

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

FIRST QUARTER ENDED 31 MARCH 2022
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 30 May 2022

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

Date: 30 May 2022

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022
FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

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(Incorporated in Malaysia)

Financial Year Ending 31 December 2022

Summary of Key Financial Information for the First Quarter ended 31 March 2022

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
1 Revenue	223,517	311,379	223,517	311,379
2 (Loss)/Profit before tax	(28,653)	(1,250)	(28,653)	(1,250)
3 (Loss)/Profit for the period	(29,124)	(3,224)	(29,124)	(3,224)
4 (Loss)/Profit attributable to equity holders of the Company	(29,092)	(3,843)	(29,092)	(3,843)
5 Basic (loss)/earnings per share (sen)	(3.72)	(0.49)	(3.72)	(0.49)
6 Diluted (loss)/earnings per share (sen)	(3.72)	(0.49)	(3.72)	(0.49)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at	As at
			31.03.2022	31.12.2021
			(RM)	(RM)
				(Audited)
8 Net assets per share attributable to the equity holders of the Company			0.78	0.81

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Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2022

	Note	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		RM'000	RM'000	RM'000	RM'000
Revenue	6	223,517	311,379	223,517	311,379
Cost of sales		(215,724)	(290,687)	(215,724)	(290,687)
Gross profit		7,793	20,692	7,793	20,692
Interest income		301	343	301	343
Other income		4,110	8,326	4,110	8,326
Operating and administrative expenses		(31,355)	(21,607)	(31,355)	(21,607)
Operating Profit / (loss)		(19,151)	7,754	(19,151)	7,754
Finance costs		(9,502)	(9,004)	(9,502)	(9,004)
Loss before tax	8	(28,653)	(1,250)	(28,653)	(1,250)
Income tax (expense)/credit	9	(471)	(1,974)	(471)	(1,974)
Loss for the period		(29,124)	(3,224)	(29,124)	(3,224)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		4,229	30,030	4,229	30,030
- Cash flow hedges		-	-	-	-
Total comprehensive (expense)/income for the period		(24,895)	26,806	(24,895)	26,806

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2022
(Cont'd)**

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(29,092)	(3,843)	(29,092)	(3,843)
- Non-controlling interests	(32)	619	(32)	619
	<u>(29,124)</u>	<u>(3,224)</u>	<u>(29,124)</u>	<u>(3,224)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(24,863)	25,447	(24,863)	25,447
- Non-controlling interests	(31)	1,359	(31)	1,359
	<u>(24,895)</u>	<u>26,806</u>	<u>(24,895)</u>	<u>26,806</u>
Loss per share attributable to equity holders of the Company				
- Basic (sen)	10	<u>(3.72)</u>	<u>(3.72)</u>	<u>(0.49)</u>
- Diluted (sen)	10	<u>(3.72)</u>	<u>(3.72)</u>	<u>(0.49)</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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Financial Year Ending 31 December 2022
Condensed Consolidated Statement of Financial Position as at 31 March 2022

		31.03.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	755,920	765,986
Goodwill	12	9,920	9,920
Deferred tax assets		3,638	3,823
Total Non-current Assets		769,478	779,729
Current Assets			
Inventories	13	192,298	198,460
Contract assets		660,246	631,634
Trade receivables		828,694	869,256
Other receivables, refundable deposits and prepaid expenses		157,903	110,108
Tax recoverable		2,367	9,146
Cash and bank balances	14	88,125	113,398
Total Current Assets		1,929,633	1,932,002
Total Assets		2,699,111	2,711,731
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		305,358	302,377
Other payables and accrued expenses		379,299	337,733
Contract liabilities		59,148	64,184
Amount owing to directors		15,153	16,245
Derivative financial liabilities		3,724	3,724
Borrowings	16	992,102	1,002,750
Lease liabilities	16	11,273	11,161
Tax liabilities		35,101	35,476
Total Current Liabilities		1,801,158	1,773,650

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Condensed Consolidated Statement of Financial Position as at 31 March 2022 (Cont'd)

		31.03.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	42,924	58,536
Lease liabilities	16	181,053	180,173
Employees' service benefits		74,297	74,798
Deferred tax liabilities		1,809	1,809
Total Non-current Liabilities		300,083	315,316
Total Liabilities		2,101,241	2,088,966
Net Assets		597,870	622,765
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		168,397	164,169
Fair value adjustment reserve		-	-
Cash flow hedge reserve		(3,724)	(3,724)
Retained earnings		(143,860)	(114,768)
Equity attributable to equity holders of the Company		606,217	631,081
Non-controlling interests		(8,347)	(8,316)
Total Equity		597,870	622,765
Total Equity and Liabilities		2,699,111	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 First Quarter ended 31 March 2022

	← 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	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity 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	-	-	-	-	-	(3,843)	(3,843)	619	(3,224)
Other comprehensive income/(loss)	-	-	-	29,290	-	-	29,290	740	30,030
Total comprehensive income/(loss)	-	-	-	29,290	-	(3,843)	25,447	1,359	26,806
At 31.03.2021	585,308	(91)	187	168,513	(8,206)	18,472	764,183	16,547	780,730

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Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 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	Retained earnings/ (Accumulated losses)	RM'000			
	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)	(114,768)	631,081	(8,316)	622,765	
Loss for the period	-	-	-	-	-	(29,092)	(29,092)	(32)	(29,124)	
Other comprehensive income/(loss)	-	-	-	4,228	-	-	4,228	1	4,229	
Total comprehensive income/(loss)	-	-	-	4,228	-	(29,092)	(24,864)	(31)	(24,895)	
At 31.03.2022	585,308	(91)	187	168,397	(3,724)	(143,860)	606,217	(8,347)	597,870	

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 First Quarter ended 31 March 2022

	Note	Cumulative Quarter 3 months ended	
		31.03.2022 RM'000	31.03.2021 RM'000
Operating activities			
Loss before taxation		(28,653)	(1,250)
Adjustments for:			
Depreciation of property, plant and equipment		16,950	14,292
Gain on lease modification		-	-
Provision for employees' service benefits		1,774	1,696
Gain on disposal of property, plant and equipment		-	(369)
Loss on disposal of a subsidiary		-	-
Property, plant and equipment written off		-	-
Interest income		(301)	(343)
Impairment loss/(Reversal) on trade receivables		4,531	440
Reversal of provision for foreseeable loss		-	-
Unrealised foreign exchange loss		(359)	8,377
Allowance for doubtful debts		-	-
Bad debts written off		-	-
(Reversal)/provision for foreseeable losses		-	-
Finance costs		9,502	9,004
Operating profit before working capital changes		3,444	31,847
Working capital changes:			
Net changes in current assets		(5,708)	(213,796)
Net changes in current liabilities		39,981	115,939
Cash generated from operations		37,717	(66,010)
Employees' service benefits paid		(2,830)	(2,367)
Taxes refund		-	3,743
Net cash flows generated used in operating activities		34,888	(64,634)
Investing activities			
Purchase of property, plant and equipment		(6,884)	(6,722)
Proceeds from disposal of property, plant and equipment		-	785
Net cash outflow on disposal of a subsidiary company		-	-
Increase/(decrease) in deposits with financial institutions		(8,025)	3,568
Interest received		301	343
Net cash flows used in investing activities		(14,608)	(2,026)

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Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2022 (Cont'd)

	Cumulative Quarter 3 months ended	
	31.03.2022	31.03.2021
Note	RM'000	RM'000
Financing activities		
Drawdown/(repayment) of bank borrowings	(26,260)	54,291
Increase/(Decrease) of amount owing to holding company	-	(566)
Repayment of lease liabilities	992	(1,550)
Increase in amount owing to directors	(1,092)	4,915
Finance costs paid	(9,502)	(9,004)
Net cash flows used in financing activities	(35,862)	48,086
Net decrease in cash and cash equivalents	(15,582)	(18,574)
Effect of changes in foreign exchange rate	4,228	(7,739)
Cash and cash equivalents at beginning of period	12,235	(12,614)
Cash and cash equivalents at end of period	881	(38,927)
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	88,125	111,464
Less: Bank overdrafts	(44,877)	(91,460)
Less: Deposits pledged with financial institutions	(42,367)	(58,931)
	881	(38,927)

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 First Quarter ended 31 March 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 30 May 2022.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 31 March 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 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 First Quarter ended 31 March 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 First Quarter ended 31 March 2022

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

6. Segment Information

	Structural Steel Works				Energy	Total Operations	A & E *	Group
	Middle East	India	Southeast Asia	Others				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.03.2022								
Revenue								
- External	90,310	76,674	29,922	4,986	21,626	223,517	-	223,517
- Internal	15,779	-	-	140	-	15,919	(15,919)	-
Total revenue	106,089	76,674	29,922	5,126	21,626	239,436	(15,919)	223,517
Profit/(Loss) before tax	(3,785)	487	(395)	(14,654)	(10,304)	(28,652)	-	(28,652)
As at 31.03.2021								
Revenue								
- External	143,870	79,439	30,772	4,155	53,143	311,379		311,379
- Internal	14,046			141		14,187	(14,187)	-
Total revenue	157,916	79,439	30,772	4,296	53,143	325,566	(14,187)	311,379
Profit/(Loss) before tax	(3,624)	4,482	4,401	(5,262)	(3,150)	(3,153)	1,903	(1,250)

* Consolidation adjustment & elimination

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 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 continue to be the major contributor of the revenue which contributed for 90.3% of the total Group revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM90.3 million or 40.4% of total Group revenue, followed by India region with RM76.7 million or 34.3% of total Group revenue and Southeast Asia with RM29.9 million or 13.4% of total Group revenue.

The Group's total revenue of RM223.5 million showed a decrease of RM87.9 million or 28.2% compared to the corresponding first Quarter of FY 2021 of RM311.4 million. The Group recorded a gross profit of RM7.8 million, a decrease of RM12.9 million compared to the corresponding first Quarter of FY 2021 of RM20.7 million. The decrease in gross profit is mainly due to under-utilisation of the Group's Fabrication facilities.

7. Seasonality of Operations

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

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2022

8. (Loss)/Profit Before Tax

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

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
Interest income	301	343	301	343
Sales of scrap	2,128	4,921	2,128	4,921
Finance costs	(9,502)	(9,004)	(9,502)	(9,004)
Depreciation of property, plant and equipment	(16,950)	(14,292)	(16,950)	(14,292)
Gain on disposal of property, plant and equipment	-	369	-	369
Gain on lease modification	-	-	-	-
Loss on disposal of a subsidiary	-	-	-	-
Property, plant and equipment written off	-	-	-	-
Realised foreign exchange loss	(415)	784	(415)	784
Unrealised foreign exchange (loss)/gain	359	(8,377)	359	(8,377)
Revesal/(provision) for employees' service benefits expenses	(1,774)	(1,696)	(1,774)	(1,696)
(Provision)/reversal for foreseeable loss	-	-	-	-
Bad debts written off	-	-	-	-
Reversal of impairment loss on receivables	-	-	-	-
Impairment loss on receivables	(4,531)	(440)	(4,531)	(440)

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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)

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	-	11	-	11
Foreign income tax	471	1,963	471	1,963
Adjustment in respect of prior years	-	-	-	-
	<u>471</u>	<u>1,974</u>	<u>471</u>	<u>1,974</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense/(credit)	<u>471</u>	<u>1,974</u>	<u>471</u>	<u>1,974</u>
Profit before tax	(28,653)	(1,250)	(28,653)	(1,250)
Effective tax rate	-1.6%	-157.9%	-1.6%	-157.9%

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 12 months period ended 31 December 2021 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.

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(29,092)	(3,843)	(29,092)	(3,843)
Number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Basic earnings/(loss) per share (sen)	(3.72)	(0.49)	(3.72)	(0.49)

(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.

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(29,092)	(3,843)	(29,092)	(3,843)
Weighted average number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Effect of conversion of warrants ('000)	*	-	*	-
Number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Diluted earnings/(loss) per share (sen)	(3.72)	(0.49)	(3.72)	(0.49)

* 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:

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	2022	2022	2021	2021
Eversendai Engineering LLC Dubai	1%	10%	1%	10%
Eversendai Engineering Sdn Bhd	1%	10%	1%	10%
Eversendai Constructions (M) Sdn Bhd	1%	12%	1%	12%

- 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 31 March 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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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2022

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:

	31.03.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Cash and bank balances	45,758	63,006
Deposits with financial institutions	42,367	50,392
Total cash and bank balances	88,125	113,398
Less:		
Bank overdrafts	(44,877)	(50,771)
Deposits pledged with financial institutions	(42,367)	(50,392)
Total cash and cash equivalents	881	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

	31.03.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	44,877	50,771
Bills payable	191,014	173,330
Term loans	756,211	778,649
	<u>992,102</u>	<u>1,002,750</u>
Lease liabilities	11,273	11,161
Total Current Borrowings	<u>1,003,375</u>	<u>1,013,911</u>
Non-current:		
Term loans	42,924	58,536
Lease liabilities	181,053	180,173
Total Non-current Borrowings	<u>223,977</u>	<u>238,709</u>
Total Group Borrowings and Debt Securities	<u>1,227,352</u>	<u>1,252,620</u>

Included in the Group's borrowings as of 31 March 2022 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	31.03.2022	currency
	'000	31.03.2022
		RM'000
United Arab Emirates Dirham	371,833	425,638
Qatari Riyal	18,875	21,795
Indian Rupees	1,406,092	78,179
Singapore Dollar	429	1,332
United States Dollar	<u>115,000</u>	<u>476,831</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:

	31.03.2022	31.12.2021
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	572,430	580,320
Eversendai Offshore RMC FZE	297,749	302,925
Eversendai Construction Private Limited	299,210	304,344
Eversendai Engineering Qatar WLL	132,239	159,966
Eversendai Engineering Sdn Bhd	138,655	138,655
Eversendai Engineering Pte Ltd	93,168	92,706
Eversendai Engineering Saudi LLC	23,981	55,400
	<u>1,557,432</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	
	31.03.2022 RM'000	31.03.2021 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	320	328
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	3,813	4,301

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.

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

The Group recorded revenue of RM223.5 million and loss before tax of RM28.7 million for the period ended 31 March 2022 as compared to corresponding period in immediately preceding year of RM311.4 million and loss before tax of RM1.3 million respectively. The deterioration in performance was mainly due to under-utilisation of the Group's Fabrication facilities, under recovery of fixed costs and provision for impairment of receivables.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 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 revenue of RM223.5 million in Q1 2022, a decrease of RM87.9 million or 28.2% from Q1 2021 of RM311.4 million. The decrease was mainly due to the delays in award of new projects. The Group recorded loss before taxation of RM28.7 million, an increase of RM27.4 million from Q1 2021 gross loss of RM1.3 million. The deterioration in performance was due to under-utilisation of the Group's fabrication facilities and the provision for impairment of receivables.

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

	Current Quarter 31.03.2022 RM'000	Immediate Preceding Quarter 31.12.2021 RM'000
Revenue	223,517	320,902
Operating losses	(19,151)	(112,950)
Loss before tax	(28,653)	(126,314)
Loss for the period	(29,124)	(122,122)

The Group reported revenue and loss before tax of RM223.5 million and RM28.7 million respectively in the current quarter as compared to revenue of RM320.9 million and loss before tax of RM126.3 million in the immediate preceding Quarter. Decrease in loss before tax was mainly due to under-utilization of the Group's fabrication facilities, adjustment of contract values and impairment on receivables in immediately preceding Quarter.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2022

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 at RM2.1 billion. In the recovery phase of the post COVID-19, the Group reacted quickly by optimizing its' resources, balancing risk and liquidity while assessing opportunities for growth. Immediate action had been taken to address short-term liquidity challenges to ensure that the company rebounds from the effects of this global downturn, to ensure sustainability of the Group.

Going forward, the Group is optimistic of its prospects for the year ahead but remains cautious on the impact that the Covid-19 crisis have had in the economies across the regions.

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 30th June 2022.

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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.

“Matter fixed for continued trial with Defendant’s final witness on 25 Nov 2021. Continued with cross-examination. Adjourned to 10 December 2021. Case concluded on 10 December 2021 and the Court has fixed 13 May 2022 for final decision. On 13 May 2022, the case has been fixed for further clarification (if any) / decision on 8 August 2022.”

Although the management is of the view that it has a very good defence against the above claim but the verdict will depend on the way the judge weighs the evidence presented in court based on documentary and oral evidence.

28. Dividend Payable

No interim dividend has been declared for the current financial period ended 31 March 2022.

By order of the Board of Directors

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

30 May 2022