

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

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

Dated 29 August 2022

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

Date: 29 August 2022

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022
FOR THE SECOND QUARTER ENDED 30 JUNE 2022**

Table of contents	Page
Summary of Key Financial Information	1
Condensed Consolidated Statement of Comprehensive Income	2 – 3
Condensed Consolidated Statement of Financial Position	4 – 5
Condensed Consolidated Statement of Changes in Equity	6 – 7
Condensed Consolidated Statement of Cash Flows	8 – 9
Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting	10 – 20
Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia	21 - 23

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

Financial Year Ending 31 December 2022

Summary of Key Financial Information for the Second Quarter ended 30 June 2022

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
1 Revenue	174,928	282,141	398,445	593,520
2 (Loss)/Profit before tax	(67,860)	(6,102)	(96,513)	(7,352)
3 (Loss)/Profit for the period	(70,315)	(7,677)	(99,439)	(10,901)
4 (Loss)/Profit attributable to equity holders of the Company	(69,782)	(8,855)	(98,874)	(12,698)
5 Basic (loss)/earnings per share (sen)	(8.93)	(1.13)	(12.66)	(1.63)
6 Diluted (loss)/earnings per share (sen)	(8.93)	(1.13)	(12.66)	(1.63)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.06.2022 (RM)	As at 31.12.2021 (RM) (Audited)
8 Net assets per share attributable to the equity holders of the Company			0.72	0.81

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

Financial Year Ending 31 December 2022

Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2022

	Note	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Revenue	6	174,928	282,141	398,445	593,520
Cost of sales		(202,071)	(256,584)	(417,795)	(547,271)
Gross profit / (loss)		(27,143)	25,557	(19,350)	46,249
Interest income		511	1,484	812	1,827
Other income		16,983	3,085	21,093	11,411
Operating and administrative expenses		(49,279)	(26,435)	(80,634)	(48,042)
Operating Profit / (loss)		(58,928)	3,691	(78,079)	11,445
Finance costs		(8,932)	(9,793)	(18,434)	(18,797)
Loss before tax	8	(67,860)	(6,102)	(96,513)	(7,352)
Income tax (expense)/credit	9	(2,455)	(1,575)	(2,926)	(3,549)
Loss for the period		(70,315)	(7,677)	(99,439)	(10,901)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		28,672	14,723	32,901	44,753
- Cash flow hedges		-	-	-	-
Total comprehensive (expense)/income for the period		(41,643)	7,046	(66,538)	33,852

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

Financial Year Ending 31 December 2022

**Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2022
(Cont'd)**

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(69,782)	(8,855)	(98,874)	(12,698)
- Non-controlling interests	(533)	1,178	(565)	1,797
	<u>(70,315)</u>	<u>(7,677)</u>	<u>(99,439)</u>	<u>(10,901)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(41,104)	6,681	(65,968)	32,128
- Non-controlling interests	(539)	365	(570)	1,724
	<u>(41,643)</u>	<u>7,046</u>	<u>(66,538)</u>	<u>33,852</u>
Loss per share attributable to equity holders of the Company				
- Basic (sen)	10	<u>(8.93)</u>	<u>(1.13)</u>	<u>(1.63)</u>
- Diluted (sen)	10	<u>(8.93)</u>	<u>(1.13)</u>	<u>(1.63)</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.

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

Financial Year Ending 31 December 2022
Condensed Consolidated Statement of Financial Position as at 30 June 2022

		30.06.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	768,537	765,986
Goodwill	12	9,920	9,920
Deferred tax assets		3,677	3,823
Total Non-current Assets		782,134	779,729
Current Assets			
Inventories	13	172,872	198,460
Contract assets		615,332	631,634
Trade receivables		870,840	869,256
Other receivables, refundable deposits and prepaid expenses		157,458	110,108
Tax recoverable		2,369	9,146
Cash and bank balances	14	93,281	113,398
Total Current Assets		1,912,152	1,932,002
Total Assets		2,694,286	2,711,731
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		313,177	302,377
Other payables and accrued expenses		395,531	337,732
Contract liabilities		61,387	64,184
Amount owing to directors		19,345	16,245
Derivative financial liabilities		3,724	3,724
Borrowings	16	998,776	1,002,750
Lease liabilities	16	11,280	11,161
Tax liabilities		36,495	35,476
Total Current Liabilities		1,839,715	1,773,649

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

Financial Year Ending 31 December 2022

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

		30.06.2022	31.12.2021
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	39,266	58,536
Lease liabilities	16	180,320	180,173
Employees' service benefits		76,948	74,798
Deferred tax liabilities		1,809	1,809
Total Non-current Liabilities		298,343	315,316
Total Liabilities		2,138,058	2,088,965
Net Assets		556,228	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		197,075	164,169
Fair value adjustment reserve		-	-
Cash flow hedge reserve		(3,724)	(3,724)
Retained earnings		(213,641)	(114,767)
Equity attributable to equity holders of the Company		565,114	631,082
Non-controlling interests		(8,886)	(8,316)
Total Equity		556,228	622,766
Total Equity and Liabilities		2,694,286	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.

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

Financial Year Ending 31 December 2022
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 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	-	-	-	-	-	(12,698)	(12,698)	1,797	(10,901)	
Other comprehensive income/(loss)	-	-	-	44,826	-	-	44,826	(73)	44,753	
Total comprehensive income/(loss)	-	-	-	44,826	-	(12,698)	32,128	1,724	33,852	
At 30.06.2021	585,308	(91)	187	184,049	(8,206)	9,617	770,864	16,912	787,776	

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

Financial Year Ending 31 December 2022

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

	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	← Non-distributable →				Distributable					
Note	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings/ (Accumulated losses)	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	-	-	-	-	-	(98,874)	(98,874)	(565)	(99,439)	
Other comprehensive income/(loss)	-	-	-	32,906	-	-	32,906	(5)	32,901	
Total comprehensive income/(loss)	-	-	-	32,906	-	(98,874)	(65,968)	(570)	(66,538)	
At 30.06.2022	585,308	(91)	187	197,075	(3,724)	(213,641)	565,114	(8,886)	556,228	

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.

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

Financial Year Ending 31 December 2022
Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2022

	Note	Cumulative Quarter 6 months ended	
		30.06.2022 RM'000	30.06.2021 RM'000
Operating activities			
Loss before taxation		(96,513)	(7,352)
Adjustments for:			
Depreciation of property, plant and equipment		31,967	32,073
Provision for employees' service benefits		3,941	3,675
Gain on disposal of property, plant and equipment		-	(369)
Interest income		(812)	(1,827)
Impairment loss/(Reversal) on trade receivables		23,987	440
Unrealised foreign exchange loss		(829)	2,087
Finance costs		18,434	18,797
Operating profit before working capital changes		(19,825)	47,524
Working capital changes:			
Net changes in current assets		16,569	(361,841)
Net changes in current liabilities		72,299	262,438
Cash generated from operations		69,043	(51,879)
Employees' service benefits paid		(5,805)	(5,132)
Taxes refund		-	3,379
Net cash flows generated used in operating activities		63,238	(53,632)
Investing activities			
Purchase of property, plant and equipment		(34,518)	(9,972)
Proceeds from disposal of property, plant and equipment		-	369
Increase/(decrease) in deposits with financial institutions		(10,510)	7,253
Interest received		812	1,827
Net cash flows used in investing activities		(44,216)	(523)

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

Financial Year Ending 31 December 2022
Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2022 (Cont'd)

	Note	Cumulative Quarter 6 months ended	
		30.06.2022 RM'000	30.06.2021 RM'000
Financing activities			
Drawdown/(repayment) of bank borrowings		(23,244)	961
Repayment of lease liabilities		266	4,702
Increase in amount owing to directors		3,100	8,299
Finance costs paid		(18,434)	(18,797)
Net cash flows used in financing activities		(38,312)	(4,835)
Net decrease in cash and cash equivalents		(19,290)	(58,990)
Effect of changes in foreign exchange rate		32,906	22,089
Cash and cash equivalents at beginning of period		12,235	(12,614)
Cash and cash equivalents at end of period		25,851	(49,515)
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		93,281	81,927
Less: Bank overdrafts		(27,548)	(76,252)
Less: Deposits pledged with financial institutions		(39,882)	(55,190)
		25,851	(49,515)

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.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 August 2022.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 30 June 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.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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.

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

Financial Year Ending 31 December 2022
Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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				
6 months ended 30.06.2022								
Revenue								
- External	162,013	121,525	86,809	4,958	23,140	398,445	-	398,445
- Internal	46,859	-	-	5,528	-	52,387	(52,387)	-
Total revenue	208,872	121,525	86,809	10,486	23,140	450,833	(52,387)	398,445
Profit/(Loss) before tax	(6,788)	475	(8,644)	(53,206)	(28,350)	(96,513)		(96,513)
6 months ended 30.06.2021								
Revenue								
- External	289,044	127,822	63,410	12,900	100,344	593,520	-	593,520
- Internal	46,352	-	2,992	282	-	49,626	(49,626)	-
Total revenue	335,396	127,822	66,402	13,182	100,344	643,146	(49,626)	593,520
Profit/(Loss) before tax	(1,371)	5,471	6,026	(8,653)	(6,373)	(4,900)	(2,452)	(7,352)

* Consolidation adjustment & elimination

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 94.2% of the total Group revenue. Middle East region continues to contribute the largest share of the Structural Steel Works which amounted to RM162.0 million or 40.7% of total Group revenue, followed by India region with RM121.5 million or 30.5% of total Group revenue and Southeast Asia with RM86.8 million or 21.8% of total Group revenue, while Energy sector contributed to RM23.1 million or 5.8% of the total revenue.

The 'Others' Segment reported a loss before tax of RM 53.2 million, an increase in loss by RM44.6 million compared to the loss during the corresponding period in 2021 of RM8.7 million. The 'Energy' segment recorded a loss before tax of RM28.4 million, an increase in loss by RM22.0 million compared to the loss during the corresponding period in 2021 of RM6.4 million.

The losses during the period are mainly due to under-utilisation of the Group's Fabrication facilities as well as 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:

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Interest income	511	1,484	812	1,827
Sales of scrap	9,150	4,068	11,278	8,989
Finance costs	(8,932)	(9,793)	(18,434)	(18,797)
Depreciation of property, plant and equipment	(15,017)	(17,781)	(31,967)	(32,073)
Gain on disposal of property, plant and equipment	-	-	-	369
Realised foreign exchange loss	(741)	(1,068)	(1,156)	(284)
Unrealised foreign exchange (loss)/gain	470	(2,486)	829	(2,087)
Revesal/(provision) for employees' service benefits expenses	(2,167)	(1,979)	(3,941)	(3,675)
Impairment loss on receivables	(19,456)	(440)	(23,987)	(440)

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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

9. Income Tax Expense/(Credit)

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	-	778	-	789
Foreign income tax	2,455	797	2,926	2,760
Adjustment in respect of prior years	-	-	-	-
	<u>2,455</u>	<u>1,575</u>	<u>2,926</u>	<u>3,549</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense/(credit)	<u>2,455</u>	<u>1,575</u>	<u>2,926</u>	<u>3,549</u>
Loss before tax	(67,860)	(6,102)	(96,513)	(7,352)
Effective tax rate	-3.6%	-25.8%	-3.0%	-48.3%

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 6 months period ended 30 June 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.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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.

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(69,782)	(8,855)	(98,874)	(12,698)
Number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Basic earnings/(loss) per share (sen)	(8.93)	(1.13)	(12.66)	(1.63)

(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.

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(69,782)	(8,855)	(98,874)	(12,698)
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)	(8.93)	(1.13)	(12.66)	(1.63)

* 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.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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%

- 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 June 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.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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:

	30.06.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Cash and bank balances	53,399	63,006
Deposits with financial institutions	39,882	50,392
Total cash and bank balances	93,281	113,398
Less:		
Bank overdrafts	(27,548)	(50,771)
Deposits pledged with financial institutions	(39,882)	(50,392)
Total cash and cash equivalents	25,851	12,235

15. Issued Capital and Treasury Shares

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

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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

16. Group Borrowings and Debt Securities

	30.06.2022	31.12.2021
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	27,548	50,771
Bills payable	217,880	173,330
Term loans	753,348	778,649
	<u>998,776</u>	<u>1,002,750</u>
Lease liabilities	11,280	11,161
Total Current Borrowings	<u>1,010,056</u>	<u>1,013,911</u>
Non-current:		
Term loans	39,266	58,536
Lease liabilities	180,320	180,173
Total Non-current Borrowings	<u>219,586</u>	<u>238,709</u>
Total Group Borrowings and Debt Securities	<u>1,229,642</u>	<u>1,252,620</u>

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

	Value in foreign	Equivalents in
	currency	value of Malaysian
	30.06.2022	currency
	'000	30.06.2022
		RM'000
United Arab Emirates Dirham	355,029	425,964
Qatari Riyal	15,829	19,091
Indian Rupees	1,340,855	74,954
Singapore Dollar	4,865	15,410
United States Dollar	115,000	506,828
	<u>1,830,978</u>	<u>1,042,247</u>

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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:

	30.06.2022	31.12.2021
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	559,419	580,320
Eversendai Offshore RMC FZE	262,514	302,925
Eversendai Construction Private Limited	299,603	304,344
Eversendai Engineering Qatar WLL	165,442	159,966
Eversendai Engineering Sdn Bhd	138,655	138,655
Eversendai Engineering Pte Ltd	120,425	92,706
Eversendai Engineering Saudi LLC	24,349	55,400
	<u>1,570,407</u>	<u>1,634,315</u>

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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	
	30.06.2022 RM'000	30.06.2021 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	655	637
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	13,442	7,771

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 RM398.4 million showed a decrease of RM195.1 million or 32.9% compared to the corresponding period last year of RM593.5 million. The Group recorded a gross loss of RM19.3 million, a decrease of RM65.6 million compared to the profit during the corresponding period last year of RM46.2 million. The deterioration in performance is mainly due to under-utilisation of the Group's Fabrication facilities resulting in under recovery of fixed costs, adjustment of contract values and margins for some projects and provision for impairment of receivables.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 RM67.9 million in current quarter, an increase in loss of RM61.8 million from corresponding quarter of previous year loss before taxation of RM6.1 million. The increase in loss is mainly due to under-utilisation of the Group's Fabrication facilities resulting in under recovery of fixed costs, adjustment of contract values and margins for some projects and provision for impairment of receivables.

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

	Current Quarter 30.06.2022 RM'000	Immediate Preceding Quarter 31.03.2022 RM'000
Revenue	174,928	223,517
Operating losses	(58,928)	(19,151)
Loss before tax	(67,860)	(28,653)
Loss for the period	(70,315)	(29,124)

The Group reported revenue and loss before tax of RM174.9 million and RM67.9 million respectively in the current quarter as compared to revenue of RM223.5 million and loss before tax of RM28.7 million in the immediately preceding Quarter with the increase in loss before tax mainly due to under-utilization of the Group's fabrication facilities, adjustment of contract values and margins for some projects and provision for impairment of receivables in the current quarter.

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

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 RM1.93 billion. As part of the Group's overall strategy for the recovery phase of the post COVID-19 and its related impact, the Group reacted quickly, optimizing its' resources, balancing risk and liquidity while assessing opportunities for growth wherever possible. 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 future 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 31st December 2022.

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

Financial Year Ending 31 December 2022

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2022

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.

“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. The decision on 8 August 2022 has been adjourned to 15 September 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 proposed during the current financial period ended 30 June 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 August 2022