

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

THIRD QUARTER ENDED 30 SEPTEMBER 2021
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 29 November 2021

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

Date: 29 November 2021

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

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Summary of Key Financial Information for the Third Quarter ended 30 September 2021

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
1 Revenue	307,920	260,484	901,440	681,543
2 (Loss)/Profit before tax	(12,331)	(33,122)	(19,683)	(68,912)
3 (Loss)/Profit for the period	(13,037)	(33,977)	(23,938)	(69,235)
4 (Loss)/Profit attributable to equity holders of the Company	(14,822)	(35,886)	(27,520)	(72,352)
5 Basic (loss)/earnings per share (sen)	(1.90)	(4.59)	(3.52)	(9.26)
6 Diluted (loss)/earnings per share (sen)	(1.90)	N/A	(3.52)	N/A
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.9.2021 (RM)	As at 31.12.2020 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			0.95	0.95

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2021

	Note	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
Revenue	6	307,920	260,484	901,440	681,543
Cost of sales		(292,676)	(273,885)	(839,947)	(659,466)
Gross profit		15,244	(13,401)	61,493	22,077
Interest income		-	661	1,827	929
Other income		8,302	2,580	19,713	12,906
Operating and administrative expenses		(23,104)	(9,866)	(71,146)	(71,307)
Operating profit/(loss)		442	(20,026)	11,887	(35,395)
Finance costs		(12,773)	(13,096)	(31,570)	(33,517)
Loss before tax	8	(12,331)	(33,122)	(19,683)	(68,912)
Income tax (expense)/credit	9	(706)	(855)	(4,255)	(323)
Loss for the period		(13,037)	(33,977)	(23,938)	(69,235)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		(15,010)	(9,972)	29,743	14,651
Total comprehensive (expense)/income for the period		(28,047)	(43,949)	5,805	(54,584)

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2021 (Cont'd)

	Third Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
Note				
Loss for the period attributable to:				
- Equity holders of the Company	(14,822)	(35,886)	(27,520)	(72,352)
- Non-controlling interests	1,785	1,909	3,582	3,117
	(13,037)	(33,977)	(23,938)	(69,235)
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(29,971)	(47,066)	2,157	(63,198)
- Non-controlling interests	1,924	3,117	3,648	8,614
	(28,047)	(43,949)	5,805	(54,584)
Loss per share attributable to equity holders of the Company				
- Basic (sen)	10	(1.90)	(3.52)	(9.26)
- Diluted (sen)	10	(1.90)	(3.52)	N/A

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, 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 2021

		30.9.2021	31.12.2020
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	783,584	795,934
Goodwill	12	11,251	11,251
Deferred tax assets		3,133	2,914
Total Non-current Assets		797,968	810,099
Current Assets			
Inventories	13	272,331	301,096
Contract assets		879,832	935,115
Trade receivables		979,667	822,095
Other receivables, refundable deposits and prepaid expenses		174,761	110,882
Tax recoverable		703	9,956
Cash and bank balances	14	97,914	122,711
Total Current Assets		2,405,208	2,301,855
Total Assets		3,203,176	3,111,954
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		377,882	299,320
Other payables and accrued expenses		488,322	479,234
Contract liabilities		103,401	100,467
Amount owing to directors		11,967	9,046
Derivative financial liabilities		8,206	8,206
Borrowings	16	620,346	1,009,251
Lease liabilities	16	21,357	12,037
Tax liabilities		40,160	40,352
Total Current Liabilities		1,671,641	1,957,913

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Condensed Consolidated Statement of Financial Position as at 30 September 2021 (Cont'd)

		30.9.2021	31.12.2020
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	516,912	139,003
Lease liabilities	16	176,212	183,685
Employees' service benefits		75,773	74,639
Deferred tax liabilities		2,909	2,790
Total Non-current Liabilities		771,806	400,117
Total Liabilities		2,443,447	2,358,030
Net Assets		759,729	753,924
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		168,900	139,223
Cash flow hedge reserve		(8,206)	(8,206)
Retained earnings		(5,205)	22,315
Equity attributable to equity holders of the Company		740,893	738,736
Non-controlling interests		18,836	15,188
Total Equity		759,729	753,924
Total Equity and Liabilities		3,203,176	3,111,954

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, 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 2021

Note	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	← Non-distributable →			Distributable						
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment 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	RM'000
At 1.1.2020	585,308	(91)	187	138,206	30	-	159,859	883,499	13,513	897,012
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-
(Loss)/Profit for the period	-	-	-	-	-	-	(72,352)	(72,352)	3,117	(69,235)
Other comprehensive loss	-	-	-	14,651	-	-	-	14,651	-	14,651
Total comprehensive (loss)/income	-	-	-	14,651	-	-	(72,352)	(57,701)	3,117	(54,584)
At 30.9.2020	585,308	(91)	187	152,857	30	-	87,507	825,798	16,630	842,428

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2021 (Cont'd)

Note	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Non-distributable			Distributable						
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment 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 1.1.2021	585,308	(91)	187	139,223	-	(8,206)	22,315	738,736	15,188	753,924
(Loss)/Profit for the period	-	-	-	-	-	-	(27,520)	(27,520)	3,582	(23,938)
Other comprehensive (loss)/income	-	-	-	29,677	-	-	-	29,677	66	29,743
Total comprehensive income/(loss)	-	-	-	29,677	-	-	(27,520)	2,157	3,648	5,805
At 30.9.2021	585,308	(91)	187	168,900	-	(8,206)	(5,205)	740,893	18,836	759,729

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 2020, 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 2021

	Note	Cumulative Quarter 9 months ended	
		30.9.2021 RM'000	30.9.2020 RM'000
Operating activities			
Loss before taxation		(19,683)	(68,912)
Adjustments for:			
Depreciation of property, plant and equipment		50,170	61,687
Provision for employees' service benefits		5,623	6,099
Gain on disposal of property, plant and equipment		(472)	(185)
Gain on disposal of a subsidiary		-	(3,695)
Interest income		(1,827)	(929)
Impairment loss on trade receivables		5,572	468
Reversal of provision for foreseeable loss		-	(59)
Unrealised foreign exchange loss/(gain)		8,010	(7,269)
Bad debts written off		28	-
Finance costs		31,570	33,517
Operating profit before working capital changes		78,991	20,722
Working capital changes:			
Net changes in current assets		(143,003)	62,217
Net changes in current liabilities		90,584	20,830
Cash generated from operations		26,572	103,769
Employees' service benefits paid		(7,668)	1,291
Taxes refund		8,842	5,259
Net cash flows generated used in operating activities		27,746	110,319
Investing activities			
Purchase of property, plant and equipment		(15,937)	(5,874)
Proceeds from disposal of property, plant and equipment		472	109
Increase/(decrease) in deposits with financial institutions		7,081	(11,862)
Interest received		1,827	929
Net cash flows used in investing activities		(6,557)	(16,698)

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2021 (Cont'd)

	Note	Cumulative Quarter 9 months ended	
		30.9.2021 RM'000	30.9.2020 RM'000
Financing activities			
Repayment of bank borrowings		(10,996)	(49,475)
Repayment of lease liabilities		(8,990)	(25,223)
Increase in amount owing to directors		2,921	1,241
Finance costs paid		(31,570)	(33,517)
Net cash flows used in financing activities		(48,635)	(106,974)
Net decrease in cash and cash equivalents		(27,446)	(13,353)
Effect of changes in foreign exchange rate		34,337	(6,369)
Cash and cash equivalents at beginning of period		(12,614)	27,966
Cash and cash equivalents at end of period		(5,723)	8,244
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		97,914	125,794
Less: Bank overdrafts		(48,219)	(63,665)
Less: Deposits pledged with financial institutions		(55,418)	(53,885)
		(5,723)	8,244

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020, 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 2021

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 2020, 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 2021.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 30 September 2021 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 2020. 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 2020.

3. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this financial report are consistent with those adopted in the audited financial statements for the financial period ended 30 September 2021, except for the adoption of the amendments to accounting standards below that are relevant and effective for accounting years on or after 1 January 2021 as follows:-

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

3. Significant Accounting Policies (Cont'd)

		<u>Effective Date</u>
MFRS 4	Insurance Contracts	1 January 2021
MFRS 7	Financial Instruments: Disclosure	1 January 2021
MFRS 9	Financial Instruments	1 January 2021
MFRS 16	Leases	1 January 2021
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
Amendment to MFRS 16 Covid-19	Related Rent Concessions	1 April 2021

The adoption of the above amendments to accounting standards are not expected to have any significant impact on the financial results of the Group.

4. Changes in Estimates

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

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 2021

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 30.9.2021								
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)
9 months ended 30.9.2020								
Revenue								
- External	397,445	105,995	122,679	1,219	54,205	681,543	-	681,543
- Internal	70,898	-	18,145	423	7,492	96,958	(96,958)	-
Total revenue	468,343	105,995	140,824	1,642	61,697	778,501	(96,958)	681,543
Profit/(Loss) before tax	4,071	(4,311)	14,337	(10,796)	(72,213)	(68,912)	-	(68,912)

* Consolidation adjustment & elimination

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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 84.5% of the total Group revenue. Middle East region continue to contribute the largest share of the Structural Steel Works which amounted to RM424.9 million or 47.1% of total Group revenue, followed by India region of RM229.6 million or 25.5% of total Group revenue and South East Asia of RM86.3 million or 9.6% of total Group revenue.

The Others Segment reported a loss before tax of RM18.4 million followed by Energy segment of RM7.9 million and Middle East region of RM1.8 million in the third quarter this year. India region reported a profit before tax of RM8.0 million followed by Southeast Asia region of RM2.8 million in the third quarter this year.

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	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
Interest income	-	661	1,827	929
Sales of scrap	7,555	6,224	16,544	11,945
Finance costs	(12,773)	(1,903)	(31,570)	(22,324)
Depreciation of property, plant and equipment	(18,097)	(26,977)	(50,170)	(61,687)
Gain on disposal of property, plant and equipment	103	128	472	185
Realised foreign exchange loss	218	(370)	(66)	(1,610)
Unrealised foreign exchange (loss)/gain	(5,923)	20,134	(8,010)	7,269
Reversal/(provision) for employees' service benefits expenses	(1,948)	(3,309)	(5,623)	(6,099)
(Provision)/reversal for foreseeable loss	-	-	-	59
Bad debts written off	(28)	-	(28)	-
Reversal of impairment loss on receivables	-	-	-	(3,038)
Impairment loss on receivables	(4,692)	-	(5,572)	(468)

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2021

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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	(156)	22	633	33
Foreign income tax	862	833	3,622	290
	<u>706</u>	<u>855</u>	<u>4,255</u>	<u>323</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense/(credit)	<u>706</u>	<u>855</u>	<u>4,255</u>	<u>323</u>
Profit before tax	(12,331)	(33,122)	(19,683)	(68,912)
Effective tax rate	-5.73%	-2.58%	-21.62%	-0.47%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the 9 months period ended 30 September 2021 is lower than the 24% statutory tax rate in Malaysia mainly due to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in these jurisdictions are not subject to income tax and deductible losses.

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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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(14,822)	(35,886)	(27,520)	(72,352)
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>(1.90)</u>	<u>(4.59)</u>	<u>(3.52)</u>	<u>(9.26)</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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(14,822)	(35,886)	(27,520)	(72,352)
Weighted average number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
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>(1.90)</u>	<u>N/A</u>	<u>(3.52)</u>	<u>N/A</u>

* The potential conversion of warrants are 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
	2021	2021	2020	2020
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 of 30 September 2021, 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 Third Quarter ended 30 September 2021

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:

	30.9.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Cash and bank balances	42,496	60,212
Deposits with financial institutions	55,418	62,499
Total cash and bank balances	97,914	122,711
Less:		
Bank overdrafts	(48,219)	(72,826)
Deposits pledged with financial institutions	(55,418)	(62,499)
Total cash and cash equivalents	(5,723)	(12,614)

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

	30.9.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	48,219	72,826
Bills payable	309,428	346,651
Term loans	262,699	589,774
	<u>620,346</u>	<u>1,009,251</u>
Lease liabilities	21,357	12,037
Total Current Borrowings	<u>641,703</u>	<u>1,021,288</u>
Non-current:		
Term loans	516,912	139,003
Lease liabilities	176,212	183,685
Total Non-current Borrowings	<u>693,124</u>	<u>322,688</u>
Total Group Borrowings and Debt Securities	<u>1,334,827</u>	<u>1,343,976</u>

Included in the Group's borrowings as of 30 September 2021 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	30.9.2021	currency
	'000	30.9.2021
		RM'000
United Arab Emirates Dirham	403,034	459,770
Qatari Riyal	44,620	51,554
Indian Rupees	1,541,771	87,117
Singapore Dollar	2,946	9,080
United States Dollar	115,000	480,953
	<u>115,000</u>	<u>480,953</u>

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

16. Dividend Paid

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

17. Commitments and Contingencies

a) Capital expenditure commitments

	30.9.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Contracted but not provided for:		
Factory building and labour accommodation	17,967	2,375
Computer systems and others	22	345
Plant and machineries	1,084	2,076
	<u>19,073</u>	<u>4,796</u>
Approved but not contracted for:		
Plant and machineries	186	-
	<u>186</u>	<u>-</u>

b) Contingencies

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

Corporate guarantees

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

	30.9.2021	31.12.2020
	RM'000	RM'000
		(Audited)
Utilised and Unutilised Portion:		
Eversendai Engineering LLC Dubai	3,853,489	3,733,411
Eversendai Offshore RMC FZE	674,249	664,197
Eversendai Engineering Qatar WLL	742,887	721,991
Eversendai Construction Private Limited	308,989	301,223
Eversendai Engineering Sdn Bhd	272,320	272,320
Eversendai Engineering Pte Ltd	185,581	183,432
	<u>6,037,515</u>	<u>5,876,574</u>

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2021

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 9 months ended	
	30.9.2021	30.9.2020
	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	1,004	966
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	10,463	121,169

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 reported a revenue and loss before tax of RM307.9 million and RM12.3 million respectively in the current quarter as compared to RM260.5 million and RM33.1 million in the preceding year corresponding quarter, indicating an increase of approximately RM47.4 million in revenue and 62.8% better performance in terms of loss before tax. This was mainly due to new projects commenced during current quarter in India and resuming of work in India and Qatar. The Group recorded a loss before tax of RM12.3 million, a decrease of RM20.8 million or 62.8% from 3Q 2020 of RM33.1 Mil. Better performance was mainly due to improvement in gross profit margin from loss of RM13.4 million in 3Q 2020 to profit of RM15.2 million in 3Q 2021.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2021

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

For the third quarter ended 30 September 2021, the Group's total revenue of RM901.4 Mil, an increase of RM219.9 Mil or 32.3% from preceding year corresponding quarter of RM681.5 Mil. The increase was mainly due to new projects commenced in India and the Middle East.

The Group recorded gross profit of RM61.5 Mil, an increase of RM39.4 Mil or 178.3% from gross profit in current quarter ended 30 September 2021 of RM22.1 Mil. The increase was mainly contributed by the Middle East and India with new projects and higher margin from existing project in Qatar.

The loss before tax reported at RM19.7 Mil in the current quarter ended 30 September 2021, improved by RM49.2 Mil or 71.4% as compared to loss before tax of RM68.9 Mil in the preceding year corresponding quarter.

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

	Current Quarter 30.9.2021 RM'000	Immediate Preceding Quarter 30.6.2021 RM'000
Revenue	307,920	282,141
Operating losses	442	3,691
Loss before tax	(12,331)	(6,102)
Loss for the period	(13,037)	(7,677)

The Group recorded a revenue of RM307.9 Mil, an increase of RM25.8 Mil or 9.1% from 2Q 2021 of RM282.1 Mil. The increase was mainly due to higher progress billing from India in the current quarter.

The Group recorded a gross profit of RM15.2 Mil, a decrease of RM10.3 Mil or 40.4% from gross profit in 2Q 2021 of RM25.5 Mil. This was mainly due to a cancellation of a project and two projects which are still on hold in the Middle East. The impact of Covid 19 pandemic had resulted in performance deterioration in the Middle East in terms of revenue as well as profit margins.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2021

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

The Group has an impressive order book worth RM1,829.8 million in hand in FY2021 year to date under review. The tender book is estimated at approximately RM12,166.8 million with interesting prospective projects in the pipeline. The Group had secured RM295.3 million worth of new projects in FY2021 year to date under review via our subsidiaries in Singapore, India, Dubai and Qatar.

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.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2021

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 fixed for further trials on 25 to 26 November 2021. Our witness had been examined and the case is still ongoing.

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 30 September 2021.

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 2021