

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023

FIRST QUARTER ENDED 31 MARCH 2023
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 29 May 2023

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

Date: 29 May 2023

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

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Summary of Key Financial Information for the First Quarter ended 31 March 2023

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
1 Revenue	307,314	223,517	307,314	223,517
2 (Loss)/Profit before tax	2,899	(28,653)	2,899	(28,653)
3 (Loss)/Profit for the period	1,432	(29,124)	1,432	(29,124)
4 (Loss)/Profit attributable to equity holders of the Company	1,195	(29,092)	1,195	(29,092)
5 Basic (loss)/earnings per share (sen)	0.15	(3.72)	0.15	(3.72)
6 Diluted (loss)/earnings per share (sen)	0.15	(3.72)	0.15	(3.72)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at	As at
			31.03.2023	31.12.2022
			(RM)	(RM)
				(Audited)
8 Net assets per share attributable to the equity holders of the Company			0.40	0.39

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Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2023

	Note	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Revenue	6	307,314	223,517	307,314	223,517
Cost of sales		(276,109)	(215,724)	(276,109)	(215,724)
Gross profit / (loss)		31,205	7,793	31,205	7,793
Interest income		286	301	286	301
Other income		21,339	4,110	21,339	4,110
Operating and administrative expenses		(34,521)	(31,355)	(34,521)	(31,355)
Operating Profit / (loss)		18,309	(19,151)	18,309	(19,151)
Finance costs		(15,410)	(9,502)	(15,410)	(9,502)
Profit / (loss) before tax	8	2,899	(28,653)	2,899	(28,653)
Income tax (expense)/credit	9	(1,467)	(471)	(1,467)	(471)
Profit / (loss) for the period		1,432	(29,124)	1,432	(29,124)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		1,303	4,229	1,303	4,229
- Cash flow hedges		-	-	-	-
Total comprehensive (expense)/income for the period		2,735	(24,895)	2,735	(24,895)

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2023
(Cont'd)**

	First Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	1,195	(29,092)	1,195	(29,092)
- Non-controlling interests	237	(32)	237	(32)
	<u>1,432</u>	<u>(29,124)</u>	<u>1,432</u>	<u>(29,124)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	2,497	(24,864)	2,497	(24,864)
- Non-controlling interests	238	(31)	238	(31)
	<u>2,735</u>	<u>(24,895)</u>	<u>2,735</u>	<u>(24,895)</u>
Profit / (loss) per share attributable to equity holders of the Company				
- Basic (sen)	10	<u>0.15</u>	<u>(3.72)</u>	<u>0.15</u>
- Diluted (sen)	10	<u>0.15</u>	<u>(3.72)</u>	<u>0.15</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 2022, and the accompanying explanatory notes attached to these interim financial statements.

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Financial Year Ending 31 December 2023
Condensed Consolidated Statement of Financial Position as at 31 March 2023

		31.03.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	726,147	738,645
Goodwill	12	9,920	9,920
Deferred tax assets		5,035	4,829
Total Non-current Assets		<u>741,102</u>	<u>753,394</u>
Current Assets			
Inventories	13	199,531	242,988
Contract assets		596,510	525,587
Trade receivables		853,150	746,519
Other receivables, refundable deposits and prepaid expenses		172,156	122,353
Derivative Financial Asset		2,106	2,106
Tax recoverable		2,364	12,144
Cash and bank balances	14	83,146	104,769
Total Current Assets		<u>1,908,963</u>	<u>1,756,466</u>
Total Assets		<u>2,650,065</u>	<u>2,509,860</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		318,783	314,870
Other payables and accrued expenses		665,763	492,413
Contract liabilities		25,581	57,168
Amount owing to directors		25,635	25,094
Derivative financial liabilities		-	-
Borrowings	16	977,403	986,036
Lease liabilities	16	15,457	15,885
Tax liabilities		34,675	33,333
Total Current Liabilities		<u>2,063,297</u>	<u>1,924,799</u>

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Condensed Consolidated Statement of Financial Position as at 31 March 2023 (Cont'd)

		31.03.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	42,016	34,008
Lease liabilities	16	166,510	177,452
Employees' service benefits		79,058	78,404
Deferred tax liabilities		1,809	558
Total Non-current Liabilities		289,393	290,422
Total Liabilities		2,352,690	2,215,221
Net Assets		297,375	294,639
Capital and Reserves			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		198,386	197,084
Cash flow hedge reserve		2,106	2,106
Retained earnings		(475,091)	(476,286)
Equity attributable to equity holders of the Company		310,805	308,308
Non-controlling interests		(13,430)	(13,669)
Total Equity		297,375	294,639
Total Equity and Liabilities		2,650,065	2,509,860

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, 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 2023

	←————— Attributable to equity holders of the Company —————→								
	←————— Non-distributable —————→				Distributable				
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note	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	-	-	-	4,228	-	-	4,228	1	4,229
Total comprehensive income/(loss)	-	-	-	4,228	-	(29,092)	(24,864)	(31)	(24,895)
Dividend	-	-	-	-	-	-	-	-	-
At 31.03.2022	585,308	(91)	187	168,397	(3,724)	(143,860)	606,217	(8,347)	597,870

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Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2023 (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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1.1.2023	585,308	(91)	187	197,084	2,106	(476,287)	308,308	(13,668)	294,640	
Profit for the period	-	-	-	-	-	1,195	1,195	237	1,432	
Other comprehensive income	-	-	-	1,302	-	-	1,302	1	1,303	
Total comprehensive income	-	-	-	1,302	-	1,195	2,497	238	2,735	
At 31.03.2023	585,308	(91)	187	198,386	2,106	(475,091)	310,805	(13,430)	297,375	

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 2022, 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 2023

		Cumulative Quarter 03 months ended	
	Note	31.03.2023 RM'000	31.03.2022 RM'000
Operating activities			
Profit /(Loss) before taxation		2,899	(28,653)
Adjustments for:			
Depreciation of property, plant and equipment		13,717	16,950
Provision for employees' service benefits		2,310	1,774
Gain on disposal of property, plant and equipment		(621)	-
Interest income		(286)	(301)
Impairment loss/(Reversal) on trade receivables		(11,652)	4,531
Unrealised foreign exchange loss		921	(359)
Bad debts written off		-	-
Finance costs		15,410	9,502
Operating profit before working capital changes		22,698	3,444
Working capital changes:			
Net changes in current assets		(164,509)	(5,708)
Net changes in current liabilities		159,713	39,981
Cash generated from operations		17,902	37,718
Employees' service benefits paid		(1,645)	(2,830)
Taxes refund		-	-
Net cash flows generated used in operating activities		16,257	34,888
Investing activities			
Purchase of property, plant and equipment		(1,219)	(6,884)
Proceeds from disposal of property, plant and equipment		621	-
Increase/(decrease) in deposits with financial institutions		(5,352)	(8,025)
Interest received		286	301
Net cash flows used in investing activities		(5,664)	(14,608)

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Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2023 (Cont'd)

		Cumulative Quarter 03 months ended	
	Note	31.03.2023 RM'000	31.03.2022 RM'000
Financing activities			
Drawdown/(repayment) of bank borrowings		(625)	(26,260)
Increase/(Decrease) of amount owing to holding company		(502)	-
Addition to /(Repayment) of lease liabilities		(11,370)	992
Increase in amount owing to directors		541	(1,092)
Dividend paid		-	-
Finance costs paid		(15,410)	(9,502)
Net cash flows used in financing activities		(27,366)	(35,862)
Net decrease in cash and cash equivalents		(16,773)	(15,582)
Effect of changes in foreign exchange rate		1,096	4,228
Cash and cash equivalents at beginning of period		20,519	12,235
Cash and cash equivalents at end of period		4,842	881
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances		83,146	88,125
Less: Bank overdrafts		(15,344)	(44,877)
Less: Deposits pledged with financial institutions		(62,960)	(42,367)
		4,842	881

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, 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 2023

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 2022, 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 May 2023.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the financial period ended 31 March 2023 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 2022. 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 2022

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 2022 except for those standards, amendments and interpretations which are effective from the annual period beginning of 1 January 2023. 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 2023

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 2023

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

6. Segment Information

	Middle East RM'000	India RM'000	Southeast Asia RM'000	Others RM'000	Total Operations RM'000	A & E * RM'000	Group RM'000
3 months ended 31.03.2023							
Revenue							
- External	207,893	60,499	38,922	0	307,314	-	307,314
- Internal	88,099	788	2,711	5,580	97,178	(97,178)	-
Total revenue	295,992	61,287	41,633	5,580	404,492	(97,178)	307,314
Profit/(Loss) before tax	16,430	(631)	870	(13,770)	2,899	-	2,899
3 months ended 31.03.2022							
Revenue							
- External	111,936	76,674	29,922	4,986	223,517	-	223,517
- Internal	15,779	-	-	140	15,919	(15,919)	-
Total revenue	127,715	76,674	29,922	5,126	239,436	(15,919)	223,517
Profit/(Loss) before tax	(14,089)	487	(395)	(14,654)	(28,652)	-	(28,652)

* 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 Middle East Segment continues to contribute the largest share of the Revenue during the current quarter which amounted to RM207.9 million or 67.6%, followed by India region with RM60.5 million or 19.7% and Southeast Asia with RM38.9 million or 12.7%, of total Group Revenue.

During the current quarter, Middle East segment reported a Profit Before Tax of RM 16.4 million, an improvement by RM30.5 million compared to the Loss Before Tax during Q1 2022 of RM14.1 million, mainly due to good progress of the ongoing projects and reversal of provision for impairments made during prior year(s). The Southeast Asia segment reported a Profit Before Tax of RM0.9 million compared to Loss Before Tax of RM0.4 million during Q1 2022. The non-operating entities that are classified as Others segment reported Loss Before Tax of RM13.8 million against Loss Before Tax during Q1 2022 of RM14.7 million; continued losses are mainly due to the impact of finance cost of RM10.8 million during the current quarter. The India segment recorded a Loss Before Tax of RM0.6 million compared to Profit Before Tax of RM0.5 million during Q1 2022.

Marginal profits during the current quarter are indicative of the path to recovery arising from improvement in the utilisation of the Group's Fabrication facilities, with utilisation averaging at 46.8% during the current quarter as compared to 18.2% in Q1 2022 and with strong emphasis on collection of receivables including those that were previously impaired.

7. Seasonality of Operations

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

8. Profit / (loss) Before Tax

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

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Interest income	286	301	286	301
Sales of scrap	7,698	2,128	7,698	2,128
Finance costs	(15,410)	(9,502)	(15,410)	(9,502)
Depreciation of property, plant and equipment	(13,717)	(16,950)	(13,717)	(16,950)
Gain on disposal of property, plant and equipment	621	-	621	-
Realised foreign exchange loss	(23)	(415)	(23)	(415)
Unrealised foreign exchange (loss)/gain	(921)	359	(921)	359
Reversal/(provision) for employees' service benefits expenses	(2,310)	(1,774)	(2,310)	(1,774)
(Impairment) / Reversal of impairment loss on receivables and contract assets	11,652	(4,531)	11,652	(4,531)

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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 3 months ended		Cumulative Quarter 3 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Current income tax:				
Malaysian income tax	5	-	5	-
Foreign income tax	1,630	471	1,630	471
Adjustment in respect of prior years	-	-	-	-
	<u>1,636</u>	<u>471</u>	<u>1,636</u>	<u>471</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(168)	-	(168)	-
Adjustment in respect of prior years	-	-	-	-
Total income tax expense/(credit)	<u>1,467</u>	<u>471</u>	<u>1,467</u>	<u>471</u>
Profit / (loss) before tax	2,899	(28,653)	2,899	(28,653)
Effective tax rate	50.6%	-1.6%	50.6%	-1.6%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 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 2022 is lower than the 24% statutory tax rate in Malaysia mainly due to a significant portion of the Group's pre-tax profit being generated in the Middle East region where business profits in these jurisdictions are not subject to income tax and deductible losses.

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

10. (Loss)/Earnings per Share

(a) Basic Earnings Per Share

Basic and diluted earnings per share for the current quarter under review are calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial period.

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	1,195	(29,092)	1,195	(29,092)
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>0.15</u>	<u>(3.72)</u>	<u>0.15</u>	<u>(3.72)</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.

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	1,195	(29,092)	1,195	(29,092)
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>0.15</u>	<u>(3.72)</u>	<u>0.15</u>	<u>(3.72)</u>

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

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

11. Property, Plant and Equipment

As at the end of the current quarter under review, the Group does not have any material commitment for the acquisition or disposal of property, plant and equipment.

12. Goodwill

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by directors for the next five years. The key assumptions for the value-in-use calculations are as follows:

	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
Cash-generating units ("CGUs")	2023	2023	2022	2022
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 31 March 2023, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

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

13. Inventories

Based on the nature of the Group's businesses, its procurement policies and rate of inventories turnover, the Group is not exposed to the risk of old or obsolete inventories. Accordingly, no allowance has been made for impairment. Any shortfall which may arise on subsequent realization will be recognized in the profit and loss as and when incurred.

Certain inventories of the Group are pledged against bank borrowings.

14. Cash and Cash Equivalents

Cash and cash equivalents comprised the following amounts:

	31.03.2023	31.12.2022
	RM'000	RM'000
		(Audited)
Cash and bank balances	20,186	36,457
Deposits with financial institutions	62,960	68,312
Total cash and bank balances	83,146	104,769
Less:		
Bank overdrafts	(15,344)	(15,938)
Deposits pledged with financial institutions	(62,960)	(68,312)
Total cash and cash equivalents	4,842	20,519

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

	31.03.2023	31.12.2022
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	15,344	15,938
Bills payable	210,128	216,159
Term loans	751,931	753,939
	<u>977,403</u>	<u>986,036</u>
Lease liabilities	15,457	15,885
Total Current Borrowings	<u>992,860</u>	<u>1,001,921</u>
Non-current:		
Term loans	42,016	34,008
Lease liabilities	166,510	177,452
Total Non-current Borrowings	<u>208,526</u>	<u>211,460</u>
Total Group Borrowings and Debt Securities	<u>1,201,386</u>	<u>1,213,381</u>

Included in the Group's borrowings as of 31 March 2023 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	31.03.2023	31.03.2023
	'000	RM'000
United Arab Emirates Dirham	309,309	371,666
Qatari Riyal	28,901	34,947
Indian Rupees	1,394,312	74,875
Singapore Dollar	4,050	13,447
United States Dollar	115,000	504,607
	<u>1,851,572</u>	<u>1,039,542</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:

	31.03.2023	31.12.2022
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	482,803	453,496
Eversendai Offshore RMC FZE	274,700	274,854
Eversendai Construction Private Limited	337,834	293,731
Eversendai Engineering Qatar WLL	213,396	180,886
Eversendai Engineering Sdn Bhd	35,043	242,441
Eversendai Engineering Pte Ltd	127,824	126,646
Eversendai Engineering Saudi LLC	20,508	55,400
	<u>1,492,108</u>	<u>1,627,454</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	
	31.03.2023 RM'000	31.03.2022 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	346	320
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	2,254	3,813

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 Revenue of RM307.3 million in Q1 2023 showed an increase of RM83.8 million or 37.5% as compared to RM223.5 million during corresponding quarter Q1 2022 and showed an increase by RM6.3 million or 2.1% as compared with the previous quarter Q4 2022. The Group recorded Gross Profit of RM31.2 million in Q1 2023 against Gross Profit of RM7.8 million in Q1 2022, an improvement by RM23.4 million and improvement by RM14.5 million as compared to Q4 2022. The improvement in Gross Profit is mainly arising from improvement in the utilisation of the Group's Fabrication facilities, with utilisation averaging at 46.8% during the current period as compared to 18.2% in Q1 2022.

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

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

The Group recorded Profit Before Tax of RM2.9 million in Q1 2023, against Loss Before Tax of RM28.7 million during Q1 2022, the improvement is attributable to improved Gross Profit arising from increased utilisation of fabrication facilities and reversal of provision for impairments made during prior year(s).

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

	Current Quarter 31.03.2023 RM'000	Immediate Preceding Quarter 31.12.2022 RM'000
Revenue	307,314	300,987
Operating profit / (loss)	18,309	(145,836)
Profit / (loss) before tax	2,899	(171,665)
Profit / (loss) for the period	1,432	(169,305)

The Group reported revenue and Profit Before Tax of RM307 million and RM1.4 million respectively in the current quarter as compared to Revenue of RM301 million and Loss Before Tax of RM169.3 million in the immediately preceding Quarter. The improvement is attributable mainly to improved Gross Profit arising from increased utilisation of fabrication facilities and reversal of provision for impairments made during prior year(s).

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

24. Prospects of the Group

With the Group's strong order book of RM1.9 Billion and comprehensive reorganisation exercise undertaken with a strong focus on optimisation of costs and improving efficiency in its operations, the Group believes that the path of recovery is in motion. The Group is also in the process of restructuring its borrowings to strengthen its liquidity position.

The Group foresees increased utilisation of all the fabrication facilities with the existing order book and highly potential iconic projects in the tender book and ultimately improving its profitability.

The Group is optimistic of its future prospects but remains cautious of the global geopolitical and economic uncertainties.

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 with the cut off date to complete within 6 months from the date of the 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 30 June 2023.

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Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2023

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.

On 19 December 2022, the Shah Alam High Court delivered its decision in allowing the Plaintiff’s claim in the sum of RM8,025,000 until full realisation with costs. On 21 December 2022, EESB filed an appeal to the Court of Appeal against the decision of the Shah Alam High Court dated 19 December 2022, which is to be fixed for a new case management date as at todate. A stay of execution of the judgment until disposal of the appeal filed on 22 December 2022, has been granted on 18 April 2023 by the High Court in favour of the Company but on condition that EESB to pay within 30 days from 18 April 2023 (by 18 May 2023), the following:

- (i) EESB is to pay RM8,025,000 to Linsun’s solicitors, on a stakeholders account by 18 May 2023 wherein Linsun’s solicitors shall keep the monies in an interest-bearing account pending disposal of the appeal; and
- (ii) EESB is to pay RM3,253,000 to Linsun’s solicitors by 18 May 2023 wherein this sum will be released to Linsun.

EESB has instructed its solicitors to file an appeal against this decision to defend the suit rightfully and accordingly, on 17 May 2023, the solicitors filed the necessary appeal against this decision. In the meantime, on 19 May 2023, the Plaintiff has served EESB with a Statutory Notice of Demand pursuant to Section 466 of the Companies Act 2016. The management via its solicitors are preparing the necessary reply to this Statutory Demand.

28. Dividend Payable

No interim dividend has been proposed during the current financial period ended 31 March 2023.

By order of the Board of Directors

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

29 May 2023