

# **EVERSENDAI**

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

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023**

**THIRD QUARTER ENDED 30 SEPTEMBER 2023**  
(Figures are not audited unless otherwise specified)  
(In Ringgit Malaysia)

Dated 29 November 2023

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

**Date: 29 November 2023**

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

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

**Financial Year Ending 31 December 2023**

**Summary of Key Financial Information for the Third Quarter ended 30 September 2023**

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
1 Revenue	345,846	205,876	934,988	604,321
2 (Loss)/Profit before tax	(27,529)	(98,604)	(22,063)	(195,117)
3 (Loss)/Profit for the period	(30,840)	(98,117)	(28,553)	(197,556)
4 (Loss)/Profit attributable to equity holders of the Company	(31,577)	(96,268)	(31,236)	(195,142)
5 Basic (loss)/earnings per share (sen)	(4.04)	(12.33)	(4.00)	(24.99)
6 Diluted (loss)/earnings per share (sen)	(4.04)	(12.33)	(4.00)	(24.99)
7 Proposed/declared dividend per share (sen)	-	-	-	-
			<b>As at 30.09.2023 (RM)</b>	<b>As at 31.12.2022 (RM) (Audited)</b>
8 Net assets per share attributable to the equity holders of the Company			0.39	0.39

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2023

	Note	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
<b>Revenue</b>	6	<b>345,846</b>	<b>205,876</b>	<b>934,988</b>	<b>604,321</b>
Cost of sales		(317,171)	(232,706)	(833,542)	(650,501)
<b>Gross profit / (loss)</b>		<b>28,675</b>	<b>(26,830)</b>	<b>101,446</b>	<b>(46,180)</b>
Interest income		566	(83)	948	729
Other income		5,209	2,789	46,259	23,882
Operating and administrative expenses		(41,480)	(59,185)	(114,995)	(139,819)
<b>Operating Profit / (loss)</b>		<b>(7,030)</b>	<b>(83,309)</b>	<b>33,658</b>	<b>(161,388)</b>
Finance costs		(20,499)	(15,295)	(55,721)	(33,729)
<b>Profit / (loss) before tax</b>	8	<b>(27,529)</b>	<b>(98,604)</b>	<b>(22,063)</b>	<b>(195,117)</b>
Income tax (expense)/credit	9	(3,311)	487	(6,490)	(2,439)
<b>Profit / (loss) for the period</b>		<b>(30,840)</b>	<b>(98,117)</b>	<b>(28,553)</b>	<b>(197,556)</b>
<b>Other comprehensive (expense)/income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
- Foreign currency translation		584	33,105	31,388	66,006
- Cash flow hedges		-	-	-	-
<b>Total comprehensive (expense)/income for the period</b>		<b>(30,256)</b>	<b>(65,012)</b>	<b>2,835</b>	<b>(131,550)</b>

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

	Third Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<b>Note</b>				
(Loss)/Profit for the period attributable to:				
- Equity holders of the Company	(31,577)	(96,268)	(31,236)	(195,142)
- Non-controlling interests	737	(1,849)	2,683	(2,414)
	<u>(30,840)</u>	<u>(98,117)</u>	<u>(28,553)</u>	<u>(197,556)</u>
Total comprehensive (expense)/income attributable to:				
- Equity holders of the Company	(31,018)	(63,110)	20	(129,078)
- Non-controlling interests	762	(1,902)	2,815	(2,472)
	<u>(30,256)</u>	<u>(65,012)</u>	<u>2,835</u>	<u>(131,550)</u>
<b>Profit / (loss) per share attributable to equity holders of the Company</b>				
- Basic (sen)	10	<u>(4.04)</u>	<u>(12.33)</u>	<u>(4.00)</u>
- Diluted (sen)	10	<u>(4.04)</u>	<u>(12.33)</u>	<u>(4.00)</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 30 September 2023

		30.09.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11	733,984	738,645
Goodwill	12	9,920	9,920
Deferred tax assets		5,232	4,829
<b>Total Non-current Assets</b>		<b>749,136</b>	<b>753,394</b>
<b>Current Assets</b>			
Inventories	13	282,336	242,988
Contract assets		643,675	525,587
Trade receivables		879,094	746,519
Other receivables, refundable deposits and prepaid expenses		251,324	122,353
Derivative Financial Asset		2,106	2,106
Tax recoverable		3,241	12,144
Cash and bank balances	14	125,485	104,769
<b>Total Current Assets</b>		<b>2,187,261</b>	<b>1,756,466</b>
<b>Total Assets</b>		<b>2,936,397</b>	<b>2,509,860</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables		440,560	314,870
Other payables and accrued expenses		687,864	492,413
Contract liabilities		61,294	57,168
Amount owing to directors		26,809	25,094
Derivative financial liabilities		-	-
Borrowings	16	1,074,861	986,036
Lease liabilities	16	16,214	15,885
Tax liabilities		39,167	33,333
<b>Total Current Liabilities</b>		<b>2,346,769</b>	<b>1,924,799</b>

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

		30.09.2023	31.12.2022
		RM'000	RM'000
	Note		(Audited)
<b>EQUITY AND LIABILITIES (Cont'd)</b>			
<b>Non-current Liabilities</b>			
Borrowings	16	38,521	34,008
Lease liabilities	16	166,099	177,452
Employees' service benefits		86,974	78,404
Deferred tax liabilities		558	558
<b>Total Non-current Liabilities</b>		<b>292,152</b>	<b>290,422</b>
<b>Total Liabilities</b>		<b>2,638,921</b>	<b>2,215,221</b>
<b>Net Assets</b>		<b>297,476</b>	<b>294,639</b>
<b>Capital and Reserves</b>			
Issued capital	15	585,308	585,308
Treasury shares	15	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		228,341	197,084
Cash flow hedge reserve		2,106	2,106
Retained earnings		(507,521)	(476,286)
Equity attributable to equity holders of the Company		308,330	308,308
<b>Non-controlling interests</b>		<b>(10,854)</b>	<b>(13,669)</b>
<b>Total Equity</b>		<b>297,476</b>	<b>294,639</b>
<b>Total Equity and Liabilities</b>		<b>2,936,397</b>	<b>2,509,860</b>

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 Third Quarter ended 30 September 2023**

Note	← Attributable to equity holders of the Company →							Non-controlling interests	Total equity
	← Non-distributable →				Distributable				
	Issued capital	Treasury share	Capital reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1.1.2022</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>164,169</b>	<b>(3,724)</b>	<b>(114,767)</b>	<b>631,082</b>	<b>(8,316)</b>	<b>622,766</b>
Loss for the period	-	-	-	-	-	(195,142)	(195,142)	(2,414)	(197,556)
Other comprehensive income	-	-	-	66,063	-	-	66,063	(57)	66,006
Total comprehensive income/(loss)	-	-	-	66,063	-	(195,142)	(129,079)	(2,471)	(131,550)
Dividend	-	-	-	-	-	-	-	-	-
<b>At 30.09.2022</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>230,232</b>	<b>(3,724)</b>	<b>(309,909)</b>	<b>502,003</b>	<b>(10,787)</b>	<b>491,216</b>



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**Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 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
<b>At 1.1.2023</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>197,084</b>	<b>2,106</b>	<b>(476,286)</b>	<b>308,309</b>	<b>(13,669)</b>	<b>294,640</b>
Profit for the period	-	-	-	-	-	(31,236)	(31,236)	2,683	(28,553)
Other comprehensive income	-	-	-	31,257	-	-	31,257	132	31,389
Total comprehensive income	-	-	-	31,257	-	(31,236)	21	2,815	2,836
<b>At 30.9.2023</b>	<b>585,308</b>	<b>(91)</b>	<b>187</b>	<b>228,341</b>	<b>2,106</b>	<b>(507,521)</b>	<b>308,330</b>	<b>(10,854)</b>	<b>297,476</b>

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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**Financial Year Ending 31 December 2023**  
**Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2023**

	Note	Cumulative Quarter 09 months ended	
		30.09.2023 RM'000	30.09.2022 RM'000
<b>Operating activities</b>			
Profit /(Loss) before taxation		(22,063)	(195,117)
Adjustments for:			
Depreciation of property, plant and equipment		41,730	44,307
Provision for employees' service benefits		8,329	7,714
Gain on disposal of property, plant and equipment		(963)	
Interest income		(948)	(729)
Impairment loss/(Reversal) on trade receivables		(1,650)	13,111
Unrealised foreign exchange loss		(8,751)	53,374
Finance costs		55,721	33,729
<b>Operating profit before working capital changes</b>		<b>71,405</b>	<b>(43,611)</b>
Working capital changes:			
Net changes in current assets		(410,079)	(115,609)
Net changes in current liabilities		322,381	210,424
Cash generated from operations		(16,293)	51,204
Employees' service benefits paid		(4,803)	(8,564)
<b>Net cash flows generated used in operating activities</b>		<b>(21,096)</b>	<b>42,640</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(37,069)	(62,403)
Proceeds from disposal of property, plant and equipment		963	-
Increase/(decrease) in deposits with financial institutions		1,583	(2,986)
Interest received		948	729
<b>Net cash flows used in investing activities</b>		<b>(33,575)</b>	<b>(64,660)</b>

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**Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2023 (Cont'd)**

	Note	Cumulative Quarter 09 months ended	
		30.09.2023 RM'000	30.09.2022 RM'000
<b>Financing activities</b>			
Drawdown/(repayment) of bank borrowings		93,338	45,246
Increase/(Decrease) of amount owing to holding company		(646)	-
Addition to /(Repayment) of lease liabilities		(11,024)	9,415
Increase in amount owing to directors		1,715	6,677
Finance costs paid		(55,721)	(33,729)
<b>Net cash flows used in financing activities</b>		<b>27,662</b>	<b>27,609</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(27,009)</b>	<b>5,589</b>
Effect of changes in foreign exchange rate		30,854	65,108
<b>Cash and cash equivalents at beginning of period</b>		<b>20,519</b>	<b>12,235</b>
<b>Cash and cash equivalents at end of period</b>		<b>24,364</b>	<b>82,932</b>
<b>Cash and cash equivalents at end of period comprised of:</b>			
Cash and bank balances		125,485	144,941
Less: Bank overdrafts		(31,226)	(14,603)
Less: Deposits pledged with financial institutions		(69,895)	(47,406)
		<b>24,364</b>	<b>82,932</b>

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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**Financial Year Ending 31 December 2023**

**Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 November 2023.

**2. Basis of Preparation**

These unaudited condensed consolidated financial statements for the financial period ended 30 September 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 Third Quarter ended 30 September 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 Third Quarter ended 30 September 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
<b>9 months ended 30.09.2023</b>							
Revenue							
- External	617,378	178,565	139,045	(0)	934,988	-	934,988
- Internal	343,551	3,148	11,677	17,897	376,273	(376,273)	-
<b>Total revenue</b>	<b>960,929</b>	<b>181,713</b>	<b>150,722</b>	<b>17,897</b>	<b>1,311,261</b>	<b>(376,273)</b>	<b>934,988</b>
<b>Profit/(Loss) before tax</b>	<b>5,750</b>	<b>3,966</b>	<b>16,651</b>	<b>(48,430)</b>	<b>(22,063)</b>	<b>-</b>	<b>(22,063)</b>
<b>9 months ended 30.09.2022</b>							
Revenue							
- External	294,585	198,178	106,431	5,128	604,321	-	604,321
- Internal	78,377	26	1,766	8,474	88,643	(88,643)	-
<b>Total revenue</b>	<b>372,962</b>	<b>198,204</b>	<b>108,197</b>	<b>13,602</b>	<b>692,964</b>	<b>(88,643)</b>	<b>604,321</b>
<b>Profit/(Loss) before tax</b>	<b>(50,844)</b>	<b>7,549</b>	<b>(48,825)</b>	<b>(102,997)</b>	<b>(195,117)</b>	<b>-</b>	<b>(195,117)</b>

\* Consolidation adjustment & elimination

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**Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 RM228.6 million or 66.1%, followed by India region with RM62.5 million or 18.1% and Southeast Asia with RM54.7 million or 15.8%, of total Group revenue.

During the current quarter, Middle East segment reported a Loss before tax of RM19.6 million, a deterioration by RM3.9 million compared to the Loss before tax during Q3 2022 of RM15.7 million. The Southeast Asia segment reported a Profit before tax of RM5.2 million compared to Loss before tax of RM40.2 million during Q3 2022. The India segment recorded a Profit before tax of RM5.2 million compared to Profit before tax of RM7.1 million during Q3 2022. The non-operating entities that are classified as 'Others' segment reported Loss before tax of RM18.3 million during the current quarter against Loss before tax during Q3 2022 of RM49.8 million.

Loss before tax during the current quarter is arising mainly due to revalidation of project margins in the 'Middle East' segment. There is an improvement in the utilisation of the Group's Fabrication facilities standing at 42% during the current quarter as compared to 15% in Q3 2022.

**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):

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Interest income	566	(83)	948	729
Sales of scrap	4,220	5,520	15,953	16,798
Finance costs	(20,499)	(15,295)	(55,721)	(33,729)
Depreciation of property, plant and equipment	(13,684)	(12,340)	(41,730)	(44,307)
Gain on disposal of property, plant and equipment	352	103	963	103
Realised foreign exchange loss	-	914	-	(242)
Unrealised foreign exchange (loss)/gain	911	(54,203)	8,751	(53,374)
Reversal/(provision) for employees' service benefits expenses	(2,922)	(3,773)	(8,329)	(7,714)
(Impairment) / Reversal of impairment loss on receivables and contract assets	(3,960)	10,876	1,650	(13,111)

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**Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2023**

**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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<b>Current income tax:</b>				
Malaysian income tax	5	-	18	-
Foreign income tax	3,246	(487)	6,580	2,439
Adjustment in respect of prior years	-	-	-	-
	<u>3,251</u>	<u>(487)</u>	<u>6,599</u>	<u>2,439</u>
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	60	-	(109)	-
Adjustment in respect of prior years	-	-	-	-
<b>Total income tax expense/(credit)</b>	<u><b>3,311</b></u>	<u><b>(487)</b></u>	<u><b>6,490</b></u>	<u><b>2,439</b></u>
Profit / (loss) before tax	(27,529)	(98,604)	(22,063)	(195,117)
Effective tax rate	-12.0%	0.5%	-29.4%	-1.3%

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

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(31,577)	(96,268)	(31,236)	(195,142)
Number of ordinary shares in issue ('000)	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>	<u>780,999</u>
<b>Basic earnings/(loss) per share (sen)</b>	<b><u>(4.04)</u></b>	<b><u>(12.33)</u></b>	<b><u>(4.00)</u></b>	<b><u>(24.99)</u></b>

**(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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
(Loss)/Profit for the period attributable to equity holders of the Company (RM'000)	(31,577)	(96,268)	(31,236)	(195,142)
Weighted average number of ordinary shares is issue ('000)	780,999	780,999	780,999	780,999
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>
<b>Diluted earnings/(loss) per share (sen)</b>	<b><u>(4.04)</u></b>	<b><u>(12.33)</u></b>	<b><u>(4.00)</u></b>	<b><u>(24.99)</u></b>

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

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

**11. Property, Plant and Equipment**

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

**12. Goodwill**

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

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

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	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 September 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:

	<b>30.09.2023</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Audited)</b>
Cash and bank balances	55,590	36,457
Deposits with financial institutions	<u>69,895</u>	<u>68,312</u>
<b>Total cash and bank balances</b>	<b>125,485</b>	<b>104,769</b>
Less:		
Bank overdrafts	(31,226)	(15,938)
Deposits pledged with financial institutions	<u>(69,895)</u>	<u>(68,312)</u>
<b>Total cash and cash equivalents</b>	<b><u>24,364</u></b>	<b><u>20,519</u></b>

**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**

	<b>30.09.2023</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Audited)</b>
<b>Current:</b>		
Bank overdrafts	31,226	15,938
Bills payable	280,600	216,159
Term loans	763,035	753,939
	<u>1,074,861</u>	<u>986,036</u>
Lease liabilities	16,214	15,885
<b>Total Current Borrowings</b>	<b><u>1,091,075</u></b>	<b><u>1,001,921</u></b>
<b>Non-current:</b>		
Term loans	38,521	34,008
Lease liabilities	166,099	177,452
<b>Total Non-current Borrowings</b>	<b><u>204,620</u></b>	<b><u>211,460</u></b>
<b>Total Group Borrowings and Debt Securities</b>	<b><u>1,295,695</u></b>	<b><u>1,213,381</u></b>

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

	<b>Value in foreign</b>	<b>Equivalents in</b>
	<b>currency</b>	<b>value of Malaysian</b>
	<b>30.09.2023</b>	<b>currency</b>
	<b>'000</b>	<b>30.09.2023</b>
		<b>RM'000</b>
United Arab Emirates Dirham	327,689	419,081
Qatari Riyal	41,601	53,673
Indian Rupees	1,278,269	72,222
Singapore Dollar	4,640	15,951
United States Dollar	<u>115,000</u>	<u>507,502</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:

	<b>30.09.2023</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Audited)</b>
<b><u>Utilised and Unutilised Portion:</u></b>		
Eversendai Engineering LLC Dubai	409,438	453,496
Eversendai Offshore RMC FZE	292,659	274,854
Eversendai Construction Private Limited	334,095	293,731
Eversendai Engineering Qatar WLL	364,352	180,886
Eversendai Engineering Sdn Bhd	57,447	242,441
Eversendai Engineering Pte Ltd	132,348	126,646
Eversendai Engineering Saudi LLC	20,577	55,400
	<b><u>1,610,917</u></b>	<b><u>1,627,454</u></b>

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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:

	<b>Cumulative Quarter 9 months ended</b>	
	<b>30.09.2023 RM'000</b>	<b>30.09.2022 RM'000</b>
<b>Transactions with certain directors and key management personnel of the Group:</b>		
Rental of staff accommodation and office building from a director	1,079	1,038
<b>Transactions with other related company:</b>		
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	5,932	26,352

**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 RM935.0 million during the current year showed an increase of RM330.7 million or 54.7% as compared to RM604.3 million during corresponding period of 2022. The Group recorded Gross loss of RM22.1 million during the current year against Gross loss of RM195.1 million during corresponding period of 2022, a recovery by RM173.1 million. The improvement in Gross profit as compared to corresponding period of 2022 is mainly arising from improvement in the utilisation of the Group's Fabrication facilities, with utilisation averaging at 41% during the current period as compared to 16% during corresponding period of 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 Loss before tax of RM27.5 million in Q3 2023, against Loss before tax of RM98.6 million during Q3 2022, the improvement is attributable to increased absorption of factory overheads with increase in utilisation of fabrication facilities.

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

	<b>Current Quarter 30.09.2023 RM'000</b>	<b>Immediate Preceding Quarter 30.06.2023 RM'000</b>
Revenue	345,846	281,828
Operating profit	(7,030)	22,379
Profit / (loss) before tax	(27,529)	2,567
Profit for the period	(30,840)	855

The Group reported revenue and Loss before tax of RM345.8 million and RM27.5 million respectively in the current quarter as compared to revenue of RM281.8 million and profit before tax of RM2.6 million in the immediately preceding Quarter. Loss during the current Quarter is attributable to revalidation of Margins for projects in the Middle East.

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**Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 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 RM1.9 billion and the ongoing comprehensive reorganisation exercise 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.

Loss during the current year is arising mainly from revalidation of Margins for projects in the Middle East. The Group foresees increased utilisation of all its fabrication facilities at approximately 44% with the existing order book and highly potential iconic projects in the tender book would further improve the utilisation. The Group is optimistic of its future prospects to achieve improved financial performance 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 cutoff 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.



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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)**

**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 now fixed for hearing on 27 May 2024.

On 22 December 2022, EESB filed its application to stay the execution of said judgement 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 judgement sum together with interest to the plaintiff’s solicitors within 30 days from 18<sup>th</sup> April 2023, which has been complied with.

**28. Dividend Payable**

No interim dividend has been proposed during the current financial period ended 30 September 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 November 2023