

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

THIRD QUARTER ENDED 30 SEPTEMBER 2022
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 29 November 2022

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

Date: 29 November 2022

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022**

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(Incorporated in Malaysia)

Financial Year Ending 31 December 2022

Summary of Key Financial Information for the Third Quarter ended 30 September 2022

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
1 Revenue	205,876	307,920	604,321	901,440
2 (Loss)/Profit before tax	(98,604)	(12,331)	(195,117)	(19,683)
3 (Loss)/Profit for the period	(98,117)	(13,037)	(197,556)	(23,938)
4 (Loss)/Profit attributable to equity holders of the Company	(96,268)	(14,822)	(195,142)	(27,520)
5 Basic (loss)/earnings per share (sen)	(12.33)	(1.90)	(24.99)	(3.52)
6 Diluted (loss)/earnings per share (sen)	(12.33)	(1.90)	(24.99)	(3.52)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.09.2022 (RM)	As at 31.12.2021 (RM) (Audited)
8 Net assets per share attributable to the equity holders of the Company			0.64	0.81

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2022

	Note	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue	6	205,876	307,920	604,321	901,440
Cost of sales		(232,706)	(292,676)	(650,501)	(839,947)
Gross profit / (loss)		(26,830)	15,244	(46,180)	61,493
Interest income		(83)	-	729	1,827
Other income		2,789	8,302	23,882	19,713
Operating and administrative expenses		(59,185)	(23,104)	(139,819)	(71,146)
Operating Profit / (loss)		(83,309)	442	(161,388)	11,887
Finance costs		(15,295)	(12,773)	(33,729)	(31,570)
Loss before tax	8	(98,604)	(12,331)	(195,117)	(19,683)
Income tax (expense)/credit	9	487	(706)	(2,439)	(4,255)
Loss for the period		(98,117)	(13,037)	(197,556)	(23,938)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		33,105	(15,010)	66,006	29,743
Total comprehensive (expense)/income for the period		(65,012)	(28,047)	(131,550)	5,805

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2022 (Cont'd)

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(96,268)	(14,822)	(195,142)	(27,520)
- Non-controlling interests	<u>(1,849)</u>	<u>1,785</u>	<u>(2,414)</u>	<u>3,582</u>
	<u>(98,117)</u>	<u>(13,037)</u>	<u>(197,556)</u>	<u>(23,938)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(65,012)	(29,971)	(129,079)	2,157
- Non-controlling interests	<u>-</u>	<u>1,924</u>	<u>(2,471)</u>	<u>3,648</u>
	<u>(65,012)</u>	<u>(28,047)</u>	<u>(131,550)</u>	<u>5,805</u>
Loss per share attributable to equity holders of the Company				
- Basic (sen)	10 <u>(12.33)</u>	<u>(1.90)</u>	<u>(24.99)</u>	<u>(3.52)</u>
- Diluted (sen)	10 <u>(12.33)</u>	<u>(1.90)</u>	<u>(24.99)</u>	<u>(3.52)</u>

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021, 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 2022

		30.09.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	784,082	765,986
Goodwill	12	9,920	9,920
Deferred tax assets		4,778	3,823
Total Non-current Assets		<u>798,780</u>	<u>779,729</u>
Current Assets			
Inventories	13	216,918	198,460
Contract assets		659,297	631,634
Trade receivables		866,745	869,256
Other receivables, refundable deposits and prepaid expenses		216,544	110,108
Tax recoverable		2,372	9,146
Cash and bank balances	14	144,941	113,398
Total Current Assets		<u>2,106,817</u>	<u>1,932,002</u>
Total Assets		<u>2,905,597</u>	<u>2,711,731</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		359,770	302,377
Other payables and accrued expenses		515,575	337,732
Contract liabilities		83,425	64,184
Amount owing to directors		22,922	16,245
Derivative financial liabilities		3,724	3,724
Borrowings	16	1,055,734	1,002,750
Lease liabilities	16	11,486	11,161
Tax liabilities		37,851	35,476
Total Current Liabilities		<u>2,090,487</u>	<u>1,773,649</u>

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Condensed Consolidated Statement of Financial Position as at 30 September 2022 (Cont'd)

		30.09.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	50,798	58,536
Lease liabilities	16	189,263	180,173
Employees' service benefits		82,024	74,798
Deferred tax liabilities		1,809	1,809
Total Non-current Liabilities		323,894	315,316
Total Liabilities		2,414,381	2,088,965
Net Assets		491,216	622,766
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		230,232	164,169
Fair value adjustment reserve		-	-
Cash flow hedge reserve		(3,724)	(3,724)
Retained earnings		(309,909)	(114,767)
Equity attributable to equity holders of the Company		502,003	631,082
Non-controlling interests		(10,787)	(8,316)
Total Equity		491,216	622,766
Total Equity and Liabilities		2,905,597	2,711,731

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021, 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 2022

Note	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1.1.2021	585,308	(91)	187	139,223	(8,206)	22,315	738,736	15,188	753,924	
Loss for the period	-	-	-	-	-	(27,520)	(27,520)	3,582	(23,938)	
Other comprehensive income/(loss)	-	-	-	29,816	-	-	29,816	(73)	29,743	
Total comprehensive income/(loss)	-	-	-	29,816	-	(27,520)	2,296	3,509	5,805	
At 30.09.2021	585,308	(91)	187	169,039	(8,206)	(5,205)	741,032	18,697	759,729	

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2022 (Cont'd)

Note	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Distributable Retained earnings/ (Accumulated losses)	Non-distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1.1.2022	585,308	(91)	187	164,169	(3,724)	(114,767)	631,082	(8,316)	622,766	
Loss for the period	-	-	-	-	-	(195,142)	(195,142)	(2,414)	(197,556)	
Other comprehensive income/(loss)	-	-	-	66,063	-	-	66,063	(57)	66,006	
Total comprehensive income/(loss)	-	-	-	66,063	-	(195,142)	(129,079)	(2,471)	(131,550)	
At 30.09.2022	585,308	(91)	187	230,232	(3,724)	(309,909)	502,003	(10,787)	491,216	

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 2021, 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 2022

	Note	Cumulative Quarter 9 months ended	
		30.09.2022 RM'000	30.09.2021 RM'000
Operating activities			
Loss before taxation		(195,117)	(19,683)
Adjustments for:			
Depreciation of property, plant and equipment		44,307	50,170
Provision for employees' service benefits		7,714	5,623
Gain on disposal of property, plant and equipment		-	(472)
Interest income		(729)	(1,827)
Impairment loss/(Reversal) on trade receivables		13,111	5,572
Unrealised foreign exchange loss		53,374	8,010
Allowance for doubtful debts		-	-
Bad debts written off		-	28
(Reversal)/provision for foreseeable losses		-	-
Finance costs		33,729	31,570
Operating profit before working capital changes		(43,611)	78,991
Working capital changes:			
Net changes in current assets		(115,609)	(143,003)
Net changes in current liabilities		210,424	90,584
Cash generated from operations		51,204	26,572
Employees' service benefits paid		(8,564)	(7,668)
Taxes refund		-	8,842
Net cash flows generated used in operating activities		42,640	27,746
Investing activities			
Purchase of property, plant and equipment		(62,403)	(15,937)
Proceeds from disposal of property, plant and equipment		-	472
Increase/(decrease) in deposits with financial institutions		(2,986)	7,081
Interest received		729	1,827
Net cash flows used in investing activities		(64,660)	(6,557)

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2022 (Cont'd)

	Cumulative Quarter 9 months ended	
	30.09.2022	30.09.2021
Note	RM'000	RM'000
Financing activities		
Drawdown/(repayment) of bank borrowings	45,246	(10,996)
Repayment of lease liabilities	9,415	(8,990)
Increase in amount owing to directors	6,677	2,921
Finance costs paid	(33,729)	(31,570)
Net cash flows used in financing activities	27,609	(48,635)
Net decrease in cash and cash equivalents	5,589	(27,446)
Effect of changes in foreign exchange rate	65,108	34,337
Cash and cash equivalents at beginning of period	12,235	(12,614)
Cash and cash equivalents at end of period	82,932	(5,723)
Cash and cash equivalents at end of period comprised		
Cash and bank balances	144,941	97,914
Less: Bank overdrafts	(14,603)	(48,219)
Less: Deposits pledged with financial institutions	(47,406)	(55,418)
	82,932	(5,723)

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021, 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 2022

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 2021, 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 29 November 2022.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 30 September 2022 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 2021. 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 2021

3. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2021 except for those standards, amendments and interpretations which are effective from the annual period beginning of 1 January 2022. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2022

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

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 Third Quarter ended 30 September 2022

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				
9 months ended 30.09.2022								
Revenue								
- External	258,380	198,178	106,431	5,128	36,205	604,321	-	604,321
- Internal	78,377	26	1,766	8,474	-	88,642	(88,642)	-
Total revenue	336,756	198,204	108,196	13,602	36,205	692,963	(88,642)	604,321
Profit/(Loss) before tax	(17,706)	7,549	(48,825)	(102,998)	(33,138)	(195,117)		(195,117)
9 months ended 30.09.2021								
Revenue								
- External	424,946	229,591	86,326	21,229	139,348	901,440	-	901,440
- Internal	57,810	878	6,542	3,425	-	68,655	(68,655)	-
Total revenue	482,756	230,469	92,868	24,654	139,348	970,095	(68,655)	901,440
Profit/(Loss) before tax	(1,841)	7,963	2,845	(18,394)	(7,887)	(17,314)	(2,369)	(19,683)

* Consolidation adjustment & elimination

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2022

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 continues to be the major contributor of the revenue which contributed for 94% of the total Group revenue. Middle East region continues to contribute the largest share of the Structural Steel Works which amounted to RM258.4 million or 42.8% of total Group revenue, followed by India region with RM198.2 million or 32.8% of total Group revenue and Southeast Asia with RM106.4 million or 17.6% of total Group revenue, while Energy sector contributed to RM36.2 million or 6% of the total revenue.

The 'Others' Segment reported a loss before tax of RM 103 million, a deterioration by RM84.6 million compared to the loss before tax during the corresponding period in 2021 of RM18.4 million. The losses during the current period are mainly due to unrealised forex loss of RM61.8 million arising from strengthening of the US Dollar against RM and the finance cost of RM18.4 million.

The 'Energy' segment recorded a loss before tax of RM33.1 million, an increase in loss by RM25.3 million compared to the loss during the corresponding period in 2021 of RM7.9 million.

The losses during the current financial period are mainly due to under-utilisation of the Group's Fabrication facilities, with utilisation averaging at 21%, resulting in under recovery of fixed costs, coupled with adjustment of contract values and margins for some projects and provision for impairment of receivables.

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 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Interest income	(83)	-	729	1,827
Sales of scrap	5,520	7,555	16,798	16,544
Finance costs	(15,295)	(12,773)	(33,729)	(31,570)
Depreciation of property, plant and equipment	(12,340)	(18,097)	(44,307)	(50,170)
Gain on disposal of property, plant and equipment	-	103	-	472
Realised foreign exchange loss	914	218	(242)	(66)
Unrealised foreign exchange (loss)/gain	(54,203)	(5,923)	(53,374)	(8,010)
Revesal/(provision) for employees' service benefits expenses	(3,773)	(1,948)	(7,714)	(5,623)
Bad debts written off	-	(28)	-	(28)
Impairment loss on receivables	10,876	(4,692)	(13,111)	(5,572)

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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		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	-	(156)	-	633
Foreign income tax	(487)	862	2,439	3,622
	<u>(487)</u>	<u>706</u>	<u>2,439</u>	<u>4,255</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense/(credit)	<u>(487)</u>	<u>706</u>	<u>2,439</u>	<u>4,255</u>
Loss before tax	(98,604)	(12,331)	(195,117)	(19,683)
Effective tax rate	0.5%	-5.7%	-1.3%	-21.6%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) on the estimated taxable profit for the period. Taxation on 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 2022 is lower than the 24% statutory tax rate in Malaysia mainly due to a significant portion of the Group's pre-tax profit being 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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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 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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(96,268)	(14,822)	(195,142)	(27,520)
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>(12.33)</u>	<u>(1.90)</u>	<u>(24.99)</u>	<u>(3.52)</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 period attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial period adjusted for the effects of dilutive potential ordinary shares.

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(96,268)	(14,822)	(195,142)	(27,520)
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>(12.33)</u>	<u>(1.90)</u>	<u>(24.99)</u>	<u>(3.52)</u>

* The potential conversion of warrants is anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial period. Accordingly, the exercise of warrants has been ignored in the calculation of dilutive earnings per share.

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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:

	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
Cash-generating units ("CGUs")	2022	2022	2021	2021
Eversendai Engineering LLC Dubai	1%	10%	1%	10%
Eversendai Engineering Sdn Bhd	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 at 30 September 2022, 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:

	30.09.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Cash and bank balances	97,535	63,006
Deposits with financial institutions	47,406	50,392
Total cash and bank balances	144,941	113,398
Less:		
Bank overdrafts	(14,603)	(50,771)
Deposits pledged with financial institutions	(47,406)	(50,392)
Total cash and cash equivalents	82,932	12,235

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

	30.09.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	14,603	50,771
Bills payable	241,497	173,330
Term loans	799,634	778,649
	<u>1,055,734</u>	<u>1,002,750</u>
Lease liabilities	11,486	11,161
Total Current Borrowings	<u>1,067,220</u>	<u>1,013,911</u>
Non-current:		
Term loans	50,798	58,536
Lease liabilities	189,263	180,173
Total Non-current Borrowings	<u>240,061</u>	<u>238,709</u>
Total Group Borrowings and Debt Securities	<u>1,307,281</u>	<u>1,252,620</u>

Included in the Group's borrowings as of 30 September 2022 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	30.09.2022	currency
	'000	30.09.2022
		RM'000
United Arab Emirates Dirham	333,449	421,911
Qatari Riyal	20,862	26,572
Indian Rupees	1,475,471	83,954
Singapore Dollar	6,302	20,376
United States Dollar	115,000	530,383
	<u>1,950,884</u>	<u>1,082,996</u>

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

17. Dividend Paid

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

18. Commitments and Contingencies

a) Capital expenditure commitments

As at the end of the current quarter under review, the Group does not have any material capital expenditure commitments.

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:

	30.09.2022	31.12.2021
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	436,871	580,320
Eversendai Offshore RMC FZE	265,879	302,925
Eversendai Construction Private Limited	310,889	304,344
Eversendai Engineering Qatar WLL	167,287	159,966
Eversendai Engineering Sdn Bhd	242,798	138,655
Eversendai Engineering Pte Ltd	120,425	92,706
Eversendai Engineering Saudi LLC	55,400	55,400
	<u>1,599,550</u>	<u>1,634,315</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 3 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	1,038	1,006
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	26,352	10,463

20. Events After the Reporting Year

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

21. Review of Group with Comparison to Last Year Corresponding Period

The Group's total revenue of RM604.3 million showed a decrease of RM297.1 million or deterioration by 33% compared to the corresponding period last year of RM901.4 million. The Group recorded a gross loss of RM46.2 million, a deterioration by RM107.7 million compared to the profit during the corresponding period last year of RM61.5 million. The deterioration in performance during the current period is mainly due to under-utilisation of the Group's Fabrication facilities, with utilisation averaging at 21%, resulting in under recovery of fixed costs, coupled with adjustment of contract values and margins for some projects, finance costs and provision for impairment of receivables.

The loss includes unrealised forex loss of RM53.4 million arising from the strengthening of US Dollar against the RM.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2022

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

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

The Group's total loss before taxation of RM98.6 million in current quarter, an increase in loss of RM81.4 million from corresponding quarter of previous year loss before taxation of RM12.3 million. The increase in loss is mainly due to under-utilisation of the Group's Fabrication facilities, with utilisation averaging at 21%, resulting in under recovery of fixed costs, coupled with adjustment of contract values and margins for some projects, finance costs and provision for impairment of receivables.

The loss during the current quarter is also as a result of unrealised forex loss of RM46 million arising from the strengthening of US Dollar against the RM.

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

	Current Quarter 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000
Revenue	205,876	174,928
Operating losses	(83,309)	(58,928)
Loss before tax	(98,604)	(67,860)
Loss for the period	(98,117)	(70,315)

The Group reported revenue and loss before tax of RM205.9 million and RM98.6 million respectively in the current quarter as compared to revenue of RM174.9 million and loss before tax of RM67.9 million in the immediately preceding Quarter with the increase in loss before tax. The increase in loss is mainly due to under-utilisation of the Group's Fabrication facilities, with utilisation averaging at 21%, resulting in under recovery of fixed costs, coupled with adjustment of contract values and margins for some projects, finance costs and provision for impairment of receivables. The current quarter loss includes an unrealised forex loss of RM46 million arising from strengthening of the US Dollar.

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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)

24. Prospects of the Group

As at the date of this financial report, the Group's order book stood at RM1.66 billion. As part of the Group's overall strategy for the recovery phase from the post COVID-19 situation and its related impact, the Group, in addition to strengthening its order book for the foreseeable future, is undertaking a comprehensive internal reorganisation exercise with a strong focus on optimisation of costs and improving efficiency in its operations and resources to increase productivity with the aim of ultimately improving the profitability of the Group.

As a first step, immediate action has been taken to address short-term liquidity challenges to ensure that the Group begins to rebound from the effects of this global downturn and to ensure continued sustainability and development of the Group. In due course, the Group is exploring additional alternative funding options including restructuring of Group's assets, to further strengthen its liquidity position and to maintain the progress. With these combined efforts, going forward, the Group is optimistic of its future prospects but remains cautious of the global geopolitical and economic challenges.

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 had received a letter of offer from Vahana Holdings Sdn Bhd, one of the major shareholder of the Company wherein Vahana Holdings Sdn Bhd had 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 had 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.

As at the date of this report, the completion of the acquisition of Vahana Offshore (M) Sdn Bhd is still pending satisfaction of certain conditions in the Share Sale Agreement. The period to complete the acquisition is extended until 31st December 2022.

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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)

27. Changes in Material Litigation

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

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

The matter has been tried in the High Court and the case is fixed for decision on 30 November 2022.

28. Dividend Payable

No interim dividend has been proposed during the current financial period ended 30 September 2022.

By order of the Board of Directors

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

29 November 2022