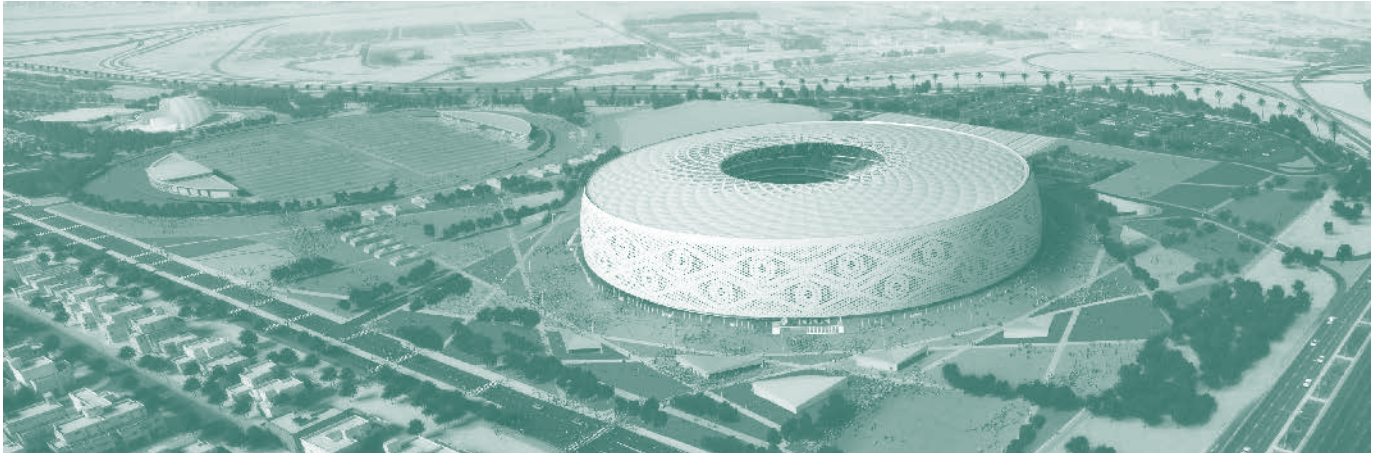
Our operations in the Middle East continued to contribute the largest share of the Group's structural steel works with 57.6%. The operations in Malaysia and Singapore contributed 24.6% with India at 15.0%.

The structural steel works division reported an increase in revenue by 5.5% to RM1.51 million, mainly attributable to the higher construction progress achieved for existing projects and commencement of new projects secured in FY2019. Revenue from the Group's energy division saw a decline of 83.9% against last year to RM43.2 million.



*One Za'beel Tower, Dubai.*

## CHAIRMAN'S STATEMENT (CONT'D)



*Al Thumama Stadium, Qatar.*



*Sands Infra IT Building, India.*



*Cleveland Clinic, Abu Dhabi.*

### FORTIFYING STRENGTHS

Despite many challenges, Eversendai is off to a great start this year by winning 14 new projects worth RM1.33 billion via our group of companies in Malaysia, India, Qatar, the Kingdom of Saudi Arabia, Morocco, Netherlands and the United Kingdom, increasing the value of Eversendai's order book to a near all-time high of RM2.88 billion. Going into 2020, our tender book is approximately RM10 billion for tendered and prospective projects.

We have now extended our global presence to Morocco, North Africa by securing a 55-storey luxurious tower project. The Group is continuously looking at delving into new opportunities in interrelated industries whilst maintaining our commendable performance and track record in existing ones. Morocco's national economy is expected to increase by 3.3% in the first quarter of 2020 and this presents us with opportunities for growth.

**14** New Projects  
worth  
**RM1.33 billion**

## CHAIRMAN'S STATEMENT (CONT'D)

We received a Letter of Offer from Vahana Holdings Sdn Bhd ("Vahana Group") for the proposed injection of 100% of Vahana Offshore (M) Sdn Bhd ("VOSB"), which currently owns the liftboat business of the Vahana Group. Upon due deliberation, the Board has resolved to accept the offer, subject to the finalisation and execution of a definitive share sale agreement in respect of the proposed transaction and fulfillment of the conditions set out in the Letter of Offer. Eversendai and Vahana Group have mutually agreed to extend the period for the parties to execute the Definitive Agreement to 30 June 2020.

The rationalisation of the proposed merger is to build a recurrent income business segment for the Group as Vahana Aryan, a completed liftboat, is expected to be highly profitable and instrumental in improving our profitability level. This will also address some of the cross borrowings and financial exposure, eliminate related party exposure, restore and boost investors' confidence as well as re-engineer the balance sheet.

After 30 years in operations, our experience has taught us not to stagnate in either locations or businesses where we have fared well. We are continuously exploring new opportunities and fortifying strengths despite facing challenges in the course of our operations. We are focused on expanding our existing markets and enhancing our penetration into new markets.

### OUTLOOK

The beginning of 2020 was mired in uncertainty as the spread of COVID-19 around the world led to a near-complete standstill in economic activity worldwide. The International Monetary Fund has slashed growth forecasts for the global economy, expecting it to contract by 3% in 2020. While the full impact of the pandemic has yet to be discerned, industry experts only foresee improvement in global economic activity in the second half of 2020 and return to normalcy in 2021.

Amidst the challenging global operating environment and the continued soft construction sentiment, we will remain focused on building up our recurring income base to ensure that we have sustainable income streams in the coming years. I am confident that we are well-positioned to overcome any obstacles and stay on course to achieve our business goals. We will forge ahead by harnessing the full potential of our assets, staying resilient against any adverse external shocks and continuing to deliver value to our stakeholders.

Our Group will continue to tender for contracts and, based on the success rate in previous years, we are confident that we will continue to secure new contracts to keep the Group busy over the next few years. Based on our good track record established in the past and since going public in 2011, we have been invited to participate in tender exercises by existing and new clients.

Hopefully, the current dire global situation will take a turn for the better. We stand by our commitment to all our employees and customers - together, we will get through this.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors of Eversendai, I would like to take this opportunity to firstly thank all our valued shareholders for their unwavering support. With their support, we have been inspired to move onto new frontiers and spread our wings further into interrelated core businesses.

I thank my management team and employees for their commitment, hard work and diligence and also thank my fellow Board members for their guidance, perspectives and perseverance in carrying out their duties over the years.

**Tan Sri Dato' Nathan A/L Elumalay**

Executive Chairman & Group Managing Director



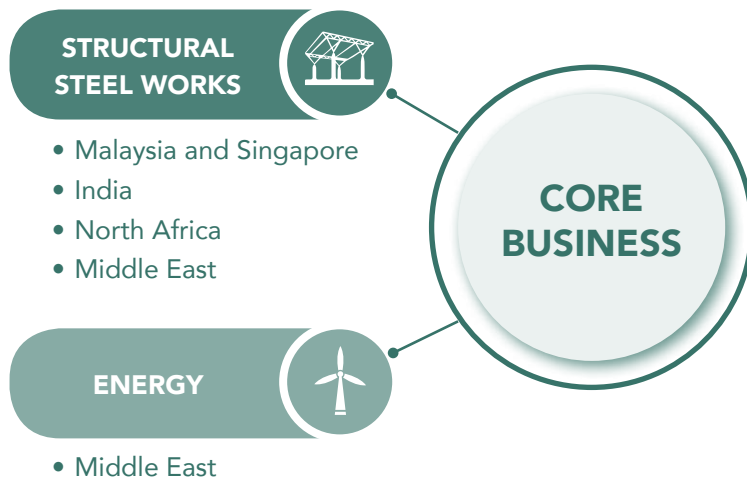
# MANAGEMENT DISCUSSION AND ANALYSIS

Eversendai Corporation Berhad (“Eversendai”) is a sought-after global organisation undertaking complex turnkey structural steel works for high-rise buildings, composite structures, long span structures, bridges and industrial plants. Eversendai has also expanded beyond construction of infrastructure and structures into mechanical works by providing design, engineering, procurement, fabrication, assembly and installation services for the power plant, offshore wind and oil & gas industries, which also includes process modules, jackets and piles, topsides, offshore buildings and jack-up barges/liftboats.

The Group has an impressive portfolio comprising more than 460 projects. We have constructed some of the world’s most prestigious and iconic landmark structures such as the Petronas Twin Tower 2, Kuala Lumpur International Airport and the on-going Merdeka PNB118 in Malaysia; the Singapore Indoor Stadium, Republic Plaza and the State Court building in Singapore; the Statue of Unity – the world’s tallest statue in India; the Burj Al Arab, ICD Tower and Burj Khalifa in Dubai; Capital Gate building, Warner Bros World and Abu Dhabi International Airport in Abu Dhabi; Hamad International Airport, Khalifa Olympic Stadium and the National Museum in Qatar; and the Kingdom Centre, King Abdullah Petroleum Studies & Research Center (“KAPSARC”), and Capital Market Authority Tower (“CMA”) Tower in Saudi Arabia.

Eversendai has an established presence in the Middle East, Malaysia, Singapore and India with a dedicated workforce of over 15,000 people and six fabrication plants in Malaysia, Dubai, Sharjah, Qatar, Ras Al Khaimah and India with a combined capacity of 200,000 tonnes of steel per annum.

As at 31 December 2019, Eversendai had 85 on-going projects under our two core businesses of:



## FINANCIAL REVIEW

Eversendai achieved healthy financial results despite an increasingly challenging global economic landscape and competitive market environment.

Our performance for Financial Year 2019 (“FY2019”) could not match the heights reached the year before. Nevertheless, Eversendai is well poised to enhance the growth momentum this year and in the years to come.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Revenue

Eversendai recorded revenue of RM1.56 billion during the year in review, which was 8.2% lower than RM1.70 billion in FY2018. The lower revenue in the current financial year was due to under utilisation of the fabrication yard in Ras Al Khaimah.

Structural Steel Works continued to be our dominant business segment, contributing 97.2% to revenue with 57.6% from the Middle East, 24.6% from Malaysia and Singapore and 15.0% from India. The remaining 2.8% share of revenue came from the Energy operations in the Middle East. In terms of regional contribution to revenue, the Middle East remained our largest market.

### Profits

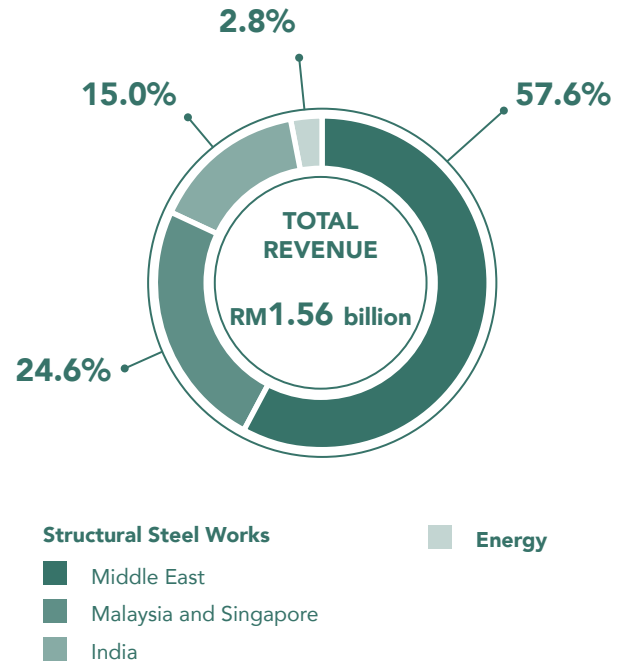
Profit Before Tax ("PBT") was down by 46.7% at RM28.5 million compared with RM53.5 million in FY2018 and Profit for the Year reduced by 65.7% to RM16.4 million against RM47.8 million the previous year. Regionally, the Middle East contributed RM49.0 million to the PBT, India RM15.7 million, and Malaysia and Singapore RM13.3 million.

Earnings per share ("EPS") dropped to 1.73 sen from 5.97 sen the year before.

### Shareholders' Equity, Assets and Dividend

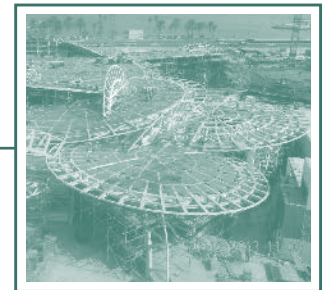
The Shareholders' Funds closed the financial year at RM883.5 million against RM919.0 million in FY2018, representing a decrease of 3.9%. Our net tangible assets as at 31 December 2019 shrunk to RM922.3 million, 0.4% less than RM918.3 million as at the end of the previous financial year. Net tangible assets per share was 1.18 compared against 1.23 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 in order 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 by continuing to create sustainable value for all our stakeholders.



### Revenue

**97.2%**  
Structural Steel Works

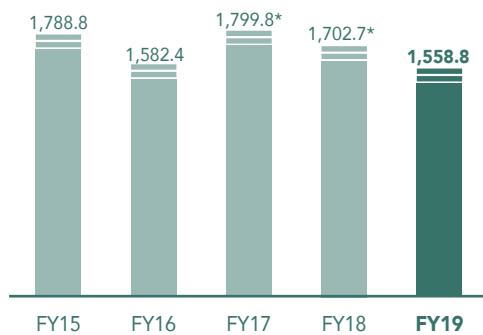


**2.8%**  
Energy

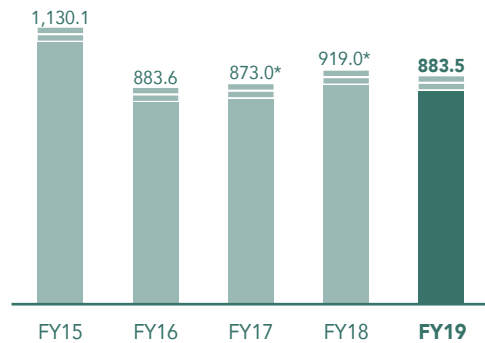
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 5-YEAR GROUP FINANCIAL HIGHLIGHTS

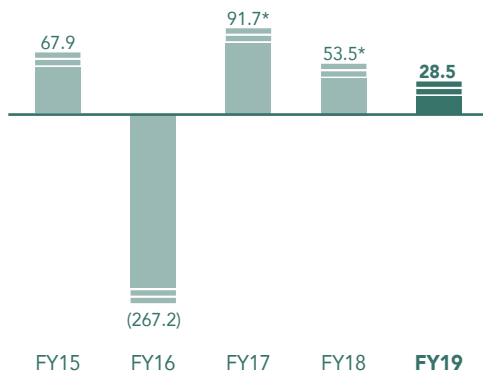
Revenue (RM' Million)



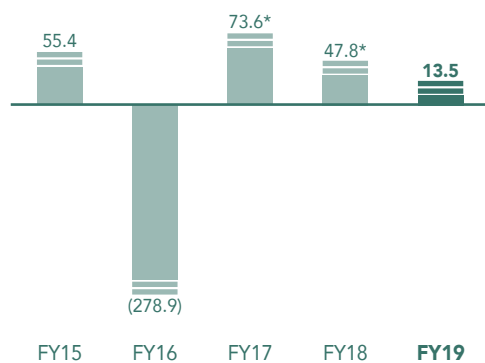
Shareholders' Funds (RM' Million)



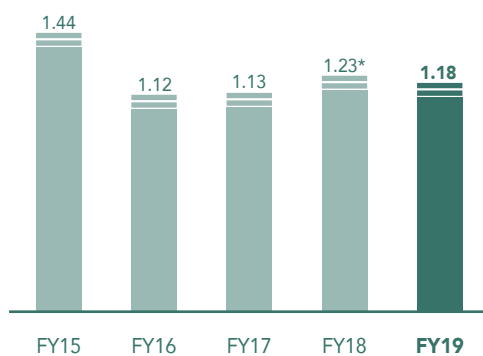
Profit Before Tax (RM' Million)



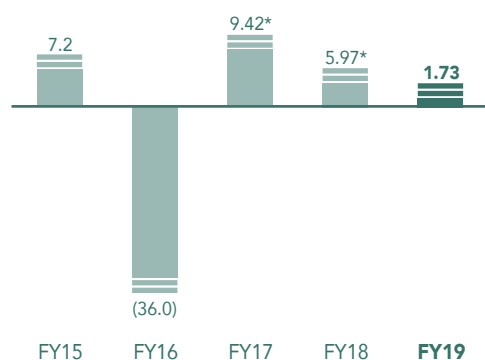
Profit After Tax After Minority Interest (RM' Million)



Net Tangible Assets Per Share (RM)



Net Earnings Per Share (Sen)



\* Figures are restated.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### REVIEW OF OPERATIONS STRUCTURAL STEEL WORKS

#### MIDDLE EAST

The Middle East is Eversendai's long-term strength. We first set foot in this region in 1996, after winning a contract to erect the steel structures for the Burj Al Arab in Dubai, the only 7-star hotel in the world. Our key operational offices and four out of the six fabrication facilities are also located here. To date, this region remains our largest contributor, accounting for 57.6% of the total Revenue of RM897.4 million. This is a 7.3% decrease from 56.9% of total Revenue (RM968.0 million) recorded in FY2018.



Revenue

# 57.6%

The Middle East operations achieved revenue of RM897.4 million in FY2019

#### United Arab Emirates ("UAE")

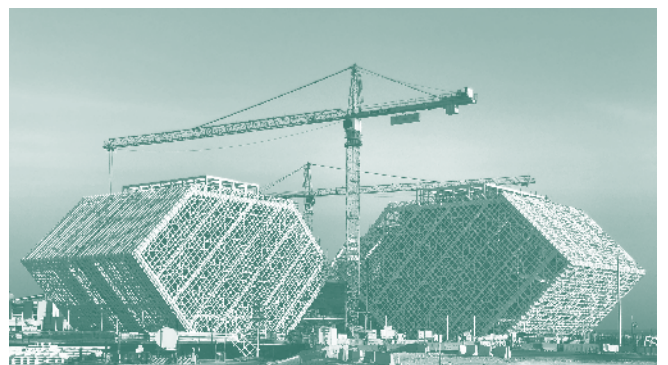
We secured six projects in the UAE and also completed the construction of Al Maryah Central Mall, Abu Dhabi. There are nine on-going projects in the UAE at present. Revenue for this region decreased in FY2019 due to slow progress and temporary suspension of some of the projects. The GDP growth rate in the region is expected to increase from 1.7% in 2019 to 3.1% by 2021, according to forecasts made before the COVID-19 pandemic. Although the projection may no longer apply, nevertheless, this prospect can be seen as an opportunity for business growth.

#### Kingdom of Saudi Arabia

In Saudi Arabia, we completed two projects and secured two new projects in FY2019. The Kingdom's construction market is expected to show significant growth in 2020 and offers lucrative potential in tandem with their "Vision 2030", National Transformation Plan ("NTP 2020") and on-going reforms to diversify away from oil.

#### Qatar

In 2019, Eversendai secured five projects in Qatar, adding to the five on-going projects. The three projects completed in 2019 were Manateq Oasis, Oasis Hotel Tower Fit-out and the grating support for Al Wahda Arch.



Manateq Oasis, Qatar.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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



Meydan One Mall, Dubai.



Sabah Al-Salem Kuwait University City.

#### Kuwait

Currently, there is one on-going project which is the Sabah Al-Salem Kuwait University City in this region. This project has created a good reputation for Eversendai in Kuwait. We have received more enquiries in the year under review and at the same time, we have also tendered for new projects. A significant milestone was also achieved in completing 34,255 MT of steel erection for the on-going university project.

### MALAYSIA AND SINGAPORE



#### Malaysia

Eversendai was incorporated in 1982 to undertake its first project, the Dayabumi Complex in Kuala Lumpur. This region contributed RM201.5 million to Group revenue in FY2019 as compared with RM251.9 million the previous financial year.

#### Revenue



**24.6%**

Malaysia and Singapore operations achieved revenue of RM377.3 million in FY2019



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

We secured two new contracts in FY2019 on top of seven on-going projects which include power plants, a high-rise building and a pedestrian bridge. We also accomplished 55% progress at the end of December 2019 for the tallest building in Malaysia, Merdeka PNB118 Project, which has reached a height of 84 storeys.

#### Singapore

Eversendai re-entered Singapore after a 10-year hiatus with the Singapore State Courts project in 2016, which was completed in FY2019. During the year in review, our operations in Singapore contributed a total revenue and PBT of RM169.1 million and RM19.6 million respectively. The revenue for FY2019 increased by 171.9% in comparison with RM62.2 million registered in FY2018 due to substantial progress of two data centres on top of the completion of the Singapore State Courts project. We have secured three new projects in 2019, comprising a hi-tech data processing facility, a computing facility and a 25-storey office building in downtown Singapore..



Merdeka PNB118, Malaysia.



The New State Courts, Singapore.

#### INDIA



In 2009, the Group expanded its business operations to the Indian subcontinent. The Indian operations has since seen a steady growth with new projects and clients. During the current financial year, our operations in India contributed a total revenue and PBT of RM234.5 million and RM12.3 million respectively.

#### Revenue



# 15.0%

India operations achieved revenue of RM234.5 million in FY2019

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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



*Rupa Renaissance, India.*



*T Hub Phase II, India.*

### India (Cont'd)

We have a strong order book in this region, with eight new projects in FY2019 which include structural steel works for three towers of commercial buildings in Hyderabad; an airport main terminal building; and an ITC boiler structure order in Chennai. During the year in review, six projects were completed, with another twenty in various stages of completion. We are well established in this region based on the performance and trust we have gained from our sterling reputation in the industry. As the market is expected to grow in the coming year, Eversendai sees an upward trend in terms of growth and revenue.



*Summer Trinity Vertical, India.*



*Piramal Revanta, India.*



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### REVIEW OF OPERATIONS (CONT'D) ENERGY

Eversendai's wholly owned subsidiary, Eversendai Offshore RMC FZE, recorded revenue of RM43.2 million, which was 83.9% lower than RM268.1 million in FY2018. The lower realisation of revenue for FY2019 was due to under utilisation of the fabrication yard in Ras Al Khaimah, which resulted from the delay in awarding of new projects. We completed two projects during the year in review.

The Company was awarded a contract to fabricate and construct the offshore wind substation topside platform and jacket for Seagreen offshore wind farm in Scotland, United Kingdom and another contract to fabricate and construct Jacket and Piles for the Hollandse Kust Zuid ("HKZ") Beta Offshore wind substation platform for TenneT in the Netherlands. Both the contracts were awarded by Petrofac Limited. These projects will be undertaken in Eversendai's state-of-the-art 200,000 sq.m. waterfront fabrication yard in Ras Al Khaimah Maritime City in the UAE.

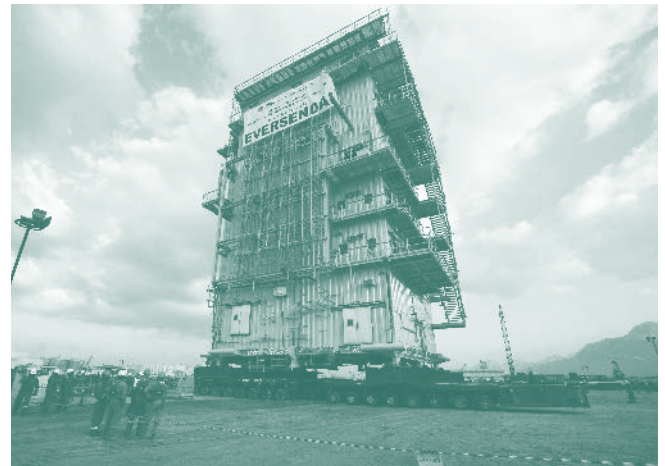
We expect FY2020 to be challenging due to the COVID-19 disruption and continuous delays of new contract awards. However, we foresee FY2020 to be slightly better as compared to FY2019 as we have won several bids and secured projects while continuing to make progress on our diversification plan into the offshore wind renewable energy sector in Europe. Our strategy continues to be balanced and not solely dependent on a single sector. Hence, our diversification into the offshore wind renewable energy sector is expected to create a sustainable business going forward.

#### Revenue



# 2.8%

Energy achieved revenue of RM43.2 million in FY2019



*Al Zour New Refinery.*



*Saudi Aramco Jacket.*

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### RISK AND MITIGATING PROCESSES

#### Liquidity Risk

The Group manages its liquidity risks 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 Factors

The Group's financial and business prospects are closely linked to the developments in the political, economic and regulatory conditions in the countries where the Group operates or intends to operate. Eversendai has and will continue to take effective and adequate measures to mitigate such risks. Eversendai's current significant operations are 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 its exposure to contracts undertaken and will not have any material effect on its financial position, business and operations.

#### Business and Project Risks

The Group is engaged in the construction industry and depends on securing new contracts for its business and growth. The structural steel engineering sector is highly dependent on the economies of the countries it operates in and the cyclical nature of the industry. Delay or failure to complete contractual work will potentially affect the Group's net profits and reputation.

Nevertheless, 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 employing best practices in our operations. With more than 35 years' experience as an industry leader, the Group will be able to manage these businesses and mitigate project risks, should such occurrences arise.

### OUTLOOK

2019 recorded a dip in global growth to 2.9% from 3.5% in the previous year, largely due to uncertainties stemming from the US-China trade dispute, Britain's exit from the European Union and unstable commodity valuations in a report by the International Monetary Fund (IMF). In the beginning of 2020, the COVID-19 pandemic dampened global economic activity, with IMF predicting a sharp contraction of 3.0% for the year.

The year ahead will be challenging for the construction segment in view of the impending slowdown in the world economy as a result of the pandemic and the yet-to-be resolved trade war.

Assuming that the pandemic fades in the second half of 2020 and containment efforts gradually decrease, the global economy is projected to grow by 5.8% in 2021 with the normalisation of economic activity. We are cautious about the outlook even as the impact of the current market scenario continues to unfold. Rest assured; we are doing our best to protect the interests of all our stakeholders.

### Sectorial and Market Specific Perspective

- **United Arab Emirates**

The 2020 budget announced by the Government of Dubai before the on-going COVID-19 pandemic is the largest in history and provides the highest level of economic stability and stimulus to the emirate's business sectors. This budget seeks to realise the emirate's ambitions to stimulate the entire economy and support established companies to undertake various already-announced projects. These opportunities include the remaining works related to the largest and most prominent event, the Expo 2020 Dubai, which has been postponed to run from 1 October 2021 to 31 March 2022 on account of the pandemic crisis.

- **Qatar**

Qatar's oil and natural gas resources are the country's main economic asset and government revenue source. Oil & gas drives 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The 2020 budget is designed to achieve efficiency in the current expenditure while maintaining the allocations required for the completion of major approved projects. Infrastructure projects account for the largest share of the major project expenditure in the budget and we are set to tap into the opportunities presented in this region.

- **Kingdom of Saudi Arabia**

This economy appears to be the most active player in the Middle East construction sector under on-going market reforms to diversify away from oil & gas. The market is expected to show significant growth in 2020 and offer lucrative projects according to the nation's 'Vision 2030' and the National Transformation Plan ("NTP 2020"). The growth expected from their Vision 2030 may slow for this year due to the COVID-19 pandemic but should accelerate from 2021 onwards.

- **Kuwait**

Kuwait's Vision 2035 programme has signaled that it is becoming more open to foreign investment. The plan includes various mega projects, including the building of a multipurpose industrial city to the tune of USD6.6 billion. The Kuwaiti construction market is highly competitive, with the presence of major international players and this presents us with opportunities for growth.

- **India**

The construction industry is an important growth driver of India's economy and is a major contributor to its GDP. India's infrastructure growth includes the construction of power plants, bridges, dams, roads, new airports, new smart cities, urban homes, rural homes and urban infrastructure development, which also form the base and supporting factors for other services.

The government of India has announced several initiatives to boost the construction sector and spur development projects for among others 100 smart cities, world-class highways and shipping infrastructure, housing and urban development. This has attracted huge foreign direct investments, private players and government budget allocations. These initiatives will provide plenty of opportunities to us with many new contracts available in the future.

- **Singapore**

Singapore's construction sector is not exempted from the impact of the pandemic, with the sector now expected to contract in 2020. However, Singapore sees construction demand beyond 2020, supported by major developments such as data centres, sports complexes, smart factories, developments at Jurong Lake District, the expansion of the two integrated resorts at Marina Bay Sands and Resorts World Sentosa, and new MRT lines such as the Cross-Island line. Eversendai expects to make further inroads into Singapore for the construction of private and public sector buildings.

- **Malaysia**

The construction sector expects to benefit from various packages and projects introduced by the Government, especially from Budget 2020 with the Government earmarking RM56 billion worth of projects (including Pan-Borneo Highway, Bandar Malaysia and the Rapid Transit System from Johor Bahru to Singapore). However, the scheduled implementation and execution of the mega projects are delayed due to the change of political leadership in Malaysia and the COVID-19 pandemic.

Malaysia's economic outlook faces strong headwinds and many things remain uncertain. The on-going worldwide health crisis coupled with the Movement Control Order (MCO) has significantly altered our initial expectations entering the new year. There has been a sharp slowdown in the first half of 2020 in Malaysia and at a global level. The spread of COVID-19 has necessitated unprecedented containment measures, including social distancing, which have triggered a concurrent supply and demand shock, and bringing economic activities to a near standstill in many countries.

We are currently facing a situation that is unprecedented, and while we have an idea of what the "new normal" will look like in the immediate future, the nature of the situation does not allow us a definite view on what the longer-term future will look like in respect of our working environment and interactions. Nevertheless, what is certain is that we will need to be more sensitive than ever in accommodating this "new normal".

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tan Sri Dato' Nathan A/L Elumalay

(Executive Chairman & Group Managing Director)

### Mohammad Nizar Bin Idris

(Senior Independent Non-Executive Director)

### Datuk Iskandar Bin Sarudin

(Independent Non-Executive Director)

### Nazariah Binti Ibrahim

(Independent Non-Executive Director)

### Narla Srinivasa Rao

(Executive Director)

### Narishnath A/L Nathan

(Executive Director)

## AUDIT COMMITTEE

### Nazariah Binti Ibrahim

(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)

## NOMINATING COMMITTEE

### Mohammad Nizar Bin Idris

(Chairman/Senior Independent Non-Executive Director)

### Datuk Iskandar Bin Sarudin

(Member/Independent Non-Executive Director)

### Nazariah Binti Ibrahim

(Member/Independent Non-Executive Director)

## RISK MANAGEMENT COMMITTEE

### Mohammad Nizar Bin Idris

(Chairman/Senior Independent Non-Executive Director)

### Nazariah Binti Ibrahim

(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
- Export-Import Bank of Malaysia Berhad
- MBSB Bank

### Singapore

- United Overseas Bank Limited

### India

- Bank of Baroda
- State Bank of India
- IndusInd Bank

### UAE

- Abu Dhabi Commercial Bank
- Commercial Bank International
- Dubai Islamic Bank (PJSC)
- Emirates Islamic Bank
- Emirates NBD Bank (PJSC)
- First Abu Dhabi Bank
- Gulf International Bank
- HSBC Bank Middle East Limited
- Mashreq Bank PSC
- United Arab Bank
- United Bank Limited

### Qatar

- The Commercial Bank (Q.S.C.)

## INDEPENDENT AUDITORS

Baker Tilly Monteiro Heng PLT  
201906000600(LLP0019411-LCA) & AF0117  
Baker Tilly Tower  
Level 10, Tower 1  
Avenue 5, Bangsar South City  
59200 Kuala Lumpur, Malaysia  
Telephone : +603 2297 1000  
Fax : +603 2282 9980

## SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No.5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor, Malaysia  
Telephone : +603 7890 4700  
Fax : +603 7890 4670  
Email : Info.my@boardroomlimited.com

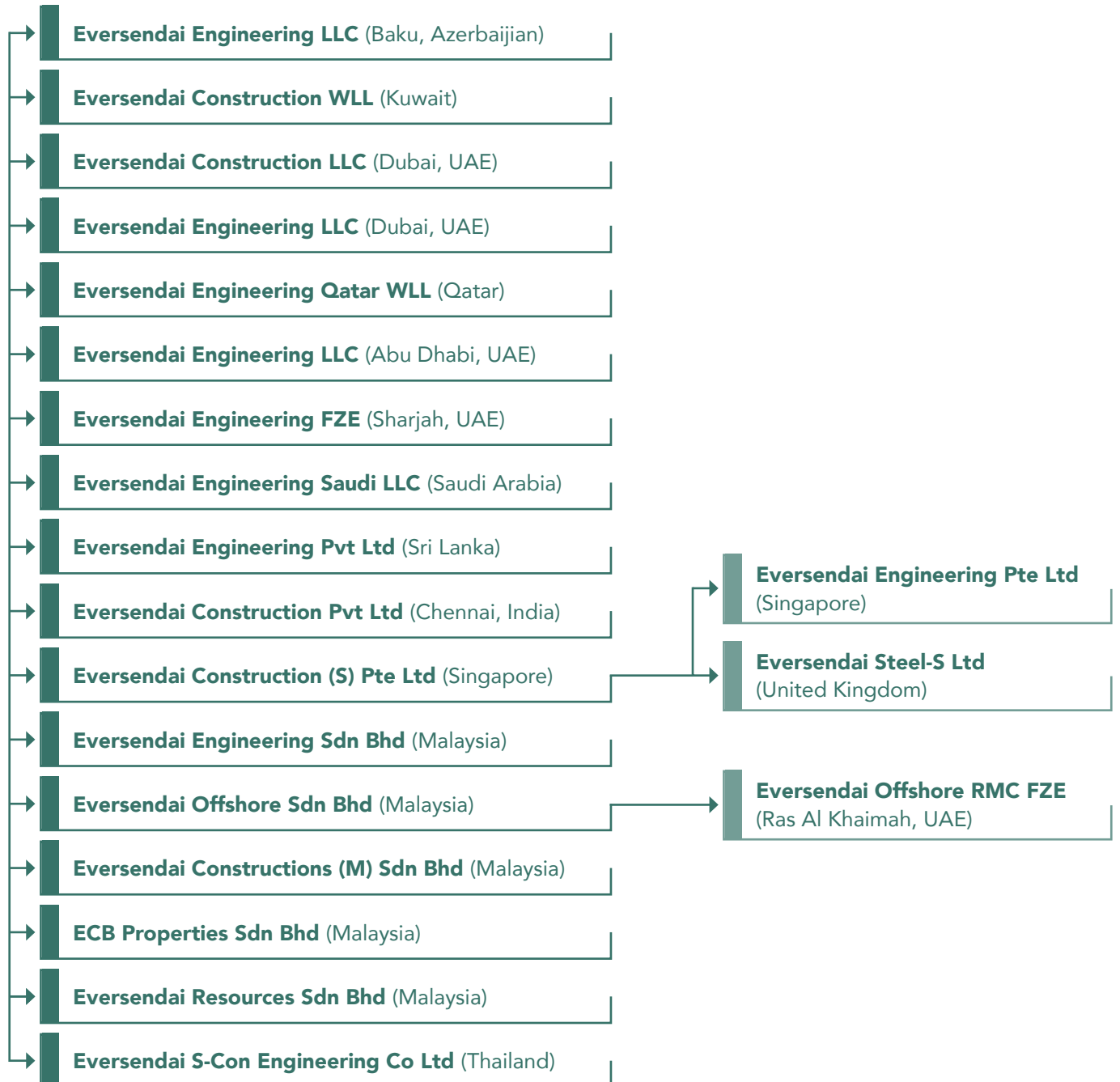
## STOCK EXCHANGE LISTING

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

# CORPORATE STRUCTURE

## EVERSENDAI

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)



## PROFILE OF DIRECTORS

### TAN SRI DATO' NATHAN A/L ELUMALAY

Executive Chairman



**Appointed to the Board on:** 12 August 2004

**Other post held within the company:**  
Group Managing Director

**Other post held in external company(ies):** Nil

**Tan Sri Dato' 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 force behind the development of Eversendai.

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, Dubai, Sharjah, Doha, Ras Al-Khaimah and Trichy. Eversendai produces a combined annual capacity of over 200,000 tonnes of steel annually. Today, Eversendai has a workforce of over 15,000 in nine countries and operates out of 15 offices worldwide.

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 Dato' Nathan 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



**Appointed to the Board on:** 1 June 2010

**Other post held within the company:** Nil

**Other post held in external company(ies):**

- Board Member of FIDE FORUM
- Board Member of MCIS Insurance Berhad

**Encik Mohammad Nizar Bin Idris** obtained his Bachelor of Laws (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 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 also a Director of Khazanah Malaysia Bhd.



## PROFILE OF DIRECTORS (CONT'D)

### DATUK ISKANDAR BIN SARUDIN

Independent Non-Executive Director



**Appointed to the Board on:** 22 August 2017

**Other post held within the company:** Nil

**Other post held in external company(ies):**

- Director of Complete Logistic Services Berhad and Aeon Co. (M) Berhad
- Independent Director of Aeon Co. (M) Bhd

**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 the Embassy of Malaysia in the 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.

### NAZARIAH BINTI IBRAHIM

Independent Non-Executive Director



**Appointed to the Board on:** 30 December 2019

**Other post held within the company:** Nil

**Other post held in external company(ies):** Nil

**Puan Nazariah Binti Ibrahim** is a Fellow Member of the Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants (MIA). She held various positions in Tenaga Nasional Berhad since 1 October 1982. Her last position held was Group Accountant from 1 March 2014 to 28 February 2017. She was also an Independent Non-Executive Director of Ipmuda Berhad from 28 September 2018 to 26 December 2019.

## PROFILE OF DIRECTORS (CONT'D)

### NARLA SRINIVASA RAO

Executive Director



**Appointed to the Board on:** 26 May 2010

**Other post held within the company:**

Chief Operating Officer, Group Structural Steel and Construction

**Other post held in external company(ies):** Nil

**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. He subsequently joined 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 A/L NATHAN

Executive Director



**Appointed to the Board on:** 26 May 2010

**Other post held within the company:**

Chief Executive Officer, Energy

**Other post held in external company(ies):** Nil

**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 four divisions namely, 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' 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



#### 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 29 years of experience in Business and Construction Management specialising in residential, commercial and infrastructure projects. Currently, he is spearheading Eversendai India's 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, including of the luxury category residential and commercial developments. Mr. Anbu has vast experience in business optimisation, managing large scale projects, handling Project Management Consultants and other consultants, delivering high quality projects on time and ensuring stakeholders expectations are met.

### PASHMEENA BHATIA

Chief Financial Officer, Middle East & CIS



#### Academic/Professional Qualification:

- CPA, CMA Professional

**Office Location** : Dubai, UAE

**Date Appointed** : 2005

**Ms. Pashmeena** joined Eversendai in 1988. Prior to her current role, she has worked on planning, strategising and managing fiscal aspects of the Group's Middle East financial functions providing insight and analyses to support business functions. She specialises in financial management, working capital management, raising finance, corporate finance, corporate performance management, internal controls, risk management, treasury management and preparing qualitative analyses.

### CHANDRASEGRAN S P UTHIRAPATHY

Chief Operating Officer,  
Eversendai Engineering Sdn Bhd



#### 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 34 years of experience in the power plant construction industry and was responsible for the successful completion of several large power plants and other building and infrastructure projects. Prior to joining Eversendai, he was based in Singapore managing tenders, costing, planning, negotiations, contract administration and project management of several power plant projects in Malaysia, Singapore and Indonesia. Prior to that, he spent six years as a Senior Consultant in an engineering consultation firm.

## KEY SENIOR MANAGEMENT PROFILES (CONT'D)

### PANDIRAJAN SUBRAMANIAN

Senior General Manager, Singapore Operations



**Academic/Professional Qualification:**

- Bachelor's Degree in Mechanical Engineering

**Office Location :** Singapore

**Date Appointed :** 12 September 1992

**Mr. Pandirajan** has over 30 years of experience in the structural steel and construction business. Prior to joining Eversendai Singapore in September 1992, he worked with IISC Engineers for various projects in India which includes Fabrication and Installation of Mobile Service Tower for Polar Satellite Launch Vehicle (PSLV)–Sriharikkota which is currently being used to assemble rockets; and Upper Sindh Hydel Project in Kashmir. He has worked for 14 years in Singapore as General Manager and has successfully completed various high-rise composite structure steel buildings ranging from 20 to 66 floors before being transferred to Qatar for seven years to undertake and complete Qatar's New Airport and industrial projects. He was then promoted to Senior General Manager overseeing the structural steel division in Southeast Asia and he is also the Country Head for the 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 the successful handover of projects.

### PARDHASARADHI CHADALAVADA

Operations Director



**Academic/Professional Qualification:**

- B.Tech (Mechanical)

**Office Location :** Dubai, UAE

**Date Appointed :** 17 February 2016

**Mr. Pardhasaradhi Chadalavada** 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 was promoted as Commercial Director for Middle East Operations and then as Operations Director/Country Head for UAE/ CIS/Africa 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



**Academic/Professional Qualification:**

- Diploma in Civil Engineering

**Office Location :** Doha, Qatar

**Date Appointed :** 1 April 2016

**Mr. Muralidharan** has 27 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 and industrial construction sectors. He later joined Eversendai in 1996 as a site engineer and held various positions within the Group 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



**Academic/Professional Qualification:**

- Diploma in Mechanical Engineering

**Office Location :** Sharjah, UAE

**Date Appointed :** 1 August 2008

**Mr. Rajagopal Damodharan** has 31 years of experience in various segments of the construction industry. He started his career in heavy structural fabrication activity for eight 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 the Group before being appointed to this 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



**Academic/Professional Qualification:**

- Licensiate in Mechanical Engineering

**Office Location :** Riyadh, Saudi Arabia

**Date Appointed :** 1 January 2016

**Mr. Paladugu Bhaskara 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 and airports. At present, he is managing the Group'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

Operations Director



#### Academic/Professional Qualification:

- Master in Business Administration
- Diploma in Mechanical Engineering

**Office Location :** Sharq, Kuwait

**Date Appointed :** 23 January 2017

**Mr. Baskaran** has a total of 30 years of extensive exposure and experience in the fields of Structural Steel and Plant construction. He is an innovative and energetic operations professional with sound knowledge in commercial contracts. 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 the Group as a Project Manager in Dubai and has been involved in various landmark projects in the UAE, Oman, India and is currently stationed in Ras Al Khaimah.

### SARAVANAN KALIAPPAN

Sr. Vice President, Indian Operations  
(Special Projects)



#### Academic/Professional Qualification:

- B.E. Civil
- M.E. Structural
- Ph.D
- Masters in Business Administration

**Office Location :** Chennai, India

**Date Appointed :** 1 June 2016

**Mr. Saravanan** has been with Eversendai Group for 23 years. He has handled numerous projects located in the Southeast Asia, Middle East and India while with the Group and has a wide range of experience in structural steel construction, design, construction methodology and execution. Currently, he manages Design and Engineering, Special Projects and Business Development for Eversendai India and the Group. Prior to joining Eversendai, he worked in the petrochemical industry for three years doing petrochemical plant design and engineering works.

#### 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

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30 ABOUT THIS SECTION

31 SUSTAINABILITY IN EVERSENDI

Marathon Futurex, India



## ABOUT THIS SECTION

Eversendai is committed to driving 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 management during the year in review is presented in this report.

### REPORTING PERIOD



1 January 2019 to 31 December 2019

### REPORTING SCOPE

Eversendai is committed to reviewing and updating our sustainability management on an annual basis. Our sustainability management covers three key dimensions of Economic, Environment and Social, and the information 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

### FEEDBACK

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

Tel No : +603 7733 3300

Email : [ir@eversendai.com](mailto:ir@eversendai.com)

*Zayed National Museum, Abu Dhabi.*

## SUSTAINABILITY IN EVERSENDAI

The story of Eversendai starts in 1984 as a humble structural steel fabrication and erection company and has since grown organically as a specialist in this field. Eversendai is recognised as a sought-after global organisation undertaking complex turnkey structural steel works for high-rise buildings, composite structures, long span structures, bridges and industrial plants. The Group has also expanded beyond these making inroads into mechanical works by providing design, engineering, procurement, fabrication, assembly and installation services for the Power Plant, Offshore Wind and Oil & Gas industries including process modules, jackets and piles, topsides, offshore buildings and jack-up barges/liftboats.

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

Eversendai's proven competence of high-profile projects in the world has served clients covering 16 countries which include Malaysia, Singapore, Indonesia, Thailand, the 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 nine countries at 15 offices and an impressive portfolio of more than 460 accomplished projects. We own and operate six fabrication facilities located in Malaysia, Dubai, Sharjah, Ras Al Khaimah, Qatar and India with an annual production capacity of over 200,000 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.



# 15,000

DEDICATED WORKFORCE

**9** COUNTRIES **15** OFFICES

HIGH PROFILE PROJECTS

# 16

COUNTRIES



# 460

ACCOMPLISHED  
PROJECTS

# 200,000

METRIC TONNES  
OF STEEL FABRICATION

PRODUCED ANNUALLY



Eversendai places considerable emphasis to not 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.



## SUSTAINABILITY IN EVERSENDAI (CONT'D)

Apart from conducting in-house inspections and testing, we also undertake regular inspections along with the clients and commission 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 rendered 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 respective fields to become specialists in their disciplines.

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

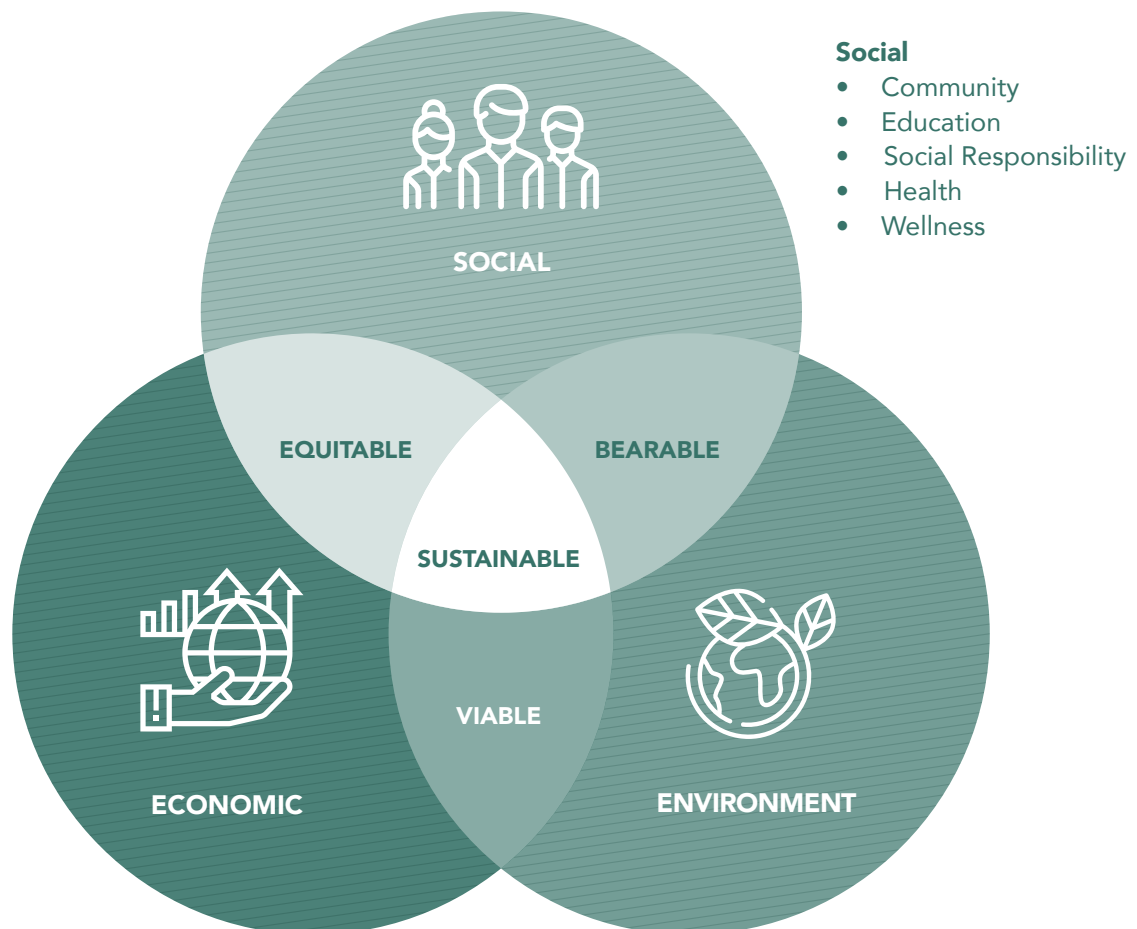
We have established a reputable brand name with an impressive track record to position ourselves as one of the world's leading and reliable entities. Eversendai has established a good reputation in the markets we serve through positive customer generated recommendations and referrals. Our clients, architects, 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 volatile fluctuations in economic and market conditions.



## SUSTAINABILITY IN EVERSENDAI (CONT'D)

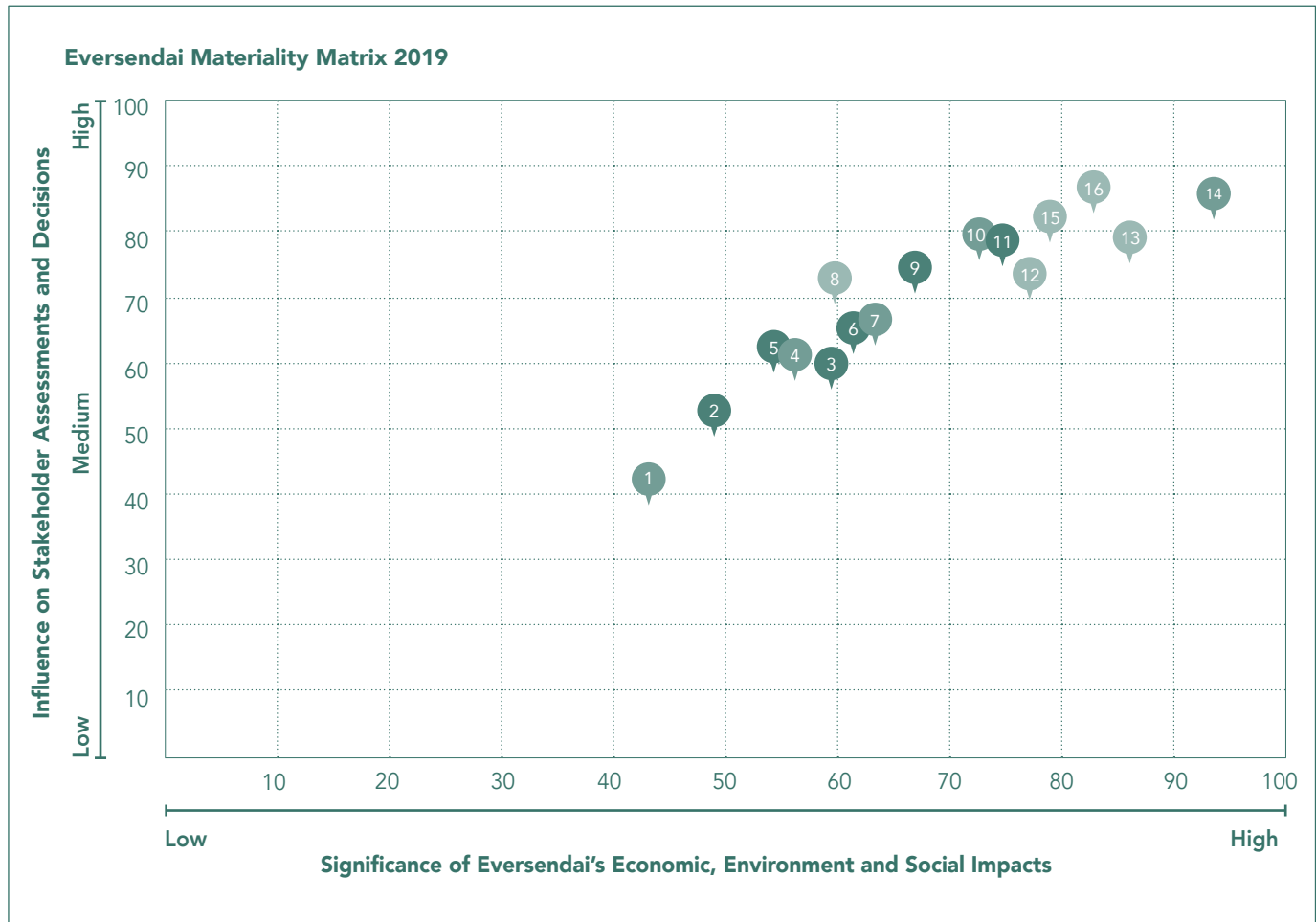
Sustainability has been an integral part of Eversendai for many years, although we commenced reporting in 2017 on a formal approach to initiate tracking and reporting the performance of the Company and its subsidiaries. We take cognisance that the importance of managing our economic, environmental and social performances are 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.



## 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.

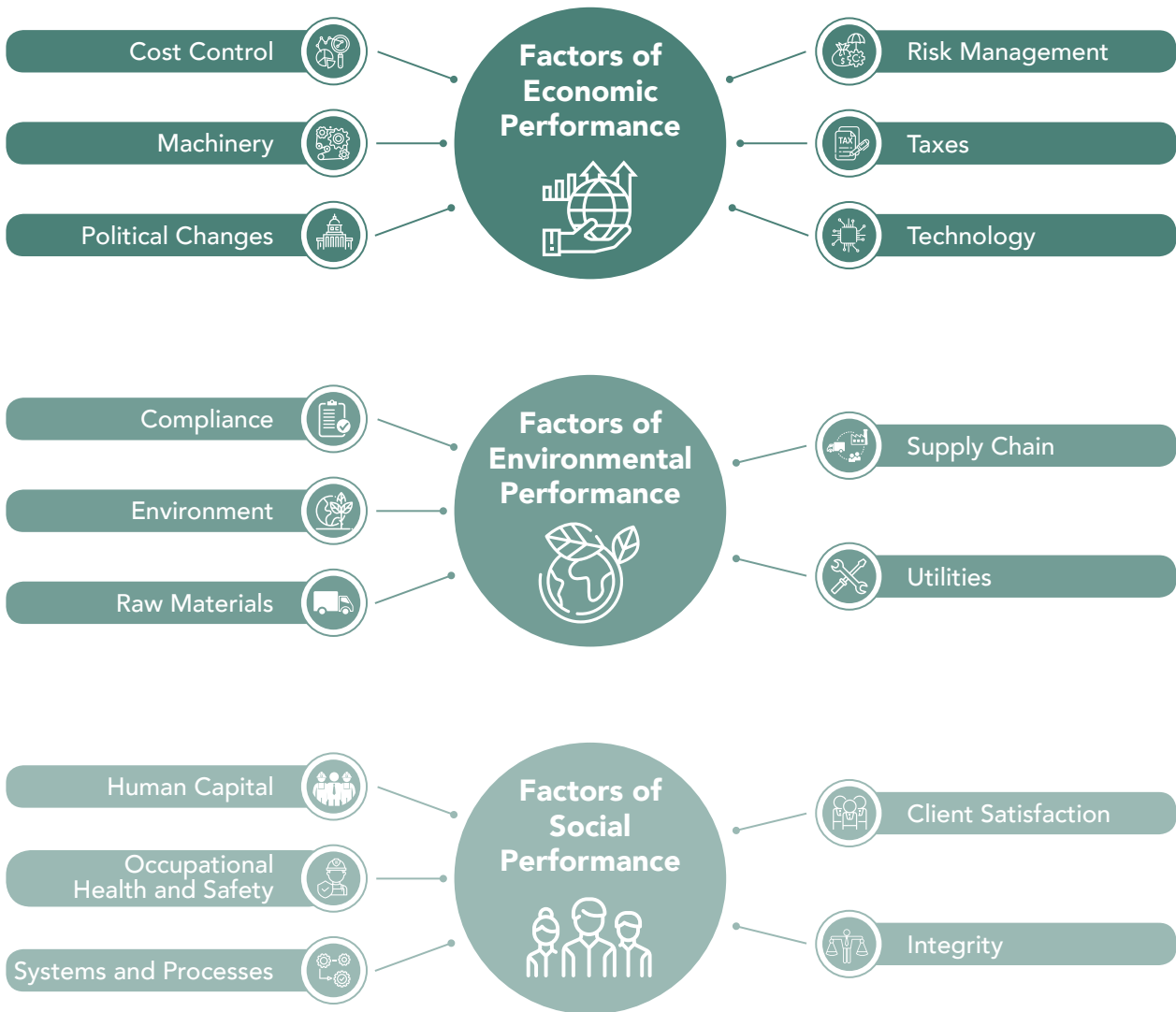


**Legend:**

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

## SUSTAINABILITY IN EVERSENDAI (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
 <b>Environment</b>		
Environmental Management Indicators (EMIs).		
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.	Eversendai Environmental Management System has been certified to the international standard of ISO 14001:2015 and has been re-certified for the next three years until 2023.
S2. Organisational structure related to environmental management	Organisational structures and job descriptions are in place to ensure the effective management of the environment.	
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	<p>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.</p> <ul style="list-style-type: none"> <li>• Reducing consumption of paper by providing soft copies of documents;</li> <li>• Recycling paper for preparation of drafts;</li> <li>• Reducing energy consumption by switching off power supply during lunch breaks;</li> <li>• Reducing printing materials by providing soft copies; and</li> <li>• Reusing packaging materials for delivery purposes.</li> </ul>	





## SUSTAINABILITY IN EVERSENDAI (CONT'D)

### EVERSENDAI'S SUSTAINABILITY INITIATIVES (CONT'D)

Indicator	Action	Outcome
 <b>Environment (Cont'd)</b>		
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 has established an environment consultative network within the organisation and with relevant external stakeholders to manage practicable environmental conditions.	
 <b>Systems and Processes</b>		
S1. Internal audit S2. External audit S3. Internal IMS audit S4. External IMS audit	<p>Eversendai has documented policies and procedures with consideration of internal control system to safeguard company against quantifiable losses. The documents consist of circulars, the Integrated Management System manual, the Policy Procedures and related documents that are continuously being revised and updated to meet operational needs.</p> <p>Eversendai has developed and implemented a systematic framework of internal control and risk management to prevent any material losses. The risk management department monitors the business units towards compliance with the framework. A meeting is held on a quarterly basis to review, revise and mitigate new or existing risks and controls.</p>	Better and more effective system and process controls, competent personnel, consistent performance and continuous improvement.



## SUSTAINABILITY IN EVERSENDAI (CONT'D)

### EVERSENDAI'S SUSTAINABILITY INITIATIVES (CONT'D)

Indicator	Action	Outcome
 <b>Systems and Processes (Cont'd)</b>		
	<p>Internal Audit Function will review the adequacy and effectiveness of the management systems and operating controls of Eversendai Corporation Berhad and its subsidiaries. Internal Audit will make the necessary recommendations for the improvement of systems, controls and procedures that may be required to safeguard company resources, promote productivity and efficiency and ensure compliance with company policies and procedures, the laws and government regulations.</p> <p>In 2020, Eversendai has improved, in compliance with the MACC Act, the Anti Bribery and Corruption Management System as an additional compliance with regulatory requirements.</p>	
 <b>Human Capital</b>		
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 EVERSEND AI (CONT'D)

### EVERSEND AI'S SUSTAINABILITY INITIATIVES (CONT'D)

Indicator	Action	Outcome
 <b>Occupational Health and Safety (OHS)</b>		
Compliance with company in-house requirements, legal and other requirements and subscribed/relevant international standards.		
S1. OHS Training and Toolbox 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.	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 standards of OHSAS 18001:2007 and ISO 45001:2018.
 <b>Client Satisfaction</b>		
Compliance and conformance with client requirements.		
S1. Audit reports S2. Management reviews S3. Client/customer feedback S4. Joint inspections	Regular meetings and discussions with clients, all relevant outsourced service providers and employees focusing on client requirements.	Establishing benchmarks, contingency, innovation, product improvement and delivery plans.

## SUSTAINABILITY IN EVERSENDAL (CONT'D)



### CERTIFICATIONS TO INTERNATIONAL STANDARDS

#### Rawang, Malaysia Fabrication Facility

- ISO 9001:2015 – LRQA
- ISO 14001:2015 – LRQA
- ISO 45001:2018 – LRQA

#### Hamriyah Free Zone, Sharjah Fabrication Facility

- Certificate of Conformity of the Factory Production Control – Bureau Veritas
- 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
- UNI EN ISO 3834-2:2006 – Bureau Veritas
- ISO 9001:2015 – SGS
- ISO 14001:2015 – SGS
- ISO 45001:2018 – SGS
- OHSAS 18001:2007 – SGS

#### RAK Maritime City, Ras Al Khaimah Fabrication Facility

- ISO 9001:2015 – DNV GL
- ISO 14001:2015 – DNV GL
- OHSAS 18001:2007 – DNV GL
- CE Marking EN1090-EXC4 – DNV GL
- UNI EN ISO 3834-2:2005 – DNV GL
- DNV Shop Approval for Yard – DNV GL
- EN CP484 – DNV GL

#### Trichy, India Fabrication Facility

- Certificate of Conformity of the Factory Production Control - SGS
- ISO 9001:2015 – TUV NORD
- ISO 14001:2015 – 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 2019 and the extent to which the Company has complied with the recommendations of the Code during the financial year ended 31 December 2019 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.

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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

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.

Matters which are reserved for the Board's approval and delegation of powers to the Board Committees, the Group Managing Director 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](http://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;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.3 Board Roles and Responsibilities (Cont'd)

- Reviewing the adequacy and effectiveness of the Group's risk management and internal control system which is embedded in all aspects of the Group's activities, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Developing corporate objectives, policies and strategies; and
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, spearheaded by the Group Managing Director through effective participation at general meetings. The Board subscribes to high standards of transparency and accountability in the disclosure of information to its shareholders as well as to potential investors and the public. Eversendai Corporation Berhad uses various channels for effective communication with the shareholders and other stakeholders including releasing timely announcements and disclosures to Bursa Malaysia Securities Berhad, conduct of general meetings and update information available at the Company's website at [www.eversendai.com](http://www.eversendai.com).

The Board is guided by its Board Charter and Code of Conduct for Directors which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions, and the standard of conduct expected of Directors respectively.

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) Nominating Committee; and
- d) Remuneration Committee.

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

#### 1.4 Appointments to the Board

The Nominating Committee comprising three (3) Independent Directors makes independent recommendations for appointments to the Board. In making these recommendations, the Nominating 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.6 Assessment of Performance

The Board has an on-going responsibility of assessing the Directors. Upon the completion of every financial year, the Nominating 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 programmes will be identified, upon review of the results of the Board and committee assessment by the Nominating Committee and the Board. Such programmes 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.

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 Nominating 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 Nominating Committee for evaluation. The Nominating 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.7 Directors' Independence and Tenure (Cont'd)

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.

To-date, one (1) Senior Independent Non-Executive Director, namely Mohammad Nizar Bin Idris, have served the Board for more than nine (9) years. Mohammad Nizar Bin Idris had completed his 9-year tenure on 1 June 2019 and would be recommended by the Board to be retained as Senior Independent Non-Executive Director, subject to the approval of shareholders at the forthcoming AGM.

#### 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.

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.

#### 1.9 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.9 Board Meetings (Cont'd)

Four (4) Board meetings were held during the financial year ended 31 December 2019 and the details of attendance of each Director are as follows:

Director	Designation	Number of Meetings Attended
Tan Sri Dato' Nathan A/L Elumalay	Executive Chairman & Group Managing Director	4 of 4
Narla Srinivasa Rao	Executive Director & Chief Operating Officer, Group Structural Steel & Construction	4 of 4
Narishnath A/L Nathan	Executive Director & Chief Executive Officer, Energy	4 of 4
Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	4 of 4
Datuk Ng Seing Liong*	Independent Non-Executive Director	2 of 4
Datuk Iskandar Bin Sarudin	Independent Non-Executive Director	4 of 4
Nazariah Binti Ibrahim**	Independent Non-Executive Director	–

\* Datuk Ng Seing Liong retired as Independent Non-Executive Director of Eversendai Corporation Berhad on 29 May 2019 and did not seek for re-election.

\*\* Nazariah Binti Ibrahim was appointed as Independent Non-Executive Director of Eversendai Corporation Berhad on 30 December 2019.

#### 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:

- Provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance ("CG") of Eversendai Corporation Berhad;
- 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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.12 Directors' Remuneration (Cont'd)

The details of the remuneration of Directors during the financial year ended 31 December 2019 are set out below:

	Group (RM'000)			Company (RM'000)		
	Directors' Fee	Salaries/ bonus/ other allowances	Benefits-in-kind	Directors' fees	Salaries/ bonus/ other allowances	Benefits-in-kind
Tan Sri Dato' Nathan A/L Elumalay	–	6,189	7	–	363	–
Narla Srinivasa Rao	–	1,150	428	–	–	–
Narishnath A/L Nathan	–	1,378	96	–	134	–
Mohammad Nizar Bin Idris	72	10	–	72	10	–
Datuk Ng Seing Liong	30	6	–	30	6	–
Datuk Iskandar Bin Sarudin	72	10	–	72	10	–
Cheah Ban Seng*	–	138	–	–	138	–
<b>Total</b>	<b>174</b>	<b>8,880</b>	<b>531</b>	<b>174</b>	<b>661</b>	<b>–</b>

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

#### 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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.13 Directors' Training (Cont'd)

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' Nathan A/L Elumalay	Forbes CEO Conference 2019	15-16 October 2019
Mohammad Nizar Bin Idris	FIDE FORUM TALK – Reading the signs: The Next Financial Crisis And Potential Impact on Asia by Dr Andy Xie	14 March 2019
	FIDE FORUM TALK – Digital Assets: Global Trends, Legal Requirements, Opportunities For Financial Institutions by Henri Arslanian	26 March 2019
	BANK NEGARA – FIDE FORUM Dialogue with the Deputy Governor on the draft Risk Management in Technology Policy	8 April 2019
	FIDE FORUM Dialogue – Rethinking Strategy by Prof Anil K Gupta	23 April 2019
	Bank Negara Conference on Financial Institutions	17-19 June 2019
	BANK NEGARA FIDE FORUM Masterclass on Cybersecurity: Unseen Threats	17 June 2019
	Asia Oil And Gas Conference	23-25 June 2019
	FIDE FORUM TALK – Artificial Intelligence and Its Role In FI by Clara Durodie	24 July 2019
	MFRS17– Understanding Its Impact and consequences – Ernst & Young	29 July 2019
	BANK NEGARA CONFERENCE – Climate Change Risk And Opportunities: Respond, Not React	25-27 September 2019
	ICDM - International Directors Summit 2019	14-15 October 2019
	FIDE FORUM TALK – Leadership In A Disruptive World : The Changing Role Of Boards by Graham Poston	17 October 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 1. BOARD OF DIRECTORS (CONT'D)

#### 1.13 Directors' Training (Cont'd)

Director	Topic	Date
Datuk Iskandar Bin Sarudin	The Convergence of Digitization and Sustainability Seminar	23 August 2019
	SIDC Case Study Workshop for Independent Directors	9 October 2019
	TOP Seminar 2019	24 - 25 October 2019
Datuk Ng Seing Liong	–	–
Nazariah Binti Ibrahim*	–	–
Cheah Ban Seng**	–	–
Narla Srinivasa Rao	–	–
Narishnath A/L Nathan	–	–

\* Nazariah Binti Ibrahim was appointed as Independent Non-Executive Director of Eversendai Corporation Berhad on 30 December 2019.

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

### 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.

#### 2.1 Nominating Committee

The Nominating 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 Nominating Committee);
- Nazariah Binti Ibrahim (Independent Non-Executive Director); and
- Datuk Iskandar Bin Sarudin (Independent Non-Executive Director).

The Nominating 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 2. BOARD COMMITTEES (CONT'D)

#### 2.1 Nominating Committee (Cont'd)

The functions of the Nominating 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 Nominating 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 Nominating Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Nominating Committee had, for the financial year, reviewed and deliberated on the proposed re-nomination of the directors who are retiring at the Seventeenth 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 2. BOARD COMMITTEES (CONT'D)

#### 2.2 Remuneration Committee (Cont'd)

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.

#### 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);
- Nazariah Binti Ibrahim (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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 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 40 of this Annual Report.

#### 3.2 Code of Conduct

Eversendai's ethical framework to guide actions and behaviours of all relevant stakeholders (inclusive of the Board) is outlined in the Code of Conduct, Anti-Bribery and Corruption Policy, Whistleblower Policy and Policies and Procedures for the management of Human Resources, Finance, Procurement, Operations, Health, Safety and Environment.

#### 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 Whistleblower 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 relevant stakeholders, especially with regard to their obligations to Eversendai's interests.

The Whistleblowing avenue is made available to help all relevant stakeholders to raise concerns, without fear of retaliation, or any detrimental action.

Relevant stakeholders can report any misconduct if they are aware, 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;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 3. ACCOUNTABILITY AND AUDIT (CONT'D)

#### 3.4 Whistleblower Policy (Cont'd)

Relevant stakeholders can report any misconduct if they are aware, including, but not limited to the following (cont'd):

- 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 misconduct.

#### **Procedures**

Protected disclosures shall be submitted with a covering letter bearing the identity of the whistleblower to the Head of Company and the Group Managing Director who will discuss with the Board and if deemed fit shall detach the covering letter and forward the protected disclosure to the Head of Human Resource Management for investigation and report within 30 days to the Board.

#### **Protection**

The Company recognises that the decision to report a concern can be a difficult one to make. The identity of the Whistleblowers 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 Whistleblower 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 consistently. The Directors have also ensured that all applicable accounting standards have been followed in the preparation of the financial statements.

#### 3.6 Internal Control

The Board is responsible for 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 its 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 3. ACCOUNTABILITY AND AUDIT (CONT'D)

#### 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 66 and 69 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.

### 4. SHAREHOLDERS COMMUNICATION

#### 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 4. SHAREHOLDERS COMMUNICATION (CONT'D)

#### 4.1 Shareholders Communication (Cont'd)

As part of the Company's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, 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; and
- Meetings with institutional investors.

Eversendai's website at [www.eversendai.com](http://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](mailto:ir@eversendai.com)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 4. SHAREHOLDERS COMMUNICATION (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 27 February 2020.

The Corporate Governance Report (“CGReport”) 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](http://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 60 to 64.

## MEMBERSHIP AND MEETINGS

The AC comprises of three Independent Non-Executive Directors. The Chairwoman of the AC, Nazariah Binti Ibrahim is a qualified Chartered Accountant and a member of the Malaysian Institute of Accountants.

During the year, the Committee held five (5) meetings without the presence of the Executive Directors, except when their attendance was at the invitation of the Committee. The Group Financial 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
Nazariah Binti Ibrahim (Chairwoman)**	Independent Non-Executive Director	1 of 6
Datuk Ng Seing Liong (Chairman)*	Independent Non-Executive Director	2 of 6
Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	6 of 6
Datuk Iskandar Bin Sarudin	Independent Non-Executive Director	6 of 6

\* Datuk Ng Seing Liong resigned as Independent Non-Executive Director of Eversendai Corporation Berhad on 29 May 2019.

\*\* Nazariah Binti Ibrahim appointed as Independent Non-Executive Director of Eversendai Corporation Berhad on 30 December 2019.

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 matters concerning the appointment, audit and non-audit fees of the External Auditors. Messrs. Baker Tilly Monteiro Heng PLT was duly appointed as independent auditors on 5 November 2019;
- 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 Eversendai's external audit independence policy.

#### 3. Internal Audit

- Reviewed the proposed 2019 annual risk-based internal audit plan to ensure adequacy of the scope and coverage of works which includes risk areas and key processes comprising 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 AC is governed by the following terms of reference which have been applied by Eversendai from 31 May 2018.

#### 1. Composition

The members of AC 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 times ensure that at least one (1) member of the AC:

- a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- b) if he/she is not a member of the MIA, he/she 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. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The AC 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 AC. The term of office and performance of the AC 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.

No former audit partner of Eversendai's external auditors shall be appointed to the Audit Committee unless that person has observed a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

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

Upon retirement of Datuk Ng Seing Liong as the Director and Chairman of the AC on 29 May 2019, the Company applied to Bursa Malaysia for an extension of time to appoint for a new AC Chairman. Bursa Malaysia granted the company an extension of time until 31 December 2019. Puan Nazariah Binti Ibrahim was appointed as Director and Chairwoman of the AC on 30 December 2019.

#### 2. Authority

- a) The AC is authorised by the Board to investigate any matter within the AC'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 AC.
- b) The AC 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 AC shall have direct communication channels with the Independent Auditors and person(s) carrying out the internal audit function or activity.



## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE OF THE AC (CONT'D)

#### 2. Authority (Cont'd)

- d) The AC 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 AC 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 AC.
- e) The Internal Auditors report directly to the AC and shall have direct access to the Chairman of the AC 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 AC.

#### 3. Duties and Responsibilities

In fulfilling its primary objectives, the AC 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 have full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties.

## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE OF THE AC (CONT'D)

#### 3. Duties and Responsibilities (Cont'd)

##### b) Internal Audit Function (Cont'd)

- 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 AC deems necessary.

##### 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 re-appointment of the Independent Auditors.
- To assess or determine the suitability and independence of the Independent Auditors, the AC 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.

## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE OF THE AC (CONT'D)

#### 3. Duties and Responsibilities (Cont'd)

- 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.
- e) Audit Reports
  - To prepare the annual AC report to the Board which includes the composition of the AC, its terms of reference, number of meetings held, a summary of its activities, the existence of internal audit services, 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 AC and the Board.

#### 4. Meeting of The AC

- The AC shall convene meetings as and when required, and at least four times during the financial year of ECB.
- The meetings and proceedings of the AC 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 AC 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 AC on the request of any member, the Head of Internal Audit or the Independent Auditors, shall at any time summon a meeting of the AC by giving reasonable notice. It shall not be necessary to give notice of an AC meeting to any member who at the time is overseas.
- The Chairman of the AC shall chair the AC 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 AC considers their presence necessary.
- All recommendations of the AC shall be submitted to the Board for approval.
- An AC 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 AC 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 AC 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 AC. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the AC 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 2019 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 2019.

### 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 2019 (2018: RM21,000).

### 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 2019 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 2019 are disclosed in Note 38 to the Financial Statements on pages 171 to 172 of this Annual Report.

At the Sixteenth Annual General Meeting of the Company held on 29 May 2019, 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 29 May 2019 until the conclusion of the forthcoming Seventeenth 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 which will be despatched prior to the Annual General Meeting of the Company.

# 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 2019. 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 workshops 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 a 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 the Board of Directors and 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. The 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").



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT FRAMEWORK AND PROCESSES (CONT'D)

#### 3. RISK MANAGEMENT PROCESS

The company has adopted ISO 31000 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 RCs 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 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, Nominating, 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 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. The Head of GIAD presents to the Audit Committee the audit results and significant matters raised in the audit reports for the audits undertaken in the respective area of operations on a quarterly basis. Follow-up audits are 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 2019 is RM147,988. Further activities of the Internal Audit function are set out in the Audit Committee Report on pages 58 to 64.

#### 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### CONTROL ENVIRONMENT STRUCTURE (CONT'D)

#### 7. FINANCIAL AND OPERATIONAL INFORMATION

A detailed budgeting and reporting process has 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.

#### MONITOR 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, do 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 Paragraphs 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's Group 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 this 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 the Group and of the Company as at 31 December 2019 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 the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Group and the Company retain the accounting and other records and the registers of the Group and the Company 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 the Group and the Company 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 STATEMENTS

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- 72 DIRECTORS' REPORT
- 78 STATEMENTS OF COMPREHENSIVE INCOME
- 80 STATEMENTS OF FINANCIAL POSITION
- 82 STATEMENTS OF CHANGES IN EQUITY
- 85 STATEMENTS OF CASH FLOWS
- 88 NOTES TO THE FINANCIAL STATEMENTS
- 181 STATEMENT BY DIRECTORS
- 182 STATUTORY DECLARATION
- 183 INDEPENDENT AUDITORS' REPORT

Warner Brothers Theme Park, Abu Dhabi.

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of its subsidiaries are disclosed in Note 16. There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit/(Loss) for the financial year, net of tax	<u>16,358</u>	<u>(13,527)</u>
Attributable to:		
Owners of the Company	13,497	(13,527)
Non-controlling interests	<u>2,861</u>	<u>-</u>
	<u>16,358</u>	<u>(13,527)</u>

**DIVIDENDS**

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

**RESERVES AND PROVISIONS**

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

**BAD AND DOUBTFUL DEBTS**

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

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



**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors, except for as disclosed in the financial statements,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**ISSUE OF SHARES AND DEBENTURES**

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

**TREASURY SHARES**

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

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

As at 31 December 2019, the Company held 101,000 treasury shares out of its 781,100,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM91,000. Further details are disclosed in Note 26.

**DIRECTORS**

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

Tan Sri Dato' Nathan A/L Elumalay\*  
Mohammad Nizar Bin Idris  
Narla Srinivasa Rao\*  
Narishnath A/L Nathan\*  
Datuk Iskandar Bin Sarudin  
Datuk Ng Seing Liong  
Cheah Ban Seng  
Nazariah Binti Ibrahim

(Retired on 29 May 2019)  
(Resigned on 31 January 2019)  
(Appointed on 30 December 2019)

\* Directors of the Company and certain subsidiaries

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**DIRECTORS' INTERESTS**

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

	Number of ordinary shares			At 31.12.2019
	At 1.1.2019	Bought	Sold	
<b>Interest in the Company</b>				
<b>Direct interest</b>				
Narla Srinivasa Rao	500,000	-	-	500,000
<b>Indirect interest</b>				
Tan Sri Dato' Nathan A/L Elumalay *	555,363,360	-	-	555,363,360
<b>Interest in the holding company, Vahana Holdings Sdn. Bhd.</b>				
<b>Direct interest</b>				
Tan Sri Dato' Nathan A/L Elumalay	298,230	-	-	298,230
Narishnath A/L Nathan	1,170	-	-	1,170

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

By virtue of the above directors' interests in the ordinary shares of the Company and the holding company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, they are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company and the holding company have an interest.

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

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 10) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 38.

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**INDEMNITY TO DIRECTORS AND OFFICERS**

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

**SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 16.

**HOLDING COMPANY**

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

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Details of significant events during the financial year are disclosed in Note 43.

**SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Details of significant events subsequent to the end of the financial year are disclosed in Note 43.

**AUDITORS' REMUNERATION**

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

**INDEMNITY TO AUDITORS**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT** (continued)

**AUDITORS**

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

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

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

.....  
**NARLA SRINIVASA RAO**  
Director

Date: 29 June 2020

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000 (restated)	2019 RM'000	2018 RM'000
Revenue	5	1,558,795	1,702,671	3,540	5,719
Cost of sales		(1,401,002)	(1,480,421)	-	-
<b>Gross profit</b>		157,793	222,250	3,540	5,719
Other operating income	6	34,483	29,367	2,623	72
Operating and administrative expenses		(97,744)	(148,902)	(3,486)	(9,660)
Net impairment losses on financial instruments and contract assets		(10,120)	-	-	-
Finance costs	7	(55,904)	(49,214)	(16,011)	(16,688)
<b>Profit/(Loss) before tax</b>	8	28,508	53,501	(13,334)	(20,557)
Income tax expense	11	(12,150)	(2,220)	(193)	(133)
<b>Profit/(Loss) for the year from continuing operations</b>		16,358	51,281	(13,527)	(20,690)
<b>Discontinued operations:</b>	12				
Loss for the year		-	(3,490)	-	-
<b>Profit/(Loss) for the financial year</b>		16,358	47,791	(13,527)	(20,690)
<b>Other comprehensive (loss)/income, net of income tax</b>					
Foreign currency translation		(24,130)	6,904	-	-
<b>Other comprehensive (loss)/income for the financial year</b>		(24,130)	6,904	-	-
<b>Total comprehensive (loss)/income for the financial year</b>		(7,772)	54,695	(13,527)	(20,690)



Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019** (continued)

	Note	Group		Company	
		2019 RM'000	2018 RM'000 (restated)	2019 RM'000	2018 RM'000
<b>Profit/(Loss) attributable to:</b>					
<b>Continuing operations:</b>					
Owners of the Company		13,497	46,662	(13,527)	(20,690)
Non-controlling interests		2,861	1,129	-	-
		<u>16,358</u>	<u>47,791</u>	<u>(13,527)</u>	<u>(20,690)</u>
<b>Discontinued operations:</b>					
Owners of the Company		-	(2,715)	-	-
Non-controlling interests		-	(775)	-	-
		<u>-</u>	<u>(3,490)</u>	<u>-</u>	<u>-</u>
<b>Total Profit/(Loss) attributable to:</b>					
Owners of the Company		13,497	47,437	(13,527)	(20,690)
Non-controlling interests		2,861	354	-	-
		<u>16,358</u>	<u>47,791</u>	<u>(13,527)</u>	<u>(20,690)</u>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(8,747)	53,306	(13,527)	(20,690)
Non-controlling interests		975	1,389	-	-
		<u>(7,772)</u>	<u>54,695</u>	<u>(13,527)</u>	<u>(20,690)</u>
<b>Earnings per share (sen):</b>					
Basic and diluted (sen)	13				
Continuing operations		1.7	6.0		
Discontinued operations		-	(0.3)		
		<u>1.7</u>	<u>5.7</u>		

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	2019 RM'000	Group 2018 RM'000 (restated)	2017 RM'000 (restated)	2019 RM'000	Company 2018 RM'000	2017 RM'000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	14	944,655	721,028	714,881	12,271	12,041	12,394
Goodwill	15	11,251	11,251	12,119	-	-	-
Investment in subsidiaries	16	-	-	-	1,098,352	1,100,096	1,099,985
Deferred tax assets	17	2,003	2,270	2,161	-	-	-
<b>Total non-current assets</b>		<b>957,909</b>	<b>734,549</b>	<b>729,161</b>	<b>1,110,623</b>	<b>1,112,137</b>	<b>1,112,379</b>
<b>Current assets</b>							
Inventories	18	258,615	355,599	276,907	-	-	-
Contract assets	19	882,233	745,896	1,014,450	-	-	-
Trade receivables	20	1,015,433	987,428	610,113	-	-	-
Other receivables, refundable deposits and prepaid expenses	21	135,954	179,012	165,256	194	165	96
Amount owing by subsidiaries	22	-	-	-	350,758	147,884	150,155
Investment in securities	23	-	23	23	-	-	-
Current tax assets		5,881	5,483	1,612	52	56	94
Cash and short-term deposits	24	145,708	182,876	273,359	528	698	2,666
<b>Total current assets</b>		<b>2,443,824</b>	<b>2,456,317</b>	<b>2,341,720</b>	<b>351,532</b>	<b>148,803</b>	<b>153,011</b>
Non-current assets held for sale	34	-	-	339	-	-	-
<b>Total current assets</b>		<b>2,443,824</b>	<b>2,456,317</b>	<b>2,342,059</b>	<b>351,532</b>	<b>148,803</b>	<b>153,011</b>
<b>TOTAL ASSETS</b>		<b>3,401,733</b>	<b>3,190,866</b>	<b>3,071,220</b>	<b>1,462,155</b>	<b>1,260,940</b>	<b>1,265,390</b>

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019** (continued)

	Note	2019 RM'000	Group 2018 RM'000 (restated)	2017 RM'000 (restated)	2019 RM'000	Company 2018 RM'000	2017 RM'000
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to owners of the Company</b>							
Share capital	25	585,308	585,308	585,308	585,308	585,308	585,308
Treasury shares	26	(91)	(91)	(91)	(91)	(91)	(91)
Capital reserve	26	187	187	187	-	-	-
Foreign currency translation reserve	26	138,206	162,336	155,692	-	-	-
Fair value adjustment reserve	26	30	30	30	-	-	-
Retained earnings	27	159,859	171,227	131,877	380,193	393,720	414,410
		<u>883,499</u>	<u>918,997</u>	<u>873,003</u>	<u>965,410</u>	<u>978,937</u>	<u>999,627</u>
Non-controlling interests		<u>13,513</u>	<u>12,796</u>	<u>11,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>897,012</u>	<u>931,793</u>	<u>884,510</u>	<u>965,410</u>	<u>978,937</u>	<u>999,627</u>
<b>Non-current liabilities</b>							
Lease/finance lease liabilities	28	281,813	3,187	3,692	204	-	-
Borrowings	29	680,513	267,750	195,274	419,219	-	-
Employees' service benefits	30	71,132	73,134	64,695	-	-	-
Deferred tax liabilities	17	3,068	4,274	4,274	-	-	-
<b>Total non-current liabilities</b>		<u>1,036,526</u>	<u>348,345</u>	<u>267,935</u>	<u>419,423</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>							
Trade payables	31	350,645	343,870	298,808	-	-	-
Other payables and accrued expenses	32	373,086	431,795	467,409	4,141	4,556	2,681
Contract liabilities	19	193,389	107,203	142,457	-	-	-
Amount owing to directors	33	11,089	9,694	10,282	2,584	5,843	5,843
Amount owing to subsidiaries	22	-	-	-	42,353	271,599	257,182
Lease/finance lease liabilities	28	17,246	3,766	4,076	86	-	52
Borrowings	29	482,999	979,483	957,125	28,158	-	-
Current tax liabilities		39,741	34,917	38,618	-	5	5
<b>Total current liabilities</b>		<u>1,468,195</u>	<u>1,910,728</u>	<u>1,918,775</u>	<u>77,322</u>	<u>282,003</u>	<u>265,763</u>
<b>TOTAL LIABILITIES</b>		<u>2,504,721</u>	<u>2,259,073</u>	<u>2,186,710</u>	<u>496,745</u>	<u>282,003</u>	<u>265,763</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,401,733</u>	<u>3,190,866</u>	<u>3,071,220</u>	<u>1,462,155</u>	<u>1,260,940</u>	<u>1,265,390</u>

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

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Group	Note	Attributable to owners of the Company ----->									
		Non-distributable----->					Distributable				
		Share capital RM'000	Treasury shares RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000	
<b>As at 1 January 2018</b>		585,308	(91)	187	155,692	30	143,841	884,967	12,335	897,302	
Retrospective adjustments	40	-	-	-	-	-	(11,964)	(11,964)	(828)	(12,792)	
Restated		585,308	(91)	187	155,692	30	131,877	873,003	11,507	884,510	
Effect of adoption of MFRS 9		-	-	-	-	-	(7,312)	(7,312)	(739)	(8,051)	
Restated balance as at 1 January 2018		585,308	(91)	187	155,692	30	124,565	865,691	10,768	876,459	
Disposal of subsidiaries		-	-	-	-	-	-	-	5,141	5,141	
Profit for the year (Restated)		-	-	-	-	-	46,662	46,662	1,129	47,791	
Other comprehensive income		-	-	-	6,644	-	-	6,644	260	6,904	
<b>Total comprehensive income for the year</b>		-	-	-	6,644	-	46,662	53,306	1,389	54,695	
Dividend		-	-	-	-	-	-	-	(4,502)	(4,502)	
<b>As at 31 December 2018</b>		585,308	(91)	187	162,336	30	171,227	918,997	12,796	931,793	

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Group	Attributable to owners of the Company									
	Non-distributable					Distributable				
	Share capital RM'000	Treasury shares RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000	
<b>As at 1 January 2019 (Restated)</b>	585,308	(91)	187	162,336	30	171,227	918,997	12,796	931,793	
Effect of adoption of MFRS 16	-	-	-	-	-	(24,865)	(24,865)	(258)	(25,123)	
Restated as at 1 January 2019	585,308	(91)	187	162,336	30	146,362	894,132	12,538	906,670	
Profit for the year	-	-	-	-	-	13,497	13,497	2,861	16,358	
Other comprehensive loss	-	-	-	(24,130)	-	-	(24,130)	(1,886)	(26,016)	
<b>Total comprehensive (loss)/ income for the year</b>	-	-	-	(24,130)	-	13,497	(10,633)	975	(9,658)	
<b>As at 31 December 2019</b>	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012	

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Company	Attributable to owners of the Company ----->		Retained earnings RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000		
<b>As at 1 January 2018</b>	585,308	(91)	414,410	999,627
Loss for the financial year, representing total comprehensive loss for the year	-	-	(20,690)	(20,690)
<b>At 31 December 2018</b>	585,308	(91)	393,720	978,937
Loss for the financial year, representing total comprehensive loss for the year	-	-	(13,527)	(13,527)
<b>At 31 December 2019</b>	585,308	(91)	380,193	965,410

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



Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax:				
- Continuing operations	28,508	53,501	(13,334)	(20,557)
- Discontinued operations	-	(3,429)	-	-
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	72,113	57,939	121	359
Impairment on goodwill	-	868	-	-
(Gain)/loss on disposal of property, plant and equipment	(1,193)	(99)	(361)	(72)
Finance costs	55,904	49,214	16,011	16,688
Interest income	(5,307)	(2,757)	(17)	(26)
Gain on disposal of investment in a subsidiary	-	(2,166)	-	-
Gain on disposal of asset held for sale	-	(276)	-	-
Unrealised (gain)/loss on foreign exchange	(1,255)	3,601	(2,146)	-
Impairment loss on trade receivables	3,152	3,233	-	-
Provision for employees' service benefits (Reversal)/provision for foreseeable losses	(2,327)	(7,843)	-	-
Operating profit/(loss) before working capital changes	160,317	166,076	274	(3,608)
Inventories	96,984	(78,692)	-	-
Net changes in intercompany balances	-	-	(429,974)	16,688
Receivables	(105,415)	(199,655)	(29)	(69)
Payables	19,446	43,086	(2,536)	(925)
Net cash from/(used in) operations	171,332	(69,185)	(432,265)	12,086
Employees' service benefits paid	(10,983)	(5,838)	-	-
Tax paid	(7,969)	(7,132)	(194)	(95)
Net cash from/(used in) operating activities	152,380	(82,155)	(432,459)	11,991

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019** (continued)

	Group		Company		
	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
<b>Cash flows from investing activities</b>					
Net changes in investment in subsidiaries		-	-	1,744	(111)
Interest received		5,307	2,757	17	26
Increase in deposits with financial institutions		-	(5,775)	-	-
Net cash outflow on disposal of subsidiary company		-	(2,639)	-	-
Net changes in investment securities		611	-	-	-
Decrease in pledged deposits		23	-	-	-
Proceeds from disposal of property, plant and equipment		1,753	626	-	72
Proceeds from asset held for sale		-	615	-	-
Purchase of property, plant and equipment		(46,339)	(55,338)	(3)	(6)
Net cash from/(used in) investing activities		(38,645)	(59,754)	1,758	(19)
<b>Cash flows from financing activities</b>					
Interest paid	(a)	(55,904)	(49,213)	(13,529)	(13,888)
Net drawdown/(repayment) of lease/finance lease liabilities		(1,873)	(7,270)	(58)	(52)
Increase/(Decrease) of amount owing to directors		1,395	464	(3,259)	-
Net drawdown/(repayment) of borrowings		(83,721)	94,834	447,377	-
Dividends paid to non-controlling interests by subsidiaries		-	(4,502)	-	-
Net cash (used in)/from financing activities		(140,103)	34,313	430,531	(13,940)
Net decrease in cash and cash equivalents		(26,368)	(107,596)	(170)	(1,968)
<b>Cash and cash equivalents at the beginning of the financial year</b>		75,953	159,672	698	2,666
Effect of exchange rate changes on cash and cash equivalents		(7,032)	23,877	-	-
<b>Cash and cash equivalents at the end of the financial year</b>		42,553	75,953	528	698

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019** (continued)

(a) Reconciliation of liabilities arising from financing activities

Group	1.1.2019 RM'000	Cash flows RM'000	Drawdowns RM'000	Effect of	31.12.2019 RM'000
				adoption of MFRS 16 RM'000	
Amount due to directors	9,694	1,395	-	-	11,089
Lease/finance lease liabilities	6,953	(4,621)	2,748	293,979	299,059
Borrowings	1,247,233	(536,198)	452,477	-	1,163,512
	<u>1,263,880</u>	<u>(539,424)</u>	<u>455,225</u>	<u>293,979</u>	<u>1,473,660</u>
<b>Company</b>					
Amount due to directors	5,843	(3,259)	-	-	2,584
Lease/finance lease liabilities	-	(58)	-	348	290
Borrowings	-	(5,100)	452,477	-	447,377
	<u>5,843</u>	<u>(8,417)</u>	<u>452,477</u>	<u>348</u>	<u>450,251</u>

Group	1.1.2018 RM'000	Cash flows RM'000	Drawdowns RM'000	Acquisition RM'000	Disposal of	31.12.2018 RM'000
					subsidiaries RM'000	
Amount due to directors	10,282	464	-	-	(1,052)	9,694
Lease/finance lease liabilities	7,768	(7,270)	-	6,477	(22)	6,953
Borrowings	1,152,399	(53,798)	148,632	-	-	1,247,233
	<u>1,170,449</u>	<u>(60,604)</u>	<u>148,632</u>	<u>6,477</u>	<u>(1,074)</u>	<u>1,263,880</u>
<b>Company</b>						
Amount due to directors	5,843	-	-	-	-	5,843
Lease/finance lease liabilities	52	(52)	-	-	-	-
	<u>5,895</u>	<u>(52)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,843</u>

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of its subsidiaries are set out in Note 16. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 June 2020.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)

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

##### New MFRSs

MFRS 16	Leases
---------	--------

##### Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

##### New IC Int

IC Int 23	Uncertainty over Income Tax Treatments
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**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. BASIS OF PREPARATION (continued)**

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

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

##### ***MFRS 16 Leases***

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statements of financial position assets and liabilities arising from the finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

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

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

##### **Definition of a lease**

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

##### **Impact of the adoption of MFRS 16**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)** (continued)

**MFRS 16 Leases** (continued)

**Impact of the adoption of MFRS 16** (continued)

**(i) Classification and measurement**

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

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

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

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s and the Company’s incremental borrowing rate at the date of initial application.

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

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



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)** (continued)

***MFRS 16 Leases*** (continued)

**Impact of the adoption of MFRS 16** (continued)

**(i) Classification and measurement** (continued)

The Group and the Company used the following practical expedients wherein they:

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

**For leases that were classified as finance lease under MFRS 117**

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

**(ii) Short-term lease and low value assets**

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

**(iii) Other adjustments**

In addition to the adjustments described above, other items such as deferred taxes and non-controlling interests were adjusted to retained earnings as necessary upon application of MFRS 16 as at 1 January 2019.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) (continued)**

**MFRS 16 Leases** (continued)

**Impact of the adoption of MFRS 16** (continued)

The effects of adoption of MFRS 16 as at 1 January 2019 increased/(decreased) are as follows:

	Note	Group Increase/ (Decrease) RM'000	Company Increase/ (Decrease) RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use asset	(i)	256,552	348
<b>Total non-current assets</b>		256,552	348
<b>Equity</b>			
Retained earnings	(iii)	(24,865)	-
Non-controlling interests	(iii)	(258)	-
<b>Total equity</b>		(25,123)	-
<b>Non-current liabilities</b>			
Lease liabilities	(i)	272,434	290
<b>Current liabilities</b>			
Lease liabilities	(i)	9,241	58
<b>Total liabilities</b>		281,675	348

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is ranging from 1.90% to 5.30%.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. BASIS OF PREPARATION (continued)**

**2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) (continued)**

***Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements***

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

***Amendments to MFRS 9 Financial Instruments***

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

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

***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

***Amendments to MFRS 119 Employee Benefits***

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

***Amendments to MFRS 123 Borrowing Costs***

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective**

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

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

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective** (continued)

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

		<b>Effective for financial periods beginning on or after</b>
<u>Amendments/Improvements to MFRSs</u>		
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2020^

<sup>^</sup> The Annual Improvements to MFRS Standards 2018-2020

\* Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020

# Amendments as to the consequence of effective of MFRS 17 Insurance Contract

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

**Annual Improvements to MFRS Standards 2018–2020**

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective** (continued)

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

***Amendments to MFRS 3 Business Combinations***

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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

***Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures***

The Malaysian Accounting Standards Board has issued Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS and MFRS 7).

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. BASIS OF PREPARATION (continued)**

**2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective (continued)**

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

***Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures (continued)***

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80– 125% range during the period of uncertainty arising from the reform.

***Amendment to MFRS 16 Leases***

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

***Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error***

The amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

***Amendments to MFRS 101 Presentation of Financial Statements***

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation (“IC Int”) and amendments to IC Int that have been issued, but yet to be effective** (continued)

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

***Amendments to MFRS 116 Property, Plant and Equipment***

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

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

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

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

**2.4 Functional and presentation currency**

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

**2.5 Basis of measurement**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**2. BASIS OF PREPARATION** (continued)

**2.6 Use of estimates and judgement**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Basis of consolidation**

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

**(a) Subsidiaries and business combination**

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.1 Basis of consolidation** (continued)

**(a) Subsidiaries and business combination** (continued)

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

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

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.1 Basis of consolidation** (continued)

**(a) Subsidiaries and business combination** (continued)

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

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

**(b) Non-controlling interests**

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

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

**(c) Transactions eliminated on consolidation**

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

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

**3.2 Separate financial statements**

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.18(b).

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.3 Foreign currency transactions and operations**

**(a) Translation of foreign currency transactions**

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

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

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

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

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

**(b) Translation of foreign operations**

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

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

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



**Registration No. 200301011640 (614060-A)**

## **EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **3.4 Goodwill**

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.18(b).

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

##### **3.5 Revenue and other income**

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

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.5 Revenue and other income** (continued)

**(a) Construction contracts**

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

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

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

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

**(b) Management fee income**

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

**(c) Rental income**

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

**(d) Interest income**

Interest income is recognised using the effective interest method.

**(e) Dividend income**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Employee benefits**

**(a) Short-term employee benefits**

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

**(b) Defined contribution plan**

**(i) Malaysia and Singapore**

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

**(ii) India**

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

**(c) Defined benefit plans**

**(i) Middle East**

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

**(ii) India**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.7 Borrowing costs**

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

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

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

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

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

**3.8 Income tax**

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

**(a) Current tax**

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

**(b) Deferred tax**

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Income tax (continued)**

**(b) Deferred tax (continued)**

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

**(c) Sales and services tax**

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.9 Earnings per share**

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

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

**3.10 Property, plant and equipment**

**(a) Recognition and measurement**

Property, plant and equipment (other than freehold land and capital work-in-progress) are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.18(b).

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

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.7.

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

**(b) Subsequent costs**

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



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Property, plant and equipment (continued)**

**(c) Depreciation**

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

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

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

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

**(d) Derecognition**

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

**3.11 Leases**

**(a) Definition of lease**

**Accounting policies applied from 1 January 2019**

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.11 Leases** (continued)

**(a) Definition of lease** (continued)

**Accounting policies applied until 31 December 2018**

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

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

**(b) Lessee accounting**

**Accounting policies applied from 1 January 2019**

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

The Group and the Company present right-of-use assets in Note 14 and lease liabilities as separate lines in Note 28.

**Right-of-use asset**

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.18(b).

**Lease liability**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.11 Leases** (continued)

**(b) Lessee accounting** (continued)

**Accounting policies applied from 1 January 2019** (continued)

Lease liability (continued)

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

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

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.11 Leases** (continued)

**(b) Lessee accounting** (continued)

**Accounting policies applied from 1 January 2019** (continued)

**Short-term leases and leases of low value assets**

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

**Accounting policies applied until 31 December 2018**

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

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

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

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

**(c) Lessor accounting**

**Accounting policies applied from 1 January 2019**

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

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.11(b), then it classifies the sub-lease as an operating lease.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.11 Leases (continued)**

##### **(c) Lessor accounting (continued)**

##### **Accounting policies applied from 1 January 2019 (continued)**

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

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

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

##### **Accounting policies applied until 31 December 2018**

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

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

#### **3.12 Financial instruments**

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Financial instruments (continued)**

**(a) Subsequent measurement**

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

**(i) Financial assets**

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

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

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

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

Debt instruments

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

- **Amortised cost**  
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.18(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.
- **Fair value through profit or loss (FVPL)**  
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.12 Financial instruments** (continued)

**(a) Subsequent measurement** (continued)

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

**(i) Financial assets** (continued)

Equity instruments

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

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

**(ii) Financial liabilities**

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

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

**(b) Financial guarantee contracts**

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

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

**(c) Regular way purchase or sale of financial assets**

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.12 Financial instruments** (continued)

**(c) Regular way purchase or sale of financial assets** (continued)

Trade date accounting refers to:

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

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

**(d) Derecognition**

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

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.12 Financial instruments (continued)**

##### **(e) Offsetting of financial instruments**

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

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

#### **3.13 Non-current assets or disposal groups held for sale**

Non-current assets or 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. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.14 Inventories**

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

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

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

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

**3.15 Contract assets/(liabilities)**

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.18(a).

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

**3.16 Discontinued operation**

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative period.

**3.17 Cash and cash equivalents**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.18 Impairment of assets**

##### **(a) Impairment of financial assets and contract assets**

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

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

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

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

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

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

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.18 Impairment of assets** (continued)

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

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

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

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

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

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

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

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

The carrying amounts of non-financial assets (except for inventories, contract assets, deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill that has indefinite useful life, the recoverable amount is estimated at each reporting date.



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.18 Impairment of assets** (continued)

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.19 Share capital**

**(a) Ordinary shares**

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

**(b) Treasury shares**

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

**3.20 Provisions**

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

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

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

**3.21 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. For management purposes, the Group is organised into operating segments based on their operating activities and geographic which are independently managed by the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39.

**3.22 Fair value measurement**

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3.22 Fair value measurement** (continued)

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

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

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

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

**3.23 Contingencies**

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

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

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**(a) Impairment of non-financial assets**

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

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

The carrying amount of the non-financial assets are disclosed in Note 14, 15 and 16.

**(b) Construction revenue and expenses**

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

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

The carrying amounts of contract assets and contract liabilities are disclosed in Note 19.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**(c) Impairment of financial assets and contract assets**

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

The Group and the Company use a provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rates are depending on the number of days that a trade receivable is past due. The Group and the Company use the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

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

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

The information about the impairment losses on the financial assets and contract assets are disclosed in Note 20.

**(d) Determination of lease term**

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As disclosed in Note 14, the Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group and the Company consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**5. REVENUE**

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
<i>Timing of revenue recognition:</i>				
<b>Over time</b>				
Construction contract revenue	1,558,795	1,702,671	-	-
Management fee income	-	-	2,959	4,588
Rental income	-	-	564	564
Interest income:				
Charged to subsidiaries	-	-	-	541
Cash and bank balances	-	-	17	26
	<u>1,558,795</u>	<u>1,702,671</u>	<u>3,540</u>	<u>5,719</u>

**6. OTHER OPERATING INCOME**

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Sales of scrap	17,002	15,746	-	-
Sundry income	9,726	7,724	116	-
Gain on foreign exchange:				
Unrealised	1,255	-	2,146	-
Realised	-	-	-	-
Interest income	5,307	2,757	-	-
Gain on disposal of property, plant and equipment	1,193	99	361	72
Gain on disposal of asset held for sale	-	276	-	-
Gain on disposal of investment in a subsidiary	-	2,166	-	-
Others	-	599	-	-
	<u>34,483</u>	<u>29,367</u>	<u>2,623</u>	<u>72</u>



Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**7. FINANCE COSTS**

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Interest expense on:				
Borrowings *	50,818	49,072	15,993	16,136
Leases	5,086	142	18	1
Amount owing to subsidiaries	-	-	-	551
	<u>55,904</u>	<u>49,214</u>	<u>16,011</u>	<u>16,688</u>

\* Included in interest expense on borrowings of the Company amounting to RM15,993,000 (2018: RM16,136,000) relating to the interest recharged by a subsidiary (Note 38) for the term loan as disclosed in Note 29.

**8. PROFIT/(LOSS) BEFORE TAX**

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

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Employee benefits expense (Note 9)	322,253	464,451	1,739	3,692
Depreciation of property, plant and equipment	72,113	57,939	121	359
Rental of:				
Premises	20,195	32,243	115	427
Others	720	1,127	-	7
Provision for employees' service benefits	10,722	14,290	-	-
Loss on foreign exchange:				
Unrealised	-	3,601	-	-
Realised	1,537	108	-	-
Reversal for foreseeable losses	(2,327)	(7,843)	-	-
Impairment loss on trade receivables	3,152	3,233	-	-
Impairment of goodwill	-	868	-	-
Auditors' remuneration:				
Current year	1,139	1,286	90	80
(Over)/Under provision in prior years	(62)	36	-	(17)
Non-audit services	-	21	-	8
Non-executive directors' remuneration	200	246	200	246
	<u>200</u>	<u>246</u>	<u>200</u>	<u>246</u>

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**9. EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive directors' remuneration (Note 10)	8,854	10,699	635	1,092
Other employees remuneration				
- Cost of sales	272,734	389,681	-	-
- Operating and administrative expenses	40,665	64,071	1,104	2,600
	313,399	453,752	1,104	2,600
Total employees benefits expense	322,253	464,451	1,739	3,692

Included in employee benefits is defined contribution plans amounting to approximately RM17,028,000 (2018: RM21,002,000) and RM216,000 (2018: RM332,000) for the Group and the Company respectively.

**10. DIRECTORS' REMUNERATION**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b><u>Directors of the Company</u></b>				
<b>Executive Directors:</b>				
- salaries, bonus and other emoluments	8,814	10,538	605	995
- defined contribution plans	40	161	30	97
Executive directors' remuneration (Note 9)	8,854	10,699	635	1,092
Other emoluments	531	779	-	28
Total executive directors' remuneration	9,385	11,478	635	1,120
<b>Non-executive Directors:</b>				
- fees	174	216	174	216
- salaries, bonus and other emoluments	26	30	26	30
	200	246	200	246
<b>Total directors' remuneration</b>	<b>9,585</b>	<b>11,724</b>	<b>835</b>	<b>1,366</b>

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**11. INCOME TAX EXPENSE**

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

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current income tax:</b>					
- Malaysian income tax		2,571	60	51	60
- Foreign income tax		8,146	5,079	-	-
- Adjustment in respect of prior years		1,022	(2,790)	142	73
		11,739	2,349	193	133
<b>Deferred tax:</b>					
- Current year	17	158	(129)	-	-
- Adjustment in respect of prior years		253	-	-	-
		411	(129)	-	-
		12,150	2,220	193	133

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year. Taxation of other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

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

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Profit/(Loss) before tax	28,508	53,501	(13,334)	(20,557)
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	6,842	12,840	(3,200)	(4,934)
Difference in foreign tax rates	(4,341)	(19,185)	-	-
Tax effects arising from:				
Expenses not deductible for tax purposes	10,823	12,985	3,252	6,095
Income not subject to tax	(2,449)	(1,630)	(1)	(1,101)
Under/(Over) provision in prior years:				
Income tax	1,022	(2,790)	142	73
Deferred tax	253	-	-	-
Income tax expense	12,150	2,220	193	133

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**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 for purchase consideration of RM84.

**13. EARNINGS PER SHARE**

**Basic earnings per ordinary share**

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
<u>Basic</u>		
Profit for the year from continuing operations attributable to the owners of the Company	13,497	46,662
Loss for the year from discontinued operations attributable to the owners of the Company	-	(2,715)
Weighted average number of ordinary shares	780,999	780,999
Basic earnings/(loss) per ordinary share (sen)		
Continuing operations	1.7	6.0
Discontinued operations	-	(0.3)
	<u>1.7</u>	<u>5.7</u>

**Diluted earnings per ordinary share**

The diluted earnings per ordinary share of the Company for the financial year ended 31 December 2019 are the same as the basic earnings per ordinary share of the Company as the Company has no potentially dilutive ordinary shares.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. PROPERTY, PLANT AND EQUIPMENT**

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	Right-of-use assets RM'000	Total RM'000
<b>2019</b>	<b>Note</b>								
<b>Cost</b>									
At 1 January 2019									
- As previously reported	144,285	444,120	352,853	57,010	29,712	21,969	78,183	-	1,128,132
- Effect of adoption of MFRS 16	-	-	(6,177)	(369)	-	-	-	263,098	256,552
Adjusted balance at 1 January 2019	144,285	444,120	346,676	56,641	29,712	21,969	78,183	263,098	1,384,684
Additions	-	5,040	27,548	117	925	1,749	10,960	1,172	47,511
Reclassifications	-	-	-	-	-	(560)	-	-	(560)
Disposals	-	-	(771)	(2,249)	-	(620)	-	-	(3,640)
Exchange differences	(491)	(5,374)	(4,131)	(60)	(419)	(332)	(899)	-	(11,706)
At 31 December 2019	143,794	443,786	369,322	54,449	30,218	22,206	88,244	264,270	1,416,289
<b>Accumulated depreciation</b>									
- As previously reported	-	102,576	213,885	50,423	23,508	16,712	-	-	407,104
- Effect of adoption of MFRS 16	-	-	(1,001)	(131)	-	-	-	1,132	-
Adjusted balance at 1 January 2019	-	102,576	212,884	50,292	23,508	16,712	-	1,132	407,104
Charge for the year	-	19,197	29,027	3,553	2,655	2,638	-	15,043	72,113
Reclassifications	-	-	-	-	-	(304)	-	-	(304)
Disposals	-	-	(771)	(2,249)	-	(60)	-	-	(3,080)
Exchange differences	-	(1,140)	(2,178)	(383)	(305)	(193)	-	-	(4,199)
At 31 December 2019	-	120,633	238,962	51,213	25,858	18,793	-	16,175	471,634
<b>Carrying amount</b>									
At 31 December 2019	143,794	323,153	130,360	3,236	4,360	3,413	88,244	248,095	944,655

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

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
<b>2018</b>								
<b>Cost</b>								
At 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
At 31 December 2018	144,285	444,120	352,853	57,010	29,712	21,969	78,183	1,128,132
<b>Accumulated depreciation</b>								
At 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 subsidiaries	-	-	-	(71)	(95)	(155)	-	(321)
Exchange differences	-	1,356	1,785	528	93	(12)	-	3,750
At 31 December 2018	-	102,576	213,885	50,423	23,508	16,712	-	407,104
<b>Carrying amount</b>								
At 31 December 2018	144,285	341,544	138,968	6,587	6,204	5,257	78,183	721,028

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

Company	Cost	Freehold land RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Right-of-use assets RM'000	Total RM'000
At 1 January 2018		11,582	397	3,055	36	365	-	15,435
Additions		-	-	-	6	-	-	6
Disposal		-	(397)	-	-	-	-	(397)
At 31 December 2018		11,582	-	3,055	42	365	-	15,044
- As previously reported		-	-	-	-	-	348	348
- Effect of adoption of MFRS 16		11,582	-	3,055	42	365	348	15,392
Adjusted balance at 1 January 2019		-	-	3	-	-	-	3
Additions		-	-	-	-	-	-	-
At 31 December 2019		11,582	-	3,058	42	365	348	15,395
<b>Accumulated depreciation</b>								
At 1 January 2018		-	397	2,622	22	-	-	3,041
Charge for the year		-	-	354	5	-	-	359
Disposal		-	(397)	-	-	-	-	(397)
At 31 December 2018		-	-	2,976	27	-	-	3,003
- As previously reported		-	-	-	-	-	-	-
- Effect of adoption of MFRS 16		-	-	2,976	27	-	-	3,003
Adjusted balance at 1 January 2019		-	-	46	8	-	67	121
Charge for the year		-	-	3,022	35	-	67	3,124
At 31 December 2019		-	-	-	-	-	-	-
<b>Carrying amount</b>								
At 31 December 2018		11,582	-	79	15	365	-	12,041
At 31 December 2019		11,582	-	36	7	365	281	12,271



**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**14. PROPERTY, PLANT AND EQUIPMENT** (continued)

- (a) (i) The Group has established presence in the Middle East, Southeast Asia and India. For management purposes, the Group is organised into business units based on the following segments:

- (I) Structural steel works – Middle East, India, Southeast Asia and others  
(II) Energy segment – Middle East

The carrying amount of Property, Plant and Equipment and Right-of-Use Assets (Note e) in various subsidiaries within the above segments amounted to RM696,560,000 and RM248,095,000 as at 31 December 2019.

- (ii) The carrying amount of the Property, Plant and Equipment and Right-of-Use Assets (Note e) of Eversendai Offshore RMC FZE (“EVORF”), a wholly-owned subsidiary of the Company, in Energy segment, amounted to RM274,711,000 and RM168,434,000 respectively.

In view of the adverse changes in the oil and gas market and continuous losses incurred by the Energy segment, an impairment assessment on the Property, Plant and Equipment and Right-of-Use Assets of the subsidiary was necessary as required by MFRS 136 *Impairment of Assets*. However, due to the circumstances of environment in which the segment operates, the Group has not been able to reliably determine the recoverable amount of the segment using value-in-use. The Group is also unable to determine fair value less cost of disposal as reference to any orderly transaction to determine the fair value of these assets was generally not reliable under present circumstances. Nevertheless, the Group believes that the segment would perform well in the future with its recent job wins and global strategic partnership.

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

	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Leases/Finance lease	1,172	6,477	1,229	-	-	-
Cash	46,339	55,338	85,073	3	6	4
Interest expense capitalisation	-	-	11,200	-	-	-
	<u>47,511</u>	<u>61,815</u>	<u>97,502</u>	<u>3</u>	<u>6</u>	<u>4</u>

The Group has additions of capital work-in-progress amounting to RM2,450,000 (2018: RM3,740,000; 2017: RM38,825,000) and RM Nil (2018: 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.

Included in the capital work-in-progress is interest expense capitalisation on term loans amounting to RM Nil (2018: RM Nil; 2017: RM20,985,000).

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**14. PROPERTY, PLANT AND EQUIPMENT** (continued)

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

	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Cost of sales	56,186	41,012	36,778	-	-	-
Operating and administrative expenses	15,927	16,927	13,615	121	359	577
	<u>72,113</u>	<u>57,939</u>	<u>50,393</u>	<u>121</u>	<u>359</u>	<u>577</u>

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

	Note	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Leases/ Finance lease	28	5,665	11,876	14,732	-	-	-
Borrowings	29	-	465,818	450,406	-	-	-
		<u>5,665</u>	<u>477,694</u>	<u>465,138</u>	<u>-</u>	<u>-</u>	<u>-</u>

(e) Right of use assets

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

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

Group 2019 Cost	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office building RM'000	Total
At 1 January 2019	-	-	-	-	-
- Effect of adoption of MFRS 16	252,479	-	-	4,073	256,552
Adjusted balance as at 1 January 2019	252,479	-	-	4,073	256,552
Additions	-	-	1,172	-	1,172
Transfer from property, plant and equipment	-	6,177	369	-	6,546
At 31 December 2019	252,479	6,177	1,541	4,073	264,270

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**14. PROPERTY, PLANT AND EQUIPMENT** (continued)

(e) Right of use assets (continued)

<b>Group 2019</b>	<b>Leasehold land RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office building RM'000</b>	<b>Total</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	-	-	-	-	-
- Effect of adoption of MFRS 16	-	-	-	-	-
Adjusted balance as at 1 January 2019	-	-	-	-	-
Charge for the year	13,618	622	299	504	15,043
Transfer from property, plant and equipment	-	1,001	131	-	1,132
At 31 December 2019	13,618	1,623	430	504	16,175
<b>Carrying amount</b>					
At 31 December 2019	238,861	4,554	1,111	3,569	248,095

<b>Company 2019</b>	<b>Office building RM'000</b>
<b>Cost</b>	
At 1 January 2019	-
- Effect of adoption of MFRS 16	348
Adjusted balance as at 1 January 2019/31 December 2019	348
<b>Accumulated depreciation</b>	
At 1 January 2019	-
- Effect of adoption of MFRS 16	-
Adjusted balance as at 1 January 2019	-
Charge for the year	67
At 31 December 2019	67
<b>Carrying amount</b>	
At 31 December 2019	281

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**15. GOODWILL**

	2019 RM'000	Group 2018 RM'000	2017 RM'000
At beginning of year	11,251	12,119	13,780
Impairment	-	(868)	(1,661)
At end of year	<u>11,251</u>	<u>11,251</u>	<u>12,119</u>

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

	2019 RM'000	Group 2018 RM'000	2017 RM'000
Eversendai Engineering LLC Dubai	4,143	4,143	4,143
Eversendai Engineering Sdn Bhd	5,777	5,777	5,777
Eversendai Constructions (M) Sdn Bhd	1,331	1,331	1,331
Eversendai S-Con Engineering Co Ltd	-	-	868
	<u>11,251</u>	<u>11,251</u>	<u>12,119</u>

The management carried out its annual review of recoverable amounts of its goodwill. In previous 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		
	2019	2018	2017	2019	2018	2017
<b>Cash-generating units ("CGUs")</b>						
Eversendai Engineering LLC Dubai	1%	1%	1%	10%	10%	7%
Eversendai Engineering Sdn Bhd	1%	1%	1%	13%	11%	9%
Eversendai Constructions (M) Sdn Bhd	1%	1%	1%	13%	11%	9%
Eversendai S-Con Engineering Co Ltd	1%	1%	1%	13%	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.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. INVESTMENT IN SUBSIDIARIES**

	<b>2019</b>	<b>Company</b>	<b>2017</b>
	<b>RM'000</b>	<b>2018</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	1,098,352	1,100,096	1,099,985

The details of the subsidiaries are as follows:

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group			Effective interest-in profit based on shareholders' agreement			Principal activities
		2019	2018	2017	2019	2018	2017	
<b>Held by the Company</b>								
Eversendai Engineering Sdn Bhd ("EESB")	Malaysia	100%	100%	100%	N/A	N/A	N/A	Engineering, fabrication, design and erection of mechanical and structural steel works
Eversendai Engineering FZE ("Eversendai Sharjah") @	United Arab Emirates	100%	100%	100%	N/A	N/A	N/A	Steel, fabrication and painting
Eversendai Engineering LLC ("Eversendai Dubai") ^ @	United Arab Emirates	49%	49%	49%	100%	100%	100%	Fabrication and erection of steel structures
Eversendai Engineering LLC - Abu Dhabi ("Eversendai Abu Dhabi") ^ @	United Arab Emirates	49%	49%	49%	100%	100%	100%	Building, steel structures and general contracting
Eversendai Construction LLC ("EVSC") ^ #	United Arab Emirates	49%	49%	49%	100%	100%	100%	Engineering and contracting services
Eversendai Engineering Saudi LLC ("Eversendai Saudi") ^ @	Kingdom of Saudi Arabia	80%	80%	80%	100%	100%	100%	Steel construction contracts for buildings, steel construction works related to oil and gas fields. Industrial establishment building contracting, fire proofing and civil works
Eversendai Construction (S) Pte Ltd ("Eversendai Singapore") #	Singapore	100%	100%	100%	N/A	N/A	N/A	Building construction including major upgrading works

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. INVESTMENT IN SUBSIDIARIES** (continued)

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

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group			Effective interest-in profit based on shareholders' agreement			Principal activities
		2019	2018	2017	2019	2018	2017	
<b>Held by the Company</b>								
Eversendai Offshore Sdn Bhd ("EOSB")	Malaysia	100%	100%	100%	N/A	N/A	N/A	Engineering, procurement, fabrication and construction services for the oil and gas industry
ECB Properties Sdn Bhd ("EPSB")	Malaysia	100%	100%	100%	N/A	N/A	N/A	Real property and development
Perisi Sdn Bhd ("PKSB")*	Malaysia	-	-	60%	N/A	N/A	N/A	Civil engineering and general contracting services
Eversendai Constructions (M) Sdn Bhd ("ECMSB")	Malaysia	69%	69%	69%	N/A	N/A	N/A	Civil engineering and general contracting services
Eversendai Resources Sdn Bhd ("ERSB")	Malaysia	49%	-	-	100%	N/A	N/A	General contractors and property developer
Eversendai Frontiers Private Limited ("EEPL")&	India	100%	100%	100%	N/A	N/A	N/A	Engineering, procurement, fabrication and construction services
Eversendai Engineering LLC ("Eversendai Azerbaijan") #	Azerbaijan	100%	100%	100%	N/A	N/A	N/A	Engineering, procurement, fabrication and construction services
Eversendai Construction WLL Kuwait ("Eversendai Kuwait")^@	Kuwait	49%	49%	-	100%	100%	N/A	Engineering, procurement, fabrication and construction services
Eversendai Engineering Qatar WLL ("Eversendai Qatar") ^@	State of Qatar	49%	49%	-	70%	70%	70%	Engineering, blasting, painting, fabrication, design and erection of mechanical and structural steel works

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. INVESTMENT IN SUBSIDIARIES (continued)**

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

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group			Effective interest-in profit based on shareholders' agreement			Principal activities
		2019	2018	2017	2019	2018	2017	
<b>Held by Eversendai Singapore</b>								
Eversendai Engineering Pte Ltd ("EEPL Singapore") @	Singapore	100%	100%	100%	N/A	N/A	N/A	Mechanical, electrical, civil and general engineers and engineering consultants
Eversendai Construction Private Limited ("Eversendai India") @	India	100%	100%	100%	N/A	N/A	N/A	Engineering, design, detailing, steel fabrication, development of residential buildings and commercial complexes
Eversendai S-Con Engineering Co Ltd ("ESECL") ^	Thailand	49%	49%	49%	70%	70%	70%	Carbon steel and stainless steel fabrication, mechanical construction and installation
Eversendai Steel-S Limited ("EESL") &	United Kingdom	100%	100%	100%	N/A	N/A	N/A	Carbon steel and stainless steel fabrication, mechanical construction and installation
<b>Held by EOSB</b>								
Eversendai Offshore RMC FZE ("EVORF")@	United Arab Emirates	100%	100%	100%	N/A	N/A	N/A	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



Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. INVESTMENT IN SUBSIDIARIES** (continued)

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

Name of company	Principal place of business / Country of incorporation	Proportion of ownership interest held by the Group			Effective interest-in profit based on shareholders' agreement			Principal activities
		2019	2018	2017	2019	2018	2017	
<b>Held by ECMSB</b>								
Eversendai Engineering (Pvt) Limited ("Eversendai Sri Lanka") #	Sri Lanka	69%	69%	69%	N/A	N/A	N/A	Construction
<b>Held by PKSB*</b>								
Eversendai Oil & Gas (M) Sdn Bhd ("Eversendai O&G") *	Malaysia	-	-	48%	N/A	N/A	N/A	Construction

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

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

\* Disposed off during the financial year ended 31 December 2018 disclosed in Note 12

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

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

- (i) power of more than half of the voting rights and to govern the financial and operating policies;
- (ii) power to appoint or remove majority of the members of the board of directors or equivalent governing body and control of the entity that is by that board or body; and
- (iii) power to cast majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. INVESTMENT IN SUBSIDIARIES (continued)**

- (a) (i) The audit of the financial statements of the subsidiary at Thailand, Eversendai S-Con Engineering Co Ltd (“ESECL”) for the financial year ended 31 December 2019 is yet to be completed and as such, the audited financial statements for the financial year 31 December 2019 are not available for the purpose of consolidation with the financial statements of the Group. The financial position and results of the subsidiary have been consolidated based on available management financial statements.
- (ii) The cost of investment in ESECL, in the books of Eversendai Construction (S) Pte Ltd, amounted to RM3,271,000, has been fully impaired in prior year.
- (iii) The management financial statements of ESECL for the current financial year is as follows:

	<b>2019</b>
	<b>RM'000</b>
<b>Statement of financial position</b>	
Property, plant and equipment	7,073
Trade and other receivables	7,961
Cash and bank balances	2,368
Trade and other payables	(3,498)
Bank borrowings	(5,080)
Finance lease liabilities	(446)
Amount due to related companies	(14,648)
Net liabilities	<u>(6,271)</u>
<b>Statement of comprehensive income</b>	
Revenue	8,103
Loss for the year	(3,202)
Total comprehensive loss	<u>(3,202)</u>

- (b) As at 31 December 2019, the Company’s cost of investment in Eversendai Offshore Sdn Bhd (“EOSB”) amounted to RM39,314,000 (2018: RM39,314,000), which is the holding company of Eversendai Offshore RMC FZE (“EVORF”).

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. INVESTMENT IN SUBSIDIARIES** (continued)

(c) Non-controlling interests in subsidiaries

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

	Eversendai Qatar RM'000	ESECL RM'000	Eversendai O&G RM'000	Individually immaterial subsidiaries with non- controlling interests RM'000	Total RM'000
<b>2019</b>					
<b>Proportion of ownership interests held by non-controlling interests</b>	30%	30%	N/A	N/A	
Accumulated non-controlling interests	<u>20,719</u>	<u>(7,645)</u>	<u>-</u>	<u>439</u>	<u>13,513</u>
Profit/(loss) allocated to non-controlling interests	<u>2,954</u>	<u>(960)</u>	<u>-</u>	<u>867</u>	<u>2,861</u>
<b>2018</b>					
<b>Proportion of ownership interests held by non-controlling interests</b>	30%	30%	N/A	N/A	
Accumulated non-controlling interests	<u>16,317</u>	<u>(2,931)</u>	<u>-</u>	<u>(590)</u>	<u>12,796</u>
Profit/(loss) allocated to non-controlling interests	<u>3,134</u>	<u>(1,644)</u>	<u>(711)</u>	<u>350</u>	<u>1,129</u>

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. INVESTMENT IN SUBSIDIARIES (continued)**

(c) Non-controlling interests in subsidiaries

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

	Eversendai Qatar RM'000	ESECL RM'000	Eversendai O&G RM'000	individually immaterial subsidiaries with non- controlling interests RM'000	Total RM'000
<b>2017</b>					
Proportion of ownership interests held by non-controlling interests	30%	30%	52%	N/A	
Accumulated non-controlling interests	<u>16,775</u>	<u>(1,267)</u>	<u>(3,223)</u>	<u>(778)</u>	<u>11,507</u>

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**16. INVESTMENT IN SUBSIDIARIES** (continued)

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

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

	<b>Eversendai Qatar</b>	<b>ESECL</b>
<b>2019</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Summarised statements of financial position</b>		
Non-current assets	17,950	7,073
Current assets	292,428	10,329
Non-current liabilities	(39,518)	-
Current liabilities	<u>(203,052)</u>	<u>(23,672)</u>
Net assets/(liabilities)	<u>67,808</u>	<u>(6,270)</u>
<b>Summarised statements of comprehensive income</b>		
Revenue	172,121	8,103
Profit/(Loss) for the year	9,114	(3,202)
Total comprehensive income/(loss)	<u>9,114</u>	<u>(3,202)</u>
<b>Summarised cash flows information</b>		
Net cash flows from operating activities	11,671	(768)
Net cash flows (used in)/from investing activities	(89)	-
Net cash flows (used in)/from financing activities	<u>(15,120)</u>	<u>492</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,538)</u>	<u>(276)</u>
<b>2018 (Restated)</b>		
<b>Summarised statements of financial position</b>		
Non-current assets	19,359	7,123
Current assets	512,780	18,050
Non-current liabilities	(56,496)	-
Current liabilities	<u>(413,131)</u>	<u>(33,073)</u>
Net assets/(liabilities)	<u>62,512</u>	<u>(7,900)</u>
<b>Summarised statements of comprehensive income</b>		
Revenue	143,648	30,791
Profit/(Loss) for the year	11,746	(5,481)
Total comprehensive income/(loss)	<u>13,918</u>	<u>(5,193)</u>
<b>Summarised statements of cash flows</b>		
Net cash flows from operating activities	18,923	648
Net cash flows (used in)/from investing activities	(86)	7
Net cash flows (used in)/from financing activities	<u>(21,052)</u>	<u>2,104</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,215)</u>	<u>2,759</u>

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**17. DEFERRED TAX ASSETS/(LIABILITIES)**

	Note	2019 RM'000	Group 2018 RM'000	2017 RM'000
<b>Deferred tax assets</b>				
At beginning of year		2,270	2,161	1,766
Recognised in profit or loss:	11			
Property, plant and equipment		(173)	18	(159)
Other payables and accrued expenses		590	556	780
Others		1,200	(445)	23
		1,617	129	644
Exchange differences		(1,884)	(20)	(249)
At end of year		<u>2,003</u>	<u>2,270</u>	<u>2,161</u>
<b>Deferred tax liabilities</b>				
At beginning of year		(4,274)	(4,274)	(4,274)
Recognised in profit or loss:	11			
Property, plant and equipment		537	(465)	-
Other payables and accrued expenses		669	465	-
		1,206	-	-
At end of year		<u>(3,068)</u>	<u>(4,274)</u>	<u>(4,274)</u>
<b>Deferred tax assets</b>				
Temporary differences arising from:				
Property, plant and equipment		209	207	189
Other payables and accrued expenses		1,794	1,890	1,164
Others		-	173	808
		<u>2,003</u>	<u>2,270</u>	<u>2,161</u>
<b>Deferred tax liabilities</b>				
Temporary differences arising from:				
Property, plant and equipment		(3,068)	(3,606)	(4,071)
Other payables and accrued expenses		-	(668)	(203)
		<u>(3,068)</u>	<u>(4,274)</u>	<u>(4,274)</u>
Deferred tax assets		2,003	2,270	2,161
Deferred tax liabilities		<u>(3,068)</u>	<u>(4,274)</u>	<u>(4,274)</u>
		<u>(1,065)</u>	<u>(2,004)</u>	<u>(2,113)</u>

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**18. INVENTORIES**

<b>At cost:</b>	<b>2019 RM'000</b>	<b>Group 2018 RM'000 (Restated)</b>	<b>2017 RM'000 (Restated)</b>
Materials at fabrication yard and on site	258,615	355,599	276,907

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 RM428,939,000 (2018: 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 RM44,173,000 (2018: RM40,813,000; 2017: RM30,426,000) are pledged against borrowings as disclosed in Note 29.

**19. CONTRACT ASSETS/(LIABILITIES)**

	<b>2019 RM'000</b>	<b>Group 2018 RM'000 (Restated)</b>	<b>2017 RM'000 (Restated)</b>
Contract assets relating to construction contract	882,233	745,896	1,014,450
Contract liabilities relating to construction contract	(193,389)	(107,203)	(142,457)
	<u>688,844</u>	<u>638,693</u>	<u>871,993</u>

	<b>2019</b>		<b>2018</b>		<b>2017</b>	
	<b>Contract assets Increase/ (decrease) RM'000</b>	<b>Contract liabilities Increase/ (decrease) RM'000</b>	<b>Contract assets Increase/ (decrease) RM'000</b>	<b>Contract liabilities Increase/ (decrease) RM'000</b>	<b>Contract assets Increase/ (decrease) RM'000</b>	<b>Contract liabilities Increase/ (decrease) RM'000</b>
Revenue recognised and was included in contract liability at the beginning of the financial year	-	(86,186)	-	35,254	-	(34,138)
Transfer from contract assets recognised at the beginning of the period to receivables	<u>136,337</u>	<u>-</u>	<u>(268,554)</u>	<u>-</u>	<u>63,657</u>	<u>-</u>

- (a) Included in contract assets as of 31 December 2019 is an amount of approximately RM240,699,000 (2018: RM241,137,000; 2017: RM537,063,000) relating to contract works carried out on liftboats as disclosed in Note 20(a).



**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**19. CONTRACT ASSETS/(LIABILITIES)** (continued)

- (b) The management of the Group and the Company measures the loss allowance on contract assets 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.

**20. TRADE RECEIVABLES**

	<b>2019</b>	<b>Group</b>	<b>2017</b>
	<b>RM'000</b>	<b>2018</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>	
<b>Current:</b>			
<b>Trade receivables</b>			
- Third parties	355,093	412,362	346,028
- Related parties	265,944	235,050	-
	<u>621,037</u>	<u>647,412</u>	<u>346,028</u>
- Retention sum receivables	479,026	422,267	333,420
Less: Allowance for impairment losses	<u>(84,630)</u>	<u>(82,251)</u>	<u>(69,335)</u>
	<u><u>1,015,433</u></u>	<u><u>987,428</u></u>	<u><u>610,113</u></u>

- (a) (i) Construction of two liftboats for a customer

In Year 2014, the Group secured a contract from Vahana Offshore (S) Pte. Ltd. ("VOPL") to construct 2 self-propelled jack-ups liftboats namely Vahana Aryan and Vahana Arjun. In this regard, in December 2016, the Group had entered into two banking facilities at Middle East for the purpose of financing the construction of one of the liftboats and to settle the Murabaha Facility upon construction completion of the said liftboat, respectively. The Ijarah facility allows the Group to transfer the ownership of Ijarah Facility to VOPL subject to the mutual agreement between both parties and fulfilment of certain terms and conditions. In Year 2018, Vahana Aryan was fully constructed and subsequently went into operation. The second liftboat, Vahana Arjun is currently under construction and scheduled to be completed by 2021. However, the transfer of the Ijarah Facilities could not be executed due to merger of lenders.

As of 31 December 2019, included in the trade receivables is the amount owing from VOPL of approximately RM266,097,000 (2018: 235,050,000; 2017: Nil).

As the transfer of the Ijarah Facilities could not be executed due to merger of financial institutions at Middle East, VOPL is seeking alternative sources of financing from other financial institution in order to repay the balances owing to the Group.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**20. TRADE RECEIVABLES** (continued)

- (a) (i) Construction of two liftboats for a customer (continued)

The directors are of the view that that amount receivable from VOPL and contract assets relating to contract work of relating to liftboats (Note 19(a)) are fully recoverable as VOPL is able to secured the necessary financing from other financial institutions and the liftboats is expected to have a recoverable amount in excess of the carrying amount in the financial statements of the Group. Hence, no impairment is required.

- (a) (ii) On 10 February 2020, the Company has received a letter of offer (“Letter of Offer”) from Vahana Holding Sdn Bhd (“VHSB”), the major shareholder of the Company, wherein VHSB has offered the Company, the opportunity to acquire the entire issued and paid-up share capital of Vahana Offshore (M) Sdn Bhd (“VOSB”), which currently owns the entire issued and paid-up share capital of Aryan-Inspire Pte Ltd, Arjun-Aspire Pte Ltd and Vahana Marine Solutions DMCC based on the terms and conditions as set out in the Letter of Offer.

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

The Group’s trading terms with its customers are mainly on credit. The Group’s average credit term ranges from 30 to 90 days (2018: 30 to 90 days; 2017: 30 to 90 days). Trade receivables are non-interest bearing.

- (c) The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL”). The ECL on trade receivables 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 receivable 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.

	<b>2019</b>	<b>Group</b>	<b>2017</b>
	<b>RM'000</b>	<b>2018</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
At beginning of year	82,251	69,335	76,236
Adjustment on application of MFRS 9	-	8,051	-
	<u>82,251</u>	<u>77,386</u>	<u>76,236</u>
Charge for the year	3,152	2,993	2,831
Write back of allowance	471	(181)	(504)
Written off	-	(111)	(2,010)
Disposal of subsidiaries	-	240	-
Exchange difference	(1,244)	1,924	(7,218)
	<u>84,630</u>	<u>82,251</u>	<u>69,335</u>

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20. TRADE RECEIVABLES (continued)**

(b) (continued)

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

2019	Middle East			India			Southeast Asia			Other			Total	
	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Total Gross Value RM'000	Total ECL RM'000
Not past due	102,546	0.9%	897	12,933	1%	166	26,979	0%	84	130	0.0%	-	142,588	1,147
Past due 1-30 days	52,889	0.6%	292	967	23%	225	6,564	0%	21	166	0.0%	-	60,586	539
Past due 31-60 days	39,226	1.1%	449	1,358	3%	35	1,298	5%	67	274	0.0%	-	42,155	552
Past due more than 60 days	572,994	0.2%	1,241	32,476	2%	663	169,630	1%	971	117	0.0%	-	775,216	2,876
Total (Collectively assessed)	767,654		2,880	47,735		1,090	204,470		1,143	687		-	1,020,546	5,113
Individually assessed														
- The Tower Project													58,969	58,969
- Others													20,548	20,548
Total													1,100,063	84,630

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20. TRADE RECEIVABLES (continued)**

(b) (continued)

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

2018	Middle East			India			Southeast Asia			Other			Total	
	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	ECL %	ECL RM'000	Gross Value RM'000	Total ECL RM'000
Not past due	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	6,936	0.0%	-	274	0.8%	2	55,197	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	127,491		267	687		7	990,812	3,384
Individually assessed														
- The Tower Project													59,675	59,675
- Others													19,192	19,192
Total													<u>1,069,679</u>	<u>82,251</u>

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**21. OTHER RECEIVABLES, REFUNDABLE DEPOSITS AND PREPAID EXPENSES**

	Group			Company		
	2019	2018	2017	2019	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)				
Third parties	36,254	47,095	36,260	78	39	31
Less: Impairment losses for other receivables	-	-	-	-	-	-
	<u>36,254</u>	<u>47,095</u>	<u>36,260</u>	<u>78</u>	<u>39</u>	<u>31</u>
Down payments to suppliers	32,071	39,472	47,478	-	-	-
Refundable deposits	24,682	29,718	28,122	41	38	38
Prepaid expenses	11,297	14,659	7,631	-	-	-
GST receivables	31,650	48,068	45,765	75	88	27
	<u>135,954</u>	<u>179,012</u>	<u>165,256</u>	<u>194</u>	<u>165</u>	<u>96</u>

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 RM10,838,000 (2018: 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 RM6,285,000 (2018: 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. AMOUNT OWING BY/(TO) SUBSIDIARIES & 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.
- As at 31 December 2019, amount owing from Eversendai Offshore RMC FZE ("EVORF") amounted to RM203,077,000.
- 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 of approximately RM Nil (2018: RM3,684,000; 2017: RM12,113,000) which bear interest of Nil % (2018: 4.75%; 2017: 4.75%) per annum and are repayable on demand.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**23. INVESTMENT IN SECURITIES**

	2019 RM'000	Group 2018 RM'000	2017 RM'000
<b>Current</b>			
<b>At fair value</b>			
Available-for-sale financial assets:			
- Unit trust fund	-	23	23

**24. CASH AND SHORT-TERM DEPOSITS**

	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Cash and bank balances	103,684	140,239	236,467	528	698	2,636
Deposits with financial institutions	42,024	42,637	36,892	-	-	30
<b>Cash and cash equivalents as reported in the statements of financial position</b>	<b>145,708</b>	<b>182,876</b>	<b>273,359</b>	<b>528</b>	<b>698</b>	<b>2,666</b>
Less: Deposits with financial institutions more than 90 days	(42,024)	(42,637)	(36,862)	-	-	-
Less: Bank overdrafts	(61,131)	(64,286)	(76,825)	-	-	-
<b>Cash and cash equivalents as reported in the statements of cash flows</b>	<b>42,553</b>	<b>75,953</b>	<b>159,672</b>	<b>528</b>	<b>698</b>	<b>2,666</b>

The weighted average effective interest rate as at the end of the reporting period for the Group was 3.20% (2018: 3.50%; 2017: 2.60%) per annum.

Deposits with financial institutions of the Group amounting to RM42,024,000 (2018: RM42,636,000; 2017: RM36,862,000) are pledged as securities for borrowing facilities granted to the subsidiaries as disclosed in Note 29. The maturity period of the Group's deposits with financial institutions at the reporting date range from 30 to 365 days (2018: 30 to 365 days; 2017: 30 to 365 days) with those above 90 days.

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 months 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.

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**25. SHARE CAPITAL**

	Group and Company					
	<----- Number of shares ----->			<----- Amount ----->		
	2019 '000	2018 '000	2017 '000	2019 RM'000	2018 RM'000	2017 RM'000
<b>Issued and fully paid up:</b>						
At beginning of year	781,100	781,100	774,000	585,308	585,308	387,000
Issuance of shares pursuant to:						
- private placement	-	-	7,100	-	-	6,673
Transfer from share premium and capital reserve	-	-	-	-	-	191,635
At end of year	<u>781,100</u>	<u>781,100</u>	<u>781,100</u>	<u>585,308</u>	<u>585,308</u>	<u>585,308</u>

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.

**26. RESERVES**

**(a) Treasury reserve**

	Group and Company					
	<----- Number of shares ----->			<----- Amount ----->		
	2019 '000	2018 '000	2017 '000	2019 RM'000	2018 RM'000	2017 RM'000
<b>At cost:</b>						
At beginning and end of year	<u>101</u>	<u>101</u>	<u>101</u>	<u>91</u>	<u>91</u>	<u>91</u>

**(b) Capital reserve**

	Group			Company		
	2019 RM'000	2018 RM'000	2017 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Legal reserve	<u>187</u>	<u>187</u>	<u>187</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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



Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**26. RESERVES** (continued)

**(c) Foreign currency translation reserve**

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

**(d) Fair value adjustment reserve**

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

**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. LEASE/FINANCE LEASE LIABILITIES**

	Group			Company		
	2019 RM'000	2018 RM'000	2017 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments						
Note later than one year	23,419	4,064	4,291	102	-	53
Later than one year and not later than 5 years	80,029	3,668	3,909	221	-	-
Later than 5 year	259,364	-	-	-	-	-
	<u>362,812</u>	<u>7,732</u>	<u>8,200</u>	<u>323</u>	<u>-</u>	<u>53</u>
Less: Future finance charges	<u>(63,753)</u>	<u>(779)</u>	<u>(432)</u>	<u>(33)</u>	<u>-</u>	<u>(1)</u>
Present value of minimum lease payments	<u>299,059</u>	<u>6,953</u>	<u>7,768</u>	<u>290</u>	<u>-</u>	<u>52</u>
Present value of minimum lease payments:						
Note later than one year	17,246	3,766	4,076	86	-	52
Later than one year and not later than 5 years	57,555	3,187	3,692	204	-	-
Later than 5 year	224,258	-	-	-	-	-
	<u>299,059</u>	<u>6,953</u>	<u>7,768</u>	<u>290</u>	<u>-</u>	<u>52</u>
Less: Amount due within 12 months	<u>(17,246)</u>	<u>(3,766)</u>	<u>(4,076)</u>	<u>(86)</u>	<u>-</u>	<u>(52)</u>
Amount due after 12 months	<u>281,813</u>	<u>3,187</u>	<u>3,692</u>	<u>204</u>	<u>-</u>	<u>-</u>

Interest rates for finance lease of the Group which are fixed at inception, range from 1.90% to 3.65% (2018: 2.22% to 4.50%; 2017: 3.10% to 3.28%) per annum.

The finance lease are secured by a charge over the property, plant and equipment as disclosed in Note 14.

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**29. BORROWINGS**

	Group			Company		
	2019	2018	2017	2019	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Secured:</b>						
<b>Non-current:</b>						
Term loans	680,513	267,750	195,274	419,219	-	-
<b>Current:</b>						
Term loans	51,975	494,949	511,721	28,158	-	-
Bills payable	369,893	420,248	368,579	-	-	-
Bank overdrafts	61,131	64,286	76,825	-	-	-
	482,999	979,483	957,125	28,158	-	-
	<u>1,163,512</u>	<u>1,247,233</u>	<u>1,152,399</u>	<u>447,377</u>	<u>-</u>	<u>-</u>
<b>Total loans and borrowings:</b>						
Term loans	732,488	762,699	706,995	447,377	-	-
Bills payable	369,893	420,248	368,579	-	-	-
Bank overdrafts	61,131	64,286	76,825	-	-	-
	<u>1,163,512</u>	<u>1,247,233</u>	<u>1,152,399</u>	<u>447,377</u>	<u>-</u>	<u>-</u>

- (a) Bank overdrafts of the Group bear interest of 9.20% (2018: 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 5.00% (2018: 1.45% to 5.50%; 2017: 1.45% to 7.50%) per annum and are repayable up to 90 days (2018: 90 days; 2017: 90 days) from the date of disbursement.
- (c) The term loans bear interest at variable rates ranging from 4.00% to 5.30% (2018: 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 (2018: 12 months to 60 months; 2017: 12 months to 60 months).
- (d) On 1 November 2019, the Company was granted a 5-year new syndicated term loan facility of USD115 million from MBSB Bank Berhad, Export-Import Bank of Malaysia Berhad, United Overseas Bank (Malaysia) Berhad and Commercial Bank International PSC (the "Facility"). The Facility used for redemption of the outstanding sum for the 5-year syndicated term loan facility obtained in October 2016.
- (e) The borrowings are secured by:
- Joint and several guarantees by certain directors of the Company;
  - Third party legal charges over certain properties belonging to certain directors of the Company;
  - Deed of Legal Agreement cum Assignment of all the contract proceeds relating to projects undertaken by certain subsidiaries;
  - Pledge on certain inventories as disclosed in Note 18;
  - Cash collateral and counter-guarantee on all performance bond guarantees and advance payment guarantees; and
  - Pledge on certain property, plant and equipment and deposits with financial institutions of the Group as disclosed in Note 14 and Note 24, respectively.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**30. EMPLOYEES' SERVICE BENEFITS**

Defined benefit plans typically expose the Group to certain risks, namely 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:

	<b>2019</b>	<b>Group 2018</b>	<b>2017</b>
Discount rate	1.58%	1.58%	1.58%
Future salary increases	<u>11.00%</u>	<u>11.00%</u>	<u>11.00%</u>

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

	<b>2019 RM'000</b>	<b>Group 2018 RM'000</b>	<b>2017 RM'000</b>
At beginning of year	73,134	64,695	65,581
Addition during the year	10,722	14,290	14,212
Employees' service benefits paid	(10,983)	(5,838)	(6,035)
Exchange differences	<u>(1,741)</u>	<u>(13)</u>	<u>(9,063)</u>
	<u>71,132</u>	<u>73,134</u>	<u>64,695</u>

**31. TRADE PAYABLES**

	<b>2019 RM'000</b>	<b>Group 2018 RM'000 (Restated)</b>	<b>2017 RM'000 (Restated)</b>
Trade payables	319,753	315,090	270,640
Retention sum payables	<u>30,892</u>	<u>28,780</u>	<u>28,168</u>
	<u>350,645</u>	<u>343,870</u>	<u>298,808</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2018: 30 to 90; 2017: 30 to 90) days.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**32. OTHER PAYABLES AND ACCRUED EXPENSES**

	2019 RM'000	Group 2018 RM'000 (Restated)	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Other payables and accrued	150,795	151,983	170,085	4,108	4,514	2,658
Advances from customers	214,553	216,963	275,960	-	-	-
GST payable	7,738	62,849	21,364	33	42	23
	<u>373,086</u>	<u>431,795</u>	<u>467,409</u>	<u>4,141</u>	<u>4,556</u>	<u>2,681</u>

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

Advances from customers represent advances received from construction contracts.

**33. AMOUNT OWING TO DIRECTORS**

	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Directors of the Company	2,584	5,843	5,843	2,584	5,843	5,843
Directors of the subsidiaries	8,505	3,851	4,439	-	-	-
	<u>11,089</u>	<u>9,694</u>	<u>10,282</u>	<u>2,584</u>	<u>5,843</u>	<u>5,843</u>

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

**34. NON-CURRENT ASSETS HELD FOR SALE**

	2019 RM'000	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	<u>-</u>	<u>-</u>	<u>339</u>

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**35. COMMITMENTS AND CONTINGENCIES**

**(a) Capital expenditure commitments**

	2019 RM'000	Group 2018 RM'000	2017 RM'000
<b>Contracted but not provided for:</b>			
Factory building and labour accommodation	2,409	8,050	24,750
Plant and machineries	1,439	4,334	-
Computer systems and others	1,113	7	-
	<u>4,961</u>	<u>12,391</u>	<u>24,750</u>

**(b) Operating lease commitments in relation to lease of land**

	2019 RM'000	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
	<u>-</u>	<u>324,011</u>	<u>359,384</u>

**(c) Financial guarantees**

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

	2019 RM'000	Group 2018 RM'000	2017 RM'000	2019 RM'000	Company 2018 RM'000	2017 RM'000
Secured:						
Performance guarantee secured by certain deposits with financial institutions	1,027,420	1,125,990	990,164	-	-	-
Unsecured:						
Utilised portion	-	-	-	975,290	1,063,199	908,652
Unutilised portion	-	-	-	4,985,024	4,765,356	5,178,890
	<u>1,027,420</u>	<u>1,125,990</u>	<u>990,164</u>	<u>5,960,314</u>	<u>5,828,555</u>	<u>6,087,542</u>

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

	2019 RM'000	Company 2018 RM'000	2017 RM'000
Unsecured	<u>27,500</u>	<u>27,500</u>	<u>27,500</u>

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 2019.

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**36. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

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

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**36. FINANCIAL INSTRUMENTS** (continued)

**(a) Categories of financial instruments** (continued)

	<b>Carrying amount RM'000</b>	<b>AC RM'000</b>
<b>2018</b>		
<b>Financial Assets</b>		
<b>Group</b>		
Trade receivables	987,428	987,428
Other receivables and refundable deposits	76,813	76,813
Cash and short-term deposits	182,876	182,876
	<u>1,247,117</u>	<u>1,247,117</u>
<b>Company</b>		
Other receivables and refundable deposits	77	77
Amount owing by subsidiaries	147,884	147,884
Cash and short-term deposits	698	698
	<u>148,659</u>	<u>148,659</u>
<b>Financial Liabilities</b>		
<b>Group</b>		
Lease/finance lease liabilities	6,953	6,953
Borrowings	1,247,233	1,247,233
Trade payables	343,870	343,870
Other payables and accrued expenses	151,983	151,983
Amount owing to directors	9,694	9,694
	<u>1,759,733</u>	<u>1,759,733</u>
<b>Company</b>		
Other payables and accrued expenses	4,514	4,514
Amount owing to subsidiaries	271,599	271,599
Amount owing to directors	5,843	5,843
	<u>281,956</u>	<u>281,956</u>

**(b) Fair value of financial instruments**

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

The fair values of long term receivables are estimated using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

The carrying amount of long term and short term floating rate borrowings approximates their fair value as the borrowings will be re-priced to market interest rate on or near reporting date. The fair value of finance lease liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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



Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**36. FINANCIAL INSTRUMENTS (continued)**

**(b) Fair value of financial instruments (continued)**

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

Group	Carrying amount RM'000	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>2019</b>								
<b>Financial liabilities</b>								
Finance lease liabilities	5,060	-	-	-	-	4,553	-	4,553
<b>2018</b>								
<b>Financial assets</b>								
Other investments	23	23	-	-	-	-	-	23
<b>Financial liabilities</b>								
Finance lease liabilities	6,953	-	-	-	-	6,684	-	6,684

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **36. FINANCIAL INSTRUMENTS(continued)**

#### **(b) Fair value of financial instruments (continued)**

##### **Fair value hierarchy**

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

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

#### **(a) Credit risk**

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

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

##### **Trade receivables and contract assets**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(a) Credit risk** (continued)

**Trade receivables** (continued)

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

Credit risk concentration profile

At the end of the reporting period, approximately 21% (2018: 32%) of the Group trade receivables was due from two (2018: two) major customers.

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

The information about the credit risk exposure on the Group's trade receivables using the provision matrix are disclosed in Note 20.

**Other receivables and other financial assets**

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

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

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Credit risk (continued)**

**Other receivables and other financial assets (continued)**

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

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

Refer to Note 3.18(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

**Financial guarantee contracts**

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks is representing by the maximum amount the Company could pay if the guarantee is called on is disclosed in Note 35(c). As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

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

**(b) Liquidity risk**

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

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(b) Liquidity risk** (continued)

Maturity analysis

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

	Carrying amount RM'000	<----- Contractual undiscounted cash flows ----->			Total RM'000
		On demand or within 1 year RM'000	Between 1 to 5 years RM'000	More than 5 years RM'000	
<b>2019</b>					
<b>Group</b>					
<b>Financial liabilities</b>					
Trade payables	350,645	350,645	-	-	350,645
Other payables and accrued expenses	150,795	150,795	-	-	150,795
Amount owing to directors	11,089	11,089	-	-	11,089
Borrowings and lease liabilities	1,462,571	527,331	779,286	222,656	1,529,273
	<u>1,975,100</u>	<u>1,039,860</u>	<u>779,286</u>	<u>222,656</u>	<u>2,041,802</u>
<b>Company</b>					
<b>Financial liabilities</b>					
Other payables and accrued expenses	4,108	4,108	-	-	4,108
Amount owing to subsidiaries	42,353	42,353	-	-	42,353
Amount owing to directors	2,584	2,584	-	-	2,584
Borrowings and lease liabilities	447,667	29,738	441,610	-	471,348
	<u>496,712</u>	<u>78,783</u>	<u>441,610</u>	<u>-</u>	<u>520,393</u>

Registration No. 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(b) Liquidity risk** (continued)

Maturity analysis (continued)

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

	<----- Contractual undiscounted cash flows ----->				
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2018</b>					
<b>Group</b>					
<b>Financial liabilities</b>					
Trade payables	343,870	343,870	-	-	343,870
Other payables and accrued expenses	151,983	151,983	-	-	151,983
Amount owing to directors	9,694	9,694	-	-	9,694
Borrowings and lease liabilities	1,254,186	1,033,459	284,358	-	1,317,817
	<u>1,759,733</u>	<u>1,539,006</u>	<u>284,358</u>	<u>-</u>	<u>1,823,364</u>
<b>Company</b>					
<b>Financial liabilities</b>					
Other payables and accrued expenses	4,514	4,514	-	-	4,514
Amount owing to subsidiaries	271,599	271,599	-	-	271,599
Amount owing to directors	5,843	5,843	-	-	5,843
	<u>281,956</u>	<u>281,956</u>	<u>-</u>	<u>-</u>	<u>281,956</u>

**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(c) Foreign currency risk**

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

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

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

Sensitivity analysis for foreign currency risk

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

	<b>Foreign currency risk</b>	
	<b>+5%</b>	<b>-5%</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>		
<b>2019</b>		
<b>USD Impact</b>		
<u>Financial Assets</u>		
Trade receivables	15,912	(15,912)
Cash and bank balances	430	(430)
<u>Financial Liabilities</u>		
Trade payables	(7,615)	7,615
	<b>8,727</b>	<b>(8,727)</b>
<b>2018</b>		
<b>USD Impact</b>		
<u>Financial Assets</u>		
Trade receivables	14,784	(14,784)
Cash and bank balances	614	(614)
<u>Financial Liabilities</u>		
Trade payables	(4,696)	4,696
	<b>10,702</b>	<b>(10,702)</b>



Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(d) Interest rate risk**

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

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

(i) Interest bearing financial assets

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

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

(ii) Interest bearing financial liabilities

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

Sensitivity analysis for interest rate risk

**2019**

**Group**

	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non-interest bearing RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Trade receivables	-	-	1,015,433	1,015,433
Other receivables and refundable deposits	-	-	60,936	60,936
Cash and short-term deposits	-	42,024	103,684	145,708
Total financial assets	-	42,024	1,180,053	1,222,077
<b>Financial liabilities</b>				
Trade payables	-	-	350,645	350,645
Other payables and accrued expenses	-	-	150,795	150,795
Amount owing to directors	-	-	11,089	11,089
Borrowings and lease liabilities	1,163,512	299,059	-	1,462,571
Total financial liabilities	1,163,512	299,059	512,529	1,975,100
<b>Net financial liabilities</b>	<b>(1,163,512)</b>	<b>(257,035)</b>	<b>667,524</b>	<b>(753,023)</b>

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(d) Interest rate risk** (continued)

**2019**

**Company**

	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non-interest bearing RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Amount owing by subsidiaries	-	-	350,758	350,758
Other receivables and refundable deposits	-	-	119	119
Cash and short-term deposits	-	-	528	528
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>351,405</b>	<b>351,405</b>
<b>Financial liabilities</b>				
Other payables and accrued expenses	-	-	4,108	4,108
Amount owing to directors	-	-	2,584	2,584
Amount owing to subsidiaries	-	-	42,353	42,353
Borrowings and lease liabilities	447,377	290	-	447,667
<b>Total financial liabilities</b>	<b>447,377</b>	<b>290</b>	<b>49,045</b>	<b>496,712</b>
<b>Net financial (liabilities)/assets</b>	<b>(447,377)</b>	<b>(290)</b>	<b>302,360</b>	<b>(145,307)</b>

**2018**

**Group**

**Financial assets**

Trade receivables	-	-	987,428	987,428
Other receivables and refundable deposits	-	-	76,813	76,813
Investment in securities	-	-	23	23
Cash and short-term deposits	-	42,637	140,239	182,876
<b>Total financial assets</b>	<b>-</b>	<b>42,637</b>	<b>1,204,503</b>	<b>1,247,140</b>

**Financial liabilities**

Trade payables	-	-	343,870	343,870
Other payables and accrued expenses	-	-	151,983	151,983
Amount owing to directors	-	-	9,694	9,694
Borrowings and lease liabilities	1,247,233	6,953	-	1,254,186
<b>Total financial liabilities</b>	<b>1,247,233</b>	<b>6,953</b>	<b>505,547</b>	<b>1,759,733</b>

**Net financial (liabilities)/assets**

<b>(1,247,233)</b>	<b>35,684</b>	<b>698,956</b>	<b>(512,593)</b>
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Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**(d) Interest rate risk** (continued)

2018 Company	Floating interest rate RM'000	Fixed interest rate RM'000	Non-interest bearing RM'000	Total RM'000
<b>Financial assets</b>				
Amount owing by subsidiaries	-	12,184	135,700	147,884
Other receivables and refundable deposits	-	-	77	77
Cash and short-term deposits	-	-	698	698
Total financial assets	-	12,184	136,475	148,659
<b>Financial liabilities</b>				
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
Total financial liabilities	-	12,393	269,563	281,956
<b>Net financial (liabilities)/assets</b>	-	(209)	(133,088)	(133,297)

**38. RELATED PARTIES**

**(a) Identity of related parties**

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

Related parties of the Group include:

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**38. RELATED PARTIES** (continued)

**(b) Significant related party transactions**

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

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Transactions with certain directors and key management personnel of the Group</b>					
Rental expense paid by the Group on properties owned by a director of the Company		(1,311)	(1,512)	-	-
<b>Transactions with other related companies</b>					
Provision of services for engineering and fabrication by a subsidiary to Vahana Offshore (S) Pte Ltd, a subsidiary of the holding company		9,455	44,117	-	-
Provision of consultancy services by a subsidiary to Hi-tech and Contracting Company Limited, a shareholder of Eversendai Saudi		(1,243)	(2,365)	-	-
Purchase of goods and services by a subsidiary from Qatari Investors Industrial Group, a shareholder of Eversendai Qatar		(1,422)	(1,661)	-	-
Rental charged to a subsidiary		-	-	564	564
Management fee charged to subsidiaries		-	-	2,960	4,588
<b>Transactions with subsidiaries</b>					
Interest recharged by a subsidiary	7	-	-	15,993	16,136
Rental charged to a subsidiary	5	-	-	564	564
Interest charged to subsidiaries	5	-	-	-	541
Interest charged by subsidiaries	7	-	-	-	(551)
Management fee charged to subsidiaries	5	-	-	2,959	4,588

**(c) Compensation of key management personnel**

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

**Registration No. 200301011640 (614060-A)**

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**39. 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) Energy - 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.

Registration No. 200301011640 (614060-A)

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**39. SEGMENT INFORMATION (continued)**

Group 2019	Structural Steel Works			Adjustments and elimination			Group RM'000
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000	Energy RM'000	RM'000	
<b>Revenue:</b>							
Revenue from external customers	897,374	234,494	377,263	6,452	43,212	-	1,558,795
Inter-segment revenue	176,884	-	124,893	3,524	7,492	(312,793)	-
	<u>1,074,258</u>	<u>234,494</u>	<u>502,156</u>	<u>9,976</u>	<u>50,704</u>	<u>(312,793)</u>	<u>1,558,795</u>
<b>Results:</b>							
<i>Included in the measure of segment profit / (loss) are:</i>							
Interest income	3,129	2,058	120	-	-	-	5,307
Gain on disposal of property, plant and equipment	175	88	161	769	-	-	1,193
Unrealised foreign exchange (loss)/gain	(1,019)	(419)	1,117	2,146	(539)	(31)	1,255
Depreciation on property, plant and equipment	(27,207)	(11,809)	(6,859)	(53)	(26,185)	-	(72,113)
Finance costs	(28,076)	(55)	(2,939)	(16,013)	(8,823)	2	(55,904)
Income tax expense	(1,968)	(3,735)	(6,207)	(240)	-	-	(12,150)
Segment profit/(loss)	<u>45,850</u>	<u>8,531</u>	<u>1,287</u>	<u>(13,389)</u>	<u>(42,033)</u>	<u>16,112</u>	<u>16,358</u>
<b>Assets:</b>							
Property, plant and equipment	413,178	89,700	156,911	12,271	274,711	(2,116)	944,655
Other assets*	1,957,952	298,104	1,017,815	1,453,825	720,674	(2,991,292)	2,457,078
<b>Liabilities:</b>							
Segment liabilities <sup>^</sup>	<u>(1,546,835)</u>	<u>(278,782)</u>	<u>(826,441)</u>	<u>(501,041)</u>	<u>(1,039,869)</u>	<u>1,688,247</u>	<u>(2,504,721)</u>

\* Comprising goodwill, deferred tax assets, inventories, contract assets, trade receivables, other receivables, refundable deposits and prepaid expenses, current tax assets and cash and bank balances.

<sup>^</sup> Comprising all classes of liabilities in the statements of financial position.

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**39. SEGMENT INFORMATION** (continued)

Group	Structural Steel Works				Adjustments and elimination	Group
	Middle East	India	Southeast Asia	Others		
2018 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue:</b>						
Revenue from external customers	968,043	216,172	248,851	1,458	268,147	1,702,671
Inter-segment revenue	229,859	-	110,407	5,152	-	(24,173)
	1,197,902	216,172	359,258	6,610	268,147	1,678,498
<b>Results:</b>						
<i>Included in the measure of segment profit/(loss) are:</i>						
Interest income	1,762	1,756	127	25	-	2,757
Gain/(loss) on disposal of property, plant and equipment	(45)	72	-	72	-	99
Unrealised foreign exchange (loss)/gain	(564)	(193)	(665)	(3,170)	1,125	(3,601)
Depreciation on property, plant and equipment	(23,015)	(9,913)	(8,654)	(359)	(15,964)	(57,905)
Finance costs	(29,639)	(131)	(1,462)	(16,138)	(2,761)	(49,214)
Income tax expense	(2,106)	(138)	8	(133)	-	(2,220)
Segment profit/(loss)	69,916	1,737	(1,428)	(18,500)	(2,595)	51,281
<b>Assets:</b>						
Property, plant and equipment	176,442	79,879	162,896	12,042	291,886	721,028
Total assets*	2,463,829	297,126	818,126	1,252,128	643,193	2,469,838
<b>Liabilities:</b>						
Segment liabilities <sup>^</sup>	(1,852,336)	(272,490)	(633,588)	(282,213)	(909,670)	(2,259,073)

\* Comprising goodwill, deferred tax assets, inventories, contract assets, trade receivables, other receivables, refundable deposits and prepaid expenses, current tax assets and cash and bank balances.

<sup>^</sup> Comprising all classes of liabilities in the statements of financial position.



**Registration No. 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**40. RETROSPECTIVE ADJUSTMENTS**

(a) During the financial year, the Group made retrospective adjustments to the consolidated financial statements to reflect the followings:

- (i) the differences in assets and liabilities of certain overseas subsidiaries in the respective financial statements.
- (ii) assessment of expected credit losses on balances owing from a former subsidiary.
- (iii) adjustment on revenue recognition on construction contract and contract asset.
- (iv) adjustment on account payables and inventories.

(b) The effects of the above adjustments are as follows:

	<b>As previously reported RM'000</b>	<b>Note</b>	<b>Adjustments RM'000</b>	<b>As restated RM'000</b>
<b>Group</b>				
<b>2018 [31.12.2018 (restated)]</b>				
<b>Statement of Financial Position</b>				
<b>Current assets</b>				
Inventories	359,935	(iv)	(4,336)	355,599
Contract assets	757,590	(iii)	(11,694)	745,896
Trade receivables	990,993	(i)	(3,565)	987,428
Other receivables, refundable deposits and prepaid expenses	197,902	(i) & (ii)	(18,890)	179,012
<b>Current payables</b>				
Trade payables	347,589	(i) & (iv)	(3,719)	343,870
Other payables and accrued expenses	427,878	(i)	3,917	431,795
Current tax liabilities	35,047	(i)	(130)	34,917
<b>Equity</b>				
Retained earnings	206,767	(i) to (iv)	(35,540)	171,227
Non-controlling interests	15,809	(i) to (iv)	(3,013)	12,796

Registration No.: 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**40. RETROSPECTIVE ADJUSTMENTS** (continued)

(b) The effects of the above adjustments are as follows: (continued)

	As previously reported RM'000	Note	Adjustments RM'000	As restated RM'000
<b>Group</b>				
<b>2018 [31.12.2018 (restated)] (continued)</b>				
<b>Statement of Comprehensive Income</b>				
Revenue	1,705,750	(i)	(3,079)	1,702,671
Cost of sales	(1,480,902)	(i)	481	(1,480,421)
Other income	29,401	(i)	(34)	29,367
Operating and administrative expenses	(125,647)	(i) & (ii)	(23,255)	(148,902)
Finance costs	(49,210)	(i)	(4)	(49,214)
Tax expense	(2,350)	(i)	130	(2,220)
Profit for the year	77,042	(i) & (ii)	(25,761)	51,281
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	76,882		(23,576)	53,306
Non-controlling interests	3,574		(2,185)	1,389
	<u>80,456</u>		<u>(25,761)</u>	<u>54,695</u>
<b>Earnings per share (sen):</b>				
Continuing operations	9.3		(3.3)	6.0
Discontinued operations	(0.3)		(0.0)	(0.3)
Basic and diluted (sen)	<u>9.0</u>		<u>(3.3)</u>	<u>5.7</u>
<b>Statement of Cash Flows</b>				
<b>Cash flows from operating activities</b>				
Profit before tax	79,392		(25,891)	53,501
Changes in working capital:				
Receivables	(222,110)		22,455	(199,655)
Payables	39,650		3,436	43,086

Registration No.: 200301011640 (614060-A)

**EVERSENDAI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**40. RETROSPECTIVE ADJUSTMENTS** (continued)

(b) The effects of the above adjustments are as follows: (continued)

Group	As previously reported RM'000	Note	Adjustments RM'000	As restated RM'000
<b>2017 [1.1.2018 (restated)]</b>				
<b>Statement of Financial Position</b>				
<b>Current assets</b>				
Inventories	281,243	(iv)	(4,336)	276,907
Contract assets	1,026,144	(iii)	(11,694)	1,014,450
<b>Current payables</b>				
Trade payables	302,046	(iv)	(3,238)	298,808
<b>Equity</b>				
Retained earnings	143,841	(iii) & (iv)	(11,964)	131,877
Non-controlling interests	12,335	(iii) & (iv)	(828)	11,507

**41. CAPITAL RISK MANAGEMENT**

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	1,163,512	1,247,233	447,377	-
Finance lease	5,060	6,953	-	52
Total borrowings	1,168,572	1,254,186	447,377	52
Total equity	897,012	931,793	965,410	978,937
Gearing ratio	1.30	1.35	0.46	0.00

The Group is not subject to any externally imposed capital requirements.

**Registration No.: 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**42. MATERIAL LITIGATIONS**

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

The matter has been fixed for further trials in second half of 2020.

The Management is of the view it has a very good defence against the above claim.

**43. SIGNIFICANT AND SUBSEQUENT EVENTS**

(i) The following are significant events of the Group and the Company during the financial year ended 31 December 2019:

- (a) On 1 November 2019, the Company was granted a 5-year syndicated term loan facility of USD115 million from MBSB Bank Berhad, Export-Import Bank of Malaysia Berhad, United Overseas Bank (Malaysia) Berhad and Commercial Bank International PSC (the “Facility”).

The Facility used for redemption of the outstanding sum for the 5-year syndicated term loan facility of USD102 million from First Abu Dhabi Bank PJSC, Export-Import Bank of Malaysia Berhad and Commercial Bank International PSC. The remainder USD13 million shall be used for working capital of the Group.

(ii) The following are significant events of the Group and the Company subsequent to the financial year ended 31 December 2019:

- (a) On 10 February 2020, the Company has received a letter of offer (“Letter of Offer”) from Vahana Holding Sdn Bhd (“VHSB”), the major shareholder of the Company, wherein VHSB has offered the Company, the opportunity to acquire the entire issued and paid-up share capital of Vahana Offshore (M) Sdn Bhd (“VOSB”), which currently owns the entire issued and paid-up share capital of Arjan-Inspire Pte Ltd, Arjun-Aspire Pte Ltd and Vahana Marine Solutions DMCC based on the terms and conditions as set out in the Letter of Offer.

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

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

**Registration No.: 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**43. SIGNIFICANT AND SUBSEQUENT EVENTS** (continued)

(ii) The following are significant events of the Group and the Company subsequent to the financial year ended 31 December 2019:

(b) (continued)

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

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

(c) In April 2020, Eversendai Offshore RMC FZE ("EVORF") has inked Memorandum of Understanding ("MoU") with Hyundai Engineering & Construction Co Ltd as global strategic partners in modular construction work for the construction and energy industries. EVORF has ventured into Wind Renewable Energy and have secured two (2) European offshore wind renewable energy ("RE") projects worth RM186mil in 2020. On the back of these projects, the Group is able to position well in the European Wind Renewable Energy sector to secure more projects going forward.

(d) On 16 June 2020, the Company announced that the Group has proposed to undertake the proposed issuance of up to 390,550,000 new free warrants on the basis of 1 warrant for every 2 existing ordinary shares in Company held on an entitlement date to be determined and announced later.

**44. COMPARATIVE FIGURE**

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements on 23 April 2019.

**Registration No.: 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

Pursuant to Section 251(2) of the Companies Act 2016

We, **TAN SRI DATO' NATHAN A/L ELUMALAY** and **NARLA SRINIVASA RAO**, being two of the directors of Eversendai Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 78 to 180 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

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

Director

.....  
**NARLA SRINIVASA RAO**

Director

Kuala Lumpur

Date: 29 June 2020

**Registration No.: 200301011640 (614060-A)**

**EVERSENDI CORPORATION BERHAD**

(Incorporated in Malaysia)

**STATUTORY DECLARATION**

Pursuant to Section 251(1) of the Companies Act 2016

I, **TAN SRI DATO' NATHAN A/L ELUMALAY**, being the director primarily responsible for the financial management of Eversendai Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 78 to 180 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29 June 2020.

Before me,



**Registration No. 200301011640 (614060-A)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
EVERSENDAI CORPORATION BERHAD**

(Incorporated in Malaysia)

**Report on the Audit of Financial Statements**

**Qualified Opinion**

We have audited the financial statements of Eversendai Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 180.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Qualified Opinion**

1. As disclosed in Note 14(a)(ii) to the financial statements, the carrying amount of the Property, Plant and Equipment and Right-of-Use Assets of Eversendai Offshore RMC FZE ("EVORF") a wholly-owned indirect subsidiary of the Company, in Energy segment, amounted to RM274,711,000 and RM168,434,000 respectively.

In view of the adverse changes in the oil and gas market and continuous losses incurred by the Energy segment, an impairment assessment on the Property, Plant and Equipment and Right-of-Use Assets of the subsidiary was necessary as required by MFRS 136 *Impairment of Assets*. However, due to the circumstances of environment in which the segment operates, the Group has not been able to reliably determine the recoverable amount of the segment using value-in-use. The Group is also unable to determine fair value less cost of disposal as reference to any orderly transaction to determine the fair value of these assets was generally not reliable under present circumstances. Nevertheless, the Group believes that the segment would perform well in the future with its recent job wins and global strategic partnership.

As disclosed in Note 16(b) and Note 22(b), the Company's cost of investment in Eversendai Offshore Sdn Bhd ("EOSB"), which is the holding company of EVORF and amount owing by EVORF amounted to RM39,314,000 and RM203,077,000 respectively.

**Registration No. 200301011640 (614060-A)**

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

**Basis for Qualified Opinion (continued)**

1. (continued)

We were unable to obtain sufficient and appropriate audit evidence on the carrying amount of Property, Plant and Equipment and Right-of-Use Assets of EVORF as at 31 December 2019 as any impairment has not been reliably assessed by the Group in accordance with MFRS 136 *Impairment of Assets*. Therefore, we could not determine, the effect of adjustment, if any, on the financial statements of the Group.

We were also unable to obtain sufficient and appropriate audit evidence on the Company's cost of investment in subsidiary and amount owing from the subsidiary. Therefore, we could not determine, the effect of adjustment, if any, on the financial statements the Company.

2. As disclosed in Note 16(a)(i) to the financial statements, the audit of the financial statements of the subsidiary at Thailand, Eversendai S-Con Engineering Co Ltd ("ESECL") for the financial year ended 31 December 2019 is yet to be completed and as such, the audited financial statements for the financial year 31 December 2019 are not available for the purpose of consolidation with the financial statements of the Group. The financial position and results of the subsidiary have been consolidated based on available management financial statements.

We were unable to carry out procedures to obtain information we consider necessary on the management financial statements of the subsidiary during our audit of the financial statements of the Group. Therefore, we could not determine the effect of adjustments, if any, on the financial statements of the Group.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Registration No. 200301011640 (614060-A)**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**Group**

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

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

**Our response:**

Our audit procedures included, among others,

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

**Registration No. 200301011640 (614060-A)**

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

**Key Audit Matters (continued)**

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**Recoverability of receivables and contract assets related to the construction of liftboats for a related party (Note 4(c), 19 and 20 to the financial statements)**

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The Group has significant trade receivables and contract assets related to the construction of liftboats for a related party as at 31 December 2019. We focused on this area because the Group made judgements over assumptions about risk of default and expected loss rate. The assessment on recoverability of the receivables and contract assets related to the construction of liftboats for a related party involves judgement from the directors.

**Our response:**

Our audit procedures included, among others;

- assessing the related party's financial position to assess its ability to repay the remaining balances;
- reviewing and understanding the Facility Agreement provided by the management relating to the financing of the liftboats; and
- performing the review of the audit working paper of the component auditor.

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**Right-of-use assets and lease liabilities (Note 4(d), 14(e) and 28 to the financial statements)**

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During the financial year, the Group has adopted MFRS 16 *Leases* and has recognised right-of-use ("ROU") assets and lease liabilities on the date of initial application. We focused on this area because the measurement of the right-of-use assets and lease liabilities requires the application of significant judgement by the Group in determining the lease term, lease payment and incremental borrowing rate.

**Our response:**

Our audit procedures included, among others:

- evaluating the Group's assessment on the MFRS 16 impact arising from initial application;
- reading the salient terms of certain agreements;
- obtaining an understanding on the judgement and estimates made by the Group on key inputs in the computation of ROU assets and lease liabilities; and
- testing the mathematical accuracy of the computation of the ROU assets and lease liabilities; and
- performing the review of the audit working paper of the component auditor.

**Company**

In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no key audit matters to be communicated in our report which arose from the audit of the financial statements of the Company.

**Registration No. 200301011640 (614060-A)**

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

**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. Due to the matter described in the Basis for Qualified Opinion paragraphs, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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

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

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

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

**Registration No. 200301011640 (614060-A)**

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

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

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

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

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

**Registration No. 200301011640 (614060-A)**

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirement of the Companies Act 2016 in Malaysia, we report that:

- (a) the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.
- (b) in our opinion, we have not obtained all the information and explanations that we required.

**Other Matters**

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were audited by another firm of Chartered Accountants whose report dated 23 April 2019 expressed an unmodified opinion on those financial statements.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

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

Ng Boon Hiang  
No. 02916/03/2022 J  
Chartered Accountant

Kuala Lumpur

Date: 29 June 2020



# LIST OF GROUP PROPERTIES

## AS AT 31 DECEMBER 2019

	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)
<b>Eversendai Corporation Berhad</b>							
1	Lot 19191, 19956 and 19957, Seksyen 20, Bandar Rawang, District of Gombak, Malaysia  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/-	< 10 years	2007	^27,678
2	Lot 19072, 19073 and 19074, Seksyen 20, Bandar Rawang, District of Gombak, Malaysia	3 pieces of land under the category of land use for industrial purpose/ fabrication factory	-/204,719	Freehold/-	-	2010	4,610
<b>ECB Properties Sdn Bhd</b>							
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
<b>Eversendai Engineering LLC, Dubai</b>							
5	Plot No. 242-337, Al-Qusais Industrial Area 1, Dubai, UAE	2 blocks of 2-storey office buildings and a 3-bay shop/ head office and fabrication factory	85,315/ 80,000	Leasehold 30 years expiring 10 May 2029	< 20 years	1999	879
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	< 14 years	2006	14,269

## LIST OF GROUP PROPERTIES

### AS AT 31 DECEMBER 2019 (CONT'D)

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)	
<b>Eversendai Engineering LLC, Dubai (Cont'd)</b>							
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	< 13 years	2007	7,655
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 expiring 29 January 2107	< 3 years	2017	34,038
<b>Eversendai Engineering Qatar WLL</b>							
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-bay factory/ head office and fabrication factory	285,665/ 296,427	Leasehold 25 years expiring 15 August 2031	< 12 years	2007	15,662
<b>Eversendai Construction Private Limited, India</b>							
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/-	< 45 years	2010	576
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, India	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/-	< 6 years	2011	10,247 & 18,473

## LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2019 (CONT'D)

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)
<b>Eversendai Construction Private Limited, India (Cont'd)</b>						
12 Plot No.1 & 2 (Np), The Lords, Block-1, 5th & 6th Floor, Northern Extension Area, Thiru-vi-ka Industrial Estate Ekkatuthangal, Chennai 600 032, India	Office building	35,296	Freehold/-	< 14 years	2013	16,397
<b>Eversendai Engineering FZE, Sharjah</b>						
13 Plot No. 1F-18, 1G-15, 31 & 32, 2C-02 and 13, 2D-03, 04, 14, 15 & 18, 2E-01, 02, 04, 05, 06, 07, 09 & 10, 2J-7A, 2M, 13A, 13B, 14 & 15, 3E-03 & IZ-8-19 & 27-38	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 2030 and 6 September 2042	< 15 years	2005	26,777
<b>Eversendai S-Con Engineering Co Ltd, Thailand</b>						
14 Title Deed No. 5697, Land No. 9, Survey Page No. 3080 at Khu Mi Sub-District, Sanam Chai Khet District, Chachoengsao, Thailand	Fabrication factory, open yard painting storage, office building and canteen	439,813/ 843,632	Freehold/-	< 15 years	2005	5,088
<b>Eversendai Offshore RMC FZE, Ras Al Khaimah</b>						
15 Plot No. 12,13,14,15,16, 17, part of Plot#8 and Plot No. 39A, Hulayla, Ras Al-Khaimah Maritime City, Ras-Al-Khaimah UAE	1 block of 3-storey office building/a 3-bay shop fabrication factory	586,574/ 2,133,590	Leasehold 25 years expiring 31 May 2038 +25 years	< 3 years	2017	22,553 & 105,393

### Notes:

- <sup>^</sup> Comprised of 3 pieces of freehold industrial land with total net book value of RM6,971,976 owned by the Company, and a 2-storey office building and a 1-storey factory building with total net book value of RM20,705,863 owned by Eversendai Engineering Sdn Bhd.

## ANALYSIS OF SHAREHOLDINGS SUMMARY

### AS AT 12 JUNE 2020

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	27	0.51	550	0.00
100 to 1,000	588	11.19	422,300	0.05
1,001 to 10,000	2,607	49.60	15,439,650	1.98
10,001 to 100,000	1,781	33.89	59,792,440	7.66
100,001 to less than 5% of the issued shares	251	4.77	109,695,100	14.04
5% and above of issued shares	2	0.04	595,648,960	76.27
<b>Total*</b>	<b>5,256</b>	<b>100.00</b>	<b>780,999,000</b>	<b>100.00</b>

\* 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) UOBM Nominees (Tempatan) Sdn Bhd	184,616,000	
	b) Vahana Holdings Sdn Bhd	4,577,360	
	c) Kenanga Capital Sdn Bhd	78,670,000	
	d) MIDF Amanah Investment (Nominees) Tempatan Sdn Bhd	287,500,000	
2	Urusharta Jamaah Sdn Bhd	40,285,600	5.16

\* Excluding 101,000 ordinary shares held in treasury

## ANALYSIS OF SHAREHOLDINGS SUMMARY

AS AT 12 JUNE 2020 (CONT'D)

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND IN THE SUBSIDIARIES 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' Nathan A/L Elumalay	-	-	555,363,360	71.11*
Narla Srinivasa Rao	500,000	0.06	-	-

\* Excluding 101,000 ordinary shares held in treasury

Indirect interest pursuant to Section 8(4) of the Companies Act, 2016.

Tan Sri Dato' Nathan A/L 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 MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Vahana Holdings Sdn Bhd (Vahana Offshore (M) Sdn Bhd)	287,500,000	36.81
2 UOBM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Vahana Holdings Sdn Bhd (PCB)	184,616,000	23.64
3 Kenanga Capital Sdn Bhd – Pledged Securities Account for Vahana Holdings Sdn Bhd	78,670,000	10.07
4 Citigroup Nominees (Tempatan) Sdn Bhd – Urusharta Jamaah Sdn Bhd (1)	40,285,600	5.16
5 RHB Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Veloo A/L Karupayah	5,500,000	0.70
6 RHB Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for VM Team Engineering Sdn Bhd	5,051,200	0.65
7 Sharmala Devi A/P V Thurairatnam	5,000,000	0.64
8 Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Masnawi Bin Aton	4,880,700	0.62
9 Vahana Holdings Sdn Bhd	4,577,360	0.59
10 Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Goh Ching Mun	4,000,000	0.51
11 Cartaban Nominees (Asing) Sdn Bhd – Daiwa Capital MKTS SG for Hanwa Co Ltd	3,900,000	0.50

## ANALYSIS OF SHAREHOLDINGS SUMMARY

AS AT 12 JUNE 2020 (CONT'D)

### 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	%*
12	HLIB Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Er Soon Puay	2,869,000	0.37
13	Tan Lee Chin	2,640,000	0.34
14	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Masnawi Bin Aton (Margin)	2,281,700	0.29
15	RHB Capital Nominees (Tempatan) Sdn Bhd – Balachandran A/L Govindasamy (JBA)	2,265,300	0.29
16	CIMB Group Nominees (Asing) Sdn Bhd – Exempt An For DBS Bank Ltd (SFS)	2,114,000	0.27
17	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ang Hong Lim (E-TJJ/TMB)	1,583,100	0.20
18	Lim Ooi Wah	1,580,000	0.20
19	Cheng Lee Kui	1,500,000	0.19
20	Looi Kum Pak @ Looi Kam Phak	1,450,000	0.19
21	K.R. Somasundram	1,100,000	0.14
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 ForBank Julius Baer & Co Ltd (Singapore Bch)	1,000,000	0.13
24	P. Magendran A/L Perumal	1,000,000	0.13
25	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Siow Chun Pau (E-SRB)	1,000,000	0.13
26	Tan Boon Seng @ Krishnan	1,000,000	0.13
27	Vishean A/L Veloo	1,000,000	0.13
28	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Kausalya A/P Gopal	945,200	0.12
29	CGS-CIMB Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chan Foong Cheng (Tmn Cheras-CL)	837,900	0.11
30	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Muthukumar A/L Ayarpadde	830,000	0.11

\* Excluding 101,000 ordinary shares held in treasury

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