

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

FOURTH QUARTER ENDED 31 December 2020
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 31 March 2021

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

Date: 31 March 2021

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

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Summary of Key Financial Information for the Fourth Quarter ended 31 December 2020

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
1 Revenue	429,463	365,823	1,111,006	1,558,795
2 (Loss)/Profit before tax	(49,056)	1,467	(117,967)	28,508
3 (Loss)/Profit for the period	(55,061)	(7,618)	(124,295)	16,358
4 (Loss)/Profit attributable to equity holders of the Company	(53,690)	(7,486)	(126,041)	13,497
5 Basic (loss)/earnings per share (sen)	(6.87)	(0.96)	(16.14)	1.73
6 Diluted (loss)/earnings per share (sen)	(6.87)	(0.96)	(16.14)	1.73
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 31.12.2020 (RM)	As at 31.12.2019 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			0.95	1.13

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Condensed Consolidated Statement of Comprehensive Income for the Fourth Quarter ended 31 December 2020

	Note	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Revenue	6	429,463	365,823	1,111,006	1,558,795
Cost of sales		(393,826)	(335,005)	(1,053,292)	(1,401,002)
Gross profit		35,637	30,818	57,714	157,793
Interest income		288	1,050	1,217	5,307
Other income		16,137	6,138	29,043	29,176
Operating and administrative expenses		(77,044)	(24,287)	(148,350)	(107,864)
Operating (loss)/profit		(24,982)	13,719	(60,376)	84,412
Finance costs		(24,074)	(12,252)	(57,591)	(55,904)
(Loss)/profit before tax	8	(49,056)	1,467	(117,967)	28,508
Income tax (expense)/credit	9	(6,005)	(9,085)	(6,328)	(12,150)
(Loss)/profit for the period		(55,061)	(7,618)	(124,295)	16,358
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		(23,639)	(28,144)	(8,988)	(24,130)
Total comprehensive (expense)/income for the period		(78,700)	(35,762)	(133,283)	(7,772)

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Condensed Consolidated Statement of Comprehensive Income for the Fourth Quarter ended 31 December 2020 (Cont'd)

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(53,690)	(7,486)	(126,041)	13,497
- Non-controlling interests	(1,371)	(132)	1,746	2,861
	<u>(55,061)</u>	<u>(7,618)</u>	<u>(124,295)</u>	<u>16,358</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(78,199)	(35,285)	(138,279)	(8,747)
- Non-controlling interests	(501)	(477)	4,996	975
	<u>(78,700)</u>	<u>(35,762)</u>	<u>(133,283)</u>	<u>(7,772)</u>
(Loss)/Earnings per share attributable to equity holders of the Company				
- Basic (sen)	10	(6.87)	(0.96)	(16.14)
- Diluted (sen)	10	(6.87)	(0.96)	(16.14)

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 31 December 2020

		31.12.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	642,111	696,560
Right-of-use assets		153,951	248,095
Goodwill	12	10,383	11,251
Deferred tax assets		2,907	2,003
Total Non-current Assets		809,352	957,909
Current Assets			
Inventories	13	303,200	258,615
Contract assets		904,132	882,233
Trade receivables		865,898	1,015,433
Other receivables, refundable deposits and prepaid expenses		286,507	135,954
Tax recoverable		1,589	5,881
Cash and bank balances	14	137,410	145,708
Total Current Assets		2,498,736	2,443,824
Total Assets		3,308,088	3,401,733
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		233,408	350,645
Other payables and accrued expenses		745,998	373,086
Contract liabilities		105,915	193,389
Amount owing to directors		9,851	11,089
Hire-purchase payables	16	152	2,509
Borrowings	16	649,253	482,999
Lease liabilities	16	-	14,737
Tax liabilities		39,131	39,741
Total Current Liabilities		1,783,708	1,468,195

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

		31.12.2020	31.12.2019
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Hire purchase payables	16	2,494	2,549
Borrowings	16	481,599	680,513
Lease liabilities	16	193,206	279,264
Employees' service benefits		74,649	71,132
Deferred tax liabilities		2,848	3,068
Derivative financial liabilities		8,206	-
Total Non-current Liabilities		763,002	1,036,526
Total Liabilities		2,546,710	2,504,721
Net Assets		761,378	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		134,174	138,206
Fair value adjustment reserve		30	30
Warrant reserve		20,647	-
Cash flow hedge reserve		(8,206)	-
Retained earnings		12,443	159,859
Equity attributable to equity holders of the Company		744,492	883,499
Non-controlling interests		16,886	13,513
Total Equity		761,378	897,012
Total Equity and Liabilities		3,308,088	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 Fourth Quarter ended 31 December 2020

Note	← Attributable to equity holders of the Company →										
	← Non-distributable				→			Distributable			
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Warrant reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2019 (Restated)	585,308	(91)	187	162,336	30	-	-	171,227	918,997	12,796	931,793
Effect of adoption of MFRS 16	-	-	-	-	-	-	-	(24,865)	(24,865)	(258)	(25,123)
At 1.1.2019, as restated	585,308	(91)	187	162,336	30	-	-	146,362	894,132	12,538	906,670
Profit for the period	-	-	-	-	-	-	-	13,497	13,497	2,861	16,358
Other comprehensive loss	-	-	-	(24,130)	-	-	-	-	(24,130)	(1,886)	(26,016)
Total comprehensive (loss)/income	-	-	-	(24,130)	-	-	-	13,497	(10,633)	975	(9,658)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
At 31.12.2019	585,308	(91)	187	138,206	30	-	-	159,859	883,499	13,513	897,012

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Condensed Consolidated Statement of Changes in Equity for the Fourth Quarter ended 31 December 2020 (Cont'd)

Note	← Attributable to equity holders of the Company →										
	← Non-distributable Foreign					→ Distributable					
	Issued capital	Treasury share	Capital reserve	currency translation reserve	Fair value adjustment reserve	Warrant reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2020, as previously reported	585,308	(91)	187	138,206	30	-	-	159,859	883,499	13,513	897,012
Disposal of subsidiary *	-	-	-	-	-	-	-	(728)	(728)	(1,623)	(2,351)
(Loss)/Profit for the period	-	-	-	-	-	-	-	(126,041)	(126,041)	1,746	(124,295)
Other comprehensive (loss)/income	-	-	-	(4,032)	-	-	(8,206)	-	(12,238)	3,250	(8,988)
Issuance of warrants	-	-	-	-	-	20,647	-	(20,647)	-	-	-
2	-	-	-	(4,032)	-	20,647	(8,206)	(146,688)	(138,279)	4,996	(133,283)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-	-
At 31.12.2020	585,308	(91)	187	134,174	30	20,647	(8,206)	12,443	744,492	16,886	761,378

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 Fourth Quarter ended 31 December 2020

	Note	Cumulative Quarter 12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000
Operating activities			
(Loss)/profit before taxation		(117,967)	28,508
Adjustments for:			
Depreciation of property, plant and equipment		54,870	57,070
Depreciation for right-of-use assets		12,050	15,043
Provision for employees' service benefits		3,517	10,722
Gain on disposal of property, plant and equipment		(577)	(1,193)
Gain on disposal of a subsidiary		(5,824)	-
Interest income		(1,217)	(5,307)
Impairment loss/(Reversal) on trade receivables		53,651	3,152
Reversal of provision for foreseeable loss		(59)	(2,327)
Unrealised foreign exchange gain		5,855	(1,255)
Impairment of goodwill		1,672	-
Finance costs		57,591	55,904
Operating profit before working capital changes		63,562	160,317
Working capital changes:			
Net changes in current assets		(153,975)	(8,431)
Net changes in current liabilities		235,572	19,446
Cash generated from operations		145,159	171,332
Employees' service benefits paid		(2,295)	(10,983)
Taxes refund/(paid)		4,329	(7,969)
Net cash flows generated from/(used in) operating activities		147,193	152,380
Investing activities			
Purchase of property, plant and equipment		(7,513)	(46,339)
Proceeds from disposal of property, plant and equipment		1,327	1,753
(Decrease)/Increase in deposits with financial institutions		(17,887)	611
Decrease in pledged deposits		-	23
Interest received		1,217	5,307
Net cash flows used in investing activities		(22,856)	(38,645)

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Condensed Consolidated Statement of Cash Flows for the Fourth Quarter ended 31 December 2020 (Cont'd)

	Note	Cumulative Quarter 12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000
Financing activities			
(Repayment)/Drawdown of bank borrowings		(54,764)	(83,721)
Drawdown/(Repayment) of hire purchase payables		(2,414)	-
Repayment of lease liabilities		(14,382)	(1,873)
(Decrease)/Increase in amount owing to directors		(1,238)	1,395
Finance costs paid		(57,591)	(55,904)
Net cash flows used in financing activities		(130,389)	(140,103)
Net decrease in cash and cash equivalents		(6,052)	(26,368)
Effect of changes in foreign exchange rate		(23,770)	(7,032)
Cash and cash equivalents at beginning of period		42,553	75,953
Cash and cash equivalents at end of period		12,731	42,553
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		137,410	145,708
Less: Bank overdrafts		(64,768)	(61,131)
Less: Deposits pledged with financial institutions		(59,911)	(42,024)
		12,731	42,553

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 Fourth Quarter ended 31 December 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 financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 31 March 2021.

2. Basis of Preparation

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

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 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 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 years 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:-

- (a) 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.
- (b) On 2 December 2020, an application had been made to the Companies House in the United Kingdom to strike off and dissolve Eversendai Steel-S Limited ("Steel-S").

Steel-S is a dormant company without any assets and liabilities. The voluntary deregistration is not expected to have any material effect on the earnings or net assets of the Company for the financial year ending 31 December 2020. As at the end of the financial year, Steel-S has been struck off.

None of the Directors or substantial shareholders of the Company or persons connected to them has any interest, direct or indirect, in the said deregistration.

This announcement is dated 4th February 2021.

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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 Operations RM'000	A & E * RM'000	Group RM'000
	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000				
12 months ended 31.12.2020								
Revenue								
- External	527,210	177,134	286,311	6,788	113,563	1,111,006	-	1,111,006
- Internal	117,642	1,343	14,759	564	-	134,308	(134,308)	-
Total revenue	644,852	178,477	301,070	7,352	113,563	1,245,314	(134,308)	1,111,006
Profit/(Loss) before tax	(39,069)	1,129	5,381	(66,653)	(73,417)	(172,629)	54,662	(117,967)
12 months ended 31.12.2019								
Revenue								
- External	897,374	234,494	377,263	6,452	43,212	1,558,795	-	1,558,795
- Internal	176,884	-	124,893	3,524	7,492	312,793	(312,793)	-
Total revenue	1,074,258	234,494	502,156	9,976	50,704	1,871,588	(312,793)	1,558,795
Profit/(Loss) before tax	47,818	12,266	7,494	(13,149)	(42,033)	12,396	16,112	28,508

* Consolidation adjustment & elimination

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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 89.8% of the Group total revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM527.2 million or 47.5% of total Group revenue, followed by South East Asia region (RM286.3 million or 25.8% of Group revenue) and India (RM177.1 million or 15.9% of Group revenue).

The Group's total revenue of RM1,111.0 million showed a decrease of RM447.8 million or 28.7% compared to the preceding year of RM1,558.8 million. The decrease was mainly due to delayed progress on planned sites attributable to global Covid-19 pandemic and lockdown. The Group recorded a gross profit of RM57.7 million, a decrease of RM100.1 million or 63.4% compared to the preceding year of RM157.8 million, which is 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:

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Interest income	288	1,050	1,217	5,307
Sales of scrap	5,326	3,131	17,271	17,002
Finance costs	(35,267)	(12,252)	(57,591)	(55,904)
Depreciation of property, plant and equipment	(10,292)	(14,308)	(54,870)	(57,070)
Depreciation for right-of-use assets	5,059	(15,043)	(12,050)	(15,043)
Gain on disposal of property, plant and equipment	392	750	577	1,193
Realised foreign exchange loss	(254)	(575)	(1,864)	(1,537)
Unrealised foreign exchange (loss)/gain	(24,483)	5,241	(5,855)	1,255
Revesal/(provision) for employees' service benefits expenses	2,582	(2,994)	(3,517)	(10,722)
(Provision)/reversal for foreseeable loss	-	(780)	59	2,327
Allowance for doubtful debts	(52,768)	(3,590)	(53,651)	(3,152)

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2020

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

9. Income Tax Expense/(Credit)

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Current income tax:				
Malaysian income tax	3,905	2,390	3,938	2,571
Foreign income tax	3,316	5,262	3,606	8,146
Over/(under) provisions in prior years	-	1,022	-	1,022
	<u>7,221</u>	<u>8,674</u>	<u>7,544</u>	<u>11,739</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,216)	411	(1,216)	411
Total income tax expense/(credit)	<u>6,005</u>	<u>9,085</u>	<u>6,328</u>	<u>12,150</u>
Profit before tax	(49,056)	1,467	(117,967)	28,508
Effective tax rate	-12.24%	619.29%	-5.36%	42.62%

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

The Group's effective tax rate for the 12 months period ended 31 December 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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Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2020

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

10. (Loss)/Earnings per Share

(a) Basic Earnings Per Share

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

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(53,690)	(7,486)	(126,041)	13,497
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
Basic earnings/(loss) per share (sen)	<u>(6.87)</u>	<u>(0.96)</u>	<u>(16.14)</u>	<u>1.73</u>

(b) Diluted Earnings Per Share

The diluted earnings per share for the current quarter under review are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(53,690)	(7,486)	(126,041)	13,497
Weighted average number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Effect of conversion of warrants ('000)	<u>*</u>	<u>-</u>	<u>*</u>	<u>-</u>
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
Diluted earnings/(loss) per share (sen)	<u>(6.87)</u>	<u>(0.96)</u>	<u>(16.14)</u>	<u>1.73</u>

* Note: The incremental shares from assumed conversions are not included in calculating the diluted per-share amounts because it was a loss from operations attributable to ordinary equity holders of the parent entity for the quarter/year.

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

11. Property, Plant and Equipment

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

12. Goodwill

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

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

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	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 31 December 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:

	31.12.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Cash and bank balances	77,499	103,684
Deposits with financial institutions	59,911	42,024
Total cash and bank balances	137,410	145,708
Less:		
Bank overdrafts	(64,768)	(61,131)
Deposits pledged with financial institutions	(59,911)	(42,024)
Total cash and cash equivalents	12,731	42,553

15. Issued Capital and Treasury Shares

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

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2020

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

16. Group Borrowings and Debt Securities

	31.12.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Current:		
Hire purchase payables	205	2,509
Bank overdrafts	64,768	61,131
Bills payable	347,573	369,893
Term loans	236,912	51,975
	<u>649,253</u>	<u>482,999</u>
Lease liabilities	14,582	14,737
Total Current Borrowings	<u>664,040</u>	<u>500,245</u>
Non-current:		
Hire purchase payables	2,441	2,549
Term loans	481,599	680,513
Lease liabilities	178,624	279,264
Total Non-current Borrowings	<u>662,664</u>	<u>962,326</u>
Total Group Borrowings and Debt Securities	<u>1,326,704</u>	<u>1,462,571</u>

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

	Value in foreign	Equivalents in
	currency	value of Malaysian
	31.12.2020	currency
	'000	31.12.2020
		RM'000
United Arab Emirates Dirham	438,233	480,729
Qatari Riyal	74,373	82,362
Indian Rupees	1,319,195	72,792
Singapore Dollar	390	1,189
United States Dollar	<u>115,000</u>	<u>459,302</u>

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2020

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

16. Dividend Paid

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

17. Commitments and Contingencies

a) Capital expenditure commitments

	31.12.2020	31.12.2019
	RM'000	RM'000
		(Audited)
Contracted but not provided for:		
Factory building and labour accommodation	2,375	2,409
Computer systems and others	345	1,113
Plant and machineries	2,076	1,439
	<u>4,796</u>	<u>4,961</u>

b) Contingencies

The Group does not have any pending litigation except as disclosed in Note 27 of this interim financial report.

Corporate guarantees

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

	31.12.2020	31.12.2019
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	3,733,411	3,796,039
Eversendai Offshore RMC FZE	664,197	664,197
Eversendai Engineering Qatar WLL	721,991	731,961
Eversendai Construction Private Limited	301,223	313,034
Eversendai Engineering Sdn Bhd	272,320	272,320
Eversendai Engineering Pte Ltd	183,432	182,763
	<u>5,876,574</u>	<u>5,960,314</u>

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	1,294	1,311
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	23,758	9,455

20. Events After the Reporting Year

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

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Financial Year Ending 31 December 2020

Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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

The Group recorded revenue of RM1,111.0 million and loss before tax of RM118.0 million for the period ended 31 December 2020 as compared to corresponding period in immediate preceding year of RM1,558.8 million and profit before tax of RM28.5 million respectively. The deterioration in performance was due to disruption of operating environment as a result of the Covid-19 pandemic. The progress of construction was impeded.

Interest income of RM1.2 million, a decrease of RM4.1 million or 77.4% from 12M 2019 of RM5.3 million. The decrease was mainly due to lower cash and bank balances.

Operating and administrative expenses of RM148.4 million, an increase of RM40.5 million or 37.5% from 12M 2019 of RM107.9 million. The increase was mainly due to provision for impairment on receivables.

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

The Group's total revenue of RM429.5 million, an increase of RM63.7 million or 17.4% from 4Q 2019 of RM365.8 million. The increase was mainly due to progress billing of new projects commence during current quarter in Middle East and adjustment on contract value of Malaysia projects. The Group recorded gross profit of RM35.6 million, an increase of RM4.8 million or 15.6% from 4Q 2019 of RM30.8 million, which is in-tandem with higher revenue.

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

	Current Quarter 31.12.2020 RM'000	Immediate Preceding Quarter 30.9.2020 RM'000
Revenue	429,463	260,484
Operating losses	(24,982)	(20,026)
(Loss)/profit before tax	(49,056)	(33,122)
(Loss)/profit for the period	(55,061)	(33,977)

The Group reported the revenue and LBT of RM429.5 million and RM49.1 million respectively in the current quarter as compared to revenue of RM260.5 million and LBT of RM33.1 million in the immediate preceding quarter showing some recoveries during RMCO and CMCO. Increase in LBT mainly due to impairment on receivables of RM52.8 million in Q4 2020.

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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

As at the date of this financial report, the Group's order book value stood high at RM2.0 billion. Approximately 47.5% of the order book came from the Group's traditional stronghold in the Middle East region, 28.8% from India, 9.5% from Southeast Asia region, 3.9% from North Africa and the balance 10.2% 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.

In the face of the COVID-19 crisis, the company had acted quickly to optimize resilience, rebalancing for risk and liquidity while assessing opportunities for growth coming out of the downturn. Immediate action had been taken to address short-term liquidity challenges and generate funding to invest in new opportunities to ensure the company rebounds from the global downturn, financial health and sustainability going forward.

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 three quarters.

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.

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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

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 2020.

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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. The next will be fixed by court later.

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 year ended 31 December 2020.

By order of the Board of Directors

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

31 March 2021