

EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023

SECOND QUARTER ENDED 30 JUNE 2023
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 30 August 2023

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

Date: 30 August 2023

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

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 2023

Summary of Key Financial Information for the Second Quarter ended 30 June 2023

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
1 Revenue	281,828	174,928	589,142	398,445
2 (Loss)/Profit before tax	2,567	(67,860)	5,466	(96,513)
3 (Loss)/Profit for the period	855	(70,315)	2,287	(99,439)
4 (Loss)/Profit attributable to equity holders of the Company	(854)	(69,782)	341	(98,874)
5 Basic (loss)/earnings per share (sen)	(0.11)	(8.93)	0.04	(12.66)
6 Diluted (loss)/earnings per share (sen)	(0.11)	(8.93)	0.04	(12.66)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.06.2023 (RM)	As at 31.12.2022 (RM) (Audited)
8 Net assets per share attributable to the equity holders of the Company			0.43	0.39

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

Financial Year Ending 31 December 2023

Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2023

	Note	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
Revenue	6	281,828	174,928	589,142	398,445
Cost of sales		(240,262)	(202,071)	(516,371)	(417,795)
Gross profit / (loss)		41,566	(27,143)	72,771	(19,350)
Interest income		96	511	382	812
Other income		19,711	16,983	41,050	21,093
Operating and administrative expenses		(38,994)	(49,279)	(73,515)	(80,634)
Operating Profit / (loss)		22,379	(58,928)	40,688	(78,079)
Finance costs		(19,812)	(8,932)	(35,222)	(18,434)
Profit / (loss) before tax	8	2,567	(67,860)	5,466	(96,513)
Income tax (expense)/credit	9	(1,712)	(2,455)	(3,179)	(2,926)
Profit / (loss) for the period		855	(70,315)	2,287	(99,439)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation		29,501	28,672	30,804	32,901
- Cash flow hedges		-	-	-	-
Total comprehensive (expense)/income for the period		30,356	(41,643)	33,091	(66,538)

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

Financial Year Ending 31 December 2023

**Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2023
(Cont'd)**

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Note				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(854)	(69,782)	341	(98,874)
- Non-controlling interests	1,709	(533)	1,946	(565)
	<u>855</u>	<u>(70,315)</u>	<u>2,287</u>	<u>(99,439)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	28,541	(41,104)	31,037	(65,968)
- Non-controlling interests	1,815	(539)	2,054	(570)
	<u>30,356</u>	<u>(41,643)</u>	<u>33,091</u>	<u>(66,538)</u>
Profit / (loss) per share attributable to equity holders of the Company				
- Basic (sen)	10	<u>(0.11)</u>	<u>0.04</u>	<u>(12.66)</u>
- Diluted (sen)	10	<u>(0.11)</u>	<u>0.04</u>	<u>(12.66)</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.

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

Financial Year Ending 31 December 2023

Condensed Consolidated Statement of Financial Position as at 30 June 2023

		30.06.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	11	744,637	738,645
Goodwill	12	9,920	9,920
Deferred tax assets		5,335	4,829
Total Non-current Assets		<u>759,892</u>	<u>753,394</u>
Current Assets			
Inventories	13	271,843	242,988
Contract assets		667,767	525,587
Trade receivables		852,078	746,519
Other receivables, refundable deposits and prepaid expenses		194,486	122,353
Derivative Financial Asset		2,106	2,106
Tax recoverable		3,248	12,144
Cash and bank balances	14	105,343	104,769
Total Current Assets		<u>2,096,871</u>	<u>1,756,466</u>
Total Assets		<u>2,856,763</u>	<u>2,509,860</u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade payables		361,121	314,870
Other payables and accrued expenses		719,596	492,413
Contract liabilities		32,829	57,168
Amount owing to directors		27,321	25,094
Derivative financial liabilities		-	-
Borrowings	16	1,042,783	986,036
Lease liabilities	16	16,195	15,885
Tax liabilities		37,722	33,333
Total Current Liabilities		<u>2,237,567</u>	<u>1,924,799</u>

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

Financial Year Ending 31 December 2023

Condensed Consolidated Statement of Financial Position as at 30 June 2023 (Cont'd)

		30.06.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
EQUITY AND LIABILITIES (Cont'd)			
Non-current Liabilities			
Borrowings	16	41,251	34,008
Lease liabilities	16	164,102	177,452
Employees' service benefits		85,554	78,404
Deferred tax liabilities		558	558
Total Non-current Liabilities		291,465	290,422
Total Liabilities		2,529,032	2,215,221
Net Assets		327,731	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		227,781	197,084
Cash flow hedge reserve		2,106	2,106
Retained earnings		(475,945)	(476,286)
Equity attributable to equity holders of the Company		339,346	308,308
Non-controlling interests		(11,615)	(13,669)
Total Equity		327,731	294,639
Total Equity and Liabilities		2,856,763	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.

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)

(Incorporated in Malaysia)

Financial Year Ending 31 December 2023
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2023

Note	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Issued capital RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Distributable			
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	-	-	-	32,906	-	-	32,906	(5)	32,901	
Total comprehensive income/(loss)	-	-	-	32,906	-	(98,874)	(65,968)	(570)	(66,538)	
Dividend	-	-	-	-	-	-	-	-	-	
At 30.06.2022	585,308	(91)	187	197,075	(3,724)	(213,641)	565,114	(8,886)	556,228	

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)

(Incorporated in Malaysia)

Financial Year Ending 31 December 2023
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2023 (Cont'd)

Note	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Distributable Retained earnings/ (Accumulated losses)	RM'000			
	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	(476,286)	308,308	(13,669)	294,639	
Profit for the period	-	-	-	-	-	341	341	1,946	2,287	
Other comprehensive income	-	-	-	30,697	-	-	30,697	107	30,804	
Total comprehensive income	-	-	-	30,697	-	341	31,038	2,054	33,092	
At 30.6.2023	585,308	(91)	187	227,781	2,106	(475,945)	339,346	(11,615)	327,731	

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.

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

Financial Year Ending 31 December 2023

Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2023

	Note	Cumulative Quarter 06 months ended	
		30.06.2023 RM'000	30.06.2022 RM'000
Operating activities			
Profit /(Loss) before taxation		5,466	(96,513)
Adjustments for:			
Depreciation of property, plant and equipment		28,046	31,967
Provision for employees' service benefits		5,407	3,941
Gain on disposal of property, plant and equipment		(611)	-
Interest income		(382)	(812)
Impairment loss/(Reversal) on trade receivables		(5,610)	23,987
Unrealised foreign exchange loss		(7,840)	(829)
Finance costs		35,222	18,434
Operating profit before working capital changes		59,698	(19,825)
Working capital changes:			
Net changes in current assets		(335,248)	16,568
Net changes in current liabilities		261,977	72,299
Cash generated from operations		(13,573)	69,043
Employees' service benefits paid		(2,823)	(5,806)
Net cash flows generated used in operating activities		(16,396)	63,238
Investing activities			
Purchase of property, plant and equipment		(34,038)	(34,518)
Proceeds from disposal of property, plant and equipment		611	-
Increase/(decrease) in deposits with financial institutions		(376)	(10,510)
Interest received		382	812
Net cash flows used in investing activities		(33,421)	(44,216)

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

Financial Year Ending 31 December 2023

Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2023 (Cont'd)

	Cumulative Quarter 06 months ended	
Note	30.06.2023 RM'000	30.06.2022 RM'000
Financing activities		
Drawdown/(repayment) of bank borrowings	63,990	(23,244)
Increase/(Decrease) of amount owing to holding company	(656)	-
Addition to /(Repayment) of lease liabilities	(13,040)	266
Increase in amount owing to directors	2,227	3,100
Finance costs paid	(35,222)	(18,434)
Net cash flows used in financing activities	17,299	(38,312)
Net decrease in cash and cash equivalents	(32,518)	(19,290)
Effect of changes in foreign exchange rate	30,191	32,906
Cash and cash equivalents at beginning of period	20,519	12,235
Cash and cash equivalents at end of period	18,192	25,851
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	105,343	93,281
Less: Bank overdrafts	(19,215)	(27,548)
Less: Deposits pledged with financial institutions	(67,936)	(39,882)
	18,192	25,851

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.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second ended 30 June 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 30 August 2023.

2. Basis of Preparation

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

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)

(Incorporated in Malaysia)

Financial Year Ending 31 December 2023

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

EVERSENDAI CORPORATION BERHAD 200301011640 (614060-A)

(Incorporated in Malaysia)

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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
6 months ended 30.06.2023							
Revenue							
- External	388,730	116,100	84,312	0	589,142	-	589,142
- Internal	185,138	1,567	7,087	11,720	205,512	(205,512)	-
Total revenue	573,868	117,667	91,399	11,720	794,654	(205,512)	589,142
Profit/(Loss) before tax	25,373	(1,189)	11,426	(30,144)	5,466	-	5,466
6 months ended 30.06.2022							
Revenue							
- External	185,153	121,525	86,809	4,958	398,445	-	398,445
- Internal	46,859	-	-	5,528	52,387	(52,387)	-
Total revenue	232,012	121,525	86,809	10,486	450,832	(52,387)	398,445
Profit/(Loss) before tax	(35,138)	475	(8,644)	(53,206)	(96,513)	-	(96,513)

* Consolidation adjustment & elimination

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 RM180.8 million or 64.2%, followed by India region with RM55.6 million or 19.7% and Southeast Asia with RM45.4 million or 16.1%, of total Group revenue.

During the current quarter, Middle East segment reported a Profit before tax of RM8.9 million as compared to the Loss before tax during Q2 2022 of RM23.7 million. The Southeast Asia segment reported a Profit before tax of RM10.6 million compared to Loss before tax of RM8.4 million during Q2 2022. The non-operating entities that are classified as 'Others' segment reported Loss before tax of RM16.4 million during the current quarter against Loss before tax during Q2 2022 of RM35.8 million.

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 35.1% during the current quarter as compared to 15.7% in Q2 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:

	Second Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Interest income	96	511	382	812
Sales of scrap	4,035	9,150	11,733	11,278
Finance costs	(19,812)	(8,932)	(35,222)	(18,434)
Depreciation of property, plant and equipment	(14,329)	(15,017)	(28,046)	(31,967)
Gain on disposal of property, plant and equipment	(10)	-	611	-
Realised foreign exchange loss	23	(741)	-	(1,156)
Unrealised foreign exchange (loss)/gain	8,761	470	7,840	829
Reversal/(provision) for employees' service benefits expenses	(3,097)	(2,167)	(5,407)	(3,941)
(Impairment) / Reversal of impairment loss on receivables and contract assets	(6,042)	(19,456)	5,610	(23,987)

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Current income tax:				
Malaysian income tax	8	-	13	-
Foreign income tax	1,704	2,455	3,334	2,926
Adjustment in respect of prior years	-	-	-	-
	<u>1,712</u>	<u>2,455</u>	<u>3,347</u>	<u>2,926</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(0)	-	(168)	-
Adjustment in respect of prior years	-	-	-	-
Total income tax expense/(credit)	<u>1,712</u>	<u>2,455</u>	<u>3,179</u>	<u>2,926</u>
Profit / (loss) before tax	2,567	(67,860)	5,466	(96,513)
Effective tax rate	66.7%	-3.6%	58.2%	-3.0%

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.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(854)	(69,782)	341	(98,874)
Number of ordinary shares in issue ('000)	780,999	780,999	780,999	780,999
Basic earnings/(loss) per share (sen)	(0.11)	(8.93)	0.04	(12.66)

(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 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(854)	(69,782)	341	(98,874)
Weighted average number of ordinary shares is 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)	(0.11)	(8.93)	0.04	(12.66)

* 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 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 30 June 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.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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:

	30.06.2023	31.12.2022
	RM'000	RM'000
		(Audited)
Cash and bank balances	37,407	36,457
Deposits with financial institutions	67,936	68,312
Total cash and bank balances	105,343	104,769
Less:		
Bank overdrafts	(19,215)	(15,938)
Deposits pledged with financial institutions	(67,936)	(68,312)
Total cash and cash equivalents	18,192	20,519

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 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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

16. Group Borrowings and Debt Securities

	30.06.2023	31.12.2022
	RM'000	RM'000
		(Audited)
Current:		
Bank overdrafts	19,215	15,938
Bills payable	260,933	216,159
Term loans	762,635	753,939
	<u>1,042,783</u>	<u>986,036</u>
Lease liabilities	16,195	15,885
Total Current Borrowings	<u>1,058,978</u>	<u>1,001,921</u>
Non-current:		
Term loans	41,251	34,008
Lease liabilities	164,102	177,452
Total Non-current Borrowings	<u>205,353</u>	<u>211,460</u>
Total Group Borrowings and Debt Securities	<u>1,264,331</u>	<u>1,213,381</u>

Included in the Group's borrowings as of 30 June 2023 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign	Equivalents in
	currency	value of Malaysian
	30.06.2023	30.06.2023
	'000	RM'000
United Arab Emirates Dirham	311,370	395,938
Qatari Riyal	42,221	54,051
Indian Rupees	1,212,689	69,002
Singapore Dollar	4,025	13,881
United States Dollar	<u>115,000</u>	<u>507,502</u>

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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:

	30.06.2023	31.12.2022
	RM'000	RM'000
		(Audited)
<u>Utilised and Unutilised Portion:</u>		
Eversendai Engineering LLC Dubai	506,271	453,496
Eversendai Offshore RMC FZE	290,989	274,854
Eversendai Construction Private Limited	336,461	293,731
Eversendai Engineering Qatar WLL	338,208	180,886
Eversendai Engineering Sdn Bhd	57,524	242,441
Eversendai Engineering Pte Ltd	132,760	126,646
Eversendai Engineering Saudi LLC	21,704	55,400
	<u>1,683,915</u>	<u>1,627,454</u>

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	706	678
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	4,182	13,442

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 RM281.8 million in Q2 2023 showed an increase of RM106.9 million or 61.1% as compared to RM174.9 million during corresponding quarter Q2 2022. The Group recorded Gross Profit of RM41.6 million in Q2 2023 against Gross loss of RM27.1 million in Q2 2022, an improvement by RM68.7 million. The improvement in Gross profit as compared to corresponding period Q2 2022 is mainly arising from improvement in the utilisation of the Group's Fabrication facilities, with utilisation averaging at 35.1% during the current period as compared to 15.7% in Q2 2022.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 RM2.6 million in Q2 2023, against Loss before tax of RM67.9 million during Q2 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 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000
Revenue	281,828	307,314
Operating profit	22,379	18,309
Profit before tax	2,567	2,899
Profit for the period	855	1,432

The Group reported revenue and Profit before tax of RM281.8 million and RM2.6 million respectively in the current quarter as compared to revenue of RM307.3 million and profit before tax of RM2.9 million in the immediately preceding Quarter while profit for the period has reduced to RM0.9 million against RM1.4 million for the previous quarter.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2023

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 current order book of RM1.8 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.

Profits during the current year are arising from improved utilisation of the Group's Fabrication facilities, with utilisation averaging at 41% during the current year as compared to 17% during the corresponding period last year. 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 the 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 31 December 2023.

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

Financial Year Ending 31 December 2023

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 with interest and costs until date of realisation.

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 now fixed for hearing on 27 May 2024.

On 22 December 2022, EESB filed its application to stay the execution of said judgment until disposal of EESB’s appeal. On 18 April 2023, the High Court granted a stay in favour of EESB on condition that EESB pays the judgment sum together with interest to the Plaintiff’s solicitors within 30 days from 18 April 2023, which has been complied with.

28. Dividend Payable

No interim dividend has been proposed during the current financial period ended 30 June 2023.

By order of the Board of Directors

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

30 August 2023