SHIN YANG SHIPPING CORPORATION BERHAD (200401027554 (666062-A))

Directors' Report and Audited Financial Statements

30 June 2020

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

AUDITED FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and property holding. The principal activities of the subsidiary companies are disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss net of tax	(145,910,104)	(15,040,538)
Loss attributable to:		
Owners of the Company	(146,142,813)	(15,040,538)
Non-controlling interests	232,709	-
	(145,910,104)	(15,040,538)

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

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

Dividends

There were no dividends paid by the Company since 30 June 2019. The directors do not recommend any payment of final dividend in respect of the current financial year.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Ling Chiong Ho **
Ling Chiong Sing **
Datuk Lawrence Lai Yew Son
Ling Chiong Pin **
Koh Ek Chong
Ling Siu Chuo
Vincent Ling Lu Yew **
Arshad Bin Zainuddin
Hudson Chua Jain (Appointed on 16 March 2020)

** These Directors are also Directors of the Company's subsidiaries.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (excluding the Directors listed above) are:

Dennis Ling Lu Jing
Ling Lu Kuang
Ling Lu Kiong
Tan Yeow Cheok
Tang Tiong Ing
Hou Siu Kee
Hong King Siang
Gary Tan Yow Hoo (Alternate Director to Ling Lu Kuang)
Ting Hien Liong
Hou Su Ee (Alternate Director to Hou Siu Kee)
Hong Kwang Meng (Alternate Director to Hong King Siang)
Lau Sie Ping

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

Details of directors' remuneration are disclosed in Note 11 to the financial statements.

INDEMNITIES TO DIRECTORS OR OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is a Director or Officer of the Group and of the Company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 1 July 2019	**Acquired**	**Sold**	**At 30 June 2020**
Direct interest				
Ordinary shares of the Company:				
Tan Sri Datuk Ling Chiong Ho	34,802,669	-	-	34,802,669
Ling Chiong Sing	34,802,669	-	-	34,802,669
Ling Chiong Pin	34,802,668	-	-	34,802,668
Vincent Ling Lu Yew	100,000	-	-	100,000
Ling Siu Chuo	36,000,009	-	-	36,000,009
Datuk Lawrence Lai Yew Son	330,000	-	-	330,000
Koh Ek Chong	119,000	-	-	119,000
Deemed interest through holding company				
Tan Sri Datuk Ling Chiong Ho	660,412,796	-	-	660,412,796
Ling Chiong Sing	660,412,796	-	-	660,412,796
Ling Chiong Pin	660,412,796	-	-	660,412,796
Ordinary shares of the holding company (Shin Yang Holding Sendirian Berhad):				
Tan Sri Datuk Ling Chiong Ho	6,250,000	-	-	6,250,000
Ling Chiong Sing	6,250,000	-	-	6,250,000
Ling Chiong Pin	6,250,000	-	-	6,250,000

Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing and Ling Chiong Pin, by virtue of their interests in the ordinary shares of the holding company, Shin Yang Holding Sendirian Berhad, are deemed to have an interest in the ordinary shares of all the Company's subsidiaries and the other subsidiaries of Shin Yang Holding Sendirian Berhad to the extent that the holding company has an interest.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the direct interests of Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing and Ling Chiong Pin in subsidiaries of Shin Yang Holding Sendirian Berhad other than Shin Yang Shipping Corporation Berhad and its subsidiaries.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

HOLDING COMPANY

The immediate and ultimate holding company of the Company is Shin Yang Holding Sendirian Berhad, a company incorporated in Malaysia.

TREASURY SHARES

During the financial year, the Company repurchased a total of 2,680,000 of its issued ordinary shares from the open market for a total cost of RM448,045. The average cost paid for the shares repurchased during the year was RM0.17 per share.

The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act 2016. Of the total 1,200,000,000 issued and fully paid ordinary shares as at 30 June 2020, 31,421,400 are held as treasury shares by the Company. As at 30 June 2020, the number of outstanding ordinary shares in issue after the set-off is therefore 1,168,578,600 ordinary shares.

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-backs plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds.

OTHER STATUTORY INFORMATION

a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   i) 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 provision had been made for doubtful debts; and

   ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

   ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (Continued)

c) At the date of this report, the Directors are not aware of any circumstances 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.

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

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

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

   ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

f) In the opinion of the Directors:

   i) 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 or of the Company to meet their obligations when they fall due; and

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

Significant and subsequent event

Details of the significant event is disclosed in Note 41 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 October 2020.

Koh Ek Chong **Ling Siu Chuo**

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Koh Ek Chong** and **Ling Siu Chuo**, being two of the Directors of **Shin Yang Shipping Corporation Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 18 to 133 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 30 June 2020 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 October 2020.

Koh Ek Chong

Ling Siu Chuo

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Richard Ling Peng Liing**, being the Officer primarily responsible for the financial management of **Shin Yang Shipping Corporation Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 18 to 133 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named **Richard Ling Peng Liing** at Miri in the State of Sarawak on 30 October 2020.

Richard Ling Peng Liing (MIA 9688)

Before me,
Yong Swee Lien
Commissioner For Oaths (No. Q0149)
938, 2nd Floor, Jalan Pos
98000 Miri, Sarawak.

Independent auditors' report to the members of Shin Yang Shipping Corporation Berhad – 200401027554 (666062-A) (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Shin Yang Shipping Corporation Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 133.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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)

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.

Revenue recognition

(a) Revenue from freight, lighterage, charterage and hiring charges

(Refer to Note 2.19 – Accounting policies for revenue recognition and Note 4 – Revenue)

The Group's revenue from freight, lighterage, charterage and hiring charges is derived from a large volume of transactions. During the financial year, the Group recognised revenue of approximately RM446.5million from freight, lighterage, charterage and hiring charges which accounted for 74.86% of the Group's revenue. Revenue from freight, lighterage, charterage and hiring charges are key audit matters because the amounts recognised are significant to the financial statements.

In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the process of recording of revenue. In addition, we have also performed the following procedures to address the risks identified:

(i) used our internal data analytical tools to analyse the relationship between revenue, account receivable and cash;
(ii) tested samples of revenue recognised to cash receipts in bank statements and invoices to customers;

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Revenue recognition (Cont'd)

(a) Revenue from freight, lighterage, charterage and hiring charges (Cont'd)

(iii) assessed material credit notes issued to customers subsequent to the reporting date;
(iv) tested transactions around the reporting date to determine whether such revenues were recognised in the correct accounting period; and
(v) tested journal entries recognised for revenue focusing on unusual or irregular transactions.

(b) Revenue from shipbuilding, ship repairs and metal fabrication

(Refer to Note 2.19 – Accounting policies for revenue recognition, Note 3(b) – Significant accounting judgements and estimates on construction contracts, Note 4 – Revenue and Note 21 –Contract assets/(liabilities)

Revenue generated from shipbuilding, ship repairs and metal fabrication amounted to RM130.7million or approximately 21.91% of the Group's revenue. Revenue from shipbuilding, ship repairs and metal fabrication is recognised on a percentage of completion basis which is calculated by reference to the contract costs incurred up to the reporting date bear to the total estimated cost of projects. We focused on this area as significant judgement is required to determine the stage of completion, due to the inherent uncertainties exist over the estimation of the total cost of projects.

In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by the management in estimating total project costs and profit margins. We tested the operation of these controls to provide us a basis to plan the nature, timing and extent of our detailed audit procedures.

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Revenue recognition (Cont'd)

(b) Revenue from shipbuilding, ship repairs and metal fabrication (Cont'd)

In addition, we also performed the following:

(i) read all key contracts to obtain an understanding of the specific terms and conditions;
(ii) agreed contract revenue to the original signed customer contracts and/or approved change orders;
(iii) assessed the reasonableness of the estimated total contract costs by reviewing inputs and assumptions used; and
(iv) evaluated the adequacy of disclosures made in the financial statements.

Impairment assessment on trade and other receivables

(Refer to Note 2.13(iii) – Accounting policies for impairment of financial assets, Note 3(a) – Significant accounting judgements and estimates on provision for expected credit losses of trade receivables and contract assets and Note 20 – Trade and other receivables)

At the reporting date, the Groups' total trade and other receivables amounted to RM147.7 million is stated net of allowance for impairment of approximately RM35.8 million. Trade and other receivables accounts for approximately 40.0% of total current assets of the Group. We focused on this area due to the magnitude of the amount involved and significant judgements are required to assess allowance for expected credit losses and forward-looking estimates.

We have performed the following procedures to address this area of audit focus:

(i) assessed the design and operating effectiveness of the controls over the trade and other receivables' aging data and allowance for expected credit loss calculation;
(ii) tested samples of these debtors to ascertain if the specific impairment has been recognised on a timely basis. We have reviewed the subsequent receipts, settlement agreements, project cash flows and past collections from long overdue debtors to ensure impairment has been provided appropriately by management; and
(iii) assessed the reasonableness of historical loss rate applied and understand and discussed the forward looking information gathered by the management in relation to the provision matrix and the application thereof.

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Impairment assessment on the vessels

(Refer to Note 2.11 – Accounting policies for impairment of non-financial assets, Note 3(c) – Significant accounting judgements and estimates on impairment of vessels and Note 14 – Property, plant and equipment)

In view of the depressed economic conditions, the Group performed an assessment on the recoverable amount of the vessels stated at RM662,434,980 as at 30 June 2020 which represented 46.89% of the Group's total assets, to determine whether the carrying value of these vessels are recoverable.

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"). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

VIU is the present value of the future cash flows expected to be derived from the CGU. The management has applied significant judgement in the estimates and assumptions used in the cash flows projections to determine the VIU that form the basis of the recoverable amount for the vessels.

The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and a willing seller basis. The FV on the vessels were based on valuation by an internal expert.

Arising from the management's assessment, impairment on vessels and non-current assets held for sale of RM24,241,011 and RM6,542,364 respectively were recognised by the Group during the year.

The impairment assessment of the vessels is significant to our audit due to its magnitude and the use of significant judgement in determining the recoverable amounts.

We have performed the following procedures to address this area of audit focus:

- Obtained an understanding of the relevant internal controls over the process of estimating the recoverable amounts of the CGU; and

- Evaluated the appropriateness of the methodology and approach applied;

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Impairment assessment on the vessels (cont'd)

We have performed the following procedures to address this area of audit focus: (cont'd)

- For impairment assessment based on VIU, we have:

  - Checked the basis of preparing the cash flow forecasts;
  - Evaluated whether assumptions were reasonable by making comparisons to historical trends, taking into consideration the current and expected economic outlook of the industry; and
  - Assessed the discount rates adopted by management in the impairment assessments and compared with available financial information of other similar companies taking into account regional and industry specific risk premiums.

- For impairment assessment based on FV, to the extent that management relied on valuation provided by internal expert, we have:

  - Assessed the objectivity, independence, reputation, experience and expertise of the internal expert;
  - Obtained an understanding of the valuation model used; and
  - Engaged EY valuation experts where relevant.

Impairment assessment on cost of investment in subsidiaries. (Separate financial statements of the Company)

Refer to Note 3(d) and Note 15 to the financial statements.

In performing impairment review of the Group's CGU relating to shipping operations, management also assessed the recoverable amounts of the Company's investment in those subsidiary companies. The estimated investment's recoverable amount was calculated by determining the higher of the value in use and fair value less costs to sell ("FV") for the relevant investment.

Management determined the recoverable amount based on fair value was determined using the adjusted net tangible assets such as vessels, which approximate the fair value less costs to sell.

In the current financial year, the Company recognised an impairment loss on investments in subsidiaries of RM15,077,596.

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Impairment assessment of cost of investment in subsidiaries. (Separate financial statements of the Company) (cont'd)

Given the quantum of the investment and the judgement involved in determining the recoverable amount, we considered this to be a key audit matter.

Our audit procedures, among others, included obtaining an understanding of the relevant internal controls over estimating the recoverable amount of the investment, and we have:

- Discussed with management and evaluated their assessment of the indication of the impairment loss;
- Evaluated the appropriateness of the impairment assessment methodology;
- Checked the mathematical accuracy of management's computation of the fair value less costs of disposal;
- Assessed the objectivity, independence, reputation, experience and expertise of the internal expert;
- Obtained an understanding of the valuation model used by the internal expert; and
- Engaged EY valuation experts where relevant.

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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 identified above 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.

Report on the audit of the financial statements (Cont'd)

Information other than the financial statements and auditors' report thereon (cont'd)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

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

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

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

Report on other legal and regulatory requirements

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

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chong Ket Vui, Dusun
02944/01/2021 J
Chartered Accountant

Miri, Malaysia

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Revenue	4	596,495,621	645,200,545	4,480,550	4,724,607
Cost of services		(649,362,354)	(644,086,744)	(1,861,375)	(1,884,823)
Gross (loss)/profit		(52,866,733)	1,113,801	2,619,175	2,839,784
Other items of income					
Dividend income	5	-	4,440	-	-
Other income	6	9,008,027	28,149,992	5,120	1,551
Other items of expense					
Administrative expenses		(28,258,016)	(35,310,631)	(2,722,331)	(2,664,916)
Other expenses		(67,678,588)	(60,234,216)	(15,077,596)	-
Operating (loss)/profit		(139,795,310)	(66,276,614)	(15,175,632)	176,419
Finance income	7	2,087,597	1,728,940	1,235,647	1,280,238
Finance costs	8	(16,665,102)	(18,972,823)	(890,473)	(1,126,307)
Share of results of associates		204,374	801,407	-	-
(Loss)/Profit before tax	9	(154,168,441)	(82,719,090)	(14,830,458)	330,350
Income tax expense	12	8,258,337	(6,439,002)	(210,080)	(219,849)
(Loss)/Profit net of tax		(145,910,104)	(89,158,092)	(15,040,538)	110,501
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		-	1,531,507	-	-
Total comprehensive (loss)/income for the year		(145,910,104)	(87,626,585)	(15,040,538)	110,501
(Loss)/Profit attributable to:					
Owners of the Company		(146,142,813)	(86,668,449)	(15,040,538)	110,501
Non-controlling interests		232,709	(2,489,643)	-	-
		(145,910,104)	(89,158,092)	(15,040,538)	110,501
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(146,142,813)	(85,290,093)	(15,040,538)	110,501
Non-controlling interests		232,709	(2,336,492)	-	-
		(145,910,104)	(87,626,585)	(15,040,538)	110,501

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group	
	Note	**2020**	**2019**
		Sen	**Sen**
Loss per share attributable to owners of the Company:			
Basic	13	(12.49)	(7.38)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Assets					
Non-current assets					
Property, plant and equipment	14	1,036,529,638	1,193,063,382	50,616,227	51,581,523
Investment in subsidiaries	15	-	-	1,021,373,580	1,036,451,176
Investment in associates	16	4,649,551	2,307,785	682,500	682,500
Investment securities	17	93,600	181,200	-	-
Deferred tax assets	30	50,903	16,016	-	-
Other receivables	20	-	-	101,053,675	108,167,889
Intangible asset	18	2,063,893	2,063,893	-	-
		1,043,387,585	1,197,632,276	1,173,725,982	1,196,883,088
Current assets					
Inventories	19	54,606,182	63,812,469	-	-
Derivative	26	130,200	-	-	-
Trade and other receivables	20	147,712,786	270,728,326	722,696	2,305,287
Other current assets	22	28,814,180	37,113,975	1,426,776	1,719,438
Tax recoverable		3,629,396	3,308,748	-	-
Cash and bank balances	23	121,497,783	68,759,021	42,064,143	35,041,213
		356,390,527	443,722,539	44,213,615	39,065,938
Non-current assets classified as held for sale	24	12,874,785	-	-	-
		369,265,312	443,722,539	44,213,615	39,065,938
Total assets		1,412,652,897	1,641,354,815	1,217,939,597	1,235,949,026
Equity attributable to owners of the Company					
Share capital	31	1,216,972,062	1,216,972,062	1,216,972,062	1,216,972,062
Treasury shares	31	(8,852,688)	(8,404,643)	(8,852,688)	(8,404,643)
Retained earnings/(Accumulated losses)		1,010,213	147,153,026	(6,855,270)	8,185,268
Other reserves	32	(297,861,069)	(288,383,332)	-	-
		911,268,518	1,067,337,113	1,201,264,104	1,216,752,687
Non-controlling interests		5,821,772	8,503,583	-	-
Total equity		917,090,290	1,075,840,696	1,201,264,104	1,216,752,687

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Current liabilities					
Loans and borrowings	25	236,771,387	275,671,635	6,630,587	7,634,329
Derivative	26	-	20,766	-	-
Trade and other payables	27	139,786,184	133,613,370	1,230,145	1,116,910
Other current liabilities	28	1,518,904	24,107,739	-	-
Tax payable		371,342	702,527	160,612	160,364
		378,447,817	434,116,037	8,021,344	8,911,603
Net current (liabilities)/assets		(9,182,505)	9,606,502	36,192,271	30,154,335
Non-current liabilities					
Loans and borrowings	25	71,848,718	76,699,805	8,654,149	10,284,736
Deferred tax liabilities	30	45,266,072	54,698,277	-	-
		117,114,790	131,398,082	8,654,149	10,284,736
Total liabilities		495,562,607	565,514,119	16,675,493	19,196,339
Net assets		917,090,290	1,075,840,696	1,201,264,104	1,216,752,687
Total equity and liabilities		1,412,652,897	1,641,354,815	1,217,939,597	1,235,949,026

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2020 Group	Note	Equity, total RM	Equity attributable to owners of the Company, total RM	Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Non-controlling interests RM
Opening balance at 1 July 2019		1,075,840,696	1,067,337,113	1,216,972,062	(8,404,643)	(288,383,332)	147,153,026	8,503,583
Loss net of tax		(145,910,104)	(146,142,813)	-	-	-	(146,142,813)	232,709
Total comprehensive loss		(145,910,104)	(146,142,813)	-	-	-	(146,142,813)	232,709
Transactions with owners								
Disposal of a subsidiary	15(i)	(11,892,059)	(9,477,737)	-	-	(9,477,737)	-	(2,414,322)
Purchase of treasury shares	31	(448,045)	(448,045)	-	(448,045)	-	-	-
Dividend paid to non-controlling interests		(500,198)	-	-	-	-	-	(500,198)
Closing balance at 30 June 2020		917,090,290	911,268,518	1,216,972,062	(8,852,688)	(297,861,069)	1,010,213	5,821,772

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2019 Group	Note	Equity, total RM	Equity attributable to owners of the Company, total RM	Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Non-controlling interests RM
Opening balance at 1 July 2018		1,167,381,211	1,157,065,626	1,216,972,062	(4,678,001)	(289,700,625)	234,472,190	10,315,585
Loss net of tax		(89,158,092)	(86,668,449)	-	-	-	(86,668,449)	(2,489,643)
Other comprehensive income		1,531,507	1,378,356	-	-	1,378,356	-	153,151
Total comprehensive loss		(87,626,585)	(85,290,093)	-	-	1,378,356	(86,668,449)	(2,336,492)
Transactions with owners								
Arising from increase in equity interest in a subsidiary		-	(650,715)	-	-	-	(650,715)	650,715
Disposal of a subsidiary	15(i)	(67,288)	(61,063)	-	-	(61,063)	-	(6,225)
Purchase of treasury shares	31	(3,726,642)	(3,726,642)	-	(3,726,642)	-	-	-
Dividend paid to non-controlling interests		(120,000)	-	-	-	-	-	(120,000)
Closing balance at 30 June 2019		1,075,840,696	1,067,337,113	1,216,972,062	(8,404,643)	(288,383,332)	147,153,026	8,503,583

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Total equity RM	Share capital RM	Treasury shares RM	Retained earnings/ (Accumulated losses) RM
2020					
Company					
Opening balance at 1 July 2019		1,216,752,687	1,216,972,062	(8,404,643)	8,185,268
Loss net of tax, representing total comprehensive income for the year		(15,040,538)	-	-	(15,040,538)
Transactions with owners					
Purchase of treasury shares	31	(448,045)	-	(448,045)	-
Closing balance at 30 June 2020		1,201,264,104	1,216,972,062	(8,852,688)	(6,855,270)
2019					
Company					
Opening balance at 1 July 2018		1,220,368,828	1,216,972,062	(4,678,001)	8,074,767
Profit net of tax, representing total comprehensive income for the year		110,501	-	-	110,501
Transactions with owners					
Purchase of treasury shares	31	(3,726,642)	-	(3,726,642)	-
Closing balance at 30 June 2019		1,216,752,687	1,216,972,062	(8,404,643)	8,185,268

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SHIN YANG SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia) – 200401027554 (666062-A)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Operating activities					
(Loss)/Profit before tax		(154,168,441)	(82,719,090)	(14,830,458)	330,350
Adjustments for:					
Interest income	7	(2,087,597)	(1,728,940)	(1,235,647)	(1,280,238)
Dividend income	4,5	-	(4,440)	(748,250)	(875,000)
Interest expenses	8	16,665,102	18,972,823	890,473	1,126,307
Depreciation of property, plant and equipment	14	100,675,852	97,447,346	1,278,667	1,265,581
Fair value loss/(gain) on investment securities	9	87,600	(40,200)	-	-
Fair value changes on forward contracts	9	(150,966)	20,766	-	-
Provision for foreseeable loss	9	7,615,684	-	-	-
Impairment loss on investment in a subsidiary	9	-	-	15,077,596	-
Impairment loss on property, plant and equipment	9	30,783,375	-	-	-
Impairment loss on trade and other receivables	9	23,486,244	55,166,439	-	-
Impairment on work-in-progress inventory	9	449,500	-	-	-
Gain on disposal of property, plant and equipment		(4,120,844)	(7,035,709)	-	-
Reversal of impairment loss on trade receivables		(3,246,122)	(1,485,557)	-	-
Reversal of impairment loss on other receivables		(884,700)	(2,705,086)	-	-
Unrealised (gain)/loss on foreign exchange		(239,591)	2,699,518	-	-
Property, plant and equipment written off	9	6,653	10,407	-	7,040
Loss on disposal of shares in associates	9	-	6,286,524	-	-
Loss/(Gain) on disposal of shares in a subsidiary	15	14,305,869	(728,051)	-	-
Share of results of associates		(204,374)	(801,407)	-	-
Total adjustments		183,141,685	166,074,433	15,262,839	243,690
Operating cash flows before changes in working capital		28,973,244	83,355,343	432,381	574,040

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Operating activities (Continued)					
Changes in working capital					
Decrease/(Increase) in inventories		8,756,787	(19,073,014)	-	-
Decrease/(Increase) in trade and other receivables		45,718,085	(4,121,411)	(232,618)	314,567
Decrease/(Increase) in other current assets		8,299,795	(2,060,485)	292,662	(797,099)
Increase/(Decrease) in trade and other payables		2,528,671	5,522,729	130,492	(134,011)
(Decrease)/Increase in other current liabilities		(22,588,835)	20,667,394	-	-
Net change in related companies balances		26,877,325	8,610,709	(16,988)	64,409
Net change in holding company balances		(59,502)	4,613,029	-	-
Net change in subsidiaries balances		-	-	8,929,154	939,009
Total changes in working capital		69,532,326	14,158,951	9,102,702	386,875
Cash flows from operations		98,505,570	97,514,294	9,535,083	960,915
Income tax paid		(1,860,588)	(1,874,193)	(209,832)	(293,601)
Income tax refunded		-	789,534	-	-
Interest paid		(16,665,102)	(18,972,823)	(890,473)	(1,126,307)
Interest received		2,087,597	1,728,940	1,235,647	1,280,238
Net cash flows from operating activities		82,067,477	79,185,752	9,670,425	821,245

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Investing activities					
Dividend received from investment securities		-	4,440	-	-
Dividend received from associates		68,250	195,000	-	-
Dividend received from subsidiaries		-	-	748,250	875,000
Purchase of property, plant and equipment	14	(20,745,223)	(99,021,287)	(313,553)	(113,693)
Acquisition of shares from non-controlling interest		-	(1)	-	-
Proceeds from disposal of property, plant and equipment		36,939,429	20,624,002	182	-
Proceeds from disposal of shares in investment in subsidiaries	15	1,565,322	164,681	-	-
Proceeds from disposal of shares in associates		-	34	-	-
Net cash flows from/(used in) investing activities		17,827,778	(78,033,131)	434,879	761,307
Financing activities					
Acquisition of treasury shares	31	(448,045)	(3,726,642)	(448,045)	(3,726,642)
Dividend paid to non-controlling interests		(500,198)	(120,000)	-	-
Proceeds from lease liabilities		217,900	-	-	-
Proceeds from finance lease		-	507,200	-	-
Repayment of principal portion of lease liabilities		(5,134,148)	-	(84,325)	-
Repayment of finance lease payables		-	(4,844,164)	-	(80,550)
Proceeds from loans and borrowings		20,950,000	60,566,000	-	-
Repayment of loans and borrowings		(33,028,180)	(47,361,317)	(1,550,004)	(4,550,404)
Net movement in fixed deposits with maturity dates more than 3 months		(27,100,000)	-	-	-
Net movement in trade financing		(30,972,800)	(15,136,000)	(1,000,000)	-
Net cash flows used in financing activities		(76,015,471)	(10,114,923)	(3,082,374)	(8,357,596)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Net increase/(decrease) in cash and cash equivalents		23,879,784	(8,962,302)	7,022,930	(6,775,044)
Cash and cash equivalents at 1 July		44,785,625	53,745,039	35,041,213	41,816,257
Effect of exchange rate changes		2,368	2,888	-	-
Cash and cash equivalents at 30 June	23	68,667,777	44,785,625	42,064,143	35,041,213

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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 of the Company is located at Sublot 153 (Parent Lot 70), Jalan Kuala Baram, Kuala Baram 98100 Miri, Sarawak.

The immediate and ultimate holding company of the Company is Shin Yang Holding Sendirian Berhad, a company incorporated in Malaysia.

The Company is principally engaged in investment holding and property holding. The principal activities of the subsidiary companies are disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company.

For the year ended 30 June 2020, the Group have reported a net loss of RM 146 million and (2019: RM 89 million). In addition, as at 30 June 2020, the Group’s current liabilities exceeded its current assets by RM 9 million. Furthermore, in 2020, the global economy faces an unprecedented uncertainty as a result of the COVID-19 pandemic which have significantly impacted shipping and ship building operations.

Notwithstanding the events or conditions above, the directors believe that there are no material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern as the Group believe that they will continue to have the support of the bankers as they have not defaulted in any repayment obligations and the bankers have consistently renewed all the credit facilities that were subjected to annual review without any material modifications. The directors also took into consideration the positive operating cash inflow generated during the year ended, and the availability as at reporting date approved unutilised credit facilities of the Group of RM 24million and RM 320 million respectively. Based on the above, the directors are of the view that the going concern basis used in the preparation of the financial statements is appropriate.

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except as discussed below:

On 1 July 2019, the Group and the Company adopted the following new and amended MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB").

Description	**Effective for periods beginning on or after**
Annual improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendment to MFRS 119: Employee Benefits Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
MFRS 16: Leases	1 January 2019

Adoption of the above amendments did not have any material effect on the financial performance or position of the Group and the Company except as discussed below:

MFRS 16: Leases

Definition of a lease

On transition to MFRS 16, the Group and the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. They applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 Leases and IC Interpretation 4 were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group and the Company are lessees, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019.

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

MFRS 16 Leases (continued)

As a lessee (continued)

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's and the Company's incremental borrowing rate as at 1 July 2019. The weighted-average rate applied is 7.57%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 July 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use assets and the lease liabilities at 1 July 2019 were determined to be the same as the carrying amount of the lease assets and lease liabilities under MFRS 117 immediately before that date.

The Group and the Company have applied commercial judgement to determine the lease term for those leases with renewal options and this in turn will impact on the amount of right-to-use assets and lease liabilities recognised. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for low value assets and short-term leases. The lease payments for these leases are expenses on a straight-line basis over the lease term.

The adoption of MFRS 16 has not had a material impact on the financial statements of the Company as at 1 July 2019.

The adoption of MFRS 16 has not had a material impact on the total comprehensive income and the cash flow of the Group. Hence, no reconciliation of equity, total comprehensive income and statement of cash flows for the year ended 30 June 2019 were prepared for the Group.

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

MFRS 16 Leases (continued)

As a lessee (continued)

The following table provides the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 July 2019:

	At 30 June 2019 RM	Effect of adoption of MFRS 16 RM	At 1 July 2019 RM
Group			
Non-current assets			
Property, plant and equipment	1,193,063,382	2,043,083	1,195,106,465
Non-current liabilities			
Loans and borrowings	76,699,805	1,298,975	77,998,780
Current liabilities			
Loans and borrowings	275,671,635	744,108	276,415,743
Total loans and borrowings	352,371,440	2,043,083	354,414,523

2. Summary of significant accounting policies (Continued)

2.3 Pronouncements issued but not yet effective

The Standards and Interpretations (collectively referred to as "pronouncements") that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these pronouncements, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform- Phase 2	1 January 2021
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Annual improvements to MFRS Standards 2018-2020 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
(ii) Amendments to MFRS 9: Financial Instruments	1 January 2022
(iii) Amendments to MFRS 16: Illustrative Example 13, Leases	1 January 2022
(iv) Amendments to MFRS 141: Agriculture	1 January 2022
Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. Summary of significant accounting policies (Continued)

2.3 Pronouncements issued but not yet effective (Continued)

(a) Amendments to MFRS 3: Definition of a Business

The definition of a business in MFRS 3 Business Combinations was amended to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Minimum requirements to be a business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. An acquired process must be considered substantive only if:

- it is critical to the ability to develop or convert acquired inputs into outputs; and
- the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs.

(b) Amendments to MFRS 101 and MFRS 108: Definition of Material

The amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 align the definition of 'material' across the standards and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

2. Summary of significant accounting policies (Continued)

2.3 Pronouncements issued but not yet effective (Continued)

(c) Revised Conceptual Framework for Financial Reporting

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship
- Reintroduces the concept of prudence
- Defines the concept of measurement uncertainty
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"
- Made changes to the definitions of an asset and a liability

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group and the Company do not expect the clarifications of the above would result in any material changes when determining whether a liability is current or non-current.

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Business combinations

Acquisitions of subsidiaries 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. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the “acquired” entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners’ 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 is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company’s separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (Continued)

2.7 Investment in associates

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.

On acquisition of an investment in associate, 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 profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate 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 after the date of acquisition. When the Group’s share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The financial statements of the associates are prepared as of the same reporting date as the Company. 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 applies MFRS 9 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company’s separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.9 Foreign currency

(a) Functional and presentation currency

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

2. Summary of significant accounting policies (Continued)

2.9 Foreign currency (Continued)

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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 the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis, less estimated residual value over the estimated useful lives of the assets as follows:

Wharf	20 years
Buildings, jetty, and slipways	20 - 50 years
Dry docking expenses	2.5 - 5 years
Motor vehicles	5 - 10 years
Office equipment, furniture and fittings	5 - 10 years
Shipping equipment and machinery	3 - 20 years
Plant and machinery	10 years
Vessels	8 - 20 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2. Summary of significant accounting policies (Continued)

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 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. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

2. Summary of significant accounting policies (Continued)

2.13 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.

Financial assets

(i) 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 measure 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 has applied the practical expedient are measured at the transaction price determined under MFRS 15.

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.

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.

Purchases or sales of financial assets that require 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.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

(ii) Financial instrument categories and subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)

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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through OCI (debt instruments)

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. At the reporting date, the Group and the Company do not have debt instruments at fair value through OCI.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

(c) Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. At the reporting date, the Group and the Company do not have financial assets designated at fair value through OCI (equity instruments).

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

(d) Financial assets at fair value through profit or loss (Continued)

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

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

(iii) Impairment of financial assets

An allowance is recognized for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI, contract assets and lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, credit risk is not tracked, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

(iv) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group and the Company has 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 has transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has 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 continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

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

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(ii) Categories and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

(b) Amortised cost

After initial recognition, interest-bearing loans and borrowings 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 statement of profit or loss.

2. Summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial liabilities (Continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the statement of profit or loss.

Offsetting of financial instruments

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management.

2.15 Construction contracts

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.

2. Summary of significant accounting policies (Continued)

2.15 Construction contracts (Continued)

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.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.16 Leases

Current financial year

The Group and the Company assess 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.

As a lessee

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

(a) Right-of-use assets

The Group and the Company recognise 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 classified within the same line item as the corresponding underlying assets would be presented if they were owned. 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	43 to 94 years
Leasehold and buildings	1.25 to 5 years
Motor vehicles	5 years
Plant and machinery	5 to 10 years
Vessels	2.3 years

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

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

Current financial year (Continued)

(b) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease 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 by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an 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 and the Company use their 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.

(c) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short-term leases (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). They also apply the lease of low-value assets recognition exemption to leases 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.

As a lessor

Leases in which the Group or the Company do 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.

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

Previous financial year

The determination of whether an arrangement was (or contains) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset (or assets) and the arrangement conveyed a right to use the asset (or assets), even if that asset was (or those assets are) not explicitly specified in an arrangement.

As a lessee

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Group or the Company was classified as a finance lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of profit or loss.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Group or the Company will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

As a lessor

Leases in which the Group did not transfer substantially all the risks and rewards of ownership of an asset were classified as operating leases. Rental income arising was accounted for on a straight-line basis over the lease terms and was 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 were added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents were recognised as revenue in the period in which they were earned.

2. Summary of significant accounting policies (Continued)

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.18 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks 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.

2.19 Revenue

(a) Revenue from contracts 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 Group expects to be entitled in exchange for those goods or services. The Group generates its revenue from three principal services: 1) shipping and marine services, 2) chartering and leasing income and 3) ship building, repairs works and metal fabrication. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to customers, including for those ancillary services like custom clearance, export and import documentation, and other logistic arrangements, that are incidental to the principal services.

2. Summary of significant accounting policies (Continued)

2.19 Revenue (Continued)

(a) Revenue from contracts with customers (Continued)

The Group also acted as an agent for certain freight forwarding services which the Group is not primarily responsible in fulfilling the promises nor has the control over the services. The fees or commission are recognised as net amount of the consideration that the Group retains after paying other party the consideration received in exchange for the goods or services to be provided by that party.

(i) Revenue from freight and lighterage services – sea transports

Freight services for sea transports are considered as one performance obligations satisfied over time. The customer is able to benefit from the Group's performance as it occurs and the other entity would not need to substantially reperform the Group's performance (e.g. distance travelled) to date. The Group has selected the output measure (days travelled) which can most appropriately depicts the transfer of control of the service to the customer.

(ii) Revenue from freight forwarding services

These revenues comprise mainly agency commission, custom clearance, import and export documentation, port related services and etc. These services are considered to represent one single performance obligation satisfied at a point in time.

(iii) Ship building, repairs works and metal fabrication

Revenue from ship building, repair works and metal fabrication is accounted for using the input measure as referred in Note 2.15.

(iv) Sales of goods and services

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

2. Summary of significant accounting policies (Continued)

2.19 Revenue (Continued)

(a) Revenue from contracts with customers (Continued)

Contract balances

(i) Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group 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.

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

(b) Revenue from other sources

Revenue from other sources are recognised as follows:

(i) Dividend income

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

(ii) Hire of equipment, vessel charter fee and rental income

The Group enters as a lessor into lease agreements that fall within the scope of MFRS 16. Rental income 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.

2. Summary of significant accounting policies (Continued)

2.20 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and assocates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

(b) Deferred tax (Continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales and Services Tax (“SST”) and Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

2. Summary of significant accounting policies (Continued)

2.21 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gain or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward contracts is determined by reference to current forward prices for contracts with similar maturity profiles. Where the quoted market prices are not available, the fair values are based on management's best estimate and are arrived at by reference to the market prices if another contract that is substantially similar.

2.23 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Summary of significant accounting policies (Continued)

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.26 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.

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

2.27 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with MFRS 15.

2. Summary of significant accounting policies (Continued)

2.28 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy as explained above.

2. Summary of significant accounting policies (Continued)

2.29 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

2.30 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

While a non-current asset is classified as held for sale or while it is part of a disposal group classified as held for sale it should not be depreciated or amortised. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale should continue to be recognised.

3. Significant accounting judgements and estimates

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Provision for expected credit losses of trade receivables and contract assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information.

The Group and the Company also assess the credit risk of receivables and contract assets at each reporting date on an individual basis, to determine whether or not there have been significant increases in credit risk since the initial recognition of these assets. To determine whether there is a significant increase in credit risks, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Where there is a significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or in full when 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 amount subject to the write-offs.

The provision of ECL is initially based on the Group's historical observed default rates. The Group will calibrate the ECL to adjust the historical credit loss experience with forward-looking information including the effects of Covid-19. 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 of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 20 and 21 respectively.

3. Significant accounting judgements and estimates (Continued)

Key sources of estimation uncertainty (Continued)

b) Construction contracts

Revenue for construction contracts is recognised on a percentage of completion basis. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred bear to the estimated costs to complete. Significant judgement is required in determining the stage of completion as inherent uncertainties exist over the estimation of the total costs of individual projects.

c) Impairment of vessels

Impairment exists when the carrying amount of an assets or cash generating unit exceeds its recoverable amount. The recoverable amount of vessel is determined based on the higher of its fair value less costs to sell and its value in use, whereas the recoverable amount of right-of-use asset is based on its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit ("CGU") by applying a suitable discount rate to calculated the present value of those cash flow. When fair value less costs to sell is used, management engages its internal expert or services of professional valuers to determine the air values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amounts of the Group's vessels is disclosed in Note 14.

d) Investments in subsidiaries

The carrying amounts of the investments in subsidiaries of the Company as at 30 June 2020 was RM1,021,373,580 (2019: RM1,036,451,176). The Company assesses whether there are any indicators of impairment for its investments in subsidiaries at each reporting date. In assessing whether there is any indication that its investments in subsidiaries may be impaired, the Company considers the external and internal sources of information. The Company estimated the recoverable amount of the investments in the subsidiaries based on the higher of the fair value less costs to sell and the value in use.

4. Revenue

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Revenue from contracts with customers	542,864,494	580,075,574	-	-
Revenue from other source:				
- Charterage and hiring charges	35,656,819	47,529,745	-	-
- Leasing income	16,603,135	16,603,125	-	-
- Dividend income from:				
- subsidiaries	-	-	680,000	680,000
- associates	-	-	68,250	195,000
- Hiring income	567,883	504,094	-	-
- Rental income	803,300	488,007	3,732,300	3,849,607
	53,631,137	65,124,971	4,480,550	4,724,607
	596,495,621	645,200,545	4,480,550	4,724,607

(a) Disaggregation of the Group's revenue from contracts with customers

	Group	
	2020	**2019**
	RM	**RM**
Freight and lighterage charges	405,463,343	459,610,540
Shipbuilding	83,310,833	59,567,546
Ship repairs and metal fabrication	47,408,771	49,444,383
Freight forwarding charges	5,415,358	6,429,743
Sales of goods and services	1,266,189	5,023,362
	542,864,494	580,075,574
Timing of revenue recognition:		
- At a point in time	6,681,547	11,453,105
- Over time	536,182,947	568,622,469
	542,864,494	580,075,574

4. Revenue (Continued)

(b) Transaction prices allocated to the remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	Group	
	2020	**2019**
	RM	**RM**
Within one year		
- Freight and lighterage charges	1,057,332	2,675,485
- Shipbuilding	42,480,896	110,005,145
- Ship repairs	-	7,054,536
	43,538,228	119,735,166

(c) Contract balances

The following provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Trade receivables, current (Note 20)	135,357,997	191,585,038	360	42,120
Contract assets (Note 21)	16,685,975	21,280,819	-	-
Contract liabilities (Note 21)	(1,518,904)	(24,107,739)	-	-

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction contracts. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for construction contracts, for which revenue is recognised over time.

5. Dividend income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Dividend income from investment securities	-	4,440	-	-

6. Other income

The other income consists of gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, gain on foreign exchange, reversal of impairment loss on trade and other receivables and miscellaneous income.

7. Finance income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Interest income from:				
- Short term deposits	1,996,743	1,473,169	1,222,465	1,268,623
- Current account	90,460	98,121	13,182	11,615
- Others	394	157,650	-	-
	2,087,597	1,728,940	1,235,647	1,280,238

8. Finance costs

Interest expenses on:				
- Bank overdrafts	1,835,182	1,846,681	25,156	26,487
- Bankers acceptances	6,229,867	6,926,583	-	-
- Obligations under finance leases	-	646,777	-	9,282
- Term loans	4,427,944	6,125,392	560,735	778,524
- Revolving credits	3,475,511	3,349,705	299,075	312,014
- Trust receipts	-	77,685	-	-
- Lease liabilities (Note 25)	696,598	-	5,507	-
	16,665,102	18,972,823	890,473	1,126,307

9. (Loss)/Profit before tax

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
The following items have been included in arriving at (loss)/ profit before tax:				
Employee benefits expense (Note 10)	108,449,778	89,912,810	2,157,058	2,033,277
Non-executive directors' remuneration (Note 11)	343,196	343,041	280,353	274,173
Auditors' remunerations				
- Current year	218,300	212,058	85,000	75,275
- Under /(Over)provision in previous years	33,000	(17,600)	(10,000)	5,000
Depreciation of property, plant and equipment (Note 14)	100,675,852	97,447,346	1,278,667	1,265,581
Impairment loss on investment in a subsidiary	-	-	15,077,596	-
Impairment loss on property, plant and equipment	30,783,375	-	-	-
Impairment loss on other receivables (Note 37)	15,497,988	53,119,665	-	-
Impairment loss on trade receivables (Note 37)	7,988,256	2,046,774	-	-
Fair value loss/(gain) on investment securities	87,600	(40,200)	-	-
Fair value (gain)/loss on forward contracts	(150,966)	20,766	-	-
Provision for foreseeable loss	7,615,684	-	-	-
Impairment on work-in-progress inventory	449,500	-	-	-
Loss on disposal of shares in associates	-	6,286,524	-	-
Loss/(Gain) on disposal of shares in a subsidiary	14,305,869	(728,051)	-	-
Hiring charges	4,726,354	4,519,460	-	-
Property, plant and equipment written off	6,653	10,407	-	7,040
Loss on foreign exchange	118,998	2,699,518	-	-
Rental expenses	1,186,051	696,261	497	-

10. Employee benefits expense

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Salaries and wages	103,352,592	84,825,497	2,025,904	1,903,945
Social security contributions	673,501	576,365	7,154	5,265
Contributions to defined contribution plan	4,423,685	4,510,948	124,000	124,067
	108,449,778	89,912,810	2,157,058	2,033,277

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM1,434,515 (2019: RM1,530,274) and RM879,836 (2019: RM888,936) respectively as further disclosed in Note 11.

11. Directors' remuneration

Directors of the Company

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Executive:				
Salaries and other emoluments	1,286,995	1,327,444	781,036	781,036
Bonus	65,000	105,500	65,000	65,000
Defined contribution plan	82,520	97,330	33,800	42,900
Total executive directors' remuneration (Note 10)	1,434,515	1,530,274	879,836	888,936
Non-Executive:				
Other emoluments	217,036	217,036	156,593	156,593
Bonus	13,000	18,000	13,000	13,000
Defined contribution plan	9,160	12,005	6,760	8,580
Fees	104,000	96,000	104,000	96,000
Total Non-executive directors' remuneration (Note 9)	343,196	343,041	280,353	274,173
	1,777,711	1,873,315	1,160,189	1,163,109

Directors of subsidiaries

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Salaries and other emoluments	833,829	1,370,146	-	-
Bonus	207,750	277,000	-	-
Defined contribution plan	190,200	203,051	-	-
	1,231,779	1,850,197	-	-
Total directors' remuneration	3,009,490	3,723,512	1,160,189	1,163,109

11. Directors' remuneration (Continued)

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2020	**2019**
Executive Directors:		
RM250,001 – RM300,000	1	1
RM400,001 – RM450,000	1	-
RM500,001 – RM550,000	-	1
RM750,001 – RM800,000	1	1
Non-Executive Directors:		
Below RM50,000	5	4
RM200,001 - RM250,000	1	1

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Statements of profit or loss and other comprehensive income:				
Current income tax:				
Malaysian income tax	1,121,153	1,514,927	207,647	207,400
Underprovision in prior years	87,602	15,642	2,433	12,449
Withholding tax	-	1,868	-	-
	1,208,755	1,532,437	210,080	219,849
Deferred income tax (Note 30):				
Reversal or origination of temporary differences	(8,851,001)	5,119,931	-	-
Overprovision in previous years	(616,091)	(213,366)	-	-
	(9,467,092)	4,906,565	-	-
Income tax expense recognised in profit or loss	(8,258,337)	6,439,002	210,080	219,849

12. Income tax expense (Continued)

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2020 and 2019 are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit before tax	(154,168,441)	(82,719,090)	(14,830,458)	330,350
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(37,000,426)	(19,852,582)	(3,559,310)	79,284
Adjustments:				
Income not subject to tax	(6,890,181)	(4,652,160)	(179,580)	(210,000)
Non-deductible expenses	26,760,999	22,647,389	3,885,693	278,818
Deferred tax assets not recognised during the year	9,399,760	8,649,277	60,844	59,298
Reversal of deferred tax assets not recognised in previous years	-	(203,684)	-	-
Underprovision of tax expenses in prior years	87,602	15,642	2,433	12,449
Overprovision of deferred tax in previous years	(616,091)	(213,366)	-	-
Effect of share of results of associate	-	46,618	-	-
Withholding tax	-	1,868	-	-
Income tax expense recognised in profit or loss	(8,258,337)	6,439,002	210,080	219,849

Current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable (loss)/profit for the year.

Certain subsidiaries enjoy tax exempt profits arising from its operations of seagoing vessels, under Section 54A of the Income Tax Act, 1967.

13. Loss per share

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

The following reflect the loss and share data used in the computation of basic loss per share for the years ended 30 June:

	2020 RM	2019 RM
Loss attributable to ordinary equity holders of the Company	(146,142,813)	(86,668,449)

	2020	2019
Weighted average number of ordinary shares in issue	1,170,414,875	1,174,423,717

	2020	2019
Basic loss per share (Sen)	(12.49)	(7.38)

The diluted loss per share for the Group is not presented as there were no potential dilutive ordinary shares outstanding at the reporting date.

14. Property, plant and equipment

Group	Land, Buildings, Jetty, Wharf and Slipways* RM	Dry Docking Expenses RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Shipping Equipment and Machinery RM	Plant and Machinery RM	Vessels RM	Capital work-in-progress RM	Total RM
Cost:									
At 1 July 2018	359,935,543	11,705,837	8,882,400	16,904,558	154,888,524	140,655,344	1,341,651,627	5,338,241	2,039,962,074
Additions	1,459,450	1,366,063	1,863,096	426,669	10,440,934	413,826	81,221,484	6,827,448	104,018,970
Transfers	582,083	-	117,500	2,450	-	759,500	-	(1,461,533)	-
Disposals	-	-	(630,000)	(10,910)	(3,843,806)	-	(21,288,994)	-	(25,773,710)
Written off	(7,040)	-	(500)	(232,440)	(22,602)	-	-	-	(262,582)
Disposal of a subsidiary	(23,688)	-	-	(26,649)	-	-	-	-	(50,337)
Exchange translation differences	59,879	-	4,779	6,764	-	-	-	-	71,422
At 30 June 2019 and 1 July 2019	362,006,227	13,071,900	10,237,275	17,070,442	161,463,050	141,828,670	1,401,584,117	10,704,156	2,117,965,837
Effect of adoption of MFRS 16 (Note 2.2)	335,613	-	-	-	-	-	1,707,470	-	2,043,083
Reclassification to assets held for sale	-	(4,146,895)	-	-	(1,041,575)	-	(52,630,731)	-	(57,819,201)
Additions	46,231	2,525,796	677,786	1,104,122	411,950	459,460	15,489,923	446,155	21,161,423
Transfers	656,432	-	-	-	2,768	-	-	(659,200)	-
Disposals	-	(1,654,026)	(386,767)	(15,224)	(2,574,988)	-	(61,090,827)	(5,758,565)	(71,480,397)
Written off	-	-	-	(381,382)	(6,331)	-	-	-	(387,713)
Disposal of a subsidiary	(2,578,316)	-	(205,790)	(291,230)	-	-	-	-	(3,075,336)
At 30 June 2020	360,466,187	9,796,775	10,322,504	17,486,728	158,254,874	142,288,130	1,305,059,952	4,732,546	2,008,407,696

14. Property, plant and equipment (Continued)

Group	Land, Buildings, Jetty, Wharf and Slipways* RM	Dry Docking Expenses RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Shipping Equipment and Machinery RM	Plant and Machinery RM	Vessels RM	Capital work-in-progress RM	Total RM
Accumulated depreciation and impairment loss:									
At 1 July 2018	79,259,716	7,453,279	6,937,698	11,918,129	109,903,954	68,885,422	555,463,938	-	839,822,136
Charge for the year	7,837,803	1,549,180	570,436	1,083,715	10,492,382	5,714,293	70,290,720	-	97,538,529
Disposals	-	-	(504,000)	(2,958)	(3,704,903)	-	(7,973,556)	-	(12,185,417)
Written off	-	-	(333)	(229,777)	(22,065)	-	-	-	(252,175)
Disposal of a subsidiary	(9,869)	-	-	(21,876)	-	-	-	-	(31,745)
Exchange translation differences	-	-	4,397	6,730	-	-	-	-	11,127
At 30 June 2019 and 1 July 2019	87,087,650	9,002,459	7,008,198	12,753,963	116,669,368	74,599,715	617,781,102	-	924,902,455
Reclassification to assets held for sale	-	(2,991,288)	-	-	(885,578)	-	(41,067,550)	-	(44,944,416)
Charge for the year	7,780,579	1,661,457	561,770	1,148,227	10,423,815	5,774,246	73,325,758	-	100,675,852
Disposals	-	(944,170)	(161,953)	(6,221)	(2,420,072)	-	(35,129,396)	-	(38,661,812)
Written off	-	-	-	(376,040)	(5,020)	-	-	-	(381,060)
Impairment loss	-	-	-	-	-	-	30,783,375	-	30,783,375
Disposal of a subsidiary	-	-	(205,790)	(290,546)	-	-	-	-	(496,336)
At 30 June 2020	94,868,229	6,728,458	7,202,225	13,229,383	123,782,513	80,373,961	645,693,289	-	971,878,058

14. Property, plant and equipment (Continued)

Group	Land, Buildings, Jetty, Wharf and Slipways* RM	Dry Docking Expenses RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Shipping Equipment and Machinery RM	Plant and Machinery RM	Vessels RM	Capital work-in-progress RM	Total RM
Net carrying amount:									
At 30 June 2019	274,918,577	4,069,441	3,229,077	4,316,479	44,793,682	67,228,955	783,803,015	10,704,156	1,193,063,382
At 30 June 2020	265,597,958	3,068,317	3,120,279	4,257,345	34,472,361	61,914,169	659,366,663	4,732,546	1,036,529,638

14. Property, plant and equipment (Continued)

* Land, buildings, jetty, wharf and slipways

Group	Leasehold Land RM	Leasehold Land and Buildings RM	Buildings RM	Slipways RM	Wharf and Jetty RM	Total RM
Cost:						
At 1 July 2018	137,460,111	35,237,644	110,590,286	73,901,494	2,746,008	359,935,543
Additions	-	700,000	-	-	759,450	1,459,450
Transfer from capital work-in-progress	-	76,000	296,680	209,403	-	582,083
Written off	-	(7,040)	-	-	-	(7,040)
Disposal of subsidiaries	-	-	(23,688)	-	-	(23,688)
Exchange translation differences	-	-	59,879	-	-	59,879
At 30 June 2019 and 1 July 2019	137,460,111	36,006,604	110,923,157	74,110,897	3,505,458	362,006,227
Effect of adoption of MFRS 16 (Note 2.2)	-	-	335,613	-	-	335,613
Additions	-	-	-	-	46,231	46,231
Transfer from capital work-in-progress	-	-	-	515,782	140,650	656,432
Disposal of subsidiaries	-	-	(2,578,316)	-	-	(2,578,316)
At 30 June 2020	137,460,111	36,006,604	108,680,454	74,626,679	3,692,339	360,466,187

14. Property, plant and equipment (Continued)

*** Land, buildings, jetty, wharf and slipways**

Group	Leasehold Land RM	Leasehold Land and Buildings RM	Buildings RM	Slipways RM	Wharf and Jetty RM	Total RM
Accumulated depreciation and impairment loss:						
At 1 July 2018	15,812,072	1,666,462	19,933,290	40,632,975	1,214,917	79,259,716
Charge for the year	1,675,998	507,194	2,081,904	3,437,880	134,827	7,837,803
Disposal of subsidiaries	-	-	(9,869)	-	-	(9,869)
At 30 June 2019 and 1 July 2019	17,488,070	2,173,656	22,005,325	44,070,855	1,349,744	87,087,650
Charge for the year	1,675,999	517,667	2,193,184	3,223,871	169,858	7,780,579
At 30 June 2020	19,164,069	2,691,323	24,198,509	47,294,726	1,519,602	94,868,229
Net carrying amount:						
At 30 June 2019	119,972,041	33,832,948	88,917,832	30,040,042	2,155,714	274,918,577
At 30 June 2020	118,296,042	33,315,281	84,481,945	27,331,953	2,172,737	265,597,958

14. Property, plant and equipment (Continued)

Company	*** Land and Buildings RM**	**Motor Vehicle RM**	**Office Equipment, Furniture and Fittings RM**	**Capital work-in-progress RM**	**Total RM**
Cost:					
At 1 July 2018	53,328,923	282,011	5,386,792	-	58,997,726
Additions	-	-	37,693	76,000	113,693
Written off	(7,040)	-	-	-	(7,040)
Reclassifications	76,000	-	-	(76,000)	-
At 30 June 2019 and 1 July 2019	53,397,883	282,011	5,424,485	-	59,104,379
Additions	3,861	-	169,042	140,650	313,553
Disposal	-	-	(520)	-	(520)
Reclassifications	140,650	-	-	(140,650)	-
At 30 June 2020	53,542,394	282,011	5,593,007	-	59,417,412
Accumulated depreciation:					
At 1 July 2018	3,005,618	14,101	3,237,556	-	6,257,275
Charge for the year (Note 9)	741,431	56,402	467,748	-	1,265,581
At 30 June 2019 and 1 July 2019	3,747,049	70,503	3,705,304	-	7,522,856
Charge for the year (Note 9)	746,088	56,402	476,177	-	1,278,667
Disposal	-	-	(338)	-	(338)
At 30 June 2020	4,493,137	126,905	4,181,143	-	8,801,185
Net carrying amount:					
At 30 June 2019	49,650,834	211,508	1,719,181	-	51,581,523
At 30 June 2020	49,049,257	155,106	1,411,864	-	50,616,227

14. Property, plant and equipment (Continued)

*** Land and Buildings**

Company	Long Term Leasehold Land RM	Long Term Leasehold Land and Buildings RM	Buildings RM	Wharf and Jetty RM	Total RM
Cost:					
At 1 July 2018	2,164,309	35,237,644	15,926,970	-	53,328,923
Written off	-	(7,040)	-	-	(7,040)
Reclassifications	-	76,000	-	-	76,000
At 30 June 2019 and 1 July 2019	2,164,309	35,306,604	15,926,970	-	53,397,883
Additions	-	-	-	3,861	3,861
Reclassifications	-	-	-	140,650	140,650
At 30 June 2020	2,164,309	35,306,604	15,926,970	144,511	53,542,394
Accumulated depreciation:					
At 1 July 2018	-	1,666,462	1,339,156	-	3,005,618
Charge for the year	-	502,527	238,904	-	741,431
At 30 June 2019 and 1 July 2019	-	2,168,989	1,578,060	-	3,747,049
Charge for the year	-	503,667	238,905	3,516	746,088
At 30 June 2020	-	2,672,656	1,816,965	3,516	4,493,137
Net carrying amount:					
At 30 June 2019	2,164,309	33,137,615	14,348,910	-	49,650,834
At 30 June 2020	2,164,309	32,633,948	14,110,005	140,995	49,049,257

Titles of the certain leasehold land of the Group and of the Company with the carrying value of RM59,198,623 (2019: RM59,746,150) and RM8,841,227 (2019: RM9,047,615) respectively have yet to be issued by the authority.

14. Property, plant and equipment (Continued)

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM416,200 (2019: RM4,906,500) by means of finance leases. The cash outflows on acquisition of property, plant and equipment amounted to RM20,745,223 (2019: RM99,021,287).

The carrying amount of property, plant and equipment held under finance leases at the reporting date were as follows:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Motor vehicles	1,524,167	1,362,997	154,000	210,000
Plant and machinery	13,652,816	15,744,424	-	-
	15,176,983	17,107,421	154,000	210,000

Assets pledged as security

In addition to assets held under finance leases, the net carrying amount of property, plant and equipment pledged for borrowings as referred in Note 25 are as follows:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Land and buildings	91,293,087	93,248,009	36,425,463	36,930,613
Plant and machinery	48,833,333	52,083,000	-	-
Vessels	222,590,438	210,546,911	-	-
	363,716,858	355,877,920	36,425,463	36,930,613

Depreciation for the year is allocated as follows:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Profit or loss (Note 9)	100,675,852	97,447,346	1,278,667	1,265,581
Capital work-in-progress	-	91,183	-	-
	100,675,852	97,538,529	1,278,667	1,265,581

14. Property, plant and equipment (Continued)

Impairment on property, plant and equipment

The Group groups their vessels by type of similar category/size vessels as separate cash generating unit ("CGU").

The estimated recoverable amount was determined based on the higher of an asset's value in use ("VIU") and fair value less costs to sell ("FV"). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount was lower, the carrying value of the asset was reduced to its estimated recoverable amount and the difference regarded as an impairment loss.

The recoverable amount under VIU was determined based on the expected cash flows estimated to generated by the identified CGU over its remaining useful life. The main inputs used were estimated charter rate, estimated operating cost and dry docking expenses considering historical performance of the CGU. The pre-tax discount of 10% was used in the computation.

The recoverable amount under FV was derived from the valuations performed by an internal expert. The FV represents an estimate of the amount to be received in the event that the vessel is sold, on a willing buyer and willing seller basis.

During the financial year, the Group carried out an assessment of the recoverable amount of its vessels and non-current assets held for sale due to depressed market condition. As a result of the assessment, the Group recognised impairment loss of RM24,241,011 (2019: Nil) and RM6,542,364 (2019: Nil) respectively for the financial year ended 30 June 2020.

14. Property, plant and equipment (Continued)

Right-of-use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	**Leasehold land and buildings RM**	**Leasehold land RM**	**Vessels RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Total RM**
Cost						
At 1 July 2019	-	-	-	-	-	-
Effect of adoption of MFRS 16 leases						
- Reclassification land	-	28,922,204	-	-	-	28,922,204
- Reclassification of assets previously acquired under hire purchase	-	-	-	18,278,327	2,023,559	20,301,886
- Recognition (Note 2.2)	335,613	-	1,707,470	-	-	2,043,083
Additions	-	-	-	-	518,925	518,925
Disposal	-	-	-	-	(230,000)	(230,000)
At 30 June 2020	335,613	28,922,204	1,707,470	18,278,327	2,312,484	51,556,098

14. Property, plant and equipment (Continued)

Right-of-use assets (Continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	Leasehold land and buildings RM	Leasehold land RM	Vessels RM	Plant and machinery RM	Motor vehicles RM	Total RM
Accumulated depreciation						
At 1 July 2019	-	-	-	-	-	-
Effect of adoption of MFRS 16 leases						
- Reclassification land	-	6,611,962	-	-	-	6,611,962
- Reclassification of assets previously acquired under hire purchase	-	-	-	2,533,903	319,571	2,853,474
Depreciation for the financial year	105,922	543,257	745,751	1,827,833	317,542	3,540,305
Disposal	-	-	-	-	(42,167)	(42,167)
At 30 June 2020	105,922	7,155,219	745,751	4,361,736	594,946	12,963,574
Net carrying amount						
At 30 June 2020	229,691	21,766,985	961,719	13,916,591	1,717,538	38,592,524

14. Property, plant and equipment (Continued)

Right-of-use assets (Continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Company	**Motor vehicles RM**	**Total RM**
At 1 July 2019	-	-
Effect of adoption of MFRS 16 leases:		
- Reclassification of assets previously acquired under hire purchase	282,011	282,011
At 30 June 2020	282,011	282,011
Accumulated depreciation		
At 1 July 2019	-	-
Effect of adoption of MFRS 16 leases:		
- Reclassification of assets previously acquired under hire purchase	70,503	70,503
Depreciation for the financial year	56,402	56,402
At 30 June 2020	126,905	126,905
Net carrying amount		
At 30 June 2020	155,106	155,106

14. Property, plant and equipment (Continued)

Right-of-use assets (Continued)

The Group has lease contracts for land, buildings, vessels, plant and machineries and motor vehicles used in its operations.

There are several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on the statements of financial position:

	Leasehold land and buildings RM	Vessels RM	Plant and machinery RM	Motor vehicles RM
Group				
No. of right-of-use assets leased	8	1	8	14
Company				
No. of right-of-use assets leased	-	-	-	1

15. Investment in subsidiaries

	Company 2020 RM	2019 RM
Unquoted shares, at cost	1,036,451,176	1,036,451,176
Less: impairment loss	(15,077,596)	-
	1,021,373,580	1,036,451,176

At the reporting date, the Company conducted an impairment review of two of its investment in subsidiary companies, principally based on the Company's share of net assets in the subsidiary company, which represents the directors' estimation of fair value less costs to sell of these subsidiary company. The review gave rise to the recognition of an impairment loss of investment in subsidiary company of RM15,077,596 based on recoverable amounts of RM260,813,016.

15. Investment in subsidiaries (Continued)

Details of the subsidiaries are shown as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2020 %	% of ownership interest held by the Group 2019 %	% of ownership interest held by non-controlling interests 2020 %	% of ownership interest held by non-controlling interests 2019 %
Danum Shipping Sdn. Bhd.	Malaysia	International shipping operations for liquid chemical products	100	100	-	-
Piasau Slipways Sdn. Bhd.	Malaysia	Shipbuilding and ship repairing, and fabrication of metal structures	100	100	-	-
Shinline Sdn. Bhd.	Malaysia	International shipping operations	100	100	-	-
Shin Yang Shipping Sdn. Bhd.	Malaysia	Domestic and regional shipping operations	100	100	-	-
Shin Yang Shipyard Sdn. Bhd.	Malaysia	Shipbuilding and ship repairing, and fabrication of metal structures	100	100	-	-
Thailine Sdn. Bhd.	Malaysia	International shipping operations	100	100	-	-
Hock Leong Shipping Sdn. Bhd.	Malaysia	Shipping agency	70	70	30	30
Dynasys Technology & Engineering Sdn. Bhd.*	Malaysia	Engineering consultation, trading and technology services	100	100	-	-

15. Investment in subsidiaries (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2020	2019	2020	2019
			%	%	%	%
Subsidiary of Danum Shipping Sdn. Bhd.						
Sinar Asiamas Sdn. Bhd.	Malaysia	International shipping operations	100	100	-	-
Subsidiaries of Shin Yang Shipping Sdn. Bhd.						
Shin Yang FZC	United Arab Emirates	Investment holding, trading of vessels and engaged in offshore and marine related shipping business	-[#]	90	-	10
Gemilang Raya Maritime Sdn. Bhd.*	Malaysia	Investment holding	60	60	40	40

* Audited by a firm other than Ernst & Young PLT.
[#] Refer to Note 16

15. Investment in subsidiaries (Continued)

(i) Disposal of subsidiaries

2020
Shin Yang FZC

During the year, Shin Yang Shipping Sdn. Bhd. disposed of 49% equity interest in Shin Yang FZC for a cash consideration of AED1,640,000. Accordingly, Shin Yang FZC had ceased to be the subsidiary of Shin Yang Shipping Sdn. Bhd. and became an associate (Note 16).

2019
PT Shinline

In 2019, Shin Yang Shipping Sdn. Bhd. disposed of 50.5% equity interest in PT Shinline for a cash consideration of USD126,250. PT Shinline had ceased to be the subsidiary of Shin Yang Shipping Sdn. Bhd. and became an associate (Note 16).

The disposals had the following effects on the financial position of the Group as at the end of the year:

	Shin Yang FZC 2020 RM	**PT Shinline 2019 RM**
Property, plant and equipment	2,579,000	18,592
Trade and other receivables	34,743,298	384,771
Other current assets	32,278	-
Cash and bank balances	85,420	358,625
Trade and other payables	(7,385,683)	(899,445)
Net identifiable assets/liabilities	30,054,313	(137,457)
Less: Foreign exchange reserve	(9,477,737)	(61,063)
Less: Non-controlling interest	(2,414,322)	(6,225)
Transfer to associate	(2,205,643)	-
Net assets/(liabilities) disposed	15,956,611	(204,745)
Total disposal proceeds	(1,650,742)	(523,306)
Loss/(Gain) on disposal to the Group (Note 9)	14,305,869	(728,051)
Disposal proceeds settled by:		
Cash	1,650,742	523,306

15. Investment in subsidiaries (Continued)

(i) Disposal of subsidiaries (Continued)

The disposal had the following effects on the financial position of the Group as at the end of the year: (Continued)

	Shin Yang FZC 2020 RM	PT Shinline 2019 RM
Cash inflows arising on disposal:		
Cash consideration	1,650,742	523,306
Cash and cash equivalents of subsidiary disposed	(85,420)	(358,625)
Net cash inflows on disposal	1,565,322	164,681

(ii) Non-controlling interests

None of the subsidiaries with non-controlling interests are material to the Group. Accordingly, the disclosure requirements of MFRS 12, Disclosure of Interests in Other Entities, are not presented.

16. Investment in associates

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted shares, at cost	3,544,946	1,339,304	682,500	682,500
Share of post acquisition reserves	1,104,605	968,481	-	-
	4,649,551	2,307,785	682,500	682,500

16. Investment in associates (Continued)

Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Percentage of equity held by the Group	
			2020	2019
			%	%
Melinau Shipping Sdn. Bhd.*	Malaysia	Shipping and forwarding agency	39	39
PT Shinline.*	Indonesia	Investment holding	49	49
Shin Yang FZC#	United Arab Emirates	Investment holding	49	-
Associate of PT Shinline				
PT. Baruna Adiprasetya*	Indonesia	International shipping and shipping agency	24	24

* Audited by a firm other than Ernst & Young PLT.
\# Refer to Note 15

The Group has not recognised losses relating to PT Shinline where its share of losses exceeds the Group's interest in these associates. The Group's cumulative share of unrecognised losses at the reporting date was RM1,140,665 (2019: RM1,086,804) of which RM53,861 (2019: RM320,544) was the share of the current year's loss. The Group has no obligation in respect of these losses.

16. Investment in associates (Continued)

(b) Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information represents the amount in the MFRS financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial information

	Melinau Shipping Sdn Bhd RM	Shin Yang FZC RM	Total RM
2020			
Assets and liabilities			
Current assets	15,114,848	32,169,118	47,283,966
Non-current assets	617,039	3,242,547	3,859,586
Total assets	15,731,887	35,411,665	51,143,552
Current liabilities	3,007,263	3,642,327	6,649,590
Non-current liabilities	177,069	-	177,069
Total liabilities	3,184,332	3,642,327	6,826,659
Net assets	12,547,555	31,769,338	44,316,893

16. Investment in associates (Continued)

(b) Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information represents the amount in the MFRS financial statements of the associates and not the Group's share of those amounts. (Continued)

(i) Summarised statements of financial information (Continued)

	Melinau Shipping Sdn Bhd RM	**Deena Shipping L.L.C. RM**	**Total RM**
2019			
Assets and liabilities			
Current assets	14,349,707	17,071,760	31,421,467
Non-current assets	399,529	394,538	794,067
Total assets	14,749,236	17,466,298	32,215,534
Current liabilities	2,481,835	64,517,595	66,999,430
Non-current liabilities	49,838	-	49,838
Total liabilities	2,531,673	64,517,595	67,049,268
Net assets/(liabilities)	12,217,563	(47,051,297)	(34,833,734)

(ii) Summarised statements of profit or loss and other comprehensive income

	Melinau Shipping Sdn Bhd RM	**Shin Yang FZC RM**	**Total RM**
2020			
Revenue	4,420,798	-	4,420,798
Profit for the year, representing total comprehensive income	504,992	15,414	520,406

16. Investment in associates (Continued)

(b) Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information represents the amount in the MFRS financial statements of the associates and not the Group's share of those amounts. (Continued)

(ii) Summarised statements of profit or loss and other comprehensive income (Continued)

	Melinau Shipping Sdn Bhd RM	Deena Shipping L.L.C. RM	Total RM
2019			
Revenue	4,506,263	2,540,037	7,046,300
Profit/(Loss) for the year, representing total comprehensive income	644,340	(8,898,609)	(8,254,269)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

	Melinau Shipping Sdn Bhd RM	Shin Yang FZC RM	Total RM
2020			
Group's share of net assets	2,436,593	2,212,958	4,649,551
Carrying value of Group' s interest in associates	2,436,593	2,212,958	4,649,551
2019			
Group's share of net assets	2,307,785	-	2,307,785
Carrying value of Group's interest in associates	2,307,785	-	2,307,785

17. Investment securities

	Group 2020 RM	Group 2019 RM
Equity instruments (quoted in Malaysia), at fair value	93,600	181,200
Market value of quoted shares in Malaysia	93,600	181,200

18. Intangible asset

	Group 2020 RM	Group 2019 RM
Goodwill		
Cost:		
At 30 June 2020/2019	2,063,893	2,063,893

Carrying amount of goodwill on business acquisition is related to the acquisition of a shipping agency in prior years. The Group performed its annual impairment test in June 2020 and 2019.

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 10.0% - 12.0% (2019: 10.0% - 12.0%) and 2.0% (2019: 2.0%) respectively.

Management determined budgeted profit margin based on past performance and its expectations of the market conditions. The pre-tax discount rates used reflected specific risks relating to the shipping industry. The forecasted growth rates were based on management's estimate which did not exceed the long term average growth rate for the industry.

19. Inventories

	Group 2020 RM	Group 2019 RM
Consumables	51,125,217	59,124,735
Petrol, oil and lubricants on board	3,153,398	3,693,959
Work-in-progress	327,567	993,775
	54,606,182	63,812,469

20. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Current				
Trade receivables				
Third parties	102,662,139	134,829,484	360	42,120
Due from related companies	46,348,169	67,216,478	-	-
Due from associates	1,205,263	8,940,306	-	-
	150,215,571	210,986,268	360	42,120
Less: Allowance for impairment				
- third parties	(14,440,709)	(18,989,228)	-	-
- associates	(412,002)	(412,002)	-	-
- related companies	(4,863)	-	-	-
	(14,857,574)	(19,401,230)	360	42,120
Trade receivables, net	135,357,997	191,585,038	360	42,120
Other receivables				
Refundable deposits				
- Third parties	1,837,589	15,611,944	94,530	94,530
- Due from related companies	-	500	-	-
Other receivables	16,502,454	31,831,286	122,446	115,320
Due from related companies	1,259	1,031	-	269
Due from subsidiaries	-	-	-	1,814,940
Due from associates	14,910,832	45,099,426	505,360	238,108
	33,252,134	92,544,187	722,336	2,263,167
Less: Allowance for impairment				
- third parties	(10,587,476)	(12,142,641)	-	-
- associates	(10,309,869)	(1,258,258)	-	-
	(20,897,345)	(13,400,899)	-	-
Other receivables, net	12,354,789	79,143,288	722,336	2,263,167
	147,712,786	270,728,326	722,696	2,305,287
Non-current				
Other receivables				
Due from subsidiaries	-	-	101,053,675	108,167,889
Total trade and other receivables	147,712,786	270,728,326	101,776,371	110,473,176

20. Trade and other receivables (Continued)

Related companies are companies within Shin Yang Holding Sendirian Berhad Group.

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2019: 7 to 90 day) terms.

Included in trade receivables of the Group is an amount of RM4,685,824 (2019: RM5,897,335) due from companies in which certain Directors have substantial financial interests.

(b) Amounts due from related companies and subsidiaries

These amounts are unsecured, non-interest bearing and are receivable on demand.

(c) Other receivables

These amounts are unsecured, non-interest bearing and are receivable on demand.

21. Contract assets/(liabilities)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
At 1 July	(2,826,920)	21,993,600	-	-
Revenue recognised during the year	159,267,843	143,574,983	-	-
Progress billings during the year	(141,273,852)	(168,395,503)	-	-
At 30 June	15,167,071	(2,826,920)	-	-
Analysed as follows:				
Contract assets (Note 4(c) and Note 22)	16,685,975	21,280,819	-	-
Contract liabilities (Note 4(c) and Note 28)	(1,518,904)	(24,107,739)	-	-

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Hiring of plant and machinery	2,569,814	3,256,844	-	-
Depreciation of property, plant and equipment	9,413,254	9,638,119	-	-

22. Other current assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Prepaid operating expenses	10,700,283	14,112,549	-	-
GST refundable	1,427,922	1,720,607	1,426,776	1,719,438
Contracts assets (Note 21)	16,685,975	21,280,819	-	-
	28,814,180	37,113,975	1,426,776	1,719,438

23. Cash and bank balances

Cash at banks and on hand	41,097,783	25,559,021	864,143	841,213
Short term deposits with licensed banks	80,400,000	43,200,000	41,200,000	34,200,000
Cash and bank balances	121,497,783	68,759,021	42,064,143	35,041,213

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	121,497,783	68,759,021	42,064,143	35,041,213
Bank overdrafts (Note 25)	(25,730,006)	(23,973,396)	-	-
	95,767,777	44,785,625	42,064,143	35,041,213
Less: Fixed deposits with maturity more than 3 months	(27,100,000)	-	-	-
Cash and cash equivalents	68,667,777	44,785,625	42,064,143	35,041,213

24. Non-current assets classified as held for sale

Non-current assets held for sale comprise of vessels which the Group expects to sell within the next 12 months from the reporting date.

25. Loans and borrowings

	Maturity	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Current					
Secured:					
Bank overdrafts	On demand	10,978,837	11,656,132	-	-
Revolving credits	2021	20,000,000	21,500,000	5,000,000	6,000,000
Bankers acceptances	2021	13,222,000	18,380,000	-	-
Term loans	2021	21,601,757	31,980,679	1,550,004	1,550,004
Obligations under finance leases		-	4,238,560	-	84,325
Lease liabilities	2021	4,095,117	-	80,583	-
		69,897,711	87,755,371	6,630,587	7,634,329
Unsecured:					
Bank overdrafts	On demand	14,751,169	12,317,264	-	-
Revolving credits	2021	53,985,200	40,136,000	-	-
Bankers acceptances	2021	97,299,000	135,463,000	-	-
Lease liabilities	2021	838,307	-	-	-
		166,873,676	187,916,264	-	-
		236,771,387	275,671,635	6,630,587	7,634,329
Non-current					
Secured:					
Term loans	2022 - 2028	65,925,499	67,624,757	8,654,149	10,204,153
Obligations under finance leases		-	9,075,048	-	80,583
Lease liabilities	2022 - 2023	5,462,552	-	-	-
		71,388,051	76,699,805	8,654,149	10,284,736
Unsecured:					
Lease liabilities	2022 - 2025	460,667	-	-	-
		71,848,718	76,699,805	8,654,149	10,284,736
Total loans and borrowings		308,620,105	352,371,440	15,284,736	17,919,065

25. Loans and borrowings (Continued)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
On demand or within one year	236,771,387	275,671,635	6,630,587	7,634,329
Later than 1 year but not later than 2 years	22,576,602	21,318,671	1,550,004	1,630,587
Later than 2 years but not later than 5 years	33,818,037	34,377,043	4,650,012	4,650,012
Later than 5 years	15,454,079	21,004,091	2,454,133	4,004,137
	308,620,105	352,371,440	15,284,736	17,919,065

Bank overdrafts

The bank overdrafts are secured by charges over leasehold land and buildings of the Group as stated in Note 14 and guaranteed by certain Directors of the Company.

Lease liabilities

These obligations are secured by a charge over the leased assets (Note 14).

Revolving credits

Revolving credits are secured by charges over leasehold land and buildings of the Company and of the Group as stated in Note 14 and guaranteed by certain Directors of the Company.

Bankers' acceptances

Bankers' acceptances are secured by charges over leasehold land and buildings of the Group as stated in Note 14 and guaranteed by certain Directors of the Company.

Term loans

These loans are secured by legal charges over certain vessels and leasehold land and buildings of the Company as stated in Note 14 and guaranteed by certain Directors of the Company.

25. Loans and borrowings (Continued)

The ranges of interest rates for loans and borrowings are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	%	**%**	**%**	**%**
Bank overdrafts	6.20 - 7.35	7.45 - 8.60	-	-
Fixed rates - loans	-	5.25 - 5.61	-	-
Floating rates - loans	3.49 - 5.62	4.77 - 6.09	4.65 - 5.42	4.68 - 5.53
Revolving credits	3.83 - 4.99	4.95 - 5.74	4.07	4.95
Bankers acceptances	3.37 - 5.19	4.28 - 5.55	-	-
Obligations under finance leases	-	3.66 - 5.37	-	4.41
Lease liabilities	3.66 - 10.00	-	4.41	-

Lease liabilities

The movement of lease liabilities during the financial year is as follows:

	2020
	RM
Group	
At 1 July	13,313,608
Effect of adoption of MFRS 16:	
- Recognition (Note 2.2)	2,043,083
Additions	634,100
Interest charged (Note 8)	696,598
Payment of:	
- Principal	(5,134,148)
- Interest	(696,598)
At 30 June	10,856,643

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

	2020
	RM
Group	
Depreciation of right-of-use assets (Note 14)	3,540,305
Interest expense on lease liabilities (Note 8)	696,598

The Group had total cash outflows for leases amounting to RM5,830,746 in 2020.

There were no leases with residual value guarantee or leases which have yet to commence of which the Group have committed.

25. Loans and borrowings (Continued)

The operating lease commitments as at 30 June 2019 is reconciled to arrive at the lease liabilities as at 1 July 2019 as follows:

Group	2020 RM
Operating lease commitments as at 30 June 2019	2,161,808
Weighted average incremental borrowing rate as at 1 July 2019	9.40%
Discounted using the lessee's incremental borrowing rate at the date of initial application	2,043,083
Lease liabilities recognised as at 1 July 2019	2,043,083

Obligations under finance leases

These obligations are secured by charges over the lease assets (Note 14). The effective interest rate as at reporting date ranged from 6.00% to 10.00% (2019: 6.00% to 10.00%) per annum. These obligations are denominated in RM.

26. Derivatives

	Notional Amount RM	2020 RM	Notional Amount RM	2019 RM
<u>Assets</u>				
Non-hedging derivatives:				
Forward currency contracts	7,708,500	130,200	-	-
<u>Liabilities</u>				
Non-hedging derivatives:				
Forward currency contracts	-	-	7,743,727	20,766

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date.

27. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Trade payables				
Third parties	81,695,435	87,641,050	-	-
Due to associates	10,553,263	9,978,407	-	-
Due to related companies	15,796,774	10,775,282	-	-
	108,045,472	108,394,739	-	-
Other payables				
Accrued operating expenses	18,150,932	10,641,150	272,091	148,813
Deposits				
- Related companies	-	-	431,500	431,500
- Others	4,216,038	4,582,344	137,680	117,360
Other payables	7,816,830	8,239,335	302,045	315,151
Due to directors	-	551,411	-	-
Due to related companies	1,539,616	1,127,593	86,829	104,086
Due to holding company	17,296	76,798	-	-
	31,740,712	25,218,631	1,230,145	1,116,910
Total trade and other payables	139,786,184	133,613,370	1,230,145	1,116,910

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2019: 30 to 90 day) terms. Included in trade payables of the Group is an amount of RM4,994,495 (2019: RM5,740,405) due to companies in which certain Directors of the Company have substantial financial interests.

(b) Other payables

Included in other payables of the Group is an amount of RM254,160 (2019: RM1,084,414) due to companies in which certain Directors of the Company have substantial financial interests. These amounts are non-interest bearing and are repayable on demand.

(c) Amounts due to Directors, related companies, subsidiaries and holding company

These amounts are unsecured, non-interest bearing and are repayable on demand.

28. Other current liabilities

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Contract liabilities (Note 21)	1,518,904	24,107,739	-	-

29. Changes in liabilities arising from financing activities

	Lease liabilities RM	Obligation under finance leases RM	Term loans RM	Revolving credits RM	Banker acceptances RM	Bank overdrafts RM	Total RM
Group							
At 1 July 2019	-	13,313,608	99,605,436	61,636,000	153,843,000	23,973,396	352,371,440
New leases	2,043,083	634,100	-	-	-	-	2,677,183
Cash flows	(744,109)	(4,390,039)	(12,078,180)	12,349,200	(43,322,000)	1,756,610	(46,428,518)
At 30 June 2020	1,298,974	9,557,669	87,527,256	73,985,200	110,521,000	25,730,006	308,620,105
At 1 July 2018	-	12,744,072	94,966,753	75,776,000	146,273,000	23,298,797	353,058,622
New leases	-	5,413,700	-	-	-	-	5,413,700
Cash flows	-	(4,844,164)	4,638,683	(14,140,000)	7,570,000	674,599	(6,100,882)
At 30 June 2019	-	13,313,608	99,605,436	61,636,000	153,843,000	23,973,396	352,371,440

29. Changes in liabilities arising from financing activities (Continued)

	Obligation under finance leases RM	Term loans RM	Revolving credits RM	Total RM
Company				
At 1 July 2019	164,908	11,754,157	6,000,000	17,919,065
Cash flows	(84,325)	(1,550,004)	(1,000,000)	(2,634,329)
At 30 June 2020	80,583	10,204,153	5,000,000	15,284,736
At 1 July 2018	245,458	16,304,561	6,000,000	22,550,019
Cash flows	(80,550)	(4,550,404)	-	(4,630,954)
At 30 June 2019	164,908	11,754,157	6,000,000	17,919,065

30. Deferred tax assets/(liabilities)

	As at 1 July 2018 RM	Recognised in profit or loss RM	As at 30 June 2019 RM	Recognised in profit or loss RM	As at 30 June 2020 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	101,533,195	(2,324,405)	99,208,790	(5,922,589)	93,286,201
Unrealised gain on foreign exchange	572,007	(572,007)	-	-	-
	102,105,202	(2,896,412)	99,208,790	(5,922,589)	93,286,201
Deferred tax assets:					
Unabsorbed capital allowances	(41,606,293)	5,294,283	(36,312,010)	(4,806,265)	(41,118,275)
Unutilised reinvestment allowances	(8,391,880)	2,237,258	(6,154,622)	1,344,730	(4,809,892)
Unutilised tax losses	-	(16,545)	(16,545)	(30,179)	(46,724)
Others	(2,331,333)	287,981	(2,043,352)	(52,789)	(2,096,141)
	(52,329,506)	7,802,977	(44,526,529)	(3,544,503)	(48,071,032)
	49,775,696	4,906,565	54,682,261	(9,467,092)	45,215,169
Company					
Deferred tax liabilities:					
Property, plant and equipment	114,376	12,375	126,751	45,063	171,814
Deferred tax assets:					
Unabsorbed capital allowances	(114,376)	(12,375)	(126,751)	(45,063)	(171,814)
	-	-	-	-	-

30. Deferred tax assets/(liabilities) (Continued)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Analysed as:				
Deferred tax assets	50,903	16,016	-	-
Deferred tax liabilities	(45,266,072)	(54,698,277)	-	-
	(45,215,169)	(54,682,261)	-	-
Deferred tax assets have not been recognised in respect of the following items:				
Unabsorbed capital allowances	4,428,033	3,836,678	2,477,850	2,222,525
Unrecognised reinvestment allowances	14,978,421	9,375,380	-	-
Unutilised tax losses	84,387,745	57,318,538	1,035,413	1,035,413
Other deductible temporary differences	12,459,754	5,818,000	-	-
	116,253,953	76,348,596	3,513,263	3,257,938

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses to be carried forward until:				
- Year of assessment 2025	69,147,267	69,147,267	1,035,413	1,035,413
- Year of assessment 2026	45,090,648	-	-	-
	114,237,915	69,147,267	1,035,413	1,035,413

31. Share capital and treasury shares

	Number of Ordinary Share		Amount	
	Share capital	Treasury shares	Share capital RM	Treasury shares RM
Issued and fully paid				
Group and Company				
At 1 July 2018	1,200,000,000	(17,494,600)	1,216,972,062	(4,678,001)
Purchase of treasury shares	-	(11,246,800)	-	(3,726,642)
At 30 June 2019 and 1 July 2019	1,200,000,000	(28,741,400)	1,216,972,062	(8,404,643)
Purchase of treasury shares	-	(2,680,000)	-	(448,045)
At 30 June 2020	1,200,000,000	(31,421,400)	1,216,972,062	(8,852,688)

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 2,680,000 (2019: 11,246,800) shares in the Company through purchases on Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM448,045 and this was presented as a component within shareholders' equity. The average cost paid for the shares repurchased during the financial year was RM0.17 per share.

Of the total 1,200,000,000 (2019: 1,200,000,000) issued and fully paid ordinary shares as at 30 June 2020, 31,421,400 (2019: 28,741,400) are held as treasury shares by the Company. As at 30 June 2020, the number of outstanding ordinary shares in issue after the set-off is therefore 1,168,578,600 (2019: 1,171,258,600) ordinary shares.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act 2016.

31. Share capital and treasury shares (Continued)

Movements on share buy-backs

	Number of shares	Total cost RM	Average price per share RM
At 1 July 2018	17,494,600	4,678,001	0.27
Repurchased during the year ended 30 June 2019	11,246,800	3,726,642	0.33
At 30 June 2019	28,741,400	8,404,643	0.29
Repurchase during the year ended 30 June 2020	2,680,000	448,045	0.17
At 30 June 2020	31,421,400	8,852,688	0.28

32. Other reserves

	Merger Deficits RM	Foreign Currency Translation Reserve RM	Total RM
Group			
At 1 July 2018	(298,506,891)	8,806,266	(289,700,625)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	1,531,507	1,531,507
Less: Non-controlling interests	-	(153,151)	(153,151)
Less: Disposal of subsidiary	-	(61,063)	(61,063)
	-	1,317,293	1,317,293
At 30 June 2019 and 1 July 2019	(298,506,891)	10,123,559	(288,383,332)
Other comprehensive income:			
Less: Disposal of subsidiary	-	(9,477,737)	(9,477,737)
Reclassification	645,822	(645,822)	-
At 30 June 2020	(297,861,069)	-	(297,861,069)

32. Other reserves (Continued)

Merger deficits

The merger deficits reserve represents the difference between the value of the considerations paid and the reserves of the two "acquired" entities, Shin Yang Shipping Sdn. Bhd. and Danum Shipping Sdn. Bhd. as a consequent of applying the pooling of interest method.

Foreign currency translation reserve

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

33. Commitments

Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2020	**2019**
	RM	**RM**
Capital expenditure		
Approved and not contracted for:		
Property, plant and equipment	177,510	-

34. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

	Company 2020 RM	Company 2019 RM
Purchase of property, plant and equipment		
- Subsidiaries	-	840
- Related companies	305,386	5,720
Sales of property, plant and equipment		
- Related companies	(182)	-
Purchase of goods and services from		
- Subsidiaries	-	49,130
- Related companies	141,492	58,808
Rental income from		
- Subsidiaries	(2,929,000)	(3,361,600)
- Related companies	(8,000)	(11,500)
- Associates	(312,000)	(300,000)
- Associate of holding company	-	(18,000)

	Group 2020 RM	Group 2019 RM
Sale of goods and services to		
- Related companies	(72,707,425)	(106,075,184)
- Associates	(181,451)	-
Purchase of goods and services from		
- Related companies	18,653,329	22,915,662
- Holding company	-	15,600
Sale of property, plant and equipment		
- Related companies	(22,900)	(1,063,500)
Purchase of property, plant and equipment		
- Related companies	4,641,729	1,837,284
- Associates	-	40,249,944
Rental income		
- Related companies	(325,286)	(407,986)
- Associates	(312,000)	(300,000)

34. Related party transactions (Continued)

(a) Sale and purchase of goods and services (Continued)

	Group 2020 RM	Group 2019 RM
Rental expenses charged by:		
- Related companies	350,789	301,261
- Associates	-	9,438
Management fee received		
- Associates	-	(3,344,887)
Transactions with companies in which certain Directors have substantial financial interests:		
Sales of goods and services	(9,097,383)	(13,063,240)
Purchase of goods and services	10,896,005	13,937,229
Sales of property, plant and equipment	(117,960)	(112,450)
Purchase of property, plant and equipment	309,993	860,221
Rental income	(16,620)	(24,030)
Rental expenses	48,000	42,000

Related companies:

Related companies are companies within Shin Yang Holding Sendirian Berhad Group.

Information regarding outstanding balances arising from related party transactions as at 30 June 2020 is disclosed in Note 20 and Note 27.

(b) Remuneration of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Short-term employee benefits	3,440,402	4,151,090	1,558,829	1,545,552
Defined contribution plan	332,753	366,566	84,673	97,080
	3,773,155	4,517,656	1,643,502	1,642,632
Included in the total key management personnel are:				
Directors' remuneration (Note 11)	3,009,490	3,723,512	1,160,189	1,163,109

35. Categories of financial instruments

35.1 Financial assets and financial liabilities

The table below provides an analysis of financial instruments, categories as follows:

(a) Loans and receivables ("LR")
(b) Fair value through profit or loss ("FVTPL")
(c) Amortised cost ("AC")

	Note	Group AC RM	Group FVTPL RM	Company AC RM	Company FVTPL RM
2020					
Financial assets					
Trade and other receivables	20	147,712,786	-	101,776,371	-
Investment securities	17	-	93,600	-	-
Cash and bank balances	23	121,497,783	-	42,064,143	-
Derivative	26	-	130,200	-	-
		269,210,569	223,800	143,840,514	-
Financial liabilities					
Loans and borrowings	25	308,620,105	-	15,284,736	-
Trade and other payables	27	139,786,184	-	1,230,145	-
		448,406,289	-	16,514,881	-
2019					
Financial assets					
Trade and other receivables	20	270,728,326	-	110,473,176	-
Investment securities	17	-	181,200	-	-
Cash and bank balances	23	68,759,021	-	35,041,213	-
		339,487,347	181,200	145,514,389	-
Financial liabilities					
Loans and borrowings	25	352,371,440	-	17,919,065	-
Trade and other payables	27	133,613,370	-	1,116,910	-
Derivative	26	-	20,766	-	-
		485,984,810	20,766	19,035,975	-

35. Categories of financial instruments (Continued)

35.2 Fair value

(a) Fair values of financial instruments not carried at fair value

Set out below, is a comparison of the carrying amounts and fair values of the Group's and of the Company's financial instruments, by class, other than those with carrying amounts which are reasonable approximations of fair values:

	Carrying amount		Fair value	
	2020	2019	2020	2019
	RM	RM	RM	RM
Group				
Financial liabilities:				
Interest-bearing loans and borrowings – Non-current				
- Obligations under finance leases	5,462,552	9,075,048	5,450,919	9,057,275
Company				
Financial liabilities:				
Interest-bearing loans and borrowings – Non-current				
- Obligations under finance leases	-	80,583	-	80,015

35. Financial assets and financial liabilities (Continued)

35.2 Fair value (Continued)

(a) Fair values of financial instruments not carried at fair value (Continued)

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(b) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables	20
Trade and other payables	27
Loans and borrowings (current and non-current, except non-current fixed rates loans and borrowings and obligations under finance leases)	25

36. Fair value measurement

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Fair value measurement (Continued)

Fair value hierarchy (Continued)

The following table provides the fair value measurement hierarchy of the Group's and of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June are as follows:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30 June 2020				
Asset for:				
Other investments - Equity investments quoted in Malaysia	93,600	-	-	93,600
Derivatives				
- Forward currency contracts	-	130,200	-	130,200
Liabilities for:				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	-	5,450,919	-	5,450,919
Derivatives				
- Forward currency contracts	-	20,766	-	20,766
30 June 2019				
Asset for:				
Other investments - Equity investments quoted in Malaysia	181,200	-	-	181,200
Liabilities for:				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	-	9,057,275	-	9,057,275
Derivatives				
- Forward currency contracts	-	20,766	-	20,766

36. Fair value measurement (Continued)

Fair value hierarchy (Continued)

Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30 June 2020				
Liabilities for:				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	-	-	-	-
30 June 2019				
Liabilities for:				
Interest-bearing loans and borrowings				
- Non-current obligations under finance leases	-	80,015	-	80,015

37. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by the management. The audit committee of Shin Yang Shipping Corporation Berhad provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

37. Financial risk management objectives and policies (Continued)

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

For trade and other receivables, the Group controls these risks by the application of credit approvals, limits and monitoring procedures. The Group also minimises its exposure through analysing the counterparties' financial condition prior to entering into any services/contracts where appropriate to mitigate credit risk. Trade receivables are monitored on an ongoing basis via Group's management reporting procedures. For other financial assets (deposits, cash and bank balances with financial institutions) the Group adopts the policy of dealing only with counterparties of high credibility (i.e. banks and financial institutions).

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 loss patterns (i.e., by geographical region). 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 past events and current and forecasted industries' conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in below. The Group does not hold any collateral as security.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each financial assets in the statement of financial position after deducting any impairment allowance; and
- a nominal amount of RM228,957,080 (2019: RM230,874,390) relating to corporate guarantee provided by the Company to banks on the subsidiaries' borrowings.

37. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the trade and other receivables on an ongoing basis.

(i) Exposure to credit risk for trade receivables

Recognition and measurement of impairment loss under MFRS 9

The following table provides information about exposure to credit risk and expected credit loss for trade receivables of the Group as at 30 June 2020:

	Gross carrying amount RM	Expected credit loss RM	Net balances RM
Group			
Current (not past due)	34,952,018	(248,835)	34,703,183
Past due:			
1-30 days	19,679,469	(153,628)	19,525,841
31-60 days	14,589,183	(149,506)	14,439,677
61-90 days	10,480,244	(168,155)	10,312,089
91-120 days	5,153,803	(212,122)	4,941,681
More than 121 days	9,359,216	(3,824,894)	5,534,322
	94,213,933	(4,757,140)	89,456,793
Credit impaired	56,001,638	(10,100,434)	45,901,204
	150,215,571	(14,857,574)	135,357,997

The following table provides information about exposure to credit risk and expected credit loss for trade receivables of the Group as at 30 June 2019:

	Gross carrying amount RM	Expected credit loss RM	Net balances RM
Group			
Current (not past due)	40,205,529	(236,897)	39,968,632
Past due:			
1-30 days	28,860,993	(286,188)	28,574,805
31-60 days	18,359,931	(217,417)	18,142,514
61-90 days	17,195,697	(161,563)	17,034,134
91-120 days	5,815,827	(86,388)	5,729,439
More than 121 days	11,596,310	(3,099,446)	8,496,864
	122,034,287	(4,087,899)	117,946,388
Credit impaired	88,951,981	(15,313,331)	73,638,650
	210,986,268	(19,401,230)	191,585,038

37. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(i) Exposure to credit risk for trade receivables (Continued)

Recognition and measurement of impairment loss under MFRS 9 (Continued)

The movement in allowance for expected credit losses ("ECL") during the year for the Group are shown below:

	Credit impaired RM	ECL RM	Total RM
Group			
Balance as at 1 July 2019	14,190,278	5,643,348	19,833,626
Charge for the year	2,560,972	-	2,560,972
Reversal of impairment losses	(444,306)	(1,555,449)	(1,999,755)
Charge for the year, net	2,116,666	(1,555,449)	561,217
Effect of foreign exchange	56,958	-	56,958
Written off	(1,050,571)	-	(1,050,571)
Balance as at 30 June 2019	15,313,331	4,087,899	19,401,230
Charge for the year	7,319,015	669,241	7,988,256
Reversal of impairment losses	(3,246,122)	-	(3,246,122)
Charge for the year, net	4,072,893	669,241	4,742,134
Disposal of subsidiary	(2,452,494)	-	(2,452,494)
Written off	(6,833,296)	-	(6,833,296)
Balance as at 30 June 2020	10,100,434	4,757,140	14,857,574

	2020 RM	2019 RM
As per statements of cash flows:		
Reversal of impairment losses	(3,246,122)	(1,485,557)
Allowance for impairment (Note 9)	7,988,256	2,046,774
	4,742,134	561,217

37. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

(ii) Other receivables that are impaired

Movement in allowance accounts:

	Group	
	RM	**RM**
At 1 July 2019/2018	45,318,401	39,710,797
Effect on MFRS 9 adoption	-	5,607,604
Charge for the year (Note 9)	53,119,665	-
Reversal of impairment loss	(2,705,086)	-
Written off	(82,332,081)	-
At 1 July 2019/2018 (Restated)	13,400,899	45,318,401
Charge for the year (Note 9)	15,497,988	53,119,665
Reversal of impairment loss	(884,700)	(2,705,086)
Written off	(7,116,842)	(82,332,081)
At 30 June 2020/2019	20,897,345	13,400,899

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

37. Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Group				
At 30 June 2020				
Financial liabilities:				
Trade and other payables	139,786,184	-	-	139,786,184
Loans and borrowings	243,646,034	65,522,417	16,723,341	325,891,792
Total undiscounted financial liabilities	383,432,218	65,522,417	16,723,341	465,677,976
At 30 June 2019				
Financial liabilities:				
Trade and other payables	133,613,370	-	-	133,613,370
Loans and borrowings	277,254,672	67,961,222	23,254,208	368,470,102
Total undiscounted financial liabilities	410,868,042	67,961,222	23,254,208	502,083,472

37. Financial risk management objectives and policies (Continued)

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Company				
At 30 June 2020				
Financial liabilities:				
Trade and other payables	1,230,145	-	-	1,230,145
Loans and borrowings	7,232,766	7,314,816	2,555,573	17,103,155
Financial guarantee contracts*	228,957,080	-	-	228,957,080
Total undiscounted financial liabilities	237,419,991	7,314,816	2,555,573	247,290,380
At 30 June 2019				
Financial liabilities:				
Trade and other payables	1,116,910	-	-	1,116,910
Loans and borrowings	8,229,976	7,704,663	4,268,952	20,203,591
Financial guarantee contracts*	230,874,390	-	-	230,874,390
Total undiscounted financial liabilities	240,221,276	7,704,663	4,268,952	252,194,891

* Based on the maximum amount that can be called under the financial guarantee contracts.

(c) Interest rate risk

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

The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their loans and borrowings.

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

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM127,207 (2019: RM140,763) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

37. Financial risk management objectives and policies (Continued)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia (RM) and United Arab Emirates Dirham (AED). The foreign currencies in which these transactions are denominated are mainly United Arab Emirates Dirham (AED) and United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group does not enter into forward contracts to hedge foreign currency risk.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the USD and AED against RM exchange rate, with all other variables held constant.

	Group Profit net of tax	
	2020 RM	**2019 RM**
USD/RM - strengthen by 5%	(177,602)	388,160
USD/RM - weaken by 5%	177,602	(388,160)
AED/RM - strengthen by 5%	(498)	(1,857)
AED/RM - weaken by 5%	498	1,857
USD/AED - strengthen by 5%	-	76,062
USD/AED - weaken by 5%	-	(76,062)
RM/AED - strengthen by 5%	-	(120,149)
RM/AED - weaken by 5%	-	120,149

38. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders value. In order to maintain or achieve an optimal capital structure, the Group may adjust the dividend payment, return capital to shareholders, obtain new financing facilities or dispose assets to reduce borrowings.

Management monitors capital based on the Group's and the Company's gearing ratio. The Group's and the Company's strategies are to maintain gearing ratio of not exceeding 100%.

The gearing ratio is calculated as net debt divided by equity capital plus net debt. Net debt is calculated as total borrowings, trade and other payables less cash and bank balances. Capital is equivalent to capital and reserves attributable to owners of the Company.

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Loans and borrowings	25	308,620,105	352,371,440	15,284,736	17,919,065
Trade and other payables	27	139,786,184	133,613,370	1,230,145	1,116,910
Less:					
Cash and bank balances	23	(121,497,783)	(68,759,021)	(42,064,143)	(35,041,213)
Net debt/(Cash)		326,908,506	417,225,789	(25,549,262)	(16,005,238)
Equity attributable to the owners of the Company		911,268,518	1,067,337,113	1,201,264,104	1,216,752,687
Capital and net debt		1,238,177,024	1,484,562,902	1,175,714,842	1,200,747,449
Gearing ratio		26.40%	28.10%	N/A	N/A

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. Shipbuilding, ship repair and fabrication of metal structures.

II. Domestic and regional shipping segment which carries out shipping business in coastal and regional routes within Malaysia and ASEAN region.

III. International shipping segment which carries out shipping business in United Arab Emirates and international routes to Japan, Korea, China, Philippines and ASEAN region.

IV. Others consist of the business of shipping agency.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

39. Segment information (Continued)

	Shipbuilding, Ship Repair and Fabrication of Metal Structures RM	Domestic and Regional Shipping RM	International Shipping RM	Others RM	Consolidation Adjustments and Eliminations RM	Notes	Per Consolidated Financial Statements RM
30 June 2020							
Revenue:							
External customers	132,175,889	338,671,006	119,019,996	6,628,730	-		596,495,621
Inter-segment	26,857,618	4,744,579	381,397	5,850,229	(37,833,823)	A	-
Total revenue	159,033,507	343,415,585	119,401,393	12,478,959	(37,833,823)		596,495,621
Results:							
Finance income	16,420	623,560	171,259	1,276,358	-		2,087,597
Depreciation	10,609,130	58,810,772	26,645,446	1,527,903	3,082,601		100,675,852
Share of results of associates	-	-	-	-	204,374		204,374
Other non-cash expenses	1,136,471	13,162,294	425,958	202,688	8,624,429	B	23,551,840
Segment (loss)/profit	(38,917,905)	(93,979,092)	(20,627,621)	1,984,252	(2,628,075)	C	(154,168,441)
Assets:							
Investment in associates	-	2,629,641	-	682,500	1,337,410		4,649,551
Additions to non-current assets	1,037,442	16,503,805	2,551,541	1,068,635	-	D	21,161,423
Segment assets	485,007,172	664,514,850	435,061,299	234,497,081	(406,427,505)	E	1,412,652,897

39. Segment information (Continued)

	Shipbuilding, Ship Repair and Fabrication of Metal Structures RM	Domestic and Regional Shipping RM	International Shipping RM	Others RM	Consolidation Adjustments and Eliminations RM	Notes	Per Consolidated Financial Statements RM
30 June 2020							
Liabilities:							
Segment liabilities	322,080,221	338,340,420	190,704,324	35,437,492	(390,999,850)	F	495,562,607
30 June 2019							
Revenue:							
External customers	114,440,385	387,655,886	136,087,524	7,016,750	-		645,200,545
Inter-segment	25,332,487	4,198,310	1,719,211	6,492,587	(37,742,595)	A	-
Total revenue	139,772,872	391,854,196	137,806,735	13,509,337	(37,742,595)		645,200,545
Results:							
Finance income	28,112	157,650	204,597	1,338,581	-		1,728,940
Dividend income	-	-	4,440	-	-		4,440
Depreciation	10,601,886	58,992,713	26,466,038	1,451,636	(64,927)		97,447,346
Share of results of associates	-	-	-	-	801,407		801,407
Other non-cash expenses	835,442	2,510,145	54,544,259	7,284	-	B	57,897,130
Segment (loss)/profit	(37,084,640)	5,644,040	(55,980,091)	4,469,668	231,933	C	(82,719,090)

39. Segment information (Continued)

	Shipbuilding, Ship Repair and Fabrication of Metal Structures RM	Domestic and Regional Shipping RM	International Shipping RM	Others RM	Consolidation Adjustments and Eliminations RM	Notes	Per Consolidated Financial Statements RM
30 June 2019							
Assets:							
Investment in associates	-	656,804	551,411	682,500	417,070		2,307,785
Additions to non-current assets	8,285,146	97,292,180	1,703,116	986,600	(4,248,072)	D	104,018,970
Segment assets	586,887,963	774,312,128	524,061,820	242,315,807	(486,222,903)	E	1,641,354,815
Liabilities:							
Segment liabilities	378,337,443	338,340,420	226,681,792	43,392,157	(421,237,693)	F	565,514,119

39. Segment information (Continued)

A Inter-segment revenues are eliminated on consolidated.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2020 RM	2019 RM
Fair value changes on forward contracts	9	(150,966)	20,766
Property, plant and equipment written off	9	6,653	10,407
Impairment loss on trade and other receivables	9	23,486,244	55,166,439
Impairment on work-in-progress inventory	9	449,500	-
Unrealised loss on foreign exchange		(239,591)	2,699,518
		23,551,840	57,897,130

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2020 RM	2019 RM
Share of results of associates	204,374	801,407
Dividend from subsidiaries	(680,000)	(680,000)
Dividend from associates	(68,250)	(195,000)
Profit from inter-segment sales	998,403	240,599
Depreciation	(3,082,602)	64,927
	(2,628,075)	231,933

D Additions to non-current assets consist of:

	2020 RM	2019 RM
Property, plant and equipment	21,161,423	104,018,970

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Property, plant and equipment	(36,157,150)	(22,365,810)
Investment in associates	1,104,605	417,070
Intangible assets	2,063,893	2,063,893
Inter-segment assets	(373,438,853)	(466,338,056)
	(406,427,505)	(486,222,903)

39. Segment information (Continued)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Cumulative preference shares	(100,000)	(100,000)
Inter-segment liabilities	(390,899,850)	(421,137,693)
	(390,999,850)	(421,237,693)

Geographical information

Revenue and non-current assets information 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	547,243,279	580,287,239	1,036,529,638	1,190,484,382
United Arab Emirates	-	-	-	2,579,000
Singapore	44,283,888	64,583,879	-	-
Japan	32,797	329,427	-	-
Netherlands	3,178,709	-	-	-
Taiwan	1,756,948	-	-	-
	596,495,621	645,200,545	1,036,529,638	1,193,063,382

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

	2020 RM	2019 RM
Property, plant and equipment	1,036,529,638	1,193,063,382

40. Dividend

There were no dividends paid in respect of the financial year ended 30 June 2020 and 2019.

41. Significant event

The novel coronavirus ("COVID-19") pandemic has significantly disrupted many businesses and the Malaysian economy as a whole. The Movement Control Order implemented by the government required the closure of all government and private premises except for those involved in provision of essential services. The Group's principal activities mainly comprise the provision for sea transport, freight forwarding services and shipbuilding. The threats posed by the COVID-19 continue to spiral and many businesses have been crippled by the loss in earnings and disruption in the supply chains.

The outbreak of COVID-19 pandemic occurred before 30 June 2020 and its impact is considered an event that existed as at the reporting date. The impact of COVID-19 on the Group is mainly the loss of revenue due to lower volume of cargo handled during the last quarter of the financial year due to restrictions in major markets across the world. On the financial statements level, the COVID-19 affected the impairment assessment of property, plant and equipment and expected credit losses on financial assets. In arriving at the recoverable amounts and the probabilities of default as well as appropriate forward looking information, the effects of COVID-19 have been taken into consideration. The Group will continue to assess the appropriateness of its assumptions and estimates adopted, and adjust accordingly from time to time in the next financial year ending 30 June 2021.

Given the unpredictability of the future development of COVID-19, the Group is unable to reasonably quantify the complete financial impact of the COVID-19 for the financial year ending 30 June 2021 to be disclosed in the financial statements. The Group will continue to monitor any material changes to future economic conditions that will affect the Group.

42. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 30 October 2020.