

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

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

Dated 30 November 2020

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

Date: 30 November 2020

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

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(Incorporated in Malaysia)

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Summary of Key Financial Information for the Third Quarter ended 30 September 2020

	Third Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
1 Revenue	260,484	413,458	681,543	1,192,972
2 (Loss)/Profit before tax	(33,122)	5,133	(68,912)	27,041
3 (Loss)/Profit for the period	(33,977)	3,110	(69,235)	23,976
4 (Loss)/Profit attributable to equity holders of the Company	(35,886)	1,473	(72,352)	20,983
5 Basic (loss)/earnings per share (sen)	(7.97)	0.19	(9.26)	2.69
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at	As at
			30.9.2020	31.12.2019
			(RM)	(RM)
				(Audited)
7 Net assets per share attributable to the equity holders of the Company			1.06	1.13

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2020

	Note	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.9.2020	30.9.2019	30.9.2020	30.9.2019
		RM'000	RM'000	RM'000	RM'000
Revenue	6	260,484	413,458	681,543	1,192,972
Cost of sales		(273,885)	(366,433)	(659,466)	(1,065,997)
Gross profit		(13,401)	47,025	22,077	126,975
Interest income		661	2,295	929	4,257
Other income		2,580	5,751	12,906	19,943
Operating and administrative expenses		(9,866)	(36,418)	(71,307)	(80,482)
Operating (loss)/profit		(20,026)	18,653	(35,395)	70,693
Finance costs		(13,096)	(13,520)	(33,517)	(43,652)
(Loss)/profit before tax	8	(33,122)	5,133	(68,912)	27,041
Income tax (expense)/credit	9	(855)	(2,023)	(323)	(3,065)
(Loss)/profit for the period		(33,977)	3,110	(69,235)	23,976
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		(9,972)	7,365	14,651	4,015
Total comprehensive (expense)/income for the period		(43,949)	10,475	(54,584)	27,991

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2020 (Cont'd)

	Third Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(35,886)	1,473	(72,352)	20,983
- Non-controlling interests	1,909	1,637	3,117	2,993
	(33,977)	3,110	(69,235)	23,976
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(41,569)	9,516	(57,701)	26,539
- Non-controlling interests	(2,380)	959	3,117	1,452
	(43,949)	10,475	(54,584)	27,991
(Loss)/Earnings per share attributable to equity holders of the Company				
- Basic/diluted (sen)	10 (7.97)	0.19	(9.26)	2.69

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

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Condensed Consolidated Statement of Financial Position as at 30 September 2020

		30.09.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	664,420	696,560
Right-of-use assets		238,775	248,095
Goodwill	12	11,251	11,251
Deferred tax assets		1,814	2,003
Total Non-current Assets		<u>916,260</u>	<u>957,909</u>
Current Assets			
Inventories	13	282,541	258,615
Contract assets		839,944	882,233
Trade receivables		1,010,289	1,015,433
Other receivables, refundable deposits and prepaid expenses		109,543	135,954
Tax recoverable		1,463	5,881
Cash and bank balances	14	125,794	145,708
Total Current Assets		<u>2,369,574</u>	<u>2,443,824</u>
Total Assets		<u>3,285,834</u>	<u>3,401,733</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		281,415	350,645
Other payables and accrued expenses		483,044	373,086
Contract liabilities		105,807	193,389
Amount owing to directors		12,330	11,089
Hire-purchase payables	16	485	2,509
Borrowings	16	456,869	482,999
Lease liabilities	16	14,677	14,737
Tax liabilities		39,781	39,741
Total Current Liabilities		<u>1,394,408</u>	<u>1,468,195</u>

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

		30.09.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Hire purchase payables	16	3,639	2,549
Borrowings	16	678,179	680,513
Lease liabilities	16	284,391	279,264
Employees' service benefits		77,231	71,132
Deferred tax liabilities		1,863	3,068
Total Non-current Liabilities		1,045,303	1,036,526
Total Liabilities		2,439,711	2,504,721
Net Assets		846,123	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		152,857	138,206
Fair value adjustment reserve		30	30
Retained earnings		87,507	159,859
Equity attributable to equity holders of the Company		825,798	883,499
Non-controlling interests		20,325	13,513
Total Equity		846,123	897,012
Total Equity and Liabilities		3,285,834	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.

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2020

	← 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	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	-	-	-	-	-	20,983	20,983	2,993	23,976
Other comprehensive loss	-	-	-	5,556	-	-	5,556	(1,541)	4,015
Total comprehensive (loss)/income	-	-	-	5,556	-	20,983	26,539	1,452	27,991
Dividend paid	17	-	-	-	-	-	-	-	-
At 30.9.2019	585,308	(91)	187	167,892	30	172,254	925,580	17,261	942,841

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 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 1.1.2020, as previously reported	585,308	(91)	187	138,206	30	159,859	883,499	13,513	897,012
Disposal of subsidiary *	-	-	-	-	-	-	-	3,695	3,695
(Loss)/Profit for the period	-	-	-	-	-	(72,352)	(72,352)	3,117	(69,235)
Other comprehensive income	-	-	-	14,651	-	-	14,651	-	14,651
Total comprehensive income/(loss)	-	-	-	14,651	-	(72,352)	(57,701)	3,117	(54,584)
Dividend paid	17	-	-	-	-	-	-	-	-
At 30.9.2020	585,308	(91)	187	152,857	30	87,507	825,798	20,325	846,123

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

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2020

	Note	Cumulative Quarter 9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
Operating activities			
(Loss)/profit before taxation		(68,912)	27,041
Adjustments for:			
Depreciation of property, plant and equipment		44,578	44,833
Depreciation for right-of-use assets		17,109	2,071
Provision for employees' service benefits		6,099	7,728
Gain on disposal of property, plant and equipment		(185)	(443)
Interest income		(929)	(4,257)
Allowance/(Reversal) for doubtful debts		468	(438)
Reversal of provision for foreseeable loss		(59)	(3,107)
Unrealised foreign exchange loss/(gain)		(7,269)	1,225
Gain on disposal of asset held for sale		(3,695)	-
Finance costs		33,517	43,652
Operating profit before working capital changes		20,722	118,305
Working capital changes:			
Net changes in current assets		62,217	(179,123)
Net changes in current liabilities		20,830	221,677
Cash generated from operations		103,769	160,859
Employees' service benefits paid		1,291	(7,910)
Taxes paid		5,259	(4,587)
Net cash flows (used in)/generated from operating activities		110,319	148,362
Investing activities			
Purchase of property, plant and equipment		(5,874)	(39,213)
Proceeds from disposal of property, plant and equipment		109	980
Increase in deposits with financial institutions		(11,862)	(183)
Interest received		929	4,257
Net cash flows used in investing activities		(16,698)	(34,159)

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

	Note	Cumulative Quarter 9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
Financing activities			
(Repayment)/Drawdown of bank borrowings		(49,475)	(115,510)
Drawdown/(Repayment) of hire purchase payables		(936)	(2,422)
Repayment of lease liabilities		(24,287)	(768)
Increase in amount owing to directors		1,241	7,654
Finance costs paid		(33,517)	(43,652)
Net cash flows used in financing activities		(106,974)	(154,698)
Net decrease in cash and cash equivalents		(13,353)	(40,495)
Effect of changes in foreign exchange rate		(6,369)	(16,428)
Cash and cash equivalents at beginning of period		27,966	75,953
Cash and cash equivalents at end of period		8,244	19,030
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		125,794	152,970
Less: Bank overdrafts		(63,665)	(91,120)
Less: Deposits pledged with financial institutions		(53,885)	(42,820)
		8,244	19,030

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

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2020

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

1. Corporate Information

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

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

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 30 November 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:-

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

3. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

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

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

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

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

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

4. Changes in Estimates

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

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

5. Changes in Composition of the Group

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

On 24 September 2020, Eversendai Construction (S) Pte. Ltd., a wholly-owned subsidiary of Eversendai Corporation Berhad had entered into a Share Sale Agreement for the disposal of 40,000 ordinary shares ("Class B shares") and 10,000 preference shares ("Class D shares") in S-Con which represents 49.5% of the issued and paid up share capital in S-Con.

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

	Structural Steel Works				Energy RM'000	Total 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				
9 months ended 30.9.2020								
Revenue								
- External	397,445	105,995	122,679	1,219	54,205	681,543	-	681,543
- Internal	70,898	-	18,145	423	7,492	96,958	(96,958)	-
Total revenue	468,343	105,995	140,824	1,642	61,697	778,501	(96,958)	681,543
Profit/(Loss) before tax	4,071	(4,311)	14,337	(10,796)	(72,213)	(68,912)	-	(68,912)
9 months ended 30.9.2019								
Revenue								
- External	719,020	162,315	283,742	1,194	26,701	1,192,972	-	1,192,972
- Internal	131,766	-	93,146	2,107	9,565	236,584	(236,584)	-
Total revenue	850,786	162,315	376,888	3,301	36,266	1,429,556	(236,584)	1,192,972
Profit/(Loss) before tax	39,680	8,693	24,427	(14,629)	(32,403)	25,768	1,273	27,041

* Consolidation adjustment & elimination

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 92.1% of the Group total revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM397.4 million or 58.3% of total Group revenue, followed by South East Asia region (RM122.7 million or 18.0% of Group revenue) and India (RM106.0 million or 15.5% of Group revenue).

The Group's total revenue of RM681.5 million showed a decrease of RM511.5 million or 42.9% compared to the preceding year corresponding period of RM1,193.0 million. The decrease was mainly due to delayed progress on planned sites attributable to global pandemic covid-19 lockdown. The Group recorded a gross loss of RM68.9 million, a decrease of RM95.9 million or 355.2% compared to the preceding year corresponding period of RM27.0 million, which in-tandem with lower revenue.

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:

	Third Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	661	2,295	929	4,257
Sales of scrap	6,224	2,841	11,945	13,871
Finance costs	(1,903)	(13,520)	(33,517)	(43,652)
Depreciation of property, plant and equipment	(16,098)	(15,045)	(44,578)	(44,833)
Depreciation for right-of-use assets	(10,879)	-	(17,109)	(2,071)
Gain on disposal of property, plant and equipment	128	5	185	443
Realised foreign exchange loss	(370)	(962)	(1,610)	(523)
Unrealised foreign exchange loss/(gain)	20,134	(1,842)	7,269	(1,225)
Provision for employees' service benefits expenses	(3,309)	(2,608)	(6,099)	(7,728)
Reversal for foreseeable loss	-	45	59	3,107
Allowance/(Reversal) for doubtful debts	-	1,232	(468)	438

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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)

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Current income tax:				
Malaysian income tax	22	155	33	181
Foreign income tax	833	1,868	290	2,884
Over/(under) provisions in prior years	-	-	-	-
	<u>855</u>	<u>2,023</u>	<u>323</u>	<u>3,065</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>855</u>	<u>2,023</u>	<u>323</u>	<u>3,065</u>
Profit before tax	(33,122)	5,133	(68,912)	27,041
Effective tax rate	-2.58%	39.41%	-0.47%	11.33%

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 9 months period ended 30 September 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.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 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.

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(35,886)	1,473	(72,352)	20,983
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 earnings/(loss) per share (sen)	<u>(4.59)</u>	<u>0.19</u>	<u>(9.26)</u>	<u>2.69</u>

11. Property, Plant and Equipment

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

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

12. Goodwill

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

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

	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
Cash-generating units ("CGUs")	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%

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

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

13. Inventories

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:

	30.09.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Cash and bank balances	71,909	103,684
Deposits with financial institutions	53,885	42,024
Total cash and bank balances	125,794	145,708
Less:		
Bank overdrafts	(63,665)	(61,131)
Deposits pledged with financial institutions	(53,885)	(42,024)
Total cash and cash equivalents	8,244	42,553

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

	30.9.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Current:		
Hire purchase payables	485	2,509
Bank overdrafts	63,665	61,131
Bills payable	308,193	369,893
Term loans	85,011	51,975
	<u>456,869</u>	<u>482,999</u>
Lease liabilities	14,677	14,737
Total Current Borrowings	<u>472,031</u>	<u>500,245</u>
Non-current:		
Hire purchase payables	3,639	2,549
Term loans	678,179	680,513
Lease liabilities	284,391	279,264
Total Non-current Borrowings	<u>966,209</u>	<u>962,326</u>
Total Group Borrowings and Debt Securities	<u>1,438,240</u>	<u>1,462,571</u>

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

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

Included in the Group's borrowings as of 30 September 2020 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.09.2020 '000	Equivalents in value of Malaysian currency 30.09.2020 RM'000
United Arab Emirates Dirham	629,873	712,929
Qatari Riyal	46,636	53,298
Indian Rupees	1,426,059	80,521
Singapore Dollar	28	84
United States Dollar	<u>115,000</u>	<u>478,124</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

	30.9.2020 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>1,132</u>	<u>1,439</u>
	<u>4,047</u>	<u>4,961</u>

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

18. Commitments and Contingencies (Cont'd)

b) Contingencies

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

	30.9.2020	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>

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

19. Related Party Transactions

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

	Cumulative quarter 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	966	991
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	121,169	3,081

20. Events After the Reporting Period

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

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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

For the current quarter under review, the Group's revenue of RM260.5 million, decreased by RM153.0 or 37.0% compared to the preceding corresponding quarter of RM413.5 million and recorded operating loss of RM20.0 million, decreased by RM38.7 million or 207.0% compared to operating profit of RM18.7 million in preceding corresponding quarter.

For the period to date under review, the Group's total revenue of RM681.5 million, a decrease of RM511.5 million or 42.9% compared to 3Q 2019 of RM1,193.0 million. The decrease was mainly due to delayed progress on planned sites attributable to global covid-19 pandemic lockdown. The Group reported a loss after taxation of RM69.2 million.

The businesses in the Middle East region contributed 58.3 % of the total revenue of RM681.5 million, followed by the operations in Southeast Asia, India and Energy segment which delivered 18.0%, 15.5% and 8.0% respectively and 0.2% 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 Covid-19 pandemic lockdown.

Interest income of RM0.9 million, a decrease of RM3.4 million or 79.1% compared to 9M 2019 of RM4.3 million. The decrease was mainly due to low cash and bank balances.

Other income of RM12.9 million, a decrease of RM7.0 million or 35.2% compared to 9M 2019 of RM19.9 million. The decrease was mainly due to lower sales of scrap by RM5.2 million.

Operating and administrative expenses of RM71.3 million, a decrease of RM12.2 million or 14.6% compared to 9M 2019 of RM80.5 million. The decrease was mainly due to better management on cost control during this financial period.

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

Revenue and loss before tax for the period-to-date decreased by 37.0% and 749.0% respectively as compared to the corresponding period of the preceding year which was mainly due to lower construction activities during the period.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 30.9.2020 RM'000	Immediate Preceding Quarter 30.6.2020 RM'000
Revenue	260,484	192,563
Operating losses	(20,026)	(12,121)
(Loss)/profit before tax	(33,122)	(26,070)
(Loss)/profit for the period	(33,977)	(26,188)

The Group reported the revenue and LBT of RM260.5 million and RM33.1 million respectively in the current quarter as compared to revenue of RM413.5 million and PBT of RM5.1 million in the immediate preceding quarter. Lower revenue and LBT in current quarter are mainly due to slower progress of on-going construction projects.

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, a subsidiary of Eversendai Corporation Berhad, had inked Memorandum of Understanding 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 projects worth RM186mil in June 2020. On the back of these projects, we believe we will be 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 including the lockdown which is expected to have material adverse effects on the economy globally for 2020.

As at the date of this report, the management of the Group has assessed the overall impact on the Group's operations and financial position and concluded that the impact of Covid 19 had been reflected in the last two quarters.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2020

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.

b) Proposed warrants issuance

On 16 June 2020, the Company has announced a proposed issuance of up to 390,550,000 new free warrants with 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 Company announced the Warrants entitlement held by entitled shareholder on 15 October 2002.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2020

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.

Trial of the matter is ongoing and will continue on 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 ended 30 September 2020.

By order of the Board of Directors

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

30 November 2020