

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

FIRST QUARTER ENDED 31 March 2021
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 9 June 2021

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

Date: 9 June 2021

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021
FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

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Summary of Key Financial Information for the First Quarter ended 31 March 2021

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
1 Revenue	311,379	228,496	311,379	228,496
2 (Loss)/Profit before tax	(1,250)	(9,720)	(1,250)	(9,720)
3 (Loss)/Profit for the period	(3,224)	(9,070)	(3,224)	(9,070)
4 (Loss)/Profit attributable to equity holders of the Company	(3,843)	(10,145)	(3,843)	(10,145)
5 Basic (loss)/earnings per share (sen)	(0.49)	(1.30)	(0.49)	(1.30)
6 Diluted (loss)/earnings per share (sen)	(0.49)	N/A	(0.49)	N/A
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 31.3.2021 (RM)	As at 31.12.2020 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			0.98	0.95

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Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2021

	Note	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.3.2021	31.3.2020	31.3.2021	31.3.2020
		RM'000	RM'000	RM'000	RM'000
Revenue	6	311,379	228,496	311,379	228,496
Cost of sales		(290,687)	(199,573)	(290,687)	(199,573)
Gross profit		20,692	28,923	20,692	28,923
Interest income		343	268	343	268
Other income		8,326	5,146	8,326	5,146
Operating and administrative expenses		(21,607)	(37,585)	(21,607)	(37,585)
Operating profit/(loss)		7,754	(3,248)	7,754	(3,248)
Finance costs		(9,004)	(6,472)	(9,004)	(6,472)
Loss before tax	8	(1,250)	(9,720)	(1,250)	(9,720)
Income tax (expense)/credit	9	(1,974)	650	(1,974)	650
Loss for the period		(3,224)	(9,070)	(3,224)	(9,070)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		30,030	41,840	30,030	41,840
Total comprehensive (expense)/income for the period		26,806	32,770	26,806	32,770

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2021
(Cont'd)**

	Note	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.3.2021	31.3.2020	31.3.2021	31.3.2020
		RM'000	RM'000	RM'000	RM'000
Loss for the period attributable to:					
- Equity holders of the Company		(3,843)	(10,145)	(3,843)	(10,145)
- Non-controlling interests		619	1,075	619	1,075
		<u>(3,224)</u>	<u>(9,070)</u>	<u>(3,224)</u>	<u>(9,070)</u>
Total comprehensive (expense)/income attributable to:					
- Equity holders of the Company		25,447	31,737	25,447	31,737
- Non-controlling interests		1,359	1,033	1,359	1,033
		<u>26,806</u>	<u>32,770</u>	<u>26,806</u>	<u>32,770</u>
Loss per share attributable to equity holders of the Company					
- Basic (sen)	10	<u>(0.49)</u>	<u>(1.30)</u>	<u>(0.49)</u>	<u>(1.30)</u>
- Diluted (sen)	10	<u>(0.49)</u>	<u>N/A</u>	<u>(0.49)</u>	<u>N/A</u>

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, and the accompanying explanatory notes attached to these interim financial statements.

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Financial Year Ending 31 December 2021
Condensed Consolidated Statement of Financial Position as at 31 March 2021

		31.3.2021	31.12.2020
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	648,671	637,284
Right-of-use assets		155,960	158,650
Goodwill	12	11,251	11,251
Deferred tax assets		2,991	2,914
Total Non-current Assets		818,873	810,099
Current Assets			
Inventories	13	293,914	301,096
Contract assets		931,994	935,115
Trade receivables		995,500	822,095
Other receivables, refundable deposits and prepaid expenses		161,136	110,882
Tax recoverable		1,598	9,956
Cash and bank balances	14	111,464	122,711
Total Current Assets		2,495,606	2,301,855
Total Assets		3,314,479	3,111,954
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		314,351	299,320
Other payables and accrued expenses		560,101	479,234
Contract liabilities		120,508	100,467
Amount owing to directors		13,961	9,046
Derivative financial liabilities		8,206	8,206
Hire-purchase payables	16	1,127	1,149
Borrowings	16	706,642	1,009,251
Lease liabilities	16	10,897	10,888
Tax liabilities		35,550	40,352
Total Current Liabilities		1,771,343	1,957,913

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Condensed Consolidated Statement of Financial Position as at 31 March 2021 (Cont'd)

		31.3.2021	31.12.2020
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Hire purchase payables	16	995	1,539
Borrowings	16	495,903	139,003
Lease liabilities	16	186,290	182,146
Employees' service benefits		76,149	74,639
Deferred tax liabilities		3,069	2,790
Total Non-current Liabilities		762,406	400,117
Total Liabilities		2,533,749	2,358,030
Net Assets		780,730	753,924
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		168,513	139,223
Cash flow hedge reserve		(8,206)	(8,206)
Retained earnings		18,472	22,315
Equity attributable to equity holders of the Company		764,183	738,736
Non-controlling interests		16,547	15,188
Total Equity		780,730	753,924
Total Equity and Liabilities		3,314,479	3,111,954

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, 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 2021

Note	← Attributable to equity holders of the Company →									
	← Non-distributable →					Distributable				
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2020	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 loss	-	-	-	41,882	-	-	-	41,882	(42)	41,840
Total comprehensive (loss)/income	-	-	-	41,882	-	-	(10,145)	31,737	1,033	32,770
At 31.3.2020	585,308	(91)	187	180,088	30	-	149,714	915,236	14,546	929,782

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Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2021 (Cont'd)

	←————— Attributable to equity holders of the Company —————→									Total equity RM'000
	←————— Non-distributable —————→				Distributable					
Note	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
At 1.1.2021	585,308	(91)	187	139,223	-	(8,206)	22,315	738,736	15,188	753,924
(Loss)/Profit for the period	-	-	-	-	-	-	(3,843)	(3,843)	619	(3,224)
Other comprehensive (loss)/income	-	-	-	29,290	-	-	-	29,290	740	30,030
Total comprehensive income/(loss)	-	-	-	29,290	-	-	(3,843)	25,447	1,359	26,806
At 31.3.2021	585,308	(91)	187	168,513	-	(8,206)	18,472	764,183	16,547	780,730

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 2020, 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 2021

	Note	Cumulative Quarter 3 months ended	
		31.3.2021 RM'000	31.3.2020 RM'000
Operating activities			
Loss before taxation		(1,250)	(9,720)
Adjustments for:			
Depreciation of property, plant and equipment		14,292	17,355
Provision for employees' service benefits		1,696	2,790
Gain on disposal of property, plant and equipment		(369)	(32)
Interest income		(343)	(268)
Reversal of provision for foreseeable loss		440	(59)
Unrealised foreign exchange gain		8,377	11,359
Finance costs		9,004	6,472
Operating profit before working capital changes		31,847	27,897
Working capital changes:			
Net changes in current assets		(213,796)	(180,291)
Net changes in current liabilities		115,939	139,197
Cash generated from operations		(66,010)	(13,197)
Employees' service benefits paid		(2,367)	(2,295)
Taxes refund		3,743	13
Net cash flows generated used in operating activities		(64,634)	(15,479)
Investing activities			
Purchase of property, plant and equipment		(6,722)	(3,159)
Proceeds from disposal of property, plant and equipment		785	32
Increase/(decrease) in deposits with financial institutions		3,568	(3,068)
Interest received		343	268
Net cash flows used in investing activities		(2,026)	(5,927)

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Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2021 (Cont'd)

	Note	Cumulative Quarter 3 months ended	
		31.3.2021 RM'000	31.3.2020 RM'000
Financing activities			
Drawdown/(repayment) of bank borrowings		54,291	(15,378)
Repayment of hire purchase payables		(566)	(769)
Repayment of lease liabilities		(1,550)	(14,920)
Increase in amount owing to directors		4,915	3,865
Finance costs paid		(9,004)	(6,472)
Net cash flows used in financing activities		48,086	(33,674)
Net decrease in cash and cash equivalents		(18,574)	(55,080)
Effect of changes in foreign exchange rate		(7,739)	36,152
Cash and cash equivalents at beginning of period		(12,614)	27,966
Cash and cash equivalents at end of period		(38,927)	9,038
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		111,464	172,306
Less: Bank overdrafts		(91,460)	(118,177)
Less: Deposits pledged with financial institutions		(58,931)	(45,091)
		(38,927)	9,038

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, 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 2021

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 2020, 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 financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 9 June 2021.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 31 March 2021 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 financial statements also comply with International Accounting Standard (IAS) 34 issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. 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 2020.

3. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this financial report are consistent with those adopted in the audited financial statements for the financial period ended 31 March 2021, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting years on or after 1 January 2021 as follows:-

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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

3. Significant Accounting Policies (Cont'd)

		<u>Effective Date</u>
MFRS 4	Insurance Contracts	1 January 2021
MFRS 7	Financial Instruments: Disclosure	1 January 2021
MFRS 9	Financial Instruments	1 January 2021
MFRS 16	Leases	1 January 2021
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
Amendment to MFRS 16 Covid-19	Related Rent Concessions	1 April 2021

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.

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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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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 Operations RM'000	A & E * RM'000	Group RM'000
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000				
3 months ended 31.3.2021								
Revenue								
- External	143,870	79,439	30,772	4,155	53,143	311,379	-	311,379
- Internal	14,046	-	-	141	-	14,187	(14,187)	-
Total revenue	157,916	79,439	30,772	4,296	53,143	325,566	(14,187)	311,379
Profit/(Loss) before tax	(3,624)	4,482	4,401	(5,262)	(3,150)	(3,153)	1,903	(1,250)
3 months ended 31.3.2020								
Revenue								
- External	133,447	58,687	29,102	140	7,120	228,496	-	228,496
- Internal	22,426	-	13,473	141	7,492	43,532	(43,532)	-
Total revenue	155,873	58,687	42,575	281	14,612	272,028	(43,532)	228,496
Profit/(Loss) before tax	12,513	429	6,281	(16,234)	(12,710)	(9,721)	1	(9,720)

* Consolidation adjustment & elimination

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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 82.9% of the total Group revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM143.9 million or 46.2% of total Group revenue, followed by India region of RM79.4 million or 25.5% of total Group revenue and South East Asia of RM30.8 million or 9.9% of total Group revenue.

The Middle East region reported a loss before tax of RM3.6 million followed by Energy segment of RM3.1 million in the first quarter this year. India region reported a profit before tax of RM4.5 million followed by Southeast Asia region of Rm4.4 million in the first quarter this year. The loss before tax in the Middle East was mainly due to under utilization of factory capacity caused by Covid-19 pandemic lock down. The project site work progress was delayed due to the lock down but the fixed costs could not be reduced proportionately.

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	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Interest income	343	268	343	268
Sales of scrap	4,921	2,828	4,921	2,828
Finance costs	(9,004)	(6,472)	(9,004)	(6,472)
Depreciation of property, plant and equipment	(14,292)	(17,355)	(14,292)	(17,355)
Gain on disposal of property, plant and equipment	369	32	369	32
Realised foreign exchange loss	784	(43)	784	(43)
Unrealised foreign exchange (loss)/gain	(8,377)	-	(8,377)	-
Revesal/(provision) for employees' service benefits expenses	(1,696)	(2,790)	(1,696)	(2,790)
(Provision)/reversal for foreseeable loss	(440)	59	(440)	59

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

9. Income Tax Expense/(Credit)

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Current income tax:				
Malaysian income tax	11	11	11	11
Foreign income tax	1,963	(661)	1,963	(661)
	<u>1,974</u>	<u>(650)</u>	<u>1,974</u>	<u>(650)</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax expense/(credit)	<u>1,974</u>	<u>(650)</u>	<u>1,974</u>	<u>(650)</u>
Profit before tax	(1,250)	(9,720)	(1,250)	(9,720)
Effective tax rate	-157.92%	6.69%	-157.92%	6.69%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 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 2021 is lower than the 24% statutory tax rate in Malaysia 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. (Loss)/Earnings per Share

(a) Basic Earnings Per Share

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.

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(3,843)	(10,145)	(3,843)	(10,145)
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
Basic earnings/(loss) per share (sen)	<u>(0.49)</u>	<u>(1.30)</u>	<u>(0.49)</u>	<u>(1.30)</u>

(b) Diluted Earnings Per Share

The 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 adjusted for the effects of dilutive potential ordinary shares.

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(3,843)	(10,145)	(3,843)	(10,145)
Weighted average number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Effect of conversion of warrants ('000)	<u>*</u>	<u>-</u>	<u>*</u>	<u>-</u>
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
Diluted earnings/(loss) per share (sen)	<u>(0.49)</u>	<u>N/A</u>	<u>(0.49)</u>	<u>N/A</u>

* The potential conversion of warrants are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial period. Accordingly, the exercise of warrants has been ignored in the calculation of dilutive earnings per share.

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

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.

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:

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	2021	2021	2020	2020
Eversendai Engineering LLC Dubai	1%	10%	1%	10%
Eversendai Engineering Sdn Bhd	1%	10%	1%	10%
Eversendai Constructions (M) Sdn Bhd	1%	12%	1%	12%

- 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 2021, 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

Based on 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:

	31.3.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Cash and bank balances	52,533	60,212
Deposits with financial institutions	58,931	62,499
Total cash and bank balances	111,464	122,711
Less:		
Bank overdrafts	(91,460)	(72,826)
Deposits pledged with financial institutions	(58,931)	(62,499)
Total cash and cash equivalents	(38,927)	(12,614)

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

	31.3.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Current:		
Hire purchase payables	1,127	1,149
Bank overdrafts	91,458	72,826
Bills payable	362,017	346,651
Term loans	253,167	589,774
	<u>706,642</u>	<u>1,009,251</u>
Lease liabilities	10,897	10,888
Total Current Borrowings	<u>718,666</u>	<u>1,021,288</u>
Non-current:		
Hire purchase payables	995	1,539
Term loans	495,903	139,003
Lease liabilities	186,290	182,146
Total Non-current Borrowings	<u>683,188</u>	<u>322,688</u>
Total Group Borrowings and Debt Securities	<u>1,401,854</u>	<u>1,343,976</u>

Included in the Group's borrowings as of 31 March 2021 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	31.3.2021	31.3.2021
	'000	RM'000
United Arab Emirates Dirham	433,973	490,144
Qatari Riyal	71,849	81,870
Indian Rupees	1,488,064	84,227
Singapore Dollar	474	1,463
United States Dollar	<u>115,000</u>	<u>473,303</u>

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

16. Dividend Paid

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

17. Commitments and Contingencies

a) Capital expenditure commitments

	31.3.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Contracted but not provided for:		
Factory building and labour accommodation	245	2,375
Computer systems and others	19	345
Plant and machineries	1,046	2,076
	<u>1,310</u>	<u>4,796</u>

b) Contingencies

The Group does not have any pending litigation except as disclosed in Note 27 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:

	31.3.2021	31.12.2020
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	3,853,489	3,733,411
Eversendai Offshore RMC FZE	674,249	664,197
Eversendai Engineering Qatar WLL	742,887	721,991
Eversendai Construction Private Limited	308,989	301,223
Eversendai Engineering Sdn Bhd	272,320	272,320
Eversendai Engineering Pte Ltd	185,581	183,432
	<u>6,037,515</u>	<u>5,876,574</u>

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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:

	Cumulative quarter 3 months ended	
	31.3.2021 RM'000	31.3.2020 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	328	331
Transactions with other related company:		
Provision of services for engineering and fabrication by a subsidiary to a company where the Company deemed related to one of the directors by virtue of his direct interest in the ultimate holding Company of the Group	4,301	125,738

20. Events After the Reporting Year

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.

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

The Group recorded revenue and loss before tax of RM311.4 million and RM1.2 million respectively in the current period as compared to revenue of RM228.5 million and loss before tax of RM9.7 million in the previous year's corresponding period. The increase in revenue was mainly due to higher progress billings from the on-going and new projects commenced during current period under review in the Energy segment followed by India and Middle East region. The improvement in loss before tax by RM8.5 million or 87.6% was primarily due to significant reduction in operating and administrative expenses of RM15.9 million or 42.4%, from RM37.5 million in the previous year's corresponding period to RM21.6 million in the current period under review as an outcome of better management of expenses and cost control actions taken. The reduction in loss before tax was also attributable to increase in other income mainly from sales of scrap. Gross profit margin reduced in the current period under review despite an increase in revenue mainly due to under utilization of factory capacity in the Middle East caused by Covid-19 pandemic lock down where fixed costs could not be reduced proportionately.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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

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

The Group recorded loss before tax of RM1.2 million the current quarter as compared to loss before tax of RM9.7 million in the previous year's corresponding quarter. The improvement in loss before tax by RM8.5 million or 87.6% was primarily due to significant reduction in operating and administrative expenses of RM15.9 million or 42.4%, from RM37.5 million in the previous year's corresponding quarter to RM21.6 million in the current quarter under review as an outcome of better management of expenses and cost control actions taken. The reduction in loss before tax was also attributable to increase in other income mainly from sales of scrap.

23. Review of Group with Comparison in Current Quarter to Immediate Preceding Quarter

	Current Quarter 31.3.2021 RM'000	Immediate Preceding Quarter 31.12.2020 RM'000
Revenue	311,379	431,830
Operating profit / (loss)	7,754	(43,107)
Loss before tax	(1,250)	(63,728)
Loss for the period	(3,224)	(69,845)

The decrease in revenue in the current quarter by RM120.5 million or 27.9% as compared to the immediate preceding quarter was mainly due to disruption of operating environment caused by further lock down after Covid-19 pandemic worsened. The progress of construction work was impeded consequently. This has impacted significantly on subsidiaries in Southeast Asia region followed by Middle East region.

Current quarter under review reported better result in terms of operating profit or loss, loss before tax and loss for the period, primarily due to provision for unrealized loss on forex and impairment on receivables in the immediate preceding quarter.

24. Prospects of the Group

The Group has set off to a great start this year with an impressive order book worth RM1,800.7 million in hand and tender book is estimated at approximately RM11,590.9 million with interesting prospective projects in the pipeline. The Group has won 2 new projects in the current quarter under review worth RM51.4 million via our subsidiaries in Singapore, Dubai and United Arab Emirates.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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

25. Profit Forecast or Profit Guarantee

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

26. 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, one of the major shareholder of the Company wherein Vahana Holdings Sdn Bhd 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.

On 10 March 2020, the Company has accepted the Offer, subject to the finalization and execution of a definitive share sale agreement and the fulfilment of the condition precedent set out in the Letter of Offer and the Definitive Agreement. The Company and Vahana Holdings Sdn Bhd have mutually agreed to execute the Definitive Agreement by 30 June 2020.

On 30 June 2020, the Company had entered into a conditional share sale agreement with Vahana Holdings Sdn. Bhd. in relation to the proposed acquisition of 100% equity interest in Vahana Offshore (M) Sdn. Bhd., for a purchase consideration of RM235,000,000 to be fully satisfied via the issuance of 770,491,803 new redeemable convertible preference shares in Eversendai Corporation Berhad at an issue price of RM0.305 each, upon and subject to the terms and conditions of the share sale agreement.

During the EGM held on 10 September 2020, shareholders had approved the proposed acquisition.

As at the date of this report, the completion of the acquisition of Vahana Offshore (M) Sdn Bhd is pending satisfaction of certain conditions in the Share Sale Agreement.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2021

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

27. 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 13 to 15 September 2021, 20 to 21 September 2021 and 27 September 2021.

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

28. Dividend Payable

No interim dividend has been declared for the current financial period ended 31 March 2021.

By order of the Board of Directors

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

9 June 2021