Registration No: 200701042948 (800981-X)

SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2020

Registration No: 200701042948 (800981-X)

SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

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SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

Directors:	Yong Kiam Sam Wong Chie Bin Eric Khoo Chuan Syn @ Khoo Chuan Syn Toh Kian Sing Datuk Sebastian Ting Chiew Yew
Secretary:	Yeo Puay Huang
Registered office and principal place of business:	Lot 1035, Block 4, MCLD Piasau Industrial Area 98000 Miri, Sarawak
Auditors:	Grant Thornton Malaysia PLT (Member of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
Stock exchange listing:	Bursa Malaysia Securities Berhad - Main Market

SEALINK INTERNATIONAL 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 2020.

Principal activities

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the Financial Statements.

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

Financial results

	Group RM	Company RM
Net (loss)/profit for the financial year	(40,819,737)	5,034,309
Net loss attributable to:		
Owners of the Company	(40,819,737)	

Dividends

There were no dividends proposed, declared or paid by the Company since the end of previous financial year.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

Directors

The Directors who held office during the financial year and up to the date of this report are:
Yong Kiam Sam*
Wong Chie Bin
Eric Khoo Chuan Syn @ Khoo Chuan Syn
Toh Kian Sing
Datuk Sebastian Ting Chiew Yew

* also Director of the subsidiaries

Directors (cont'd)

The name of the Director of the Company's subsidiaries in office during the financial year and up to the date of this report other than those named above is as follows:-

Yong Foh Choi

Directors' interests

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors at the end of the financial year are as follows:

	Number of ordinary shares			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
The Company:				
Direct interest				
Yong Kiam Sam	67,382,399	-	-	67,382,399
Wong Chie Bin	90,000	-	-	90,000
Eric Khoo Chuan Syn @ Khoo Chuan Syn	30,000	-	-	30,000
Datuk Sebastian Ting Chiew Yew	137,500	-	-	137,500
Deemed interest				
Yong Kiam Sam #	109,080,800	-	-	109,080,800

	Number of ordinary shares			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Direct interest in the shares of Sealink Holdings Sdn. Bhd.				
Yong Kiam Sam	500,000	-	-	500,000

Deemed interest by virtue of his shareholdings in Sealink Holdings Sdn. Bhd..

By virtue of his interest in shares in the Company, Yong Kiam Sam is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

Toh Kian Sing does not have any interest in shares in the Company or its related corporations during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' benefits (cont'd)

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than as disclosed in Notes 29 and 30 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Issue of shares and debentures

There were no issuance of shares and debentures during the financial year.

Indemnity and insurance for Directors and Officers

The Group maintained a Directors and Officers liability insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of insurance premium effected for any Directors and Officers of the Group during the financial year was RM60,000. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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:

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

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

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

Other statutory information (cont'd)

At the date of this report, the Directors are not aware of any circumstances (cont'd):

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

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

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

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

In the opinion of the Directors:

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

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Significant events during the financial year and after the reporting date

Significant events during the financial year and after the reporting date are disclosed in Note 35 to the Financial Statements.

Auditors

Details of auditors' remuneration are set out in Note 26 to the Financial Statements.

The Company has agreed to indemnify the auditors, Grant Thornton Malaysia PLT to the extent permitted under Section 289 of the Companies Act 2016. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2020.

The auditors, Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

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

……………………………………………	)	
YONG KIAM SAM	)	
	)	DIRECTORS
……………………………………………	)	
WONG CHIE BIN	)	

17 May 2021

SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 15 to 90 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

....

YONG KIAM SAM WONG CHIE BIN

17 May 2021

STATUTORY DECLARATION

I, Angelia Chong Pei Cheng, being the Officer primarily responsible for the financial management of Sealink International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 15 to 90 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Miri in the State of)
Sarawak this day of)
17 May 2021) ....

ANGELIA CHONG PEI CHENG
(MIA No: 19359)
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths
Wong Chung Heng
License No: Q090

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

Registration No: 200701042948 (800981-X)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sealink International Berhad, which comprise the statements of financial position as at 31 December 2020, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 90.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Report on the Audit of the Financial Statements (cont'd)

Material uncertainty related to going concern

We draw attention to Note 2 to the Financial Statements which indicates that the Group had incurred a net loss of RM40,819,737 during the financial year and as of that date, the total current liabilities exceeded its total current assets by RM54,937,735. This note also indicates that the COVID-19 outbreak has brought uncertainties to offshore marine sector. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and the Company's ability to continue as a going concern. The ability of the Group and of the Company to continue as a going concern is dependent on the success of future operations of the Group and of the Company and the financial support from their creditors, bankers and a major corporate shareholder. Our opinion is not modified in respect of this matter.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Group

Impairment of vessels

The risk –

In view of the depressed economic conditions in the offshore marine sector, the carrying amount of the Group's vessels might exceed their recoverable amounts and therefore the carrying amount had to be impaired.

We have identified the aforesaid carrying value of the Group's vessels as a key audit matter because of its significance to total assets in the consolidated financial statements and the estimation of recoverable amount involved a significant degree of judgement and assumptions made by the Group such as estimated fair value of the vessels as provided by an external valuer and estimated future cash flows for value-in-used which includes the assumptions on utilisation rates, disposal values, charter hire rates and discount rates applied.

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

Group (cont'd)

Impairment of vessels (cont'd)

Our response –

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- obtained an understanding on the management's assessment on the recoverability of the vessels and evaluated the appropriateness of the methodology and approach applied.
- evaluated and interviewed the external valuer on his competence, capabilities and objectivity and obtained an understanding of the valuation model used.
- compared the valuation with recent transactions of the Group involving other similar vessels
- evaluated adequacy of the Group's disclosures regarding the impairment of vessels as disclosed in Notes 3.6.1, 4.2, 4.4 and 5 to the Financial Statements.

Company

Impairment of investment in subsidiaries

The risk –

We identified the carrying amount of the Company's investment in subsidiaries as a key audit matter as it is significant to the total assets of the financial statements of the Company and it required significant judgements in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the impairment and recoverability on the investment in subsidiaries. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

Company (cont'd)

Impairment of investment in subsidiaries (cont'd)

Our response –

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- assessed the management's assessment on indicators of impairment of investment in subsidiaries
- assessed the key assumptions used, focusing on projected revenue and related expenses, charter rates, revenue growth rates and residual value of vessels, taking into consideration the current and expected future economic conditions.
- assessed the discount rate used by benchmarking to industry and market data.

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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Report on the Audit of the Financial Statements (cont'd)

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

We also (cont'd):

- 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 identified during our audit.

We also provided 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.

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Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the Financial Statements.

Other Matters

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

2. The financial statements of the Group and of the Company as at 31 December 2019 were audited by another auditors who expressed an unmodified opinion with material uncertainty related to going concern in the financial statements dated 28 May 2020.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

LIM SOO SIM
(NO: 03335/11/2021 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
17 May 2021

SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	374,123,447	420,864,269	3,452	4,799
Investment in subsidiaries	6	-	-	342,461,615	370,745,537
Investment in an associate	7	-	774,564	-	-
Investment in a joint venture	8	1,520,696	6,593,612	467,859	-
Amount due from subsidiaries	6	-	-	31,411,243	11,514,846
Amount due from a joint venture	8	7,403,564	-	-	-
Fixed deposits with licensed banks	9	974,050	954,007	-	-
Total non-current assets		384,021,757	429,186,452	374,344,169	382,265,182
Current assets					
Inventories	10	11,136,536	13,365,833	-	-
Contract assets	21	32,320	117,433	-	-
Contract costs	11	195,281	91,522	-	-
Trade receivables	12	6,364,452	27,097,228	-	-
Other receivables	13	4,104,313	3,461,884	680,489	757,871
Amount due from subsidiaries	6	-	-	128,545,609	93,707,237
Amount due from an associate	7	18,986,219	20,152,848	-	-
Amount due from a joint venture	8	6,571,595	3,380,551	-	-
Tax recoverable		868,962	443,749	16,736	61,430
Fixed deposits with licensed banks	9	1,153,671	2,178,235	-	-
Cash and bank balances		3,176,847	5,436,529	177,985	123,351
Total current assets		52,590,196	75,725,812	129,420,819	94,649,889
Asset held for sale	14	577,113	-	-	-
Total assets		437,189,066	504,912,264	503,764,988	476,915,071
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the owners of the Company					
Share capital	15	329,086,883	329,086,883	329,086,883	329,086,883
(Accumulated losses)/ Retained earnings		(94,328,769)	(53,509,032)	92,440,908	87,406,599
Foreign currency translation reserve		52,792,248	54,623,054	-	-
Total equity		287,550,362	330,200,905	421,527,791	416,493,482

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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONT'D)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
LIABILITIES					
Non-current liabilities					
Borrowings	16	25,776,098	35,654,680	-	-
Lease liabilities	17	186,949	253,191	-	-
Deferred tax liabilities	18	16,147,726	21,216,582	-	-
Total non-current liabilities		42,110,773	57,124,453	-	-
Current liabilities					
Trade payables	19	6,104,946	10,472,505	-	-
Other payables	20	31,901,827	31,452,138	14,069,535	9,637,810
Contract liabilities	21	94,269	130,668	-	-
Amount due to subsidiaries	6	-	-	68,167,662	50,783,779
Borrowings	16	69,098,973	74,530,700	-	-
Lease liabilities	17	198,566	421,231	-	-
Tax payable		129,350	579,664	-	-
Total current liabilities		107,527,931	117,586,906	82,237,197	60,421,589
Total liabilities		149,638,704	174,711,359	82,237,197	60,421,589
Total equity and liabilities		437,189,066	504,912,264	503,764,988	476,915,071

The accompanying notes form an integral part of the fnancial statements

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SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue	21	49,923,123	66,492,969	37,275,971	69,342,111
Cost of sales		(70,004,456)	(75,618,862)	-	-
Gross (loss)/ profit		(20,081,333)	(9,125,893)	37,275,971	69,342,111
Other income	22	9,924,038	2,874,797	488,740	456,410
Financial assets:					
- Impairment loss	23	(3,329,229)	(5,112,651)	-	-
- Reversal of previously recognised impairment loss	23	1,055,502	209,693	-	-
Administrative expenses		(20,982,080)	(19,374,739)	(6,163,037)	(2,559,611)
Other operating expenses		(6,219,437)	(174,904)	(27,256,063)	(14,590,486)
Operating (loss)/profit		(39,632,539)	(30,703,697)	4,345,611	52,648,424
Finance income	24	701,232	1,602,720	2,995,364	3,984,937
Finance costs	25	(5,642,370)	(7,905,275)	(2,261,972)	(4,438,654)
Share of gain of a joint venture		1,104,634	154,018	-	-
Share of loss of an associate		(774,564)	(606,228)	-	-
(Loss)/Profit before tax	26	(44,243,607)	(37,458,462)	5,079,003	52,194,707
Tax income/(expense)	27	3,423,870	764,877	(44,694)	-
(Loss)/Profit for the financial year		(40,819,737)	(36,693,585)	5,034,309	52,194,707

SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

		Group		Company	
	Note	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Other comprehensive income:					
Item that will be reclassified subsequently to profit or loss					
-Exchange translation differences		(1,830,806)	(1,361,731)	-	-
Total comprehensive (loss)/ income for the financial year		(42,650,543)	(38,055,316)	5,034,309	52,194,707
(Loss)/Profit for financial year attributable to:					
Owners of the Company		(40,819,737)	(36,693,585)	5,034,309	52,194,707
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(42,650,543)	(38,055,316)	5,034,309	52,194,707
Earnings per share					
Basic loss per share attributable to owners of the Company (sen)	28	(8.16)	(7.34)	-	-

The accompanying notes form an integral part of the fnancial statements

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

	Share capital RM	(Accumulated losses)/ retained earnings RM	Foreign currency translation reserve RM	Total equity RM
Group				
Balance at 1 January 2019	329,086,883	(16,815,447)	55,984,785	368,256,221
Loss for the financial year	-	(36,693,585)	-	(36,693,585)
Other comprehensive loss for the financial year	-	-	(1,361,731)	(1,361,731)
Total comprehensive loss for the financial year	-	(36,693,585)	(1,361,731)	(38,055,316)
Balance at 31 December 2019	329,086,883	(53,509,032)	54,623,054	330,200,905
Loss for the financial year	-	(40,819,737)	-	(40,819,737)
Other comprehensive loss for the financial year	-	-	(1,830,806)	(1,830,806)
Total comprehensive loss for the financial year	-	(40,819,737)	(1,830,806)	(42,650,543)
Balance at 31 December 2020	329,086,883	(94,328,769)	52,792,248	287,550,362
Company				
Balance at 1 January 2019	329,086,883	35,211,892	-	364,298,775
Total comprehensive income for the financial year	-	52,194,707	-	52,194,707
Balance at 31 December 2019	329,086,883	87,406,599	-	416,493,482
Total comprehensive income for the financial year	-	5,034,309	-	5,034,309
Balance at 31 December 2020	329,086,883	92,440,908	-	421,527,791

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

SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
OPERATING ACTIVITIES				
(Loss)/Profit before tax	(44,243,607)	(37,458,462)	5,079,003	52,194,707
Adjustments for:-				
Depreciation of property, plant and equipment	37,874,392	38,044,095	1,347	925
Deposit written off	12,960	-	-	-
Dividend income from subsidiaries	-	-	(35,880,000)	(67,815,648)
Gain on disposal of property, plant and equipment	(1,676,658)	(49)	-	-
Gain on termination of lease contract	(2,604)	-	-	-
Gain on bargain purchase	(2,729,972)	-	-	-
Interest expenses	5,642,370	7,905,275	2,261,972	4,438,654
Interest income	(701,232)	(1,602,720)	(2,995,364)	(3,984,937)
Impairment loss on financial assets:-				
- Trade receivables	2,162,600	2,361,015	-	-
- Amount due from an associate	1,166,629	2,751,636	-	-
Impairment loss on non financial assets:-				
- Investment in subsidiaries	-	-	27,244,235	14,590,486
- Property, plant and equipment	475,459	-	-	-
Inventories written off	42,779	100,737	-	-
Inventories written down	-	69,646	-	-
Loss on derecognised of a subsidiary	3,370,711	-	11,828	-
Loss on remeasurement of a joint venture	2,128,597	-	-	-
Property, plant and equipments written off	5,425	20,109	-	-
Reversal of impairment loss on trade receivables	(1,055,502)	(209,693)	-	-
Reversal of inventories written down	-	(436,929)	-	-
Share of results of an associate	774,564	606,228	-	-
Share of results of a joint venture	(1,104,634)	(154,018)	-	-
Unrealised loss on foreign exchange	2,938,513	1,194,211	3,705,127	151
Operating cash flows before working capital changes	5,080,790	13,191,081	(571,852)	(575,662)

SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
OPERATING ACTIVITIES (CONT'D)				
Operating cash flows before working capital changes (cont'd)	5,080,790	13,191,081	(571,852)	(575,662)
Changes in working capital:-				
Inventories	2,128,501	2,012,644	-	-
Contract balances	48,714	1,514,415	-	-
Contract costs	(103,759)	91,522	-	-
Receivables	13,911,752	9,070,683	77,382	(93,800)
Payables	(4,888,193)	2,477,674	431,725	427,443
Joint venture	(3,383,536)	129,488	-	-
Cash flows generated from/ (used in) operations	12,794,269	28,487,507	(62,745)	(242,019)
Interest received	701,232	1,602,720	2,995,364	3,984,937
Interest paid	(5,642,370)	(7,905,275)	(2,261,972)	(4,438,654)
Real property gain tax	-	(15)	-	-
Tax refund	70	994,394	-	211,815
Tax paid	(1,142,072)	(1,554,263)	-	(61,430)
Net cash flows from/(used in) operating activities	6,711,129	21,625,068	670,647	(545,351)
INVESTING ACTIVITIES				
Proceed from disposal of property, plant and equipment	4,928,887	50	-	-
Proceed from disposal of a subsidiary	-	-	560,000	-
Purchase of property, plant and equipment	(220,013)	(349,443)	-	(4,670)
Net cash outflows from derecognition of a subsidiary	(3,034,286)	-	-	-
Acquisition of a subsidiary, net cash acquired	43,746	-	-	-
(Advances to)/Repayment from subsidiaries	-	-	(59,560,813)	71,006,555
Repayment from/(Advances to):-				
- associates	-	155,092	-	-
- joint venture	1,125,475	(1,192,910)	-	-
Net cash flows from/(used in) investing activities	2,843,809	(1,387,211)	(59,000,813)	71,001,885

SEALINK INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
FINANCING ACTIVITIES					
Placement of fixed deposits		(138,987)	(919,731)	-	-
Payment of lease liabilities		(181,958)	(403,574)	-	-
Payment of borrowings		(15,062,658)	(35,755,497)	-	-
Repayment from/(Advances to) subsidiaries		-	-	54,384,824	(72,883,950)
Advances from/(Repayment to) a shareholder		4,000,000	(6,900,736)	4,000,000	(6,002,295)
Net cash flows (used in)/from financing activities		(11,383,603)	(43,979,538)	58,384,824	(78,886,245)
CASH AND CASH EQUIVALENTS					
Net changes		(1,828,665)	(23,741,681)	54,658	(8,429,711)
Effect of exchange rate changes on cash and cash equivalents		(3,412)	(273,137)	(24)	(14)
At beginning of the financial year		(11,761,763)	12,253,055	123,351	8,553,076
At end of the financial year	A	(13,593,840)	(11,761,763)	177,985	123,351

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	3,176,847	5,436,529	177,985	123,351
Fixed deposits with licensed banks	2,127,721	3,132,242	-	-
Bank overdraft	(17,470,687)	(17,331,948)	-	-
	(12,166,119)	(8,763,177)	177,985	123,351
Less:				
Fixed deposits pledged with licensed banks	(1,427,721)	(1,214,524)	-	-
Fixed deposits with maturity more than 3 months	-	(1,784,062)	-	-
	(13,593,840)	(11,761,763)	177,985	123,351

SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
B. TOTAL CASH OUTFLOWS FOR LEASES AS A LESSEE				
Included in net cash flows from operating activities:				
Expenses relating to short-term leases	123,464	208,834	-	-
Expenses relating to leases of low-value assets	13,240	16,792	-	-
Included in net cash flows from financing activities:				
Payment of lease liabilities	181,958	403,574	-	-
Payment of interest of lease liabilities	21,036	42,727	-	-
	339,698	671,927	-	-

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

SEALINK INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

1. Corporate information

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 1035, Block 4, MCLD, Piasau Industrial Area, 98000 Miri, Sarawak.

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and of its subsidiaries 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 17 May 2021.

2. Fundamental accounting concept

As at 31 December 2020, the Group's total current liabilities exceed its total current assets by RM54,937,735 and during the financial year, the Group incurred net loss of RM40,819,737. These events or conditions indicate material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. The emergence of the COVID-19 outbreak since early 2020 has brought uncertainties to economic condition in worldwide and offshore marine sector. The Directors currently do not know the duration it will take for the economic conditions in the offshore marine sector to improve and for the outbreak to be fully contained. Meanwhile, the Directors have taken various measures to streamline the Group's operations and will continue to actively monitor and manage its funds to enable the Group to ride through this period of uncertainties. Amongst others, the Group has secured several chartering contracts and plan to dispose of certain vessels subsequent to the financial year end.

The financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which depends on the continuing financial support from the creditors, bankers and a major corporate shareholder in which certain Directors have interest and attaining future profitable operations.

In view of the foregoing, the Directors consider that it is appropriate to prepare the financial statements of the Group on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, or to amounts and classification of liabilities that may be necessary.

3. Basis of preparation

3.1 Statement of compliance

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

3.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

3.4 Adoption of amendments/improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 4 to the Financial Statements to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/ improvements to MFRSs which are mandatory for the financial year.

Initial application of the amendments/improvements to the standards did not have any material impact to the financial statements.

3.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:-

Amendment to MFRS effective 1 June 2020:-

Amendments to MFRS 16	Covid-19-Related Rent Concessions

Amendments to MFRS effective 1 January2021:-

Amendments to MFRS 9*#, 139*#, 7*#, 4*# and 16	Interest Rate Benchmark Reform – Phase 2

3. **Basis of preparation (cont'd)**

3.5 **Standards issued but not yet effective (cont'd)**

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company (cont'd):-

Amendments to MFRSs effective 1 January 2022:-

Amendments to MFRS 3*#	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137*#	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020	

MFRS and amendments to MFRS effective 1 January 2023:-

Amendments to MFRS 4*#	Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17 and Amendments to MFRS 17*#	Insurance Contracts and Amendments to MFRS 17 Insurance Contract
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Amendments to MFRS (effective date deferred indefinitely):-

Amendments to MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to the Company's operation
\# Not applicable to the Group's operation

The Group and the Company intend to adopt these standards and amended standards, if applicable, when they become effective. The initial application of the above standards and amendments are not expected to have any financial impact to the financial statements of the Group and of the Company.

3.6 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affected the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

3. Basis of preparation (cont'd)

3.6 Significant accounting estimates and judgements (cont'd)

3.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 5 to 60 years and reviews the useful lives of depreciable assets at each reporting date. As at 31 December 2020, management assesses that the useful lives represent the expected utility of the assets to the Group and to the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting in the adjustment to the Group's and to the Company's assets.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset specific risk factors.

Provision for expected credit losses ("ECLs") of receivables and contract assets

The Group and the Company calculates ECLs for receivables and contract assets based on the Group's and of the Company's historical observed default rates, 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, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3. Basis of preparation (cont'd)

3.6 Significant accounting estimates and judgements (cont'd)

3.6.1 Estimation uncertainty (cont'd)

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to social preference and economical changes which may cause selling prices to change rapidly and the Group's result to change.

The management reviews inventories to identify damaged, obsolete and slow moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Income taxes and deferred tax liabilities

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Summary of significant accounting policies

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

4.1 Consolidation

4.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiaries, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4. Summary of significant accounting policies (cont'd)

4.1 Consolidation (cont'd)

4.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4. Summary of significant accounting policies (cont'd)

4.1 Consolidation (cont'd)

4.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. Summary of significant accounting policies (cont'd)

4.1 Consolidation (cont'd)

4.1.5 Investments in associates and joint ventures (cont'd)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within "Share of profit of an associate and a joint venture" in the statements of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.2 Property, plant and equipment

All property, plant and equipment, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost. Property, plant and equipment are depreciated based on the estimated useful lives of the assets.

4. Summary of significant accounting policies (cont'd)

4.2 Property, plant and equipment (cont'd)

The principal annual depreciation rates used are as follows:

Buildings and wharf	10 – 50 years
Vessels	8 – 20 years
Vessel equipment	1.5 – 10 years
Dry docking cost	2.5 years
Equipment, furniture and fittings	1.5 – 10 years
Plant & machinery	10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.3.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price as disclosed in Note 33.1(a) to the Financial Statements.

4. Summary of significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

4.3.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

At the reporting date, the Group and the Company only carry financial assets at amortised cost on its statements of financial position.

4. Summary of significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

4.3.1 Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include trade and other receivables, amounts due from subsidiaries, an associate, a joint venture, fixed deposits with licensed banks and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group 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.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its 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.

4. Summary of significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

4.3.1 Financial assets (cont'd)

Derecognition (cont'd)

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.

Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that resulted from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses are the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables and contract assets using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

4. **Summary of significant accounting policies (cont'd)**

4.3 **Financial instruments (cont'd)**

4.3.1 **Financial assets (cont'd)**

Impairment (cont'd)

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost is 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 the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or 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 sources 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 subjected to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

4.3.2 **Financial liabilities**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of those measured subsequently at amortised cost, net of directly attributable transaction costs.

Subsequent measurement

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

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

At the reporting date, the Group and the Company carry only financial liabilities at amortised cost on its statements of financial position.

<u>Financial liabilities at amortised cost</u>

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

The Group's and the Company's financial liabilities at amortised cost include trade and other payables, amounts due to subsidiaries/ associate/ joint venture and borrowings.

4. Summary of significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

4.3.2 Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

4.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

4.4 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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.

4. Summary of significant accounting policies (cont'd)

4.4 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

4.5 Non-current asset held for sale

Non-current asset for sale comprising asset that is expected to be recovered primarily through sale rather than through continuing use.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the asset which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale, the asset is remeasured in accordance with the Group's accounting policies. Thereafter, the asset is generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

4.6 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.6.1 As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4. Summary of significant accounting policies (cont'd)

4.6 Leases (cont'd)

4.6.1 As a lessee (cont'd)

4.6.1.1 Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	6 – 60 years
Building	3 – 4.5 years
Office equipment	10 years
Vessels	2 years

If ownership of the lease asset transfers to the Group at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 4.4 to the Financial Statements.

4.6.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on a index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4. **Summary of significant accounting policies (cont'd)**

4.6 **Leases (cont'd)**

4.6.1 **As a lessee (cont'd)**

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.6.2 **As a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.7 **Inventories**

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a first-in-first-out basis.

The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

4.8 **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank, bank overdrafts and fixed deposits with licensed banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting year are classified as non-current assets.

4. Summary of significant accounting policies (cont'd)

4.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Accumulated losses include all current year's loss and prior years' losses.

All transactions with owners of the Company are recorded separately within equity.

4.10 Revenue

4.10.1 Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

(i) ***Construction contract and ship repair***

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

(ii) ***Sales of services***

Revenue from sale of services is recognised at a point in time when control of the assets is transferred to the customers, generally on delivery of the services.

4. Summary of significant accounting policies (cont'd)

4.10 Revenue (cont'd)

4.10.1.1 Contract balances

(i) ***Contract assets***

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) ***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4.10.2 Revenue from other sources

(i) ***Vessel charter and berthing fees***

Vessel charter fee arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

(ii) ***Interest income***

Interest income is recognised on accrual basis using the effective interest method.

(iii) ***Management fee***

Management fees are recognised when services are rendered.

(iv) ***Dividend income***

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

4.11 Contract costs

Contract costs comprise repair and maintenance works provided by the Group and the Company. The contract costs recognised in profit or loss when the related service is fully rendered in accordance with the contract agreement.

4. Summary of significant accounting policies (cont'd)

4.12 Employee benefits

4.12.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which the associated services are rendered by employees of the Group and of the Company.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leaves are recognised when the absences occurred.

4.12.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution 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 the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

In Singapore, the Group makes contributions to the Central Provident Fund ("CPF") scheme, a defined contribution pension scheme.

4.13 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

4.13.1 Current tax

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

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

4.13.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4. Summary of significant accounting policies (cont'd)

4.13 Tax expense (cont'd)

4.13.2 Deferred tax (cont'd)

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.14 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

4.14.1 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting year. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

4. Summary of significant accounting policies (cont'd)

4.14 Foreign currency transactions and balances (cont'd)

4.14.1 Foreign operations (cont'd)

In the statements of financial position, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

4.15 Borrowing costs

Borrowing costs are expensed in the year in which they are incurred. Borrowing costs consists of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

4.16 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting year 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. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.17 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. Summary of significant accounting policies (cont'd)

4.18 Earnings per ordinary share

The Group presents basic and dilute earnings per share data for its ordinary shares ("EPS").

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 periods, adjusted for own shares held.

4.19 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 the Company.

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

5. **Property, plant and equipment**

Group	**Vessels RM**	**Vessel equipment and docking expenses RM**	**Land, Buildings and wharf* RM**	**Equipment, furniture and fittings RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Capital work-in-progress RM**	**Total RM**
Cost								
At 1 January 2019	692,571,870	7,833,229	82,236,644	7,579,519	38,923,286	3,818,476	3,820,724	836,783,748
Additions	-	246,299	-	94,244	8,900	-	-	349,443
Reclassification	-	(11,369)	-	11,369	-	-	-	-
Disposals	-	-	-	-	-	(9,600)	-	(9,600)
Written off	-	(61,422)	-	(31,832)	-	(92,376)	-	(185,630)
Exchange rate difference	(3,847,827)	(27,654)	(859)	1,611	-	-	-	(3,874,729)
At 31 December 2019	688,724,043	7,979,083	82,235,785	7,654,911	38,932,186	3,716,500	3,820,724	833,063,232
Acquisition of a subsidiary	11,000,000	142,936	-	-	-	-	-	11,142,936
Derecognition of a subsidiary	(12,592,946)	(12,614)	-	(22,365)	-	-	-	(12,627,925)
Additions	-	162,922	-	46,675	10,416	-	-	220,013
Termination of lease assets	-	-	(154,817)	-	-	-	-	(154,817)
Disposals	(5,239,461)	(385,907)	-	(11,690)	-	(564,300)	-	(6,201,358)
Written off	-	(90,151)	-	-	-	(575,735)	-	(665,886)
Exchange rate difference	(3,843,822)	(46,947)	(547)	2,897	-	-	-	(3,888,419)
At 31 December 2020	678,047,814	7,749,322	82,080,421	7,670,428	38,942,602	2,576,465	3,820,724	820,887,776
Accumulated depreciation								
At 1 January 2019	264,439,548	3,732,974	28,868,889	7,043,146	34,905,825	3,818,438	3,820,724	346,629,544
Charge for the financial year	33,696,113	538,828	2,260,421	217,287	1,331,446	-	-	38,044,095
Reclassification	-	(853)	-	853	-	-	-	-
Disposals	-	-	-	-	-	(9,599)	-	(9,599)
Written off	-	(56,905)	-	(16,241)	-	(92,375)	-	(165,521)
Exchange rate difference	(1,859,579)	(21,779)	(172)	1,301	-	-	-	(1,880,229)
At 31 December 2019	296,276,082	4,192,265	31,129,138	7,246,346	36,237,271	3,716,464	3,820,724	382,618,290

5. **Property, plant and equipment (cont'd)**

Group (cont'd)	**Vessels RM**	**Vessel equipment and docking expenses RM**	**Land, Buildings and wharf* RM**	**Equipment, furniture and fittings RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Capital work-in-progress RM**	**Total RM**
Accumulated depreciation (cont'd)								
At 31 December 2019 (con'd)	296,276,082	4,192,265	31,129,138	7,246,346	36,237,271	3,716,464	3,820,724	382,618,290
Acquisition of a subsidiary	4,134,751	42,709	-	-	-	-	-	4,177,460
Derecognition of a subsidiary	(2,003,579)	(1,598)	-	(4,443)	-	-	-	(2,009,620)
Termination of lease assets	-	-	(51,606)	-	-	-	-	(51,606)
Charge for the financial year	34,518,860	313,253	2,133,085	135,067	774,127	-	-	37,874,392
Disposals	(2,208,067)	(175,605)	-	(1,158)	-	(564,299)	-	(2,949,129)
Written off	-	(84,729)	-	-	-	(575,732)	-	(660,461)
Exchange rate difference	(1,742,210)	(42,444)	(470)	(498)	-	-	-	(1,785,622)
At 31 December 2020	328,975,837	4,243,851	33,210,147	7,375,314	37,011,398	2,576,433	3,820,724	417,213,704
Accumulated impairment								
At 1 January 2019	27,510,253	-	2,356,429	-	-	-	-	29,866,682
Exchange rate difference	(286,009)	-	-	-	-	-	-	(286,009)
At 31 December 2019	27,224,244	-	2,356,429	-	-	-	-	29,580,673
Impairment for the financial year	475,459	-	-	-	-	-	-	475,459
Exchange rate difference	(505,507)	-	-	-	-	-	-	(505,507)
At 31 December 2020	27,194,196	-	2,356,429	-	-	-	-	29,550,625
Net carrying amount								
At 31 December 2020	321,877,781	3,505,471	46,513,845	295,114	1,931,204	32	-	374,123,447
At 31 December 2019	365,223,717	3,786,818	48,750,218	408,565	2,694,915	36	-	420,864,269

5. **Property, plant and equipment (cont'd)**

***Land, buildings and wharf**

Group	**Land RM**	**Workshop and renovation RM**	**Wharf, yard and buildings RM**	**Total RM**
Cost				
At 1 January 2019	45,232,259	5,006,303	31,998,082	82,236,644
Exchange rate difference	-	-	(859)	(859)
At 31 December 2019	45,232,259	5,006,303	31,997,223	82,235,785
Termination of lease assets	-	-	(154,817)	(154,817)
Exchange rate difference	-	-	(547)	(547)
At 31 December 2020	45,232,259	5,006,303	31,841,859	82,080,421
Accumulated depreciation				
At 1 January 2019	11,291,232	2,664,424	14,913,233	28,868,889
Charge for the year	877,668	274,806	1,107,947	2,260,421
Exchange rate difference	-	-	(172)	(172)
At 31 December 2019	12,168,900	2,939,230	16,021,008	31,129,138
Charge for the year	877,668	267,796	987,621	2,133,085
Termination of lease assets	-	-	(51,606)	(51,606)
Exchange rate difference	-	-	(470)	(470)
At 31 December 2020	13,046,568	3,207,026	16,956,553	33,210,147
Accumulated impairment				
At 1 January 2019/ 31 December 2019/ 31 December 2020	-	-	2,356,429	2,356,429
Net carrying amount				
At 31 December 2020	32,185,691	1,799,277	12,528,877	46,513,845
At 31 December 2019	33,063,359	2,067,073	13,619,786	48,750,218

5. **Property, plant and equipment (cont'd)**

Company	**Signboard RM**	**Office equipment RM**	**Total RM**
Cost			
At 1 January 2019	7,390	9,050	16,440
Additions	-	4,670	4,670
At 31 December 2019/ 31 December 2020	7,390	13,720	21,110
Accumulated depreciation			
At 1 January 2019	7,267	8,119	15,386
Charge for the year	122	803	925
At 31 December 2019	7,389	8,922	16,311
Charge for the year	-	1,347	1,347
At 31 December 2020	7,389	10,269	17,658
Net carrying amount			
At 31 December 2020	1	3,451	3,452
At 31 December 2019	1	4,798	4,799

Details of lands are analysed as follow:-

	Group	
	2020 RM	**2019 RM**
Freehold	5,360,549	5,360,549
Long term leasehold land	25,891,550	26,665,485
Short term leasehold land	933,592	1,037,325
	32,185,691	33,063,359

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 17 to the Financial Statements.

In view of the depressed economic conditions in the offshore marine sector, the Group performed an assessment during the financial year on the recoverable amount of the property, plant and equipment to determine whether the carrying value of the property, plant and equipment, which are in chartering segment, are recoverable. The view was carried out in accordance with MFRS 136 "Impairment of Assets". The estimated recoverable amount is determined based on the higher of an asset's value in use ("VIU") and fair value less costs to sell ("FV").

Based on the impairment test performed, the carrying amount of certain vessels were higher than their recoverable amounts, determined using FV, based on the net selling price expected to be received for similar assets. An impairment loss of RM457,459 (2019: Nil) was recognised and included in other operating expenses.

5. Property, plant and equipment (cont'd)

The carrying amount of property, plant and equipment pledged to licensed banks as securities for bank facilities granted to the Group as disclosed in Note 16 to the Financial Statements are as follows:-

	Group	
	2020	**2019**
	RM	**RM**
Vessels	156,690,737	191,112,378
Freehold land	2,596,928	2,596,928
Leasehold Land	24,566,510	25,027,530
	183,854,175	218,736,836

6. Subsidiaries

6.1 Investment in subsidiaries

	Company	
	2020	**2019**
	RM	**RM**
Unquoted shares, at cost:		
- Ordinary shares	228,463,172	234,810,172
- Redeemable convertible preference shares	167,845,750	167,845,750
	396,308,922	402,655,922
Less: Impairment losses		
At beginning of financial year	(31,910,385)	(17,319,899)
Recognised	(27,244,235)	(14,590,486)
Written off	5,307,313	-
At end of financial year	(53,847,307)	(31,910,385)
	342,461,615	370,745,537

An impairment assessment on the carrying amounts of interests in subsidiaries at the reporting date was undertaken based on higher of the fair value less costs of disposal and the value in use for those subsidiaries with indicators of impairment.

Based on the impairment tests peformed, the carrying amounts of investments in certain subsidiaries were higher than their recoverable amounts, determined using fair value less costs of disposal, based on the net selling price expected to be received for similar assets. An impairment loss of RM27,244,235 (2019: RM14,590,486) was recognised and included in other operating expenses.

6. Subsidiaries (cont'd)

6.1 Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:-

Name of subsidiaries	Principal place of business	Principal activities	Effective equity interest 2020 %	2019 %
Cergas Majusama Sdn. Bhd. #	Malaysia	Inactive	100	100
Era Sureway Sdn. Bhd.	Malaysia	Chartering of marine vessels	-	100
Era Surplus Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Midas Choice Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Godrimaju Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Euroedge Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Seabright Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Sealink Engineering and Slipway Sdn. Bhd.	Malaysia	Shipbuilding	100	100
Sealink Management Sdn. Bhd. #	Malaysia	Inactive	100	100
Sealink Marine Sdn. Bhd. #	Malaysia	Inactive	100	100
Sealink Pacific Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Sealink Sdn. Bhd.	Malaysia	Chartering of marine vessels and letting of properties	100	100
Sutherfield Resources Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Sealink Shipyard Sdn. Bhd.	Malaysia	Shipbuilding	100	100
Sea-Good Pte Ltd. *	Singapore	Chartering of marine vessels	100	100
Seabright (Singapore) Private Limited *	Singapore	Vessel owner	100	100
Sealink Offshore (L) Ltd.	Federal Territory of Labuan, Malaysia	Investment holding and chartering of marine vessels	100	100
Subsidiary of Era Surplus Sdn. Bhd.				
Seasten Sdn. Bhd.	Malaysia	Vessel owner and operator	100	-
Subsidiary of Midas Choice Sdn. Bhd.				
Sea Legend Shipping Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Sea Legend Shipping Sdn. Bhd.				
Mitra Angkasa Sdn. Bhd.	Malaysia	Chartering of marine vessels	100	100
Subsidiary of Sealink Engineering and Slipway Sdn. Bhd.				
Baram Moulding Industries Sdn. Bhd.	Malaysia	Letting of properties	100	100

6. Subsidiaries (cont'd)

6.1 Investment in subsidiaries (cont'd)

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

Name of subsidiaries	Principal place of business	Principal activities	Effective equity interest 2020 %	2019 %
Subsidiary of Sealink Pacific Sdn. Bhd.				
Bristal View Sdn. Bhd.	Malaysia	Property holding	100	100
Subsidiary of Sealink Shipyard Sdn. Bhd.				
Aliran Saksama Sdn. Bhd.	Malaysia	Letting of properties	100	100
Subsidiaries of Sealink Offshore (L) Ltd				
Sealink Antarabangsa Ltd.	Federal Territory of Labuan, Malaysia	Chartering of marine vessels	100	100
Perkasa Asia Corporation Ltd.	Federal Territory of Labuan, Malaysia	Chartering of marine vessels	100	100
Hanvoir (L) Ltd. @	Federal Territory of Labuan, Malaysia	Inactive	100	100

* Audited by a firm other than Grant Thornton Malaysia PLT
\# Companies in the process of winding up
@ Company in the process of striking off

6.2 Amount due from/to subsidiaries

	Company 2020 RM	2019 RM
<u>Amount due from subsidiaries</u>		
- Non-current	31,411,243	11,514,846
- Current	128,545,609	93,707,237
	159,956,852	105,222,083
<u>Amount due to subsidiaries</u>		
- Current	68,167,662	50,783,779

Amount due from subsidiaries is non-trade in nature, unsecured, non-interest bearing and receivable on demand except for an amount of RM101,978,783 (2019: RM100,134,742) which bears interest rate at 2.21% (2019: 3.52%) per annum.

Amount due to subsidiaries is non-trade in nature, unsecured, non-interest bearing and payable on demand except for an amount of RM48,725,385 (2019: RM50,783,779) which bears interest rate at 2.21% (2019: 3.52%) per annum.

7. Associate

7.1 Investment in an associate

	Group	
	2020	**2019**
	RM	**RM**
Unquoted shares, at cost	3,500,000	3,500,000
Share of post-acquisition reserves	(3,500,000)	(2,725,436)
	-	774,564

Details of the associate is as follows:

Name of associate	Principal place of business	Principal activities	Effective equity interest 2020 %	Effective equity interest 2019 %
Logistine Sdn. Bhd. *	Malaysia	Providing offshore support vessels, equipment and engineering consultation for oil and gas activities. The Company is inactive during the financial year.	25	25

* Audited by a firm other than Grant Thornton Malaysia PLT.

The following table summarises the information of the Group's associate:-

	Group	
	2020	**2019**
	RM	**RM**
Financial position as at 31 December		
Non-current assets	21,083,956	27,940,350
Current assets	1,658,383	1,652,383
Current liabilities	(24,333,907)	(24,333,907)
Summary of financial performance for the financial year ended 31 December		
Net loss/total comprehensive loss for the financial year	(6,856,394)	(1,850,236)

The Group has not recognised loss related to the associate amounting to RM939,535 (2019: Nil) as the Group has no obligation in respect of this loss.

7. **Associate (cont'd)**

7.2 **Amount due from an associate**

	Group	
	2020	**2019**
	RM	**RM**
Amount due from an associate		
Trade	920,185	920,185
Less: Allowance for expected credit losses		
At beginning of financial year	(155,901)	-
Recognised	-	(155,901)
At end of financial year	(155,901)	(155,901)
	764,284	764,284
Non-trade	21,984,299	21,984,299
Less: Allowance for expected credit losses		
At beginning of financial year	(2,595,735)	-
Recognised	(1,166,629)	(2,595,735)
At end of financial year	(3,762,364)	(2,595,735)
	18,221,935	19,388,564
Amount due from an associate, net	18,986,219	20,152,848

Amounts due from an associate is non-interest bearing, unsecured and receivable on demand.

8 **Joint venture**

8.1 **Investment in a joint venture**

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Unquoted shares, at cost:				
- Ordinary shares	467,859	1,959,998	467,859	-
- Redeemable convertible preference shares	-	5,556,004	-	-
	467,859	7,516,002	467,859	-
Share of post-acquisition reserves	1,052,837	(922,390)	-	-
	1,520,696	6,593,612	467,859	-

8 Joint venture (cont'd)

8.1 Investment in a joint venture (cont'd)

Details of the joint venture are as follows:

Name of joint ventures	Principal place of business	Principal activities	Effective equity interest 2020 %	Effective equity interest 2019 %
Seasten Sdn. Bhd.	Malaysia	Vessel owner and operator	-	49
Era Sureway Sdn. Bhd.	Malaysia	Chartering of marine vessels	45	-

The following table summarises the information of the Group's joint venture as follows:-

	Era Sureway Sdn. Bhd. 2020 RM	Seasten Sdn. Bhd. 2019 RM
Financial position as at 31 December		
Non-current assets	11,258,629	7,044,691
Current assets	7,784,285	5,689,889
Non-current liabilities	(8,028,970)	-
Current liabilities	(7,634,619)	(3,622,306)
Summary of financial performance for the financial year ended 31 December		
Net profit/total comprehensive income for the financial year	48,579	314,323
Included in net profit/total comprehensive income:		
Revenue	25,393,021	3,723,250
Depreciation and amortisation	(816,783)	(950,584)
Interest income	50,028	-
Interest expense	(726,179)	-
Tax expense	(223,157)	(456,837)

8 Joint venture (cont'd)

8.2 Amount due from a joint venture

	Group 2020 RM	Group 2019 RM
Amount due from a joint venture		
Non-current		
- Non-trade	7,403,564	-
Current		
- Trade	4,631,801	1,248,265
- Non-trade	1,939,794	2,132,286
	6,571,595	3,380,551
	13,975,159	3,380,551

Amount due from a joint venture is unsecured, non-interest bearing and receivable on demand except for amount due from a joint venture amounting to RM9,377,852 (2019: Nil) which is unsecured and has fixed term of repayment at effective interest rate charged at 5.99% (2019: Nil) per annum.

9. Fixed deposits with licensed banks

The fixed deposits with licensed banks of the Group amounting to RM1,427,721 (2019: RM1,214,524) are pledged to the banks for bank guarantee and banking facilities issued on behalf of the Group to third parties.

The fixed deposits with licensed banks of the Group amounting to Nil (2019: RM1,784,062) are with maturity more than 3 months.

The Group effective interest rates of fixed deposits range from 1.50% to 2.60% (2019: 2.90% to 3.35%) with maturity period range from 30 to 365 days (2019: 60 to 365 days) respectively.

10. Inventories

	Group 2020 RM	Group 2019 RM
Parts, materials and consumables	9,634,821	11,858,247
Machinery and equipment	1,501,715	1,507,586
	11,136,536	13,365,833

10. **Inventories (cont'd)**

	Group	
	2020	**2019**
	RM	**RM**
Recognised in profit or loss:-		
Inventories recognised as cost of sales	6,212,221	4,934,570
Inventories written off	42,779	100,737
Inventories written down	-	69,646
Reversal of inventories written down	-	(436,929)

11. **Contract costs**

	Group	
	2020	**2019**
	RM	**RM**
Current		
- Repair and maintenance works	195,281	91,522

12. **Trade receivables**

	Group	
	2020	**2019**
	RM	**RM**
Trade receivables	10,586,639	29,863,763
Less: Allowance for expected credit losses		
At beginning of financial year	(2,766,535)	(615,213)
Recognised	(2,162,600)	(2,361,015)
Acquisition of a subsidiary	(348,554)	-
Reversal	1,055,502	209,693
At end of financial year	(4,222,187)	(2,766,535)
	6,364,452	27,097,228

Trade receivables are non-interest bearing and generally on 30 to 60 (2019: 30 to 60) days terms.

The impairment loss on trade receivables were reversed during the financial year as a result of receipts.

13. Other receivables

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-trade receivables	3,610,207	2,644,562	678,489	755,871
Less: Allowance for expected credit losses				
At beginning of financial year	(181,205)	(181,205)	-	-
	3,429,002	2,463,357	678,489	755,781
Refundable deposits	320,750	335,007	2,000	2,000
Prepayments	354,561	469,554	-	-
Goods and services tax receivable	-	193,966	-	-
	4,104,313	3,461,884	680,489	757,871

14. Asset held for sale

	Group 2020 RM	Group 2019 RM
Condominium	577,113	-

The Group is under negotiation with a potential buyer to determine the mutually agreed disposal price of its condominium. The transaction has yet to be completed as at reporting date.

15. Share capital

	Number of Shares 2020 units	Number of Shares 2019 units	Amount 2020 RM	Amount 2019 RM
Issued and fully paid with no par value				
At beginning/end of financial year	500,000,000	500,000,000	329,086,883	329,086,883

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

16. Borrowings

	Group 2020 RM	Group 2019 RM
Secured:		
Non-current:		
Term loans	25,776,098	35,654,680
Current:		
Bank overdraft	17,470,687	17,331,948
Revolving credits	33,514,580	37,164,580
Term loans	18,113,706	20,034,172
	69,098,973	74,530,700
	94,875,071	110,185,380

The bank overdraft, revolving credits and term loans are secured by way of:

(a) charges over leasehold land and buildings of the Group,
(b) charges over freehold land of the Group,
(c) charges over certain vessels of the Group,
(d) fixed deposits with licensed banks,
(e) assignment of time charter proceeds, and
(f) corporate guarantee by the Company.

The effective interest rates of borrowings are as follows:

	Group 2020 %	Group 2019 %
Bank overdraft	4.10 - 7.14	7.15 – 8.14
Revolving credits	3.41 – 4.13	5.17 – 5.35
Term loans	5.99 – 6.17	5.99 – 6.18

17. Right-of-use assets and lease liabilities

As a lessee

The Group has lease contracts for land, buildings, vessels and office equipment. The Group’s obligations under these leases are secured by the lessor’s title to the leased assets.

17. Right-of-use assets and lease liabilities (cont'd)

17.1 Right-of-use assets

Group	Leasehold land RM	Building RM	Vessels RM	Office equipment RM	Total RM
Cost					
At 1 January 2019	39,871,710	672,337	400,555	14,400	40,959,002
Exchange rate difference	-	(859)	-	-	(859)
At 31 December 2019	39,871,710	671,478	400,555	14,400	40,958,143
Termination of lease contract	-	(154,817)	-	-	(154,817)
Exchange rate difference	-	(547)	-	-	(547)
At 31 December 2020	39,871,710	516,114	400,555	14,400	40,802,779
Accumulated depreciation					
At 1 January 2019	11,291,232	-	-	2,520	11,293,752
Charge for the year	877,668	215,351	200,277	1,440	1,294,736
At 31 December 2019	12,168,900	215,179	200,277	3,960	12,588,316
Charge for the year	877,668	163,824	200,278	1,440	1,243,210
Termination of lease contract	-	(51,606)	-	-	(51,606)
Exchange rate difference	-	(470)	-	-	(470)
At 31 December 2020	13,046,568	326,927	400,555	5,400	13,779,450
Net carrying amount					
At 31 December 2020	26,825,142	189,187	-	9,000	27,023,329
At 31 December 2019	27,702,810	456,299	200,278	10,440	28,369,827

17.2 Lease liabilities

	Group 2020 RM	Group 2019 RM
<u>Current</u>		
- less than 1 year	198,566	421,231
<u>Non-current</u>		
- more than 1 year but less than 5 years	186,949	253,191
	385,515	674,422

The lease liabilities bear interest at rate of 5% (2019: 5%) per annum.

17. Right-of-use assets and lease liabilities (cont'd)

17.2 Lease liabilities (cont'd)

Set out below is the movement of the lease liabilities during the financial year:

	Group	
	2020	**2019**
	RM	**RM**
At beginning of financial year	674,422	1,078,892
Accretion of interest	21,036	42,727
Termination of lease contract	(105,815)	-
Payments	(202,994)	(446,301)
Exchange rate differences	(1,134)	(896)
At end of financial year	385,515	674,422

The following are the amounts relating to right-of-use assets recognised in profit or loss:-

	2020	**2019**
	RM	**RM**
Depreciation of right-of-use assets	1,243,210	1,294,736
Interest expense on lease liabilities	21,036	42,727
Gain on termination of lease contract	(2,604)	-
Expense relating to short-term leases	123,464	208,834
Expense relating to leases of low-value assets	13,240	16,792

18. Deferred tax liabilities

	Group	
	2020	**2019**
	RM	**RM**
At beginning of financial year	21,216,582	23,502,877
Recognised in profit or loss	(4,397,137)	(2,286,295)
Derecognition of a subsidiary	(671,719)	-
At end of financial year	16,147,726	21,216,582

18. Deferred tax liabilities (cont'd)

The components of deferred tax liabilities as at the end of the reporting year are made up of the following:-

	Group	
	2020	**2019**
	RM	**RM**
Property, plant and equipment	35,921,600	40,329,659
Unabsorbed business losses	(8,373,900)	(8,205,320)
Unutilised capital allowances	(10,714,506)	(10,341,113)
Others	(685,468)	(566,644)
At end of financial year	16,147,726	21,216,582

19. Trade payables

Group

Trade payables are non-interest bearing and are normally settled on 30 to 90 day (2019: 30 to 90 day) terms.

20. Other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Non-trade payables	24,186,300	20,932,340	13,223,373	8,779,289
Accruals	7,707,427	10,477,514	846,162	858,521
Deposits received	5,200	31,000	-	-
Services tax payable	2,900	11,284	-	-
	31,901,827	31,452,138	14,069,535	9,637,810

Included in non-trade payables of the Group and of the Company is an amount of RM21,301,884 and RM12,013,894 (2019: RM17,184,129 and RM8,013,894) due to companies in which certain Directors of the Company have substantial financial interests and it is unsecured, interest free and repayable on demand.

21. Revenue

21.1 Type of revenue

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue from other sources				
Charter hire fees	46,736,759	61,132,034	-	-
Berthing fees	65,290	221,487	-	-
Dividend income	-	-	35,880,000	67,815,648
Management fees	-	-	1,395,971	1,526,463
	46,802,049	61,353,521	37,275,971	69,342,111
Revenue from contract with customers				
Ship repair income	1,276,702	2,251,506	-	-
Vessels sundry income	1,786,944	2,739,026	-	-
Sale of services	57,428	148,916	-	-
	3,121,074	5,139,448	-	-
	49,923,123	66,492,969	37,275,971	69,342,111
Timing of recognition				
Satisfied at a point in time	1,844,372	2,887,942	-	-
Satisfied over time	1,276,702	2,251,506	-	-
	3,121,074	5,139,448	-	-

21.2 Contract balances

	Group 2020 RM	Group 2019 RM
At beginning of the year	(13,235)	1,501,181
Revenue recognised during the year	1,276,702	2,251,506
Progress billing issued during the year	(1,325,416)	(3,765,922)
At end of the year	(61,949)	(13,235)
Analysed as follows:		
- Contract assets	32,320	117,433
- Contract liabilities	(94,269)	(130,668)
	(61,949)	(13,235)

21. Revenue (cont'd)

21.2 Contract balances (cont'd)

Contract assets primarily relate to the Group's right to consideration for work completed on ship repair contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 90 days.

Contract liabilities primarily relate to advance consideration received from a customer for ship repair contracts for which revenue is recognised over time for the repair work. The contract liabilities are expected to be recognised as revenue over a period of 90 days.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the reporting date is as follows:

	Group	
	2020	**2019**
	RM	**RM**
Contract revenue within one year	188,529	192,342

22. Other income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Gain on bargain purchase	2,729,972	-	-	-
Gain on disposal of property, plant and equipment	1,676,658	49	-	-
Gain on foreign exchange:-				
- Realised	3,596,635	824,581	440,740	408,410
Gain on termination of lease contract	2,604	-	-	-
Reversal of inventories written down	-	436,929	-	-
Rental income	108,000	108,000	-	-
Ship manager fee	147,097	-	-	-
Sundry income from ship operations	631,168	1,505,238	48,000	48,000
Sundry income	1,031,904	-	-	-
	9,924,038	2,874,797	488,740	456,410

23. Net impairment loss on financial assets

	Group 2020 RM	Group 2019 RM
Impairment loss on:		
- Trade receivables	(2,162,600)	(2,361,015)
- Amount due from an associate	(1,166,629)	(2,751,636)
	(3,329,229)	(5,112,651)
Reversal of impairment loss on:		
- Trade receivables	1,055,502	209,693

24. Finance income

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Interest income from:				
- Current account	19,120	96,810	2,232	36,021
- Short term deposits	32,136	53,400	-	-
- Associate	-	2,283	-	-
- Third parties	1,065	103,556	-	-
- Joint venture	345,890	-	-	-
- Others	303,021	1,346,671	-	-
- Subsidiaries	-	-	2,993,132	3,948,916
	701,232	1,602,720	2,995,364	3,984,937

25. Finance costs

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Interest expenses on:				
- Bank loans	2,883,140	4,308,404	-	-
- Bank overdraft	1,205,827	1,301,426	-	-
- Revolving credits	1,532,367	2,252,718	-	-
- Lease liabilities	21,036	42,727	-	-
- Subsidiaries	-	-	2,261,972	4,438,654
	5,642,370	7,905,275	2,261,972	4,438,654

26. (Loss)/profit before tax

The following item has been included in arriving at (loss)/profit before tax:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration:				
- Statutory audit	170,000	246,150	43,000	69,000
- Non-statutory audit	5,000	4,000	5,000	4,000
- Other external statutory audit	33,961	33,612	-	-

27. Tax (income)/expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Current tax:				
- Current year	929,624	1,409,628	44,694	-
- Underprovision in prior year	43,643	111,775	-	-
Real property gain tax	-	15	-	-
	973,267	1,521,418	44,694	-
Deferred tax:				
- Current year	(4,133,109)	(2,208,746)	-	-
- Overprovision in prior year	(264,028)	(77,549)	-	-
	(4,397,137)	(2,286,295)	-	-
	(3,423,870)	(764,877)	44,694	-

27. **Tax (income)/expense (cont'd)**

Malaysian income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profits for the financial year.

The reconciliation of tax expense applicable to (loss)/profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		**Company**	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
(Loss)/Profit before tax	(44,243,607)	(37,458,462)	5,079,003	52,194,707
Tax at statutory tax rate of 24%	(10,618,466)	(8,990,031)	1,218,961	12,526,730
Tax effect in respect of:				
Expenses not deductible for tax purposes	9,169,745	7,468,993	7,492,834	3,719,535
Income not subject to tax	(4,796,249)	(1,821,497)	(8,611,200)	(16,246,265)
Movement of deferred tax assets not recognised	3,120,702	2,434,887	(55,901)	-
Under/(over)provision in prior year				
- current tax	43,643	111,775	-	-
- deferred tax	(264,028)	(77,549)	-	-
Real property gain tax	-	15		
Share of results of an associate and a joint venture	(79,217)	108,530	-	-
	(3,423,870)	(764,877)	44,694	-

Deferred tax assets not recognised are made up of tax effects on temporary differences arising from:

	Group		**Company**	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Unabsorbed tax losses	83,567,161	70,564,234	-	233,855

The potential deferred tax assets of the Group and of the Company are not recognised in respect of the above items as it is not probable that whether future taxable profits will be available against which the Group and the Company can utilise the benefit.

27. Tax (income)/expense (cont'd)

The above unabsorbed tax losses of the Group and of the Company can be carried forward to offset against future taxable profit of the Group and of the Company respectively.

Pursuant to Section 44(5F) of the Income Tax Act, 1967, the unabsorbed tax losses can only be carried forward until the following year of assessment:

	Group		Company	
	2020 **RM**	**2019** **RM**	**2020** **RM**	**2019** **RM**
- Year of assessment 2025	71,185,094	64,202,733	-	233,855
- Year of assessment 2026	6,360,125	6,361,501	-	-
- Year of assessment 2027	6,021,942	-	-	-
	83,567,161	70,564,234	-	233,855

28. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company over the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2020 **RM**	**2019** **RM**
Net loss for the financial year attributable to ordinary equity holders of the Company	(40,819,737)	(36,693,585)
Weighted average number of ordinary shares in issue	500,000,000	500,000,000
Basic loss per share (sen)	(8.16)	(7.34)

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic loss per share.

29. Employee benefits expense

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Salaries, wages and other emoluments	13,747,899	14,643,181	1,616,051	1,607,689
Social security contributions	359,130	207,705	10,472	12,442
Defined contribution plan	1,289,392	1,461,395	192,822	199,528
Other benefits	7,363	155,407	-	-
	15,403,784	16,467,688	1,819,345	1,819,659

Included in abovementioned is the Directors' remuneration as follows:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Directors of the Company				
Executive				
Salaries, wages and other emoluments	559,357	561,334	7,785	15,120
Fees	22,000	22,000	22,000	22,000
Defined contribution plan	63,841	71,641	924	1,844
Benefit-in-kind	146,264	149,326	-	3,500
	791,462	804,301	30,709	42,464
Non-executive				
Fees	293,000	293,000	293,000	293,000
	1,084,462	1,097,301	323,709	335,464
Director of subsidiaries				
Salaries and other emoluments	296,400	732,693	-	-
Fees	-	3,600	-	-
Defined contribution plan	2,849	8,839	-	-
Benefit-in-kind	600	-	-	-
	299,849	745,132	-	-
Total Directors' remuneration	1,384,311	1,842,433	323,709	335,464

30. **Related party disclosures**

30.1 **Related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms.

The significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Transactions with subsidiaries				
- Dividend income	-	-	(35,880,000)	(67,815,648)
- Management fee	-	-	(1,395,971)	(1,526,463)
- Interest income	-	-	(2,993,132)	(3,948,916)
- Interest expenses	-	-	2,261,972	4,438,654
- Sundry income	-	-	(24,000)	(48,000)
- Loans from	-	-	-	503,176
Transaction with a related company				
- Rental expenses	120,000	120,000	12,000	12,000
Transactions with companies in which certain Directors have interest				
- Contract revenue	-	(95,975)	-	-
- Sales of services	-	(22,400)	-	-
- Sundry income	-	(525,753)	-	-
- Interest income	-	(2,283)	-	-
- Charter hire fee	210,000	210,000	-	-
- Rental expenses	253,664	180,526	-	-
- Legal and professional fees	41,296	35,090	-	-
Transactions with a joint venture				
- Accounting fee	24,000	-	-	-
- Administrative expenses	4,022	-	-	-
- Berthing fees	39,600	-	-	-
- Charter hire fees	4,421,934	-	-	-
- Ship management fee	79,500	-	-	-
- Repair and maintenance	19,305	-	-	-
- Rental expenses	6,000	-	-	-
- Demobilisation fees	58,500	-	-	-
- Interest expenses	345,890	-	-	-

30. **Related party disclosures (cont'd)**

30.2 Related party balances

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 6, 7, 8 and 20 to the Financial Statements.

30.3 Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel during the financial year are as follows:-

	Group		Company	
	2020 **RM**	**2019** **RM**	**2020** **RM**	**2019** **RM**
Salaries, wages and other emoluments	3,035,331	3,402,663	1,345,123	1,306,939
Defined contribution plan	268,520	276,334	157,818	154,746
	3,303,851	3,678,997	1,502,941	1,461,685

31. Capital commitments

	Group	
	2020 **RM**	**2019** **RM**
Capital expenditure approved but not contracted for:		
- Property, plant and equipment	126,968,720	126,968,720

32. **Operating segment**

Business segment

For management purposes, the Group is organised into business units based on their products and services, which comprises the following:-

(i) Chartering of vessels
(ii) Shipbuilding
(iii) Others consist of investment holding and letting of properties

Management monitors the operating results of its business units separately for the purpose of making decisions about 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.

Transactions between segments were entered into the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Inter-segment pricing is determined on negotiated basis.
The effects of such inter-segment transactions are eliminated on consolidation.

	Note	Chartering	Shipbuilding	Others	Elimination	Consolidated
Group		RM	RM	RM	RM	RM
2020						
External revenue		48,523,703	1,399,420	-	-	49,923,123
Inter segment revenue	(i)	16,541,368	4,893,454	37,353,971	(58,788,793)	-
Total revenue		65,065,071	6,292,874	37,353,971	(58,788,793)	49,923,123
Depreciation of property, plant and equipment		(36,933,142)	(2,717,952)	(327,529)	2,104,231	(37,874,392)
Interest expense		(6,655,746)	(2,866,178)	(2,959,825)	6,839,379	(5,642,370)
Interest income		1,768,411	2,378,256	3,401,123	(6,846,558)	701,232
Share of loss of an associate		-	-	(774,564)	-	(774,564)
Share of gain of a joint venture		1,104,634	-	-	-	1,104,634
Tax (expenses)/income		3,757,161	(267,046)	(66,245)	-	3,423,870
Other non-cash expenses	(ii)	(771,434)	(649,753)	(7,094,408)	-	(8,515,595)
Net (loss)/profit for the financial year	(iii)	(28,269,350)	(5,618,734)	30,168,601	(37,100,254)	(40,819,737)

32. **Operating segment (cont'd)**

Business segment (cont'd)

Group (cont'd) **2020 (cont'd)**	**Note**	**Chartering** **RM**	**Shipbuilding** **RM**	**Others** **RM**	**Elimination** **RM**	**Consolidated** **RM**
Additions to non-current assets:-						
- Property, plant and equipment		27,070,149	14,364	-	(26,864,500)	220,013
Investment in associate		-	-	-	-	-
Investment in a joint venture		1,520,696	-	-	-	1,520,696
Segment assets	(iv)	393,456,742	105,087,823	503,388,886	(564,744,385)	437,189,066
Segment liabilities	(v)	226,500,971	69,608,794	81,772,876	(228,243,937)	149,638,704
2019						
External revenue		61,353,521	5,139,448	-	-	66,492,969
Inter segment revenue	(i)	28,056,931	5,174,692	69,420,111	(102,651,734)	-
Total revenue		89,410,452	10,314,140	69,420,111	(102,651,734)	66,492,969
Depreciation of property, plant and equipment		(36,848,423)	(3,380,148)	(327,214)	2,511,690	(38,044,095)
Interest expenses		(9,477,520)	(4,087,942)	(4,884,411)	10,544,598	(7,905,275)
Interest income		2,241,009	5,362,689	4,523,242	(10,524,220)	1,602,720
Share of loss of an associate		-	-	(606,228)	-	(606,228)
Share of gain of a joint venture		154,018	-	-	-	154,018
Tax (expenses)/income		1,480,519	(614,467)	(101,175)	-	764,877
Other non-cash expenses	(ii)	(5,522,073)	(328,659)	-	-	(5,850,732)
Net (loss)/profit for the financial year	(iii)	(22,433,577)	(3,935,791)	51,306,020	(61,630,237)	(36,693,585)

32. Operating segment (cont'd)

Business segment (cont'd)

Group (cont'd) 2019 (cont'd)	Note	Chartering RM	Shipbuilding RM	Others RM	Elimination RM	Consolidated RM
Additions to non-current assets:						
- Property, plant and equipment		14,559,044	1,178,422	20,430	(15,408,453)	349,443
Investment in an associate		-	-	774,564	-	774,564
Investment in a joint venture		6,593,612	-	-	-	6,593,612
Segment assets	(iv)	393,456,742	105,087,823	503,388,886	(564,744,385)	437,189,066
Segment liabilities	(v)	226,500,971	69,608,794	81,772,876	(228,243,937)	149,638,704

32. **Operating segment (cont'd)**

Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Other material non-cash expenses/(income) comprise the following items:-

	2020 RM	2019 RM
Deposits written off	(12,960)	-
Gain on termination of lease contract	2,604	-
Gain on bargain purchase	2,729,972	-
Impairment loss on:		
- trade receivables	(2,162,600)	(2,361,015)
- amount due from associates	(1,166,629)	(2,751,636)
- property, plant and equipment	(475,459)	-
Inventories written off	(42,779)	(100,737)
Inventories written down	-	(69,646)
Loss on derecognition of a subsidiary	(3,370,711)	-
Loss on remeasurement of a joint venture	(2,128,597)	-
Property, plant and equipment written off	(5,425)	(20,109)
Reversal of impairment loss on trade receivables	1,055,502	209,693
Reversal of inventories written down	-	436,929
Unrealised loss on foreign exchange	(2,938,513)	(1,194,211)
	(8,515,595)	(5,850,732)

(iii) The following items are added to/(deducted from) segment (loss)/profit to arrive at "Loss for the financial year" presented in the consolidated statement of profit or loss and other comprehensive income.

	2020 RM	2019 RM
Dividend from subsidiaries	35,880,000	77,828,589
Profit from inter-segment sales	4,450,329	(4,999,374)
Unallocated corporate expenses	3,609,304	(654,380)
Finance costs	(6,839,379)	(10,544,598)
	37,100,254	61,630,237

32. **Operating segment (cont'd)**

Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

(iv) The following items are deducted from segment operating assets to arrive at total assets reported in consolidated statement of financial position:

	2020 RM	2019 RM
Investment in subsidiaries	(362,684,798)	(363,724,483)
Amount due from inter-companies	(225,562,061)	(181,269,048)
Inter-segment assets	(3,241,926)	(3,458,893)
	(591,488,785)	(548,452,424)

(v) The following items are deducted from segment operating liabilities to arrive at total liabilities reported in consolidated statement of financial position:

	2020 RM	2019 RM
Amount due to inter-companies	(225,665,484)	(237,936,928)
Inter-segment liabilities	(2,578,453)	(3,887,506)
	(228,243,937)	(241,824,434)

Geographical information

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

	Revenue		Non-current assets	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	46,483,107	62,910,434	370,016,158	413,454,601
Singapore	3,440,016	3,582,535	4,107,289	7,409,668
	49,923,123	66,492,969	374,123,447	420,864,269

Non-current assets information presented above consist of the following items as presented in the Group's statement of financial position:

	2020 RM	2019 RM
Property, plant and equipment	374,123,447	420,864,269

There is no revenue from transactions with any customer for amount 10% or more of the Group's revenue.

33. Financial instruments

33.1 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The major areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group' and the Company's exposure to credit risk arises primarily from receivables and contract assets. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

As at the reporting date, the Group and the Company have concentration of credit risk of which 57% (2019: 36%) of trade receivables are owing by two (2019: three) customers.

Following are the areas where the Group and the Company are exposed to credit risk:-

Trade receivables and contract assets

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) **Credit risk (cont'd)**

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

Trade receivables and contract assets (cont'd)

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

Most of the Group's customers have been transacting with the Group for long-term basis. In monitoring customer credit risk, customers are grouped according to their characteristics, including whether are an individual or a legal entity, their geographical location, industry, trading history with the Group and existence of previous financial difficulties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar pattern (i.e. by geographical region, product type, customer type and rating, and coverage by letters of credit or collateral). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about the past events, current conditions and forecasts of future economic conditions. Generally, the receivables are written-off if the Directors deemed them uncollectable. The maximum exposure to credit risk arising from trade receivables and contract assets are limited to the carrying amounts as stated in the statements of financial position. No collateral has been arranged during the financial year.

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) **Credit risk (cont'd)**

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

Trade receivables and contract assets (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Group	Gross carrying amount RM	Expected credit loss RM	Net balances RM
2020			
Not past due	1,222,397	-	1,222,397
Past due 1 to 30 days	1,781,389	-	1,781,389
Past due 31 to 60 days	1,286,545	-	1,286,545
Past due 61 to 90 days	429,514	-	429,514
Past due 91 to 120 days	698,172	-	698,172
Past due more than 120 days	946,435	-	946,435
Credit impaired	4,222,187	(4,222,187)	-
	10,586,639	(4,222,187)	6,364,452
Contract assets	32,320	-	32,320
2019			
Not past due	9,115,833	-	9,115,833
Past due 1 to 30 days	4,170,530	-	4,170,530
Past due 31 to 60 days	6,994,577	-	6,994,577
Past due 61 to 90 days	2,603,156	-	2,603,156
Past due 91 to 120 days	1,142,411	-	1,142,411
Past due more than 120 days	3,070,721	-	3,070,721
Credit impaired	2,766,535	(2,766,535)	-
	29,863,763	(2,766,535)	27,097,228
Contract assets	117,433	-	117,433

33. Financial instruments (cont'd)

33.1 Financial risk management (cont'd)

The major areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(a) **Credit risk (cont'd)**

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

Other receivables

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group and the Company have trade and non-trade transactions with subsidiaries, associate and joint venture. The Group and the Company monitor their results regularly.

As at the reporting date, there were no indication that the amounts due from subsidiaries, associate and joint venture are not recoverable other than amount due from an associate as disclosed in Note 7 to the Financial Statements.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Financial guarantee

The Company provides unsecured financial guarantee to financial institutions in respect of banking by certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that any subsidiaries would default on repayment on borrowings.

The maximum exposure to credit risk is RM94,875,071 (2019: RM110,185,380), represented by the outstanding borrowings of the subsidiaries as at the reporting date.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) **Liquidity risk (cont'd)**

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet their working capital requirements. In addition, the Group and the Company also strive to maintain available banking facilities at a reasonable level to meet their working capital requirements.

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

Group	Carrying amount RM	Contractual cash flows RM	Current Less than 1 year RM	Non-current Between 2 to 5 years RM
2020				
Secured:				
Borrowings	94,875,071	96,978,048	70,219,927	26,758,121
Unsecured:				
Trade payables	6,104,946	6,104,946	6,104,946	-
Other payables	31,898,927	31,898,927	31,898,927	-
Lease liabilities	385,515	496,343	226,976	269,367
Total	133,264,459	135,367,436	108,609,315	27,027,488
2019				
Secured:				
Borrowings	110,185,380	114,358,368	76,698,027	37,660,341
Unsecured:				
Trade payables	10,472,505	10,472,505	10,472,505	-
Other payables	31,440,854	31,440,854	31,440,854	-
Lease liabilities	674,422	759,982	455,344	304,638
Total	152,773,161	157,031,709	119,066,730	37,964,979

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(b) **Liquidity risk (cont'd)**

Company

The maturity profile of the financial liabilities which include financial guarantee for subsidiaries amounting to RM94,875,071 (2019: RM110,185,380) based on the contractual undiscounted repayment obligations is less than a year.

(c) **Interest rate risk**

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

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's and the Company's interest rate management objective are to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating rate instruments based on assessment of their existing exposure and desired interest rate profile.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

Group	**2020 RM**	**2019 RM**
Fixed rate instruments:		
Financial asset		
- Fixed deposits with licensed banks	2,127,721	3,132,242
- Amount due from joint venture	9,377,852	-
Financial liability		
- Lease liabilities	(385,515)	(674,422)
	11,120,058	2,457,820
Floating rate instrument:		
Financial liability		
- Borrowings	94,875,071	110,185,380

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) **Interest rate risk (cont'd)**

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows (cont'd):

	2020 RM	**2019 RM**
Company		
Floating rate instruments:		
Financial assets		
- Amount due from subsidiaries	101,978,783	100,134,742
Financial liability		
- Amount due to subsidiaries	(48,725,385)	(50,783,779)
	53,253,398	49,350,963

Cash flow sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

The following table illustrates the sensitivity of loss/profit and equity to a reasonably possible change in interest rate of +/- 0.5%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Increase/(Decrease) Net loss/profit and equity for the financial year	
	RM +0.5%	RM -0.5%
Group		
Floating rate instruments		
2020	(474,375)	474,375
2019	(550,927)	550,927

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(c) **Interest rate risk (cont'd)**

Cash flow sensitivity analysis for variable rate instruments (cont'd):

	Increase/(Decrease) Net loss/profit and equity for the financial year	
	RM	RM
	+0.5%	-0.5%
Company		
Floating rate instruments		
2020	266,267	(266,267)
2019	246,755	(246,755)

(d) **Foreign currency risk**

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on financial instruments that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are United States Dollar ("USD") and Singapore Dollar ("SGD").

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period are as follows:

	2020 Denominated in		**2019 Denominated in**	
	USD	**SGD**	**USD**	**SGD**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	672,780	21,953	247,033	292,153
Trade receivables	221,081	-	145,094	-
Other receivables	4,559	-	-	-
Trade payables	(162,420)	-	(190,798)	(74,486)
Other payables	-	(8,877,169)	-	(8,881,841)
	736,000	(8,855,216)	201,329	(8,664,174)

33. **Financial instruments (cont'd)**

33.1 **Financial risk management (cont'd)**

The major areas of financial risks faced by the Group and by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):

(d) **Foreign currency risk (cont'd)**

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's loss and equity for the financial year to a +/-5% (2019: +/-5%) change in the SGD and USD exchange rates at the end of reporting period against the respective functional currency of the companies within the Group, with all variables held constant.

	Increase/(Decrease) Net loss and the equity for the financial year	
	2020 RM	**2019 RM**
SGD/RM		
- Strengthened	442,761	433,209
- Weakened	(442,761)	(433,209)
USD/RM		
- Strengthened	(36,800)	(10,067)
- Weakened	36,800	10,067

33.2 **Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities of the Group and of the Company approximate their fair value due to the relatively short term nature of these financial instruments and/or insignificant impact of discounting.

33.3 **Fair value hierarchy**

No fair value hierarchy has been disclosed as the Group and Company do not have financial instrument measured at fair value.

34. Capital management

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditors and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, sell assets to reduce debts or issue new shares.

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

35. Significant events during the financial year and after the reporting date

35.1 Changes in group structure

(i) Acquisition of a subsidiary

On 1 February 2020, Era Surplus Sdn. Bhd., a wholly-owned subsidiary has acquired the remaining 51% equity interest in Seasten Sdn. Bhd. for total consideration of RM1,971,200. As a result, Seasten Sdn. Bhd. has changed from a joint venture to become a wholly-owned subsidiary.

The fair value of identifiable assets acquired and liabilities assumed at the date of acquisition is as follows:-

	2020 **RM**
Property, plant and equipment	6,965,476
Trade receivables	5,721,001
Other receivables	85,466
Cash and bank balances	43,746
Trade payables	(139,183)
Other payables	(3,380,256)
Tax payable	(78,266)
Total identifiable assets and liabilities	9,217,984
Less: Bargain purchase	(2,729,972)
Total deemed purchase consideration	6,488,012
Less: cost of investment in a joint venture	(7,516,002)
Add: Post acquisition reserves	870,593
Add: Loss on remeasurement	2,128,597
Purchase consideration	1,971,200
Less: Settled by way of capitalisation of trade receivable	(1,971,200)
Add: Cash and cash equivalents acquired	43,746
Acquisition of a subsidiary, net cash acquired	43,746

35. Significant events during the financial year and after the reporting date (cont'd)

35.1 Changes in group structure (cont'd)

(ii) Derecognition of a subsidiary

During the financial year, the Company has derecognised 55% equity interest in Era Sureway Sdn. Bhd. on 30 June 2020 from investment in subsidiary to investment in joint venture for total consideration of RM560,000.

The effect of derecognition on the financial position of the Company at the date of derecognition is as follows:-

	RM
Property, plant and equipment	10,618,305
Inventories	56,790
Trade receivables	7,264,501
Other receivables	134,184
Fixed deposit with a licensed bank	1,709,852
Cash and bank balances	3,594,286
Trade payables	(1,386,782)
Other payables	(7,799,242)
Tax payable	(785,058)
Deferred tax liabilities	(671,719)
Amount due to inter-companies	(8,336,547)
Net assets	4,398,570
Investment in joint venture	(467,859)
Loss on derecognition	(3,370,711)
Proceeds from derecognition	560,000
Less: Cash and cash equivalents derecognition	(3,594,286)
Net cash outflows from derecognition	(3,034,286)

35. Significant events during the financial year and after the reporting date (cont'd)

35.2 Coronavirus ("COVID-19") implications

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government had imposed the Movement Control Order ("MCO") starting from 18 March 2020 and to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak had 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 worldwide and markets in which the Group operates.

The Group was significantly impacted by the COVID-19 as the Group was not allowed to operate during MCO period and only resumed its operations after MCO. Due to COVID-19 situation is still uncertain, the Group has implemented the standard operating procedures in compliance with the requirements of the government to avoid the spreading of COVID-19 cases. Besides the operational issues, the financial performance of the Group has been heavily impacted by the disruption of its operations during the period of various MCOs and the increase in the number of COVID-19 cases.

The Government of Malaysia has again imposed the MCO and Conditional Movement Control ("CMCO") for selected states which are severely affected by the COVID-19 subsequent to the financial year on 11 January 2021. Besides, the Agong of Malaysia declared state of emergency for the country until 1 August 2021 to curb the spread of COVID-19 on 12 January 2021. The Group's business was allowed to operate throughout the MCO/CMCO period, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively. However, the COVID-19 pandemic situation is still evolving and uncertain as at the date of authorisation of the financial statements, the Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic.

36. Comparative information

The comparative figures were audited by another auditors other than Grant Thornton Malaysia PLT. Certain comparative figures were reclassified to conform with current year's presentation.