

# **EVERSENDAI**

**EVERSENDAI CORPORATION BERHAD**  
Company No. 200301011640 (614060-A)  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020**

**FIRST QUARTER ENDED 31 MARCH 2020**  
(Figures are not audited unless otherwise specified)  
(In Ringgit Malaysia)

Dated 30 June 2020

**EVERSENDAI CORPORATION BERHAD** 200301011640 (614060-A)  
(Incorporated in Malaysia)

**Date: 30 June 2020**

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020  
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

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(Incorporated in Malaysia)

**Financial Year Ending 31 December 2020**

**Summary of Key Financial Information for the First Quarter ended 31 March 2020**

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
1 Revenue	228,496	399,629	228,496	399,629
2 (Loss)/Profit before tax	(9,720)	10,802	(9,720)	10,802
3 (Loss)/Profit for the period	(9,070)	10,495	(9,070)	10,495
4 (Loss)/Profit attributable to equity holders of the Company	(10,145)	11,141	(10,145)	11,141
5 Basic (loss)/earnings per share (sen)	(1.30)	1.43	(1.30)	1.43
6 Proposed/declared dividend per share (sen)	-	-	-	-
			<b>As at</b>	<b>As at</b>
			<b>31.3.2020</b>	<b>31.12.2019</b>
			<b>(RM)</b>	<b>(RM)</b>
				<b>(Audited)</b>
7 Net assets per share attributable to the equity holders of the Company			1.17	1.13

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2020**

	Note	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
<b>Revenue</b>	6	<b>228,496</b>	<b>399,629</b>	<b>228,496</b>	<b>399,629</b>
Cost of sales		(199,573)	(356,962)	(199,573)	(356,962)
<b>Gross profit</b>		<b>28,923</b>	<b>42,667</b>	<b>28,923</b>	<b>42,667</b>
Interest income		268	1,247	268	1,247
Other income		5,146	9,173	5,146	9,173
Operating and administrative expenses		(37,585)	(26,013)	(37,585)	(26,013)
<b>Operating (loss)/profit</b>		<b>(3,248)</b>	<b>27,074</b>	<b>(3,248)</b>	<b>27,074</b>
Finance costs		(6,472)	(16,272)	(6,472)	(16,272)
<b>(Loss)/Profit before tax</b>	8	<b>(9,720)</b>	<b>10,802</b>	<b>(9,720)</b>	<b>10,802</b>
Income tax credit/(expense)	9	650	(307)	650	(307)
<b>(Loss)/Profit for the period</b>		<b>(9,070)</b>	<b>10,495</b>	<b>(9,070)</b>	<b>10,495</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
- Foreign currency translation		41,840	(14,555)	41,840	(14,555)
<b>Total comprehensive income / (expense) for the period</b>		<b>32,770</b>	<b>(4,060)</b>	<b>32,770</b>	<b>(4,060)</b>

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2020  
(Cont'd)**

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
<b>Note</b>				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(10,145)	11,141	(10,145)	11,141
- Non-controlling interests	1,075	(646)	1,075	(646)
	<b>(9,070)</b>	<b>10,495</b>	<b>(9,070)</b>	<b>10,495</b>
Total comprehensive income / (expense) attributable to:				
- Equity holders of the Company	31,737	(2,886)	31,737	(2,886)
- Non-controlling interests	1,033	(1,174)	1,033	(1,174)
	<b>32,770</b>	<b>(4,060)</b>	<b>32,770</b>	<b>(4,060)</b>
<b>(Loss)/Earnings per share attributable to equity holders of the Company</b>				
- Basic/diluted (sen)	10	<b>(1.30)</b>	<b>(1.30)</b>	<b>1.43</b>

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019, and the accompanying explanatory notes attached to these interim financial statements.

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**Financial Year Ending 31 December 2020**  
**Condensed Consolidated Statement of Financial Position as at 31 March 2020**

		<b>31.03.2020</b>	<b>31.12.2019</b>
		<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>		<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11	709,774	696,560
Right-of-use assets		255,054	248,095
Goodwill	12	11,251	11,251
Deferred tax assets		2,037	2,003
<b>Total Non-current Assets</b>		<b>978,116</b>	<b>957,909</b>
<b>Current Assets</b>			
Inventories	13	267,413	258,615
Contract assets		924,889	882,233
Trade receivables		1,036,959	1,015,433
Other receivables, refundable deposits and prepaid expenses		146,600	135,954
Tax recoverable		6,213	5,881
Cash and bank balances	14	172,306	145,708
<b>Total Current Assets</b>		<b>2,554,380</b>	<b>2,443,824</b>
<b>Total Assets</b>		<b>3,532,496</b>	<b>3,401,733</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables		397,598	350,645
Other payables and accrued expenses		421,349	373,086
Amount owing to customers under construction contracts		166,510	193,389
Amount owing to directors		14,954	11,089
Hire-purchase payables	16	1,310	2,509
Borrowings	16	537,250	482,999
Lease liabilities	16	15,064	14,737
Tax liabilities		40,443	39,741
<b>Total Current Liabilities</b>		<b>1,594,478</b>	<b>1,468,195</b>

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**Condensed Consolidated Statement of Financial Position as at 31 March 2020 (Cont'd)**

		<b>31.3.2020</b>	<b>31.12.2019</b>
		<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>		<b>(Audited)</b>
<b>EQUITY AND LIABILITIES (Cont'd)</b>			
<b>Non-current Liabilities</b>			
Hire purchase payables	16	2,981	2,549
Borrowings	16	631,895	680,513
Lease liabilities	16	293,857	279,264
Employees' service benefits		76,434	71,132
Deferred tax liabilities		3,069	3,068
<b>Total Non-current Liabilities</b>		<b><u>1,008,236</u></b>	<b><u>1,036,526</u></b>
<b>Total Liabilities</b>		<b><u>2,602,714</u></b>	<b><u>2,504,721</u></b>
<b>Net Assets</b>		<b><u>929,782</u></b>	<b><u>897,012</u></b>
<b>Capital and Reserves</b>			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		180,088	138,206
Fair value adjustment reserve		30	30
Retained earnings		149,714	159,859
Equity attributable to equity holders of the Company		<u>915,236</u>	<u>883,499</u>
<b>Non-controlling interests</b>		<u>14,546</u>	<u>13,513</u>
<b>Total Equity</b>		<b><u>929,782</u></b>	<b><u>897,012</u></b>
<b>Total Equity and Liabilities</b>		<b><u>3,532,496</u></b>	<b><u>3,401,733</u></b>

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019, and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2020**

Note	← Attributable to equity holders of the Company →					→		Non-controlling interests RM'000	Total equity RM'000
	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000		
<b>At 1.1.2019</b>	585,308	(91)	187	162,336	30	171,227	918,997	12,796	931,793
Effect of adoption of MFRS 16	-	-	-	-	-	(24,865)	(24,865)	(258)	(25,123)
<b>At 1.1.2019, as restated</b>	585,308	(91)	187	162,336	30	146,362	894,132	12,538	906,670
Profit/(loss) for the period	-	-	-	-	-	11,141	11,141	(646)	10,495
Other comprehensive expense	-	-	-	(14,027)	-	-	(14,027)	(528)	(14,555)
Total comprehensive income	-	-	-	(14,027)	-	11,141	(2,886)	(1,174)	(4,060)
<b>At 31.3.2019</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>148,309</b>	<b>30</b>	<b>157,503</b>	<b>891,246</b>	<b>11,364</b>	<b>902,610</b>



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**Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2020 (Cont'd)**

Note	← Attributable to equity holders of the Company →							Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable →				Distributable				
	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000		
<b>At 1.1.2020</b>	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012
(Loss)/Profit for the period	-	-	-	-	-	(10,145)	(10,145)	1,075	(9,070)
Other comprehensive income/(expense)	-	-	-	41,882	-	-	41,882	(42)	41,840
Total comprehensive income	-	-	-	41,882	-	(10,145)	31,737	1,033	32,770
<b>At 31.3.2020</b>	<u>585,308</u>	<u>(91)</u>	<u>187</u>	<u>180,088</u>	<u>30</u>	<u>149,714</u>	<u>915,236</u>	<u>14,546</u>	<u>929,782</u>

These condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019, and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2020**

	Note	Cumulative Quarter 3 months ended	
		31.3.2020 RM'000	31.3.2019 RM'000
<b>Operating activities</b>			
(Loss)/Profit before taxation		(9,720)	10,802
Adjustments for:			
Depreciation of property, plant and equipment		14,240	12,668
Depreciation for right-of-use assets		3,115	-
Provision for employees' service benefits		2,790	2,607
Gain on disposal of property, plant and equipment		(32)	(159)
Interest income		(268)	(1,247)
(Reversal)/Allowance for doubtful debts		(59)	2,020
Reversal of provision for foreseeable loss		-	(3,038)
Unrealised foreign exchange loss/(gain)		11,359	(2,761)
Finance costs		6,472	16,272
<b>Operating profit before working capital changes</b>		<b>27,897</b>	<b>37,164</b>
Working capital changes:			
Net changes in current assets		(180,291)	(82,038)
Net changes in current liabilities		139,197	161,531
Cash (used in)/generated from operations		(13,197)	116,657
Employees' service benefits paid		(2,295)	(1,618)
Taxes refund/(paid)		13	(144)
<b>Net cash flows (used in)/generated from operating activities</b>		<b>(15,479)</b>	<b>114,895</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(3,159)	(19,749)
Proceeds from disposal of property, plant and equipment		32	452
Increase in deposits with financial institutions		(3,068)	(2,456)
Interest received		268	1,247
<b>Net cash flows used in investing activities</b>		<b>(5,927)</b>	<b>(20,506)</b>

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**Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2020 (Cont'd)**

	Note	Cumulative Quarter 3 months ended	
		31.3.2020 RM'000	31.3.2019 RM'000
<b>Financing activities</b>			
Repayment of bank borrowings		(15,378)	(71,436)
Repayment of hire purchase payables		(769)	(1,413)
(Repayment)/Drawdown of lease liabilities		(14,920)	3,374
Increase in amount owing to directors		3,865	5,388
Finance costs paid		(6,472)	(16,272)
<b>Net cash flows used in financing activities</b>		<b>(33,674)</b>	<b>(80,359)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(55,080)</b>	<b>14,030</b>
Effect of changes in foreign exchange rate		36,152	(18,451)
<b>Cash and cash equivalents at beginning of period</b>		<b>27,966</b>	<b>75,953</b>
<b>Cash and cash equivalents at end of period</b>		<b>9,038</b>	<b>71,532</b>
<b>Cash and cash equivalents at end of period comprised of:</b>			
Cash and bank balances		172,306	179,534
Less: Bank overdrafts		(118,177)	(62,911)
Less: Deposits pledged with financial institutions		(45,091)	(45,091)
		<b>9,038</b>	<b>71,532</b>

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019, and the accompanying explanatory notes to these interim financial statements.

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**Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2020**

**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting**

**1. Corporate Information**

Eversendai Corporation Berhad (“ECB” or “the Company”) is a public limited liability company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

As per the latest audited financial statements for financial year ended 31 December 2019, ECB has met the criteria of the business activities benchmark and financial ratio benchmark set by Shariah Advisory Council (SAC) of the Securities Commission (SC).

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 30 June 2020.

**2. Basis of Preparation**

These unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2020 have been prepared in accordance with MFRS 134, Interim Financial Reporting and Paragraph 9.22 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with International Accounting Standard (IAS) 34 issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. The accompanying explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of ECB and its subsidiaries (“the Group”) since the year ended 31 December 2019.

**3. Significant Accounting Policies**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting periods on or after 1 January 2020 as follows:-

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**3. Significant Accounting Policies (Cont'd)**

Amendments to MFRS 3, Business Combination (Definition of Business)  
Amendments to MFRS 101 and MFRS 108, Definition of Material  
Amendments to references to the Conceptual Framework in MFRS Standards, MFRS 137

*Amendments to MFRS 3, Business Combination (Definition of Business)*

MFRS 3, the amendments to the definition of a business is to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

*Amendments to MFRS 101 and MFRS 108 (Definition of Material)*

MFRS 101 and MFRS 108, the amendments were made to align the definition of 'material' across the standards and to 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 must be applied prospectively. Early application is permitted and must be disclosed.

*Amendments to references to the Conceptual Framework in MFRS Standards, MFRS 137*

The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wording to give more prominence to the importance of providing information needed to assess management's stewardship of the entity's economic resources.

The adoption of the above amendments to accounting standards are not expected to have any significant impact on the financial results of the Group.

**4. Changes in Estimates**

There were no changes in estimates adopted in the preparation of financial statements that have had a material effect in the current and comparative quarter.

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**5. Changes in Composition of the Group**

There is no change in the composition of the Group, including business combination, acquisition and/or disposal of subsidiary and long-term investments, restructuring, and discontinued operations during the current quarter under review.

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A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)

6. Segment Information

	Structural Steel Works				Energy RM'000	Total RM'000	A & E * RM'000	Group RM'000
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000				
<b>3 months ended 31.3.2020</b>								
Revenue								
- External	133,447	58,687	29,102	140	7,120	228,496	-	228,496
- Internal	22,426	-	13,475	141	7,492	43,534	(43,534)	-
<b>Total revenue</b>	<b>155,873</b>	<b>58,687</b>	<b>42,577</b>	<b>281</b>	<b>14,612</b>	<b>272,030</b>	<b>(43,534)</b>	<b>228,496</b>
<b>Profit/(Loss) before tax</b>	<b>12,513</b>	<b>429</b>	<b>6,281</b>	<b>(16,234)</b>	<b>(12,710)</b>	<b>(9,721)</b>	<b>1</b>	<b>(9,720)</b>
<b>3 months ended 31.3.2019</b>								
Revenue								
- External	261,085	59,899	57,244	427	20,974	399,629	-	399,629
- Internal	40,794	-	15,700	141	-	56,635	(56,635)	-
<b>Total revenue</b>	<b>301,879</b>	<b>59,899</b>	<b>72,944</b>	<b>568</b>	<b>20,974</b>	<b>456,264</b>	<b>(56,635)</b>	<b>399,629</b>
<b>Profit/(Loss) before tax</b>	<b>16,504</b>	<b>297</b>	<b>2,905</b>	<b>(3,020)</b>	<b>(7,583)</b>	<b>9,103</b>	<b>1,699</b>	<b>10,802</b>

\* Consolidation adjustment & elimination

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**Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2020**

**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**6. Segment Information (Cont'd)**

The Group's core business, Structural Steel Works segment continue to be the major contributor of the revenue which contributed for 96.8% of the Group total revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM133.4 million or 58.4% of total Group revenue, followed by India (RM58.7 million or 25.7% of Group revenue) and South East Asia region (RM29.1 million or 12.7% of Group revenue), where these 3 regions has recorded a higher profit before tax margin of 9.4%, 0.7%, and 21.6% respectively as compared to corresponding quarter of 6.3%, 0.5% and 5.1%.

The decrease in revenue for each of the 3 major regions mainly due to delayed progress on planned sites which is also partially contributed by pandemic Covid-19 lockdown.

The Energy sector has reported a loss of RM12.7 million during the period due to slowdown of work progress.

**7. Seasonality of Operations**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**8. (Loss)/Profit Before Tax**

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

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
Interest income	(268)	(1,247)	(268)	(1,247)
Sales of scrap	(2,828)	(4,823)	(2,828)	(4,823)
Finance costs	6,472	16,272	6,472	16,272
Depreciation of property, plant and equipment	14,240	12,668	14,240	12,668
Depreciation for right-of-use assets	3,115	-	3,115	-
Gain on disposal of property, plant and equipment	(32)	(159)	(32)	(159)
Realised foreign exchange loss/(gain)	43	-	43	-
Provision for employees' service benefits expenses	2,790	2,607	2,790	2,607
Reversal for foreseeable loss	-	(3,038)	-	(3,038)
(Reversal)/allowance for doubtful debts	(59)	2,020	(59)	2,020



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**Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2020**

**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**9. Income Tax (Credit)/Expense**

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
<b>Current income tax:</b>				
Malaysian income tax	11	13	11	13
Foreign income tax	(661)	294	(661)	294
	<u>(650)</u>	<u>307</u>	<u>(650)</u>	<u>307</u>
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total income tax (credit)/expense</b>	<b><u>(650)</u></b>	<b><u>307</u></b>	<b><u>(650)</u></b>	<b><u>307</u></b>
Profit before tax	(9,720)	10,802	(9,720)	10,802
Effective tax rate	6.69%	2.84%	6.69%	2.84%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the 3 months period ended 31 March 2020 is lower than the 24% statutory tax rate in Malaysian mainly due to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in these jurisdictions are not subject to income tax and deductible losses.

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**10. Earnings per Share**

**Basic/diluted**

Basic and diluted earnings per share for the current quarter under review are calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial period.

	<b>First Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.3.2020</b>	<b>31.3.2019</b>	<b>31.3.2020</b>	<b>31.3.2019</b>
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(10,145)	11,141	(10,145)	11,141
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
<b>Basic/diluted (loss)/earnings per share (sen)</b>	<b><u>(1.30)</u></b>	<b><u>1.43</u></b>	<b><u>(1.30)</u></b>	<b><u>1.43</u></b>

**11. Property, Plant and Equipment**

As at the end of the current quarter under review, the Group does not have any material commitment for the acquisition or disposal of property, plant and equipment.

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**12. Goodwill**

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by directors for the next five years. The key assumptions for the value-in-use calculations are as follows:

	<b>Growth Rate</b>	<b>Discount Rate Applied</b>	<b>Growth Rate</b>	<b>Discount Rate Applied</b>
<b>Cash-generating units ("CGUs")</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Eversendai Engineering LLC Dubai	1%	9%	1%	9%
Eversendai Engineering Sdn Bhd	1%	10%	1%	13%
Eversendai Constructions (M) Sdn Bhd	1%	10%	1%	13%
Eversendai S-Con Engineering Co. Ltd	1%	Nil%	1%	Nil%

- a) **Budgeted gross margin**  
The basis used to determine the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increase for expected efficiency improvements and after considering current economic conditions.
- b) **Discount rate**  
The discount rates used are pre-tax and reflect the weighted average cost of capital of the respective CGUs.
- c) **Growth rate**  
The growth rates are based on projects tendered and awarded and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment.

As of 31 March 2020, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**13. Inventories**

In the nature of the Group's businesses, its procurement policies and rate of inventories turnover, the Group is not exposed to the risk of old or obsolete inventories. Accordingly, no allowance has been made for impairment. Any shortfall which may arise on subsequent realization will be recognized in the profit and loss as and when incurred.

Certain inventories of the Group are pledged against bank borrowings.

**14. Cash and Cash Equivalents**

Cash and cash equivalents comprised the following amounts:

	<b>31.3.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Audited)</b>
Cash and bank balances	124,121	103,684
Deposits with financial institutions	48,185	42,024
<b>Total cash and bank balances</b>	<b>172,306</b>	<b>145,708</b>
Less:		
Bank overdrafts	(118,177)	(61,131)
Deposits pledged with financial institutions	(45,091)	(42,024)
<b>Total cash and cash equivalents</b>	<b>9,038</b>	<b>42,553</b>

**15. Issued Capital and Treasury Shares**

There was no share buy-back during the current quarter under review.

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**16. Group Borrowings and Debt Securities**

	<b>31.3.2020</b> <b>RM'000</b>	<b>31.12.2019</b> <b>RM'000</b> <b>(Audited)</b>
<b>Current:</b>		
Hire purchase payables	1,310	2,509
Bank overdrafts	118,177	61,131
Bills payable	309,189	369,893
Term loans	109,884	51,975
	<u>537,250</u>	<u>482,999</u>
Lease liabilities	15,064	14,737
<b>Total Current Borrowings</b>	<u><b>553,624</b></u>	<u><b>500,245</b></u>
<b>Non-current:</b>		
Hire purchase payables	2,981	2,549
Term loans	631,895	680,513
Lease liabilities	293,857	279,264
<b>Total Non-current Borrowings</b>	<u><b>928,733</b></u>	<u><b>962,326</b></u>
<b>Total Group Borrowings and Debt Securities</b>	<u><b>1,482,357</b></u>	<u><b>1,462,571</b></u>

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**16. Group Borrowings and Debt Securities (Cont'd)**

Included in the Group's borrowings as of 31 March 2020 are bank borrowings denominated in foreign currencies as follows:

	<b>Value in foreign currency 31.3.2020 RM'000</b>	<b>Equivalents in value of Malaysian currency 31.3.2020 RM'000</b>
United Arab Emirates Dirham	493,978	580,195
Qatari Riyal	40,868	48,428
Indian Rupees	1,125,808	64,921
Thai Baht	46,041	6,069
Singapore Dollar	11,289	34,198
United States Dollar	102,000	440,038

**17. Dividend Paid**

No payment of dividend by the Company during the current quarter under review.

**18. Commitments and Contingencies**

**a) Capital expenditure commitments**

	<b>31.3.2020 RM'000</b>	<b>31.12.2019 RM'000</b>
<b>Contracted but not provided for:</b>		
Factory building and labour accommodation	2,543	2,409
Computer systems and others	1,519	1,113
Plant and machineries	1,175	1,439
	<b>5,237</b>	<b>4,961</b>

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**B. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**18. Commitments and Contingencies (Cont'd)**

**b) Contingencies**

The Group does not have any pending litigation except as disclosed in Note 26 of this interim financial report.

Corporate guarantees

At the end of the current quarter under review, the Company has provided corporate guarantees for banking facilities to the subsidiaries, which will not result in potential financial liability to the Group, as follows:

	<b>31.3.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Utilised and Unutilised Portion:</u></b>		
Eversendai Engineering LLC Dubai	4,080,578	3,796,039
Eversendai Offshore RMC FZE	664,197	664,197
Eversendai Engineering Qatar WLL	778,364	731,961
Eversendai Construction Private Limited	316,324	313,034
Eversendai Engineering Sdn Bhd	272,320	272,320
Eversendai Engineering Pte Ltd	185,239	182,763
	<b><u>6,297,022</u></b>	<b><u>5,960,314</u></b>

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**A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting (Cont'd)**

**19. Related Party Transactions**

Related parties include key management personnel of the Group and companies in which they are principal owners. The following table provides information on the transactions which have been entered into with related parties during the cumulative quarters under review:

	<b>Cumulative quarter 3 months ended</b>	
	<b>31.3.2020 RM'000</b>	<b>31.3.2019 RM'000</b>
<b>Transactions with certain directors and key management personnel of the Group:</b>		
Rental of staff accommodation and office building from a director	331	312
<b>Transactions with other related company:</b>		
Provision of services for engineering and fabrication by a subsidiary to a company where the Company deemed related to one of the director by virtue of his direct interest in the ultimate holding Company of the Group	125,738	1,741

**20. Events After the Reporting Period**

There were no material events subsequent to the end of the current quarter under review that have not been reflected in this interim financial report.



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**B. Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia**

**21. Review of Group with Comparison to Last Year's Corresponding Periods**

In the current quarter and period to date under review, the Group's revenue of RM228.5 million, decreased by RM171.1 or 42.8% from the preceding corresponding quarter of RM399.6 million and recorded operating loss of RM3.2 million, decreased by RM30.3 million or 111.8% from operating profit of RM27.1 million in preceding corresponding quarter. The Group reported a loss after taxation of RM9.1 million.

The businesses in the Middle East region contributed 58.4% out of the total revenue of RM228.5 million, followed by the operations in India, Southeast Asia and Energy segment which delivered 25.7% , 12.7% and 3.1% respectively and 0.1% was contributed by the operations in United Kingdom and others. The lower revenue achieved in the current financial period was due to delayed progress on planned sites which is also partially attributable to the pandemic Covid-19 lockdown.

**22. Material Change in Profit Before Taxation in Current Quarter as Compared to Profit in Preceding Year's Corresponding Quarter**

The Group recorded a loss before tax of RM9.7 million during the current quarter when compared to the preceding year corresponding quarter profit before tax of RM10.8 million. This was mainly due to unrealised foreign exchange losses amounted to RM11.4 million.

**23. Prospects of the Group**

As at the date of this interim report, the Group's order book value stood at historical high of RM2.9 billion. Approximately 44.5% of the order book came from the Group's traditional stronghold in the Middle East region, 29.2% from India, 14.5% from Southeast Asia region and the balance 11.8% from Energy sector.

On 29 April 2020, the Eversendai Offshore RMC FZE ("EVORF"), a subsidiary of Eversendai Corporation Berhad, had inked Memorandum of Understanding ("MoU") with Hyundai Engineering & Construction Co Ltd as global strategic partners in modular construction work for the construction and energy industries. EVORF has secured two (2) European offshore wind renewable energy ("RE") projects worth RM186mil in June 2020. On the back of these projects we are able to position well in the European Wind Renewable Energy sector to secure more projects going forward.

The initiatives taken in previous year to expand the Group's businesses regionally has begun to contribute positively and will continue to broaden the Group's earnings base in the coming years. Notwithstanding potential headwinds from a slowdown in global trade and global pandemic Coronavirus Disease 2019 (COVID-19), the management are cautiously optimistic that financial status of the Group will remained healthy in 2020. Also, with the record high outstanding order book in hand, the Group could unlock its value into revenue gradually in the coming years.

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**B. Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia (cont'd)**

**23. Prospects of the Group (cont'd)**

The recent outbreak of COVID-19 since end of 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. Consequently, the lockdown is expected to have material adverse effects on World's economy for 2020.

As at the date of this report, the management of the Group has assessed the overall impact of the situation on the Group's operations and financial position, and it is concluded that there are no material effects on the current quarter under review. The current situation is still fluid and the Directors shall continually assess the impact of COVID-19 on its operations as well as the financial position.

**24. Profit Forecast or Profit Guarantee**

There was no profit forecast or profit guarantee issued by the Company or the Group for the current quarter under review.

**25. Corporate Proposals**

**a) Letter of offer from Vahana Holdings Sdn Bhd**

On 10 February 2020, the Company has received a letter of offer from Vahana Holdings Sdn Bhd ("VHSB"), one of the the major shareholder of the Company ("Letter of Offer") wherein VHSB has offered the Company, the opportunity to acquire the entire issued and paid-up share capital of its wholly owned subsidiary, Vahana Offshore (M) Sdn Bhd, which currently owns the entire issued and paid-up share capital of Aryan-Inspire Pte Ltd, Arjun-Aspire Pte Ltd and Vahana Marine Solutions DMCC based on the terms and conditions as set out in the Letter of Offer ("Offer").

On 10 March 2020, the Company has accepted the Offer, subject to the finalization and execution of a definitive share sale agreement ("Definitive Agreement") and the fulfilment of the conditions precedent set out in the Letter of Offer and the Definitive Agreement. The Company and VHSB have mutually agreed to execute the Definitive Agreement by 30 June 2020.

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**B. Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia (Cont'd)**

**25. Corporate Proposals (cont'd)**

**b) Proposed warrants issuance**

On 16 June 2020, the Company has announced a proposed issuance of up to 390,550,000 new free warrants on the basis of 1 warrant for every 2 existing ordinary shares of the Company ("Warrants"). An application will be made to Bursa Securities for the admission of the Warrants to the official list of the Main Market of Bursa Securities as well as for the listing of and quotation for the Warrants and the new Company's ordinary shares arising from the exercise of the Warrants on the Main Market of Bursa Securities. The Warrants entitlement date is to be determined and announced later.

**26. Changes in Material Litigation**

Linsun Engineering Sdn Bhd against Eversendai Engineering Sdn Bhd ("EESB")

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

The matter has been fixed for further trials on 23 to 24 June 2020, 10 July 2020, 3 to 4 September 2020, 22 to 23 October 2020, 9 to 11 November 2020, 17 to 19 November 2020 and 21 to 23 December 2020.

The Management is of the view that it has a very good defence against the above claim.

**27. Dividend Payable**

No interim dividend has been declared for the current financial period and 3 months period ended 31 March 2020.

By order of the Board of Directors

**Tan Sri Dato' A K Nathan Elumalay**  
Executive Chairman and Group Managing Director  
**Eversendai Corporation Berhad**

30 June 2020