

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

SECOND QUARTER ENDED 30 JUNE 2020
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 27 August 2020

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

Date: 27 August 2020

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

Table of contents	Page
Summary of Key Financial Information	1
Condensed Consolidated Statement of Comprehensive Income	2 - 3
Condensed Consolidated Statement of Financial Position	4 - 5
Condensed Consolidated Statement of Changes in Equity	6 – 7
Condensed Consolidated Statement of Cash Flows	8 – 9
Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting	10 – 22
Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia	23 - 26

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

Financial Year Ending 31 December 2020

Summary of Key Financial Information for the Second Quarter ended 30 June 2020

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
1 Revenue	192,563	379,885	421,059	779,514
2 (Loss)/Profit before tax	(26,070)	11,106	(35,790)	21,908
3 (Loss)/Profit for the period	(26,188)	10,371	(35,258)	20,866
4 (Loss)/Profit attributable to equity holders of the Company	(26,321)	8,369	(36,466)	19,510
5 Basic (loss)/earnings per share (sen)	(3.37)	1.07	(4.67)	2.50
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.6.2020 (RM)	As at 31.12.2019 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.11	1.13

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

Financial Year Ending 31 December 2020

Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2020

	Note	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.6.2020	30.6.2019	30.6.2020	30.6.2019
		RM'000	RM'000	RM'000	RM'000
Revenue	6	192,563	379,885	421,059	779,514
Cost of sales		(186,008)	(342,602)	(385,581)	(699,564)
Gross profit		6,555	37,283	35,478	79,950
Interest income		-	715	246	1,962
Other income		5,180	8,114	10,348	14,192
Operating and administrative expenses		(23,856)	(21,146)	(61,441)	(44,064)
Operating (loss)/profit		(12,121)	24,966	(15,369)	52,040
Finance costs		(13,949)	(13,860)	(20,421)	(30,132)
(Loss)/profit before tax	8	(26,070)	11,106	(35,790)	21,908
Income tax (expense)/credit	9	(118)	(735)	532	(1,042)
(Loss)/profit for the period		(26,188)	10,371	(35,258)	20,866
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		(17,217)	11,204	24,623	(3,350)
Total comprehensive income for the period		(43,405)	21,575	(10,635)	17,516

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

Financial Year Ending 31 December 2020

**Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2020
(Cont'd)**

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(26,321)	8,369	(36,466)	19,510
- Non-controlling interests	133	2,002	1,208	1,356
	(26,188)	10,371	(35,258)	20,866
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(47,869)	19,908	(16,132)	17,023
- Non-controlling interests	4,464	1,667	5,497	493
	(43,405)	21,575	(10,635)	17,516
(Loss)/Earnings per share attributable to equity holders of the Company				
- Basic/diluted (sen)	10 (3.37)	1.07	(4.67)	2.50

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.

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

Financial Year Ending 31 December 2020
Condensed Consolidated Statement of Financial Position as at 30 June 2020

		30.06.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	694,303	696,560
Right-of-use assets		249,619	248,095
Goodwill	12	11,251	11,251
Deferred tax assets		1,841	2,003
Total Non-current Assets		<u>957,014</u>	<u>957,909</u>
Current Assets			
Inventories	13	278,397	258,615
Contract assets		838,840	882,233
Trade receivables		1,018,731	1,015,433
Other receivables, refundable deposits and prepaid expenses		261,052	135,954
Tax recoverable		1,465	5,881
Cash and bank balances	14	127,522	145,708
Total Current Assets		<u>2,526,007</u>	<u>2,443,824</u>
Total Assets		<u>3,483,021</u>	<u>3,401,733</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		290,000	350,645
Other payables and accrued expenses		547,353	373,086
Contract liabilities		178,637	193,389
Amount owing to directors		15,162	11,089
Hire-purchase payables	16	1,037	2,509
Borrowings	16	495,149	482,999
Lease liabilities	16	14,125	14,737
Tax liabilities		41,223	39,741
Total Current Liabilities		<u>1,582,686</u>	<u>1,468,195</u>

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

Financial Year Ending 31 December 2020

Condensed Consolidated Statement of Financial Position as at 30 June 2020 (Cont'd)

		30.06.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Hire purchase payables	16	4,046	2,549
Borrowings	16	636,973	680,513
Lease liabilities	16	292,540	279,264
Employees' service benefits		78,536	71,132
Deferred tax liabilities		1,863	3,068
Total Non-current Liabilities		1,013,958	1,036,526
Total Liabilities		2,596,644	2,504,721
Net Assets		886,377	897,012
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		158,540	138,206
Fair value adjustment reserve		30	30
Retained earnings		123,393	159,859
Equity attributable to equity holders of the Company		867,367	883,499
Non-controlling interests		19,010	13,513
Total Equity		886,377	897,012
Total Equity and Liabilities		3,483,021	3,401,733

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.

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)

(Incorporated in Malaysia)

Financial Year Ending 31 December 2020
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2020

	←————— Attributable to equity holders of the Company —————→								
	←————— 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	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2019	585,308	(91)	187	162,336	30	206,767	954,537	15,809	970,346
Effect of adoption of MFRS 16	-	-	-	-	-	(55,496)	(55,496)	-	(55,496)
At 1.1.2019, as restated	585,308	(91)	187	162,336	30	151,271	899,041	15,809	914,850
Profit for the period	-	-	-	-	-	19,510	19,510	1,356	20,866
Other comprehensive loss	-	-	-	(2,487)	-	-	(2,487)	(863)	(3,350)
Total comprehensive (loss)/income	-	-	-	(2,487)	-	19,510	17,023	493	17,516
Dividend paid	-	-	-	-	-	-	-	-	-
At 30.6.2019	585,308	(91)	187	159,849	30	170,781	916,064	16,302	932,366

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

Financial Year Ending 31 December 2020

Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2020 (Cont'd)

	← Attributable to equity holders of the Company →								
	← Non-distributable →					Distributable			
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2019, as previously reported	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012
Effect of adoption of MFRS 16	-	-	-	-	-	-	-	-	-
At 1.1.2019, as restated	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012
(Loss)/Profit for the period	-	-	-	-	-	(36,466)	(36,466)	1,208	(35,258)
Other comprehensive income	-	-	-	20,334	-	-	20,334	4,289	24,623
Total comprehensive income/(loss)	-	-	-	20,334	-	(36,466)	(16,132)	5,497	(10,635)
Dividend paid	17	-	-	-	-	-	-	-	-
At 30.6.2020	585,308	(91)	187	158,540	30	123,393	867,367	19,010	886,377

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.

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

Financial Year Ending 31 December 2020

Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2020

	Note	Cumulative Quarter 6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000
Operating activities			
(Loss)/profit before taxation		(35,790)	21,908
Adjustments for:			
Depreciation of property, plant and equipment		28,480	27,716
Depreciation for right-of-use assets		6,230	-
Provision for employees' service benefits		2,790	5,120
Gain on disposal of property, plant and equipment		(57)	(438)
Interest income		(246)	(1,962)
Allowance for doubtful debts		468	2,020
Reversal of provision for foreseeable loss		(59)	(3,038)
Unrealised foreign exchange loss/(gain)		12,865	(617)
Finance costs		20,421	30,132
Operating profit before working capital changes		35,102	80,841
Working capital changes:			
Net changes in current assets		(187,079)	60,901
Net changes in current liabilities		118,985	(3,160)
Cash generated from operations		(32,992)	138,582
Employees' service benefits paid		(194)	(4,188)
Taxes paid		664	(2,968)
Net cash flows (used in)/generated from operating activities		(32,522)	131,426
Investing activities			
Purchase of property, plant and equipment		(3,074)	(32,591)
Proceeds from disposal of property, plant and equipment		109	956
Increase in deposits with financial institutions		(6,372)	(5,120)
Interest received		246	1,962
Net cash flows used in investing activities		(9,091)	(34,793)

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

Financial Year Ending 31 December 2020

Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2020 (Cont'd)

	Note	Cumulative Quarter 6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000
Financing activities			
(Repayment)/Drawdown of bank borrowings		(26,330)	(90,438)
Drawdown/(Repayment) of hire purchase payables		23	(2,267)
Repayment of lease liabilities		5,700	3,374
Increase in amount owing to directors		4,073	4,540
Finance costs paid		(20,421)	(30,132)
Net cash flows used in financing activities		(36,955)	(114,923)
Net decrease in cash and cash equivalents		(78,568)	(18,290)
Effect of changes in foreign exchange rate		60,335	(17,084)
Cash and cash equivalents at beginning of period		27,966	75,953
Cash and cash equivalents at end of period		9,733	40,579
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		127,522	165,702
Less: Bank overdrafts		(69,393)	(77,368)
Less: Deposits pledged with financial institutions		(48,396)	(47,755)
		9,733	40,579

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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 27 August 2020.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 June 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:-

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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.

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

Financial Year Ending 31 December 2020
Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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 Continuing Operations RM'000	A & E * RM'000	Group RM'000
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000				
6 months ended 30.6.2020								
Revenue								
- External	260,441	80,878	57,418	349	21,973	421,059	-	421,059
- Internal	40,377	-	18,145	282	7,492	66,296	(66,296)	-
Total revenue	300,818	80,878	75,563	631	29,465	487,355	(66,296)	421,059
Profit/(Loss) before tax	14,267	651	3,252	(22,539)	(31,421)	(35,790)	-	(35,790)
6 months ended 30.6.2019								
Revenue								
- External	512,167	107,837	138,484	859	20,167	779,514	-	779,514
- Internal	84,666	-	46,410	1,932	8,253	141,261	(141,261)	-
Total revenue	596,833	107,837	184,894	2,791	28,420	920,775	(141,261)	779,514
Profit/(Loss) before tax	34,244	3,755	9,642	(7,910)	(17,872)	21,859	49	21,908

* Consolidation adjustment & elimination

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 94.8% of the Group total revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM260.4 million or 61.9% of total Group revenue, followed by India (RM80.9 million or 19.2% of Group revenue) and South East Asia region (RM57.4 million or 13.6% of Group revenue).

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

The Energy sector has reported a loss of RM31.4 million during the period due to costs incurred but work progress has slowed down due to the pandemic Covid-19 lockdown.

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:

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Interest income	-	(715)	(246)	(1,962)
Sales of scrap	(2,893)	(6,207)	(5,721)	(11,030)
Finance costs	13,949	13,860	20,421	30,132
Depreciation of property, plant and equipment	14,240	15,049	28,480	27,716
Depreciation for right-of-use assets	3,115	-	6,230	-
Gain on disposal of property, plant and equipment	(25)	(279)	(57)	(438)
Realised foreign exchange loss	1,197	-	1,240	-
Unrealised foreign exchange loss/(gain)	1,506	2,144	12,865	(617)
Provision for employees' service benefits expenses	-	2,513	2,790	5,120
Reversal for foreseeable loss	-	(24)	(59)	(3,038)
Allowance/(Reversal) for doubtful debts	883	(1,226)	468	2,020

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

9. Income Tax Expense/(Credit)

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Current income tax:				
Malaysian income tax	-	13	11	26
Foreign income tax	118	722	(543)	1,016
Over/(under) provisions in prior years	-	-	-	-
	<u>118</u>	<u>735</u>	<u>(532)</u>	<u>1,042</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>118</u>	<u>735</u>	<u>(532)</u>	<u>1,042</u>
(Loss)/Profit before tax	(26,070)	11,106	(35,790)	21,908
Effective tax rate	-0.45%	6.62%	1.49%	4.76%

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 6 months period ended 30 June 2020 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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

10. (Loss)/Earnings per Share

Basic/diluted

Basic and diluted (loss)/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.

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(26,321)	8,369	(36,466)	19,510
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
Basic/diluted (loss)/earnings per share (sen)	<u>(3.37)</u>	<u>1.07</u>	<u>(4.67)</u>	<u>2.50</u>

7

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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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:

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	2020	2020	2019	2019
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 30 June 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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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:

	30.06.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Cash and bank balances	79,126	103,684
Deposits with financial institutions	48,396	42,024
Total cash and bank balances	127,522	145,708
Less:		
Bank overdrafts	(69,393)	(61,131)
Deposits pledged with financial institutions	(48,396)	(42,024)
Total cash and cash equivalents	9,733	42,553

15. Issued Capital and Treasury Shares

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

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

16. Group Borrowings and Debt Securities

	30.6.2020 RM'000	31.12.2019 RM'000 (Audited)
Current:		
Hire purchase payables	1,037	2,509
Bank overdrafts	69,393	61,131
Bills payable	317,666	369,893
Term loans	108,090	51,975
	<u>495,149</u>	<u>482,999</u>
Lease liabilities	14,125	14,737
Total Current Borrowings	<u>510,311</u>	<u>500,245</u>
Non-current:		
Hire purchase payables	4,046	2,549
Term loans	636,973	680,513
Lease liabilities	292,540	279,264
Total Non-current Borrowings	<u>933,559</u>	<u>962,326</u>
Total Group Borrowings and Debt Securities	<u>1,443,870</u>	<u>1,462,571</u>

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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 30 June 2020 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.06.2020 '000	Equivalents in value of Malaysian currency 30.06.2020 RM'000
United Arab Emirates Dirham	442,441	515,966
Qatari Riyal	27,652	32,532
Indian Rupees	1,172,106	66,689
Thai Baht	40,302	5,589
United States Dollar	<u>102,000</u>	<u>436,672</u>

17. Dividend Paid

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

18. Commitments and Contingencies

a) Capital expenditure commitments

	30.6.2020 RM'000	31.12.2019 RM'000
Contracted but not provided for:		
Factory building and labour accommodation	2,915	2,409
Computer systems and others	-	1,113
Plant and machineries	<u>1,166</u>	<u>1,439</u>
	<u>4,081</u>	<u>4,961</u>

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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 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:

	30.6.2020	31.12.2019
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	2,345,667	3,796,039
Eversendai Offshore RMC FZE	696,187	664,197
Eversendai Engineering Qatar WLL	504,451	731,961
Eversendai Construction Private Limited	310,599	313,034
Eversendai Engineering Sdn Bhd	333,774	272,320
Eversendai Engineering Pte Ltd	184,840	182,763
	<u>4,375,518</u>	<u>5,960,314</u>

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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	
	30.6.2020 RM'000	30.6.2019 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	672	655
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	124,843	2,547

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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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 under review, the Group's revenue of RM192.6 million, decreased by RM187.3 or 49.3% from the preceding corresponding quarter of RM379.9 million and recorded operating loss of RM12.1 million, decreased by RM37.1 million or 148.4% from operating profit of RM25.0 million in preceding corresponding quarter. The Group reported a loss after taxation of RM26.2 million.

In the period to date under review, the Group's revenue of RM421.1 million, decreased by RM358.4 or 46.0% from the preceding corresponding quarter of RM779.5 million and recorded operating loss of RM15.4 million, decreased by RM67.4 million or 129.6% from operating profit of RM52.0 million in preceding corresponding quarter. The Group reported a loss after taxation of RM35.3 million.

The businesses in the Middle East region contributed 61.9% out of the total revenue of RM260.4 million, followed by the operations in India, Southeast Asia and Energy segment which delivered 19.2% , 13.6% and 5.2% 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 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 RM26.1 million during the current quarter when compared to the preceding year corresponding quarter profit before tax of RM11.1 million. This was mainly due to lower gross profit in-tandem with lower revenue and foreign exchange losses amounted to RM2.7 million.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

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

	Current Quarter 30.6.2020 RM'000	Immediate Preceding Quarter 31.3.2020 RM'000
Revenue	192,563	228,496
Operating losses	(12,121)	(3,248)
(Loss)/profit before tax	(26,070)	(9,720)
(Loss)/profit for the period	(26,188)	(9,070)

In the current quarter under review, the Group's revenue of RM192.6 million, decreased by RM35.9 or 15.7% from the immediate preceding quarter of RM228.5 million mainly due to impact of the pandemic Covid-19 lockdown that delayed progress of planned sites.

The Group reported a loss after taxation of RM26.2 million, increased by RM17.1 or 187.9% from the immediate preceding quarter from operating loss after taxation of RM9.1 million mainly due to lower gross profit recorded which is in-tandem with lower revenue and unrealised foreign exchange loss of RM2.7 million.

24. Prospects of the Group

As at the date of this interim report, the Group's order book value stood high at RM2.7 billion. Approximately 41.9% of the order book came from the Group's traditional stronghold in the Middle East region, 31.4% from India, 10.2% from Southeast Asia region, 3.8% from North Africa and the balance 12.7% 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 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.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

24. Prospects of the Group (Cont'd)

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.

25. 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.

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 ("VHSB"), one of 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.

On 30 June 2020, the Company had entered into a conditional share sale agreement ("SSA") 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 ("RCPS") at an issue price of RM0.305 each, upon and subject to the terms and conditions of the SSA.

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

Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2020

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

26. 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.

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 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.

28. Dividend Payable

No interim dividend has been declared for the current financial period and 6 months period ended 30 June 2020.

By order of the Board of Directors

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

27 August 2020