

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

FIRST QUARTER ENDED 31 MARCH 2019

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 29 May 2019

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

Date: 29 May 2019

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

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Financial Year ending 31 December 2019

Summary of Key Financial Information for the First Quarter ended 31 March 2019

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
1 Revenue	399,629	391,276	399,629	391,276
2 Profit before tax	10,802	28,004	10,802	28,004
3 Profit for the periods	10,495	27,489	10,495	27,489
4 Profit attributable to equity holders of the Company	11,141	26,614	11,141	26,614
5 Basic earnings per share (sen)	1.43	3.41	1.43	3.41
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 31.3.2019 (RM)	As at 31.12.2018 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.15	1.22

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2019

	Note	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Revenue	6	399,629	391,276	399,629	391,276
Cost of sales		(356,962)	(343,912)	(356,962)	(343,912)
Gross profit		42,667	47,364	42,667	47,364
Interest income		1,247	1,023	1,247	1,023
Other income		9,173	15,998	9,173	15,998
Operating and administrative expenses		(26,013)	(25,484)	(26,013)	(25,484)
Operating profit		27,074	38,901	27,04	38,901
Finance costs		(16,272)	(10,897)	(16,272)	(10,897)
Net loss on financial assets at fair value through profit or loss		-	-	-	-
Profit before tax	8	10,802	28,004	10,802	28,004
Income tax expense	9	(307)	(515)	(307)	(515)
Profit for the period		10,495	27,489	10,495	27,489
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	-	-	-
- Foreign currency translation		(14,555)	(45,472)	(14,555)	(45,472)
Other comprehensive (expense)/income for the period:		(14,555)	(45,472)	(14,555)	(45,472)
Total comprehensive (expense)/income for the period		(4,060)	(17,983)	(4,060)	(17,983)

Financial Year ending 31 December 2019

**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2019
(Cont'd)**

	Note	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2019	31.3.2018	31.3.2019	31.3.2018
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to:					
- Equity holders of the Company		11,141	26,614	11,141	26,614
- Non-controlling interests		(646)	875	(646)	875
		<u>10,495</u>	<u>27,489</u>	<u>10,495</u>	<u>27,489</u>
Total comprehensive (expense)/income attributable to:					
- Equity holders of the Company		(2,886)	(17,887)	(2,886)	(17,887)
- Non-controlling interests		(1,174)	(96)	(1,174)	(96)
		<u>(4,060)</u>	<u>(17,983)</u>	<u>(4,060)</u>	<u>(17,983)</u>
Earnings per share attributable to equity holders of the Company					
- Basic/diluted (sen)	10	1.43	3.41	1.43	3.41

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018, and the accompanying explanatory notes attached to these interim financial statements.

Financial Year ending 31 December 2019
Condensed Consolidated Statement of Financial Position as at 31 March 2019

	Note	31.03.2019 RM'000	31.12.2018 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	718,867	721,028
Right-of-use Assets		233,483	-
Goodwill	12	11,251	11,251
Deferred tax assets		2,828	2,270
Total non-current assets		966,429	734,549
Current assets			
Inventories	13	384,572	359,935
Amount due from customers under construction contracts		730,878	757,590
Trade receivables		1,068,100	990,993
Other receivables, refundable deposits and prepaid expenses		224,725	197,902
Investment in securities	15	23	23
Tax recoverable		5,908	5,483
Cash and bank balances	14	179,534	182,876
Total current assets		2,593,740	2,494,802
Total assets		3,560,169	3,229,351
Equity and liabilities			
Current liabilities			
Trade payables		433,459	347,589
Other payables and accrued expenses		463,424	427,878
Amount due to customers under construction contracts		155,648	107,203
Amount due to directors		15,081	9,694
Hire purchase payables	17	2,906	3,766
Borrowings	17	914,294	979,483
Lease liability	17	16,127	-
Tax liabilities		32,483	35,047
Total current liabilities		2,033,422	1,910,660

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Financial Position as at 31 March 2019 (Cont'd)

		31.3.2019 RM'000	31.12.2018 RM'000 (Audited)
Equity and liabilities (cont'd)	Note		
Non-current liabilities			
Hire purchase payables	17	2,634	3,187
Borrowings	17	261,503	267,750
Lease liability	17	274,155	-
Employees' service benefits		73,391	73,134
Deferred tax liabilities		4,274	4,274
Total non-current liabilities		615,957	348,345
Total liabilities		2,649,379	2,259,005
Net assets		910,790	970,346
Capital and reserves			
Issued capital	16	585,308	585,308
Treasury shares	16	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		148,309	162,336
Fair value adjustment reserve		30	30
Retained earnings		162,412	206,767
Equity attributable to equity holders of the Company		896,155	954,537
Non-controlling interests		14,635	15,809
Total equity		910,790	970,346
Total equity and liabilities		3,560,169	3,229,351

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018, and the accompanying explanatory notes attached to these interim financial statements.

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2019

	← Attributable to equity holders of the Company →						→			
	← Non-distributable →						Distributable			
	Issued capital RM'000	Share premium 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 1.1.2018	585,308	-	(91)	187	155,692	30	143,841	884,967	12,335	897,302
Effect of adoption of MFRS9	-	-	-	-	-	-	(7,312)	(7,312)	(739)	(8,051)
At 1.1.2018, as restated	585,308	-	(91)	187	155,692	30	136,529	877,655	11,596	889,251
Disposal of subsidiaries	-	-	-	-	-	-	-	-	5,141	5,141
Profit for the period	-	-	-	-	-	-	70,238	70,238	3,314	73,552
Other comprehensive income	-	-	-	-	6,644	-	-	6,644	260	6,904
Total comprehensive income	-	-	-	-	6,644	-	70,238	76,882	3,574	80,456
Dividend	-	-	-	-	-	-	-	-	(4,502)	(4,502)
At 31.12.2018	585,308	-	(91)	187	162,336	30	206,767	954,537	15,809	970,346

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2019 (Cont'd)

	← Attributable to equity holders of the Company →						→ Distributable		Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable			→			Retained earnings RM'000	Total RM'000		
	Issued capital RM'000	Share premium 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, as previously reported	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	-	-	-	-	-	-	11,141	11,141	(646)	10,495
Other comprehensive loss	-	-	-	-	(14,027)	-	-	(14,027)	(528)	(14,555)
Total comprehensive (loss)/income	-	-	-	-	(14,027)	-	11,141	(2,886)	(1,174)	(4,060)
Dividend	-	-	-	-	-	-	-	-	-	-
At 31.3.2019	585,308	-	(91)	187	148,309	30	162,412	896,155	14,635	910,790

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 2018, and the accompanying explanatory notes attached to these interim financial statements.

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2019

	Cumulative Quarter	
	3 months ended	
	31.3.2019	31.3.2018
	RM'000	RM'000
Operating activities		
Profit before taxation	10,802	28,004
Adjustments for:		
Depreciation of property, plant and equipment	12,668	13,772
Provision for employees' service benefits	2,607	3,828
Gain on disposal of property, plant and equipment	(159)	(12)
Interest income	(1,247)	(1,023)
Allowance for doubtful debt	2,020	6
Reversal of provision for foreseeable loss	(3,038)	(3,167)
Unrealised foreign exchange gains	(2,761)	(8,401)
Finance cost	16,272	10,897
	37,164	43,904
Operating profit before working capital changes		
Working capital changes:		
Net changes in current assets	(82,038)	113,761
Net changes in current liabilities	161,531	114
Cash generated from operations	116,657	157,779
Employees' service benefits paid	(1,618)	(1,158)
Taxes paid	(144)	(701)
Net cash flows generated from operating activities	114,895	155,920
Investing activities		
Purchase of property, plant and equipment	(19,749)	(8,224)
Proceeds from disposal of property, plant and equipment	452	548
Increase in deposits pledge with financial institutions	(2,456)	(5,236)
Interest received	1,247	1,023
Net cash flows used in investing activities	(20,506)	(11,889)
Financing activities		
Repayment of bank borrowings	(71,436)	(168,156)
Repayment of hire purchase payables	(1,413)	(323)
Drawdown of Lease liability	3,374	-
Increase/ (Decrease) in amounts due to directors	5,388	(1,267)
Finance cost paid	(16,272)	(10,897)
Net cash flows used in financing activities	(80,359)	(180,643)

Financial Year ending 31 December 2019

Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2019 (Cont'd)

	Cumulative Quarter 3 months ended	
	31.3.2019	31.3.2018
	RM'000	RM'000
Net increase/ (decrease) in cash and cash equivalents	14,030	(36,612)
Effect of changes in foreign exchange rate	(18,451)	(61,801)
Cash and cash equivalents at beginning of period	<u>75,953</u>	<u>159,672</u>
Cash and cash equivalents at end of period	<u>71,532</u>	<u>61,259</u>
 Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	179,534	177,891
Less: Bank overdrafts	(62,911)	(74,534)
Less: Deposits with financial institutions	<u>(45,091)</u>	<u>(42,098)</u>
	<u>71,532</u>	<u>61,259</u>

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018, and the accompanying explanatory notes to these interim financial statements.

Financial Year Ending 31 December 2019

Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2019

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 2018, 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 29 May 2019.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2019 have been prepared in accordance with MFRS 134, Interim Financial Reporting and Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia. 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 2018. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of ECB and its subsidiaries (“the Group”) since the year ended 31 December 2018.

3. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual statements for the financial year ended 31 December 2018 except where otherwise indicated.

3.1 Adoption of New and Revised Standards

In the current financial period, the Group and the Company have adopted a number of new MFRSs, amendments to MFRS and interpretations issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatorily effective for an accounting periods that begins on or after 1 January 2019 as follows:

3. Significant Accounting Policies (Cont'd)

3.1 Adoption of New and Revised Standards (Cont'd)

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long- term Interests in Associates and Join Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRSs	Annual Improvements to MFRSs (2015 – 2017) Cycle
IC Interpretation 23	Uncertainty over Income Tax Treatments

The adoption of these Amendments to MFRSs did not have any material impact on the disclosure or on the amounts recognised in the financial statements of the Group in the current and previous financial years other than disclosed below:

MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant Accounting Policies (Cont'd)

3.2 Adoption of New and Revised Standards (Cont'd)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has elected to apply MFRS 16 using a modified retrospective approach, whereby the cumulative effect of initial application of MFRS 16 is adjusted to the opening balance of retained earnings as at the date of initial application, as shown below:

	RM'000
Retained earnings as at 1 January 2019, as previously reported	206,767
Cumulative effect of initial application of MFRS 16	(55,496)
Retained earnings as at 1 January 2019, as restated	<u>151,271</u>

3.3 Standards and Amendments in issue but not yet effective

Effective for annual periods commencing on or after 1 January 2020

MFRS 17	Insurance Contracts ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

31 Effective for annual periods beginning on or after 1 January 2021

² Effective date deferred to a date to be announced by MASB

The directors anticipate that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these standards will not have material impact on the financial statements of the Group in the period of initial application.

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.

6. Segment Information

	Structural Steel Works				Mechanical Fabrication, Installation & Modularisation	Total	A & E *	Group
	Middle East	India	Southeast Asia	Others				
	RM'000	RM'000	RM'000	RM'000				
3 months ended 31.3.2019								
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)	-
-Total revenue	301,879	59,899	72,944	568	20,974	456,264	(56,635)	399,629
Profit/ (loss) before tax	16,504	297	2,905	(3,020)	(7,583)	9,103	1,699	10,802
3 months ended 31.3.2018								
Revenue								
- External	192,502	56,165	65,574	-	77,035	391,276	-	391,276
- Internal	51,790	-	10,028	1,215	-	63,033	(63,033)	-
Total revenue	244,292	56,165	75,602	1,215	77,035	454,309	(63,033)	391,276
Profit before tax	15,117	433	4,805	3,987	1,101	25,443	2,561	28,004

* Consolidation adjustment & elimination

6. Segment Information (Cont'd)

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute the biggest share of the Group's revenue at 65.3% and pre-tax profit of RM16.5 million in the current quarter.

The operations in Southeast Asia contributed 14.3% to the Group's revenue and pre-tax profit of RM2.9 million in the current quarter as compared to RM4.8 million recorded in preceding year's corresponding quarter. The decrease in pre-tax profit in the region mainly due to projects in Thailand and Singapore was complete in the last quarter of 2018, and new project in Singapore just commenced early of the current financial period.

The operations in India contributed 15.0% to the Group's revenue, same as per revenue reported in the preceding year's corresponding quarter

The Mechanical Fabrication, installation & Modularization business contributed to 5.2% of the Group's revenue in the current quarter, mainly contributed by the offshore fabrication project for Saudi Aramco.

7. Seasonality of Operations

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

8. Profit Before Tax

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

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Interest income	(1,247)	(1,023)	(1,247)	(1,023)
Sales of scrap	(4,823)	(4,644)	(4,823)	(4,644)
Finance cost	16,272	10,897	16,272	10,897
Depreciation of property, plant and equipment	14,739	13,772	14,739	13,772
Gain on disposal of property, plant and equipment	(159)	(12)	(159)	(12)
Unrealised foreign exchange gain	(2,761)	(8,401)	(2,761)	(8,401)
Provision for employee's service benefits expenses	2,607	3,828	2,607	3,828
Reversal for foreseeable loss	(3,038)	(3,167)	(3,038)	(3,167)
Allowance for doubtful debt	2,020	6	2,020	6

9. Income Tax Expense

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Current income tax:				
Malaysian income tax	13	19	13	19
Foreign income tax	294	496	294	496
	<u>307</u>	<u>515</u>	<u>307</u>	<u>515</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense	<u>307</u>	<u>515</u>	<u>307</u>	<u>515</u>
Profit before taxation	10,802	28,004	10,802	28,004
Effective tax rate	2.8%	1.8%	2.8%	1.8%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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 current period ended 31 March 2019 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.

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.

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
Profit for the period (RM'000)	11,141	26,614	11,141	26,614
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 per share (sen)	<u>1.43</u>	<u>3.41</u>	<u>1.43</u>	<u>3.41</u>

11. Property, Plant and Equipment

During the current cumulative 3 months period under review, the Group disposed-off assets with carrying value of RM292,000, resulting in a gain of RM160,000, recognized and included in other income in the statement of comprehensive income.

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. Intangible Assets

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:

	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
Cash-generating units ("CGUs")	2019	2019	2018	2018
Eversendai Engineering L.L.C. Dubai	1%	7%	1%	7%
Eversendai Engineering Sdn. Bhd.	1%	9%	1%	9%
Eversendai Constructions (M) Sdn. Bhd.	1%	9%	1%	9%
Eversendai S-Con Engineering Co. Ltd	1%	10%	1%	10%

- 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 2019, 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.

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:

	31.3.2019 RM'000	31.12.2018 RM'000 (Audited)
Cash and bank balances	129,622	142,240
Deposits with financial institutions	49,912	42,636
Total cash and bank balances	179,534	182,876
Less:		
Bank overdrafts	(62,910)	(64,286)
Deposits pledged with financial institutions	(45,091)	(42,636)
Total cash and cash equivalents	71,533	75,954

15. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 : inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : unobservable inputs for the asset or liability.

As at the end of the current quarters under review, the Group held the following financial assets that are measured at fair value:

	Level 1 RM'000
At 31.3.2019	
Current asset	
Investment in securities	23
Total	23
At 31.12.2018 (Audited)	
Current asset	
Investment in securities	23
Total	23

Investment in securities are investments in unit trust fund. The fair value of this class of financial asset is measured based on the quoted market price, with the fair value gains or losses through profit or loss.

The Group does not have any financial instruments measured at fair value using significant unobservable inputs. There were no transfers between any levels of the fair value hierarchy took place during the current quarter and comparative period. The Group also does not hold any credit enhancement or collateral to mitigate credit risk and therefore, the carrying amount of financial assets represents the potential credit risk.

16. Issued Capital and Treasury Shares

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

17. Group Borrowings and Debt Securities

	31.3.2019 RM'000	31.12.2018 RM'000 (Audited)
Current:		
Hire purchase	2,906	3,766
Bank overdraft	62,910	64,286
Bills payable	374,987	420,248
Term loans	476,397	494,949
Other Borrowings	914,294	979,483
Lease Liability	16,127	-
Total Current Borrowings	933,327	983,249
Non-current:		
Hire purchase	2,634	3,187
Term loans	261,503	267,750
Lease Liability	274,155	-
Total Non-Current Borrowings	538,292	270,937
Total group borrowings and debt securities	1,471,619	1,254,186

Included in the Group's borrowings as of 31 March 2019 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency	Equivalents in value of Malaysian currency
	31.3.2019 '000	31.3.2019 RM'000
United Arab Emirates Dirham	552,059	580,195
Qatari Riyal	43,188	48,428
Indian Rupees	1,104,417	64,921
Thai Baht	47,192	6,069
Singapore Dollar	11,354	34,198
United States Dollar	102,000	416,395

18. Dividends Paid

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

19. Commitments and Contingencies

a) Capital expenditure commitments

	31.3.2019	31.3.2018
	RM'000	RM'000
Contracted but not provided for:		
Factory building & labour accommodation	20,782	33,405
Computer systems	556	126
Plant & machineries	1,111	9,863
	22,449	43,394
Approved but not contracted for:		
Factory building	-	2,104
Plant & machineries	-	1,052
	-	3,156

b) Contingencies

The Group does not have any pending litigation except as disclosed in Note 28 of this interim financial report.

Corporate guarantees

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

	31.3.2019	31.3.2018
	RM'000	RM'000
Eversendai Engineering LLC	3,791,820	3,482,579
Eversendai Offshore RMC FZE	663,459	628,003
Eversendai Engineering Qatar WLL	731,058	694,853
Eversendai Construction Private Limited	320,897	324,734
Eversendai Engineering Sdn. Bhd.	272,320	272,320
Eversendai Engineering Pte Ltd	181,223	38,834
	5,960,777	5,441,323

20. 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	
	31.3.2019 RM'000	31.3.2018 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	312	450
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 director by virtue of his direct interest in the ultimate holding Company of the Group	1,741	14,671

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

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

The Group recorded total revenue of RM399.6 million for the first quarter, which when compared to preceding year's corresponding quarter RM391.2 million was increase by 2.1%.

Out of the total revenue of RM399.6 million, 65.3% was contributed by the businesses in the Middle-East region, 14.3% by operations in Southeast Asia, 15.0% by operations in India, 5.2% from the Mechanical fabrication, installation & modularisation segment and the remaining 0.1% from United Kingdom and others.

The Group has reported a PATAMI of RM11.1 million in the first quarter, 58.3% lower than PATAMI of RM26.6 million reported in preceding year's corresponding quarter, mainly due to completion of works in the Ras Al Khaimah facility in the previous financial year and lower foreign exchange gain earned from appreciation of Ringgit Malaysia during the quarter.

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

The Group's recorded a lower profit before tax of RM10.8 million during the current quarter when compared to the preceding year's corresponding quarter's profit of RM28.0 million. The lower profit before tax during the current quarter compared mainly due to decrease in profit margin by 1%, despite the increase in revenue at 2.1% compared to preceding year's corresponding quarter and completion of works in the Ras Al Khaimah facility.

23. Prospects of the Group

Up to the current report date, the Group's order book stood at approximately RM2.3 billion. Approximately 50.0% of the order book came from the Group's traditional stronghold in the Middle East region, 21.2% from Southeast Asia, 23.2% from India, and 5.5% from Mechanical fabrication, installation & modularisation segment.

The Ras Al Khaimah facility is focusing to undertake additional structural steel works to increase the output and to maximize utilization of the facility.

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

There is no corporate proposal announced but not completed as at 24 May 2019, being a date not earlier than seven days from the date of issuance of this interim financial report.

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 trial on 27- 31 May 2019 and 11-14 June 2019.

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 first quarter and 3 months period ended 31 March 2019.

28. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2018 was not qualified.

By order of the Board of Directors

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

29 May 2019