

# **EVERSENDI**

**EVERSENDI CORPORATION BERHAD**

(Company No. 614060-A)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019**

**FOURTH QUARTER ENDED 31 DECEMBER 2019**

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 28 February 2020

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

**Date: 27 February 2020**

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

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

**Financial Year Ending 31 December 2019**

**Summary of Key Financial Information for the Fourth Quarter ended 31 December 2019**

	<b>Fourth Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
1 Revenue	362,520	492,496	1,555,492	1,705,750
2 Profit before tax	786	26,170	27,827	79,392
3 Profit for the period	(7,356)	21,155	16,620	73,552
4 Profit attributable to equity holders of the Company	(7,282)	19,735	13,701	70,238
5 Basic earnings per share (sen)	(0.93)	2.52	1.75	8.99
6 Proposed/declared dividend per share (sen)	-	-	-	-
			<b>As at 31.12.2019 (RM)</b>	<b>As at 31.12.2018 (RM) (Audited)</b>
7 Net assets per share attributable to the equity holders of the Company			1.18	1.22

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Condensed Consolidated Statement of Comprehensive Income for the Fourth Quarter ended 31 December 2019

	Note	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>Revenue</b>	6	<b>362,520</b>	<b>492,496</b>	<b>1,555,492</b>	<b>1,705,750</b>
Cost of sales		(336,624)	(415,185)	(1,402,621)	(1,480,902)
<b>Gross profit</b>		<b>25,896</b>	<b>77,311</b>	<b>152,871</b>	<b>224,848</b>
Interest income		1,055	1,008	5,312	2,757
Other income		10,057	8,679	30,000	26,644
Operating and administrative expenses		(25,568)	(44,081)	(106,050)	(125,647)
<b>Operating profit</b>		<b>11,440</b>	<b>42,917</b>	<b>82,133</b>	<b>128,602</b>
Finance costs		(10,654)	(16,747)	(54,306)	(49,210)
<b>Profit before tax</b>	8	<b>786</b>	<b>26,170</b>	<b>27,827</b>	<b>79,392</b>
Income tax (expense)/credit	9	(8,142)	(2,849)	(11,207)	(2,350)
<b>Profit for the period from continuing operations</b>		<b>(7,356)</b>	<b>23,321</b>	<b>16,620</b>	<b>77,042</b>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations, net of tax	10	-	(2,166)	-	(3,490)
<b>Profit for the period</b>		<b>(7,356)</b>	<b>21,155</b>	<b>16,620</b>	<b>73,552</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
- Foreign currency translation		(30,684)	3,657	(26,669)	6,904
<b>Total comprehensive income for the period</b>		<b>(38,040)</b>	<b>24,812</b>	<b>(10,049)</b>	<b>80,456</b>

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

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>Note</b>				
Profit for the period attributable to:				
- Equity holders of the Company	(7,282)	19,735	13,701	70,238
- Non-controlling interests	(74)	1,420	2,919	3,314
	<b>(7,356)</b>	<b>21,155</b>	<b>16,620</b>	<b>73,552</b>
Total comprehensive income attributable to:				
- Equity holders of the Company	(37,621)	23,341	(11,082)	76,882
- Non-controlling interests	(419)	1,471	1,033	3,574
	<b>(38,040)</b>	<b>24,812</b>	<b>(10,049)</b>	<b>80,456</b>
<b>Earnings per share attributable to equity holders of the Company</b>				
<b>Basic/diluted (sen)</b>				
- Continuing operations	(0.93)	2.81	1.75	9.34
- Discontinued operations	-	(0.38)	-	(0.35)
	<b>(0.93)</b>	<b>2.51</b>	<b>1.75</b>	<b>8.99</b>
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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.

**EVERSENDAI CORPORATION BERHAD** (614060-A)  
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**Financial Year Ending 31 December 2019**

**Condensed Consolidated Statement of Financial Position as at 31 December 2019**

		31.12.2019 RM'000	31.12.2018 RM'000 (Audited)
<b>ASSETS</b>	<b>Note</b>		
<b>Non-current Assets</b>			
Property, plant and equipment	12	698,731	721,028
Right-of-use assets		242,149	-
Goodwill	13	11,251	11,251
Deferred tax assets		2,043	2,270
<b>Total Non-current Assets</b>		<b>954,174</b>	<b>734,549</b>
<b>Current Assets</b>			
Inventories	14	287,121	359,935
Amount owing by customers under construction contracts		856,563	757,590
Trade receivables		1,066,296	990,993
Other receivables, refundable deposits and prepaid expenses		164,349	197,902
Investment in securities	16	23	23
Tax recoverable		5,771	5,483
Cash and bank balances	15	144,096	182,876
<b>Total Current Assets</b>		<b>2,524,219</b>	<b>2,494,802</b>
<b>Total Assets</b>		<b>3,478,393</b>	<b>3,229,351</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables		430,449	347,589
Other payables and accrued expenses		346,936	427,878
Amount owing to customers under construction contracts		158,463	107,203
Amount owing to directors		11,088	9,694
Hire-purchase payables	18	1,797	3,766
Borrowings	18	556,993	979,483
Lease liabilities	18	16,127	-
Tax liabilities		37,860	35,047
<b>Total Current Liabilities</b>		<b>1,559,713</b>	<b>1,910,660</b>

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

		<b>31.12.2019</b>	<b>31.12.2018</b>
		<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>		<b>(Audited)</b>
<b>EQUITY AND LIABILITIES (Cont'd)</b>			
<b>Non-current Liabilities</b>			
Hire purchase payables	18	3,263	3,187
Borrowings	18	627,249	267,750
Lease liabilities	18	277,584	-
Employees' service benefits		70,940	73,134
Deferred tax liabilities		4,470	4,274
<b>Total Non-current Liabilities</b>		<b>983,506</b>	<b>348,345</b>
<b>Total Liabilities</b>		<b>2,543,219</b>	<b>2,259,005</b>
<b>Net Assets</b>		<b>935,174</b>	<b>970,346</b>
<b>Capital and Reserves</b>			
Issued capital	17	585,308	585,308
Treasury shares	17	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		137,553	162,336
Fair value adjustment reserve		30	30
Retained earnings		195,345	206,767
Equity attributable to equity holders of the Company		918,332	954,537
Non-controlling interests		16,842	15,809
<b>Total Equity</b>		<b>935,175</b>	<b>970,346</b>
<b>Total Equity and Liabilities</b>		<b>3,478,393</b>	<b>3,229,351</b>

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.

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**Condensed Consolidated Statement of Changes in Equity for the Fourth Quarter ended 31 December 2019**

	←← Attributable to equity holders of the Company →→								
	← Non-distributable →					Distributable			
Note	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1.1.2018</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>155,692</b>	<b>30</b>	<b>143,841</b>	<b>884,967</b>	<b>12,335</b>	<b>897,302</b>
Effect of adoption of MFRS 9	-	-	-	-	-	(7,312)	(7,312)	(739)	(8,051)
<b>At 1.1.2018, as restated</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>155,692</b>	<b>30</b>	<b>136,529</b>	<b>877,655</b>	<b>11,596</b>	<b>889,251</b>
Disposal of a subsidiary	-	-	-	-	-	-	-	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 paid	-	-	-	-	-	-	-	(4,502)	(4,502)
<b>At 31.12.2018</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>162,336</b>	<b>30</b>	<b>206,767</b>	<b>954,537</b>	<b>15,809</b>	<b>970,346</b>



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**Condensed Consolidated Statement of Changes in Equity for the Fourth Quarter ended 31 December 2019 (Cont'd)**

	← Attributable to equity holders of the Company →									
	← Non-distributable →					Distributable				
Note	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
<b>At 1.1.2019, as previously reported</b>	585,308	(91)	187	162,336	30	206,767	954,537	15,809	970,346	
Effect of adoption of MFRS 16	-	-	-	-	-	(25,123)	(25,123)	-	(25,123)	
<b>At 1.1.2019, as restated</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>162,336</b>	<b>30</b>	<b>181,644</b>	<b>929,414</b>	<b>15,809</b>	<b>945,223</b>	
Profit for the period	-	-	-	-	-	13,701	13,701	2,919	16,620	
Other comprehensive income/(loss)	-	-	-	(24,783)	-	-	(24,783)	(1,886)	(26,669)	
Total comprehensive income	-	-	-	(24,783)	-	13,701	(11,082)	1,033	(10,049)	
Dividend paid	-	-	-	-	-	-	-	-	-	
<b>At 31.12.2019</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>137,553</b>	<b>30</b>	<b>195,345</b>	<b>918,332</b>	<b>16,842</b>	<b>935,175</b>	

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.

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**Condensed Consolidated Statement of Cash Flows for the Fourth Quarter ended 31 December 2019**

	Note	Cumulative Quarter 12 months ended	
		31.12.2019 RM'000	31.12.2018 RM'000
<b>Operating activities</b>			
Profit/(loss) before taxation			
- Continuing operations		27,827	79,392
- Discontinued operations	10	-	(3,429)
Adjustments for:			
Depreciation of property, plant and equipment		61,020	57,939
Depreciation for right-of-use assets		14,244	-
Provision for employees' service benefits		10,722	14,290
Gain on disposal of property, plant and equipment		(404)	(99)
Gain on disposal of a subsidiary		-	(2,166)
Interest income		(5,314)	(2,757)
(Reversal)/Allowance for doubtful debts		(438)	3,233
Reversal of provision for foreseeable loss		(2,327)	(7,843)
Unrealised foreign exchange loss		(2,443)	3,601
Impairment of goodwill		-	868
Gain on disposal of asset held for sale		-	(276)
Finance costs		54,306	49,213
		<b>157,193</b>	<b>191,966</b>
<b>Operating profit before working capital changes</b>			
Working capital changes:			
Net changes in current assets		(50,025)	(300,802)
Net changes in current liabilities		43,610	39,650
Cash generated from operations		150,778	(69,186)
Employees' service benefits paid		(10,983)	(5,838)
Taxes paid		(6,634)	(7,131)
		<b>133,161</b>	<b>(82,155)</b>
<b>Net cash flows generated from/(used in) operating activities</b>			
<b>Investing activities</b>			
Purchase of property, plant and equipment		(46,074)	(55,339)
Proceeds from disposal of property, plant and equipment		738	626
Proceeds from disposal of asset held for sale		-	615
Net cash outflow on disposal of a subsidiary company		-	(2,639)
Increase in deposits with financial institutions		611	(5,774)
Interest received		5,314	2,757
		<b>(39,411)</b>	<b>(59,754)</b>
<b>Net cash flows used in investing activities</b>			

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**Condensed Consolidated Statement of Cash Flows for the Fourth Quarter ended 31 December 2019 (Cont'd)**

	Note	Cumulative Quarter 12 months ended	
		31.12.2019 RM'000	31.12.2018 RM'000
<b>Financing activities</b>			
(Repayment)/Drawdown of bank borrowings		(62,991)	94,834
(Repayment)/Drawdown of hire purchase payables		(2,870)	(7,270)
Repayment of lease liabilities		12,195	-
Increase in amount owing to directors		1,395	464
Dividend paid		-	(4,502)
Finance costs paid		(48,005)	(49,213)
<b>Net cash flows used in financing activities</b>		<b>(100,276)</b>	<b>34,313</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,526)</b>	<b>(107,596)</b>
Effect of changes in foreign exchange rate		(46,183)	23,877
<b>Cash and cash equivalents at beginning of period</b>		<b>75,953</b>	<b>159,672</b>
<b>Cash and cash equivalents at end of period</b>		<b>23,244</b>	<b>75,953</b>
<b>Cash and cash equivalents at end of period comprised of:</b>			
Cash and bank balances		144,096	182,876
Less: Bank overdrafts		(78,828)	(64,286)
Less: Deposits pledged with financial institutions		(42,024)	(42,637)
		<b>23,244</b>	<b>75,953</b>

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.

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**Financial Year Ending 31 December 2019**

**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 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 28 February 2020.

**2. Basis of Preparation**

These unaudited condensed consolidated interim financial statements for the financial period ended 30 September 2019 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 2018. 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 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:

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**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019**

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

**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 Joint Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRSs	Annual Improvements to MFRS Standards 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.

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**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019**

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

**3. Significant Accounting Policies (Cont'd)**

**3.1 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:

	<b>RM'000</b>
Retained earnings as at 1 January 2019, as previously reported	206,767
Cumulative effect of initial application of MFRS 16	(25,123)
Retained earnings as at 1 January 2019, as restated	<u>181,644</u>

**4. Changes in Estimates**

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

**5. Changes in Composition of the Group**

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

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Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019

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

6. Segment Information

	Structural Steel Works				Energy sector	A & E *	Total Continuing Operations	Discontinued Operations	Group
	Middle East	India	Malaysia and Singapore	Others					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>12 months ended 31.12.2019</b>									
Revenue									
- External	897,374	234,494	373,933	6,479	43,212	-	1,555,492	-	1,555,492
- Internal	176,884	-	124,893	3,490	7,492	(312,759)	-	-	-
<b>Total revenue</b>	<b>1,074,258</b>	<b>234,494</b>	<b>498,826</b>	<b>9,969</b>	<b>50,704</b>	<b>(312,759)</b>	<b>1,555,492</b>	<b>-</b>	<b>1,555,492</b>
<b>Profit/(Loss) before tax</b>	<b>47,559</b>	<b>12,174</b>	<b>17,256</b>	<b>(12,227)</b>	<b>(42,033)</b>	<b>5,098</b>	<b>27,827</b>	<b>-</b>	<b>27,827</b>
<b>12 months ended 31.12.2018</b>									
Revenue									
- External	968,043	216,172	251,930	1,458	268,147	-	1,705,750	4,456	1,710,206
- Internal	229,859	-	110,407	5,152	-	(369,591)	(24,173)	24,173	-
<b>Total revenue</b>	<b>1,197,902</b>	<b>216,172</b>	<b>362,337</b>	<b>6,610</b>	<b>268,147</b>	<b>(369,591)</b>	<b>1,681,577</b>	<b>28,629</b>	<b>1,710,206</b>
<b>Profit/(Loss) before tax</b>	<b>75,232</b>	<b>1,875</b>	<b>20,746</b>	<b>(17,868)</b>	<b>(2,595)</b>	<b>2,002</b>	<b>79,392</b>	<b>(3,429)</b>	<b>75,963</b>

\* Consolidation adjustment & elimination

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**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019**

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

**6. Segment Information (Cont'd)**

In the current financial period, the Group achieved revenue of RM1,555.5 million or 8.8% lower as compared to same period in the preceding year, mainly due to the lower revenue contributed by the Energy sector which has decreased significantly by 81.1% and losses incurred due to very low utilisation of the Ras Al Khaimah fabrication yard facility caused by the delay in the timing of new project awards by external parties. This resulted in this segment recording a loss before tax of RM49.5 million for the current financial period.

The Group's core business which is the Structural steel works segment has performed better in the current financial period under review by registering a revenue of RM1,504.8 million which is 5.5% higher as compared to the same period in the preceding year.

The Middle East region continued to contribute the largest share of the Group's Structural steel works revenue at RM897.4 million or 57.7% and profit before tax of RM47.6 million in the current financial period due to the higher construction progress achieved for existing projects and commencement of the construction for new projects secured in FY 2019.

The operations in Malaysia and Singapore contributed RM373.9 million or 24.0% to the Group's Structural steel works revenue and profit before tax stood at RM17.3 million in the current financial period mainly due to the commencement of the construction for new project in Singapore in FY 2019 and higher construction progress achieved for the existing projects in Malaysia.

Revenue contributed from India operations was RM234.5 million or 15.1% of the Group's Structural steel works revenue and profit before tax stood at RM12.2 million largely due to the higher construction progress for existing projects and commencement of construction for the new projects secured in FY 2019.

The operations from ECB, United Kingdom and others registered a loss before tax of RM12.2 million mainly caused by the finance costs incurred by ECB for the 12 months period to date in FY 2019.

**7. Seasonality of Operations**

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



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

**8. Profit Before Tax**

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

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Interest income	(1,057)	(1,008)	(5,314)	(2,757)
Sales of scrap	(3,090)	(4,209)	(16,961)	(15,746)
Finance costs	10,654	16,747	54,306	49,210
Depreciation of property, plant and equipment	16,187	15,384	61,020	57,939
Depreciation for right-of-use assets	12,173	-	14,244	-
Gain on disposal of property, plant and equipment	39	40	(404)	(99)
Gain on disposal of asset held for sale	-	276	-	(276)
Gain on disposal of a subsidiary	-	-	-	(2,166)
Realised foreign exchange loss/(gain)	665	1,543	1,188	115
Unrealised foreign exchange loss	(3,668)	(989)	(2,443)	3,601
Provision for employees' service benefits expenses	2,994	4,508	10,722	14,290
Impairment of goodwill	-	868	-	868
Reversal for foreseeable loss	780	(87)	(2,327)	(7,843)
(Reversal)/allowance for doubtful debts	(423)	(1,090)	(861)	3,233

**9. Income Tax Expense/(Credit)**

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>Current income tax:</b>				
Malaysian income tax	2,721	338	2,902	(60)
Foreign income tax	5,421	(4,065)	8,305	(5,209)
Over provisions in prior years	-	2,790	-	2,790
	8,142	(937)	11,207	(2,479)

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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) (Cont'd)**

	Third Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	-	(914)	-	129
<b>Total income tax expense/(credit)</b>	<b>8,142</b>	<b>(1,851)</b>	<b>11,207</b>	<b>(2,350)</b>
Profit before tax	786	26,170	27,827	79,392
Effective tax rate	1035.9%	(7.1%)	40.3%	(3.0%)

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 12 months period ended 31 December 2019 is higher than the 24% statutory tax rate in Malaysian mainly due to certain expenses being non-deductible for tax purpose.

**10. Discontinued Operations**

On 3 May 2018, the Group had entered into a share sale agreement for the disposal of 84,000 ordinary shares in its subsidiary, Perisai Kuasa Sdn Bhd ("PKSB"), which represents 60% of the issued and paid up share capital in PKSB. On 11 July 2018, the Company announced that the disposal has been completed. Accordingly, PKSB is no longer a subsidiary of the Company.

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

**11. 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.

	<b>Fourth Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Profit for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	(7,282)	21,901	13,701	72,953
- From discontinued operations	-	(2,166)	-	(2,715)
	<u>(7,282)</u>	<u>19,735</u>	<u>13,701</u>	<u>70,238</u>
Number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
<b>Basic/diluted earnings/(loss) per share (sen)</b>				
- From continuing operations	(0.93)	2.81	1.75	9.34
- From discontinued operations	-	(0.28)	-	(0.35)
	<u>(0.93)</u>	<u>2.53</u>	<u>1.75</u>	<u>8.99</u>

**12. Property, Plant and Equipment**

During the current financial year, the Group disposed-off assets with carrying value of RM334,000, resulting in a gain of RM404,000, recognised and included in other income in the condensed consolidated 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.

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

**13. 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
	2019	2019	2018	2018
Eversendai Engineering LLC 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 December 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.

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

**14. 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.

**15. Cash and Cash Equivalents**

Cash and cash equivalents comprised the following amounts:

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Audited)</b>
Cash and bank balances	102,072	140,239
Deposits with financial institutions	42,024	42,637
<b>Total cash and bank balances</b>	<b>144,096</b>	<b>182,876</b>
Less:		
Bank overdrafts	(78,828)	(64,286)
Deposits pledged with financial institutions	(42,024)	(42,637)
<b>Total cash and cash equivalents</b>	<b>23,244</b>	<b>75,953</b>

**16. 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.

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

**16. Fair Value Hierarchy (Cont'd)**

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

	<b>Level 1 RM'000</b>
<b>At 31.12.2019</b>	
<b>Current asset</b>	
Investment in securities	23
<b>Total</b>	<b>23</b>
<b>At 31.12.2018 (Audited)</b>	
<b>Current asset</b>	
Investment in securities	23
<b>Total</b>	<b>23</b>

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.

**17. Issued Capital and Treasury Shares**

There is no change in the issued capital and treasury shares during the current quarter under review.

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**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019**

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

**18. Group Borrowings and Debt Securities**

	<b>31.12.2019</b> <b>RM'000</b>	<b>31.12.2018</b> <b>RM'000</b> <b>(Audited)</b>
<b>Current:</b>		
Hire purchase payables	1,797	3,766
Bank overdrafts	78,828	64,286
Bills payable	373,207	420,248
Term loans	104,958	494,949
	<u>556,993</u>	<u>979,483</u>
Lease liabilities	16,127	-
<b>Total Current Borrowings</b>	<b><u>574,917</u></b>	<b><u>983,249</u></b>
<b>Non-current:</b>		
Hire purchase payables	3,263	3,187
Term loans	627,249	267,750
Lease liabilities	277,584	-
<b>Total Non-current Borrowings</b>	<b><u>908,096</u></b>	<b><u>270,937</u></b>
<b>Total Group Borrowings and Debt Securities</b>	<b><u>1,483,013</u></b>	<b><u>1,254,186</u></b>

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**Explanatory Notes to the Interim Financial Report for the Fourth Quarter ended 31 December 2019**

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

**18. Group Borrowings and Debt Securities (Cont'd)**

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

	<b>Value in foreign currency 31.12.2019 '000</b>	<b>Equivalents in value of Malaysian currency 31.12.2019 RM'000</b>
United Arab Emirates Dirham	504,403	561,196
Qatari Riyal	34,198	38,395
Indian Rupees	1,103,400	63,272
Thai Baht	40,297	5,526
Singapore Dollar	2,628	7,982
United States Dollar	102,000	424,320

**19. Dividend Paid**

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

**20. Commitments and Contingencies**

**a) Capital expenditure commitments**

	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
<b>Contracted but not provided for:</b>		
Factory building and labour accommodation	2,409	8,050
Computer systems and others	1,113	7
Plant and machineries	1,439	4,334
	<b>4,961</b>	<b>12,391</b>
<b>Approved but not contracted for:</b>		
Factory building and labour accommodation	-	18,016
Computer systems and others	-	563
Plant and machineries	-	1,126
	<b>-</b>	<b>19,705</b>



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

**20. Commitments and Contingencies (Cont'd)**

**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 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:

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Utilised and Unutilised Portion:</u></b>		
Eversendai Engineering LLC Dubai	3,796,039	3,814,278
Eversendai Offshore RMC FZE	664,197	672,199
Eversendai Engineering Qatar WLL	731,961	704,915
Eversendai Construction Private Limited	313,034	324,855
Eversendai Engineering Sdn Bhd	272,320	272,320
Eversendai Engineering Pte Ltd	182,763	39,988
	<b>5,960,314</b>	<b>5,828,555</b>

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

**21. 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:

	<b>Cumulative quarter 12 months ended</b>	
	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
<b>Transactions with certain directors and key management personnel of the Group:</b>		
Rental of staff accommodation and office building from a director	1,311	1,512
<b>Transactions with other related company:</b>		
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	9,455	44,117

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

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

The Group achieved a total revenue of RM1,555.5 million for the financial year 2019 which is 8.8% lower compared to the preceding year total revenue of RM1,705.8 million.

58% of the revenue was contributed by operations in the Middle East, 24% by operations in Malaysia and Singapore, 15% by operations in India and 3% from the Energy sector. The lower revenue achieved in the current financial year was due to inadequate utilisation of the fabrication yard in Ras Al Khaimah

The Group has registered profit before tax of RM27.8 million in the year, which is RM51.5 million lower than the preceding year, primarily due to the Group Energy sector recording losses of RM49.5 million in the current financial year. Without the losses from the Group Energy sector segment, the Group's core business which is the Structural steel works segment had delivered profit before tax of RM77.3 million.

The performance from Structural steel works segment continued to improve in the current financial year by contributing 97% or RM1,512.3 million of the Group's total revenue as compared to 84% or RM1,437 million in the preceding year.

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

The Group achieved total revenue of RM362.5 million during the current quarter, which is RM130.0 million or 26% lower than preceding year corresponding quarter of RM 492.5 million. It recorded a profit before tax of RM0.8 million during the current quarter when compared to the preceding year corresponding quarter's profit before tax of RM26.1 million. This was mainly caused by losses recorded in the Energy sector. Without the losses from the Energy sector, the Group's core business which is the Structural steel works segment had delivered profit before tax of RM11.7 million.

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

**25. Prospects of the Group**

As at the current reporting period, the Group's order book stood at approximately RM2.2 billion. Approximately 27.5% of the order book came from the Group's traditional stronghold in the Middle East region, 36.9% from India, 18.6% from Malaysia and Singapore and the balance 17.0% from Mechanical fabrication, installation & modularisation segment.

The Group has further diversified its business with a project secured in FY 2019 for the European Renewables Offshore Wind sector which is a breakthrough for the Group.

**26. 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.

**27. Corporate Proposals**

The Board of Directors of Eversendai Corporation Berhad has received a letter of offer from Vahana Holdings Sdn Bhd, the major shareholder of the Company wherein it has offered the Company, the opportunity to acquire the entire issued and paid-up share capital of Vahana Offshore 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.

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

**28. Changes in Material Litigation**

Linsun Engineering Sdn Bhd against Eversendai Engineering Sdn Bhd (“EESB”)

On 14 November 2014, a supplier known as Linsun Engineering Sdn Bhd (“the Plaintiff”) has served a Writ of Summons against EESB, for certain supply of manpower for scaffolding erection and dismantling works at the project known as Manjung 4 Power Plant for an alleged claim of RM8,222,465 plus interest which is disputed by the company.

The matter has been fixed for further trials on 23, 24 & 26 March 2020, 10, 20 & 21 April 2020, 15 May 2020, 8, 9, 22, 23, 24 & 25 June 2020, 9 & 10 July 2020, 3 & 4 September 2020, and 22 & 23 October 2020.

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

**29. Dividend Payable**

No interim dividend has been declared for the current financial period and 12 months period ended 31 December 2019.

**30. 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**

28 February 2020