

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

FIRST QUARTER ENDED 31 MARCH 2017

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 25 MAY 2017

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

Date: 25 May 2017

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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 – 22
Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia	23 - 25

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

Financial Year ending 31 December 2017

Summary of Key Financial Information for the First Quarter ended 31 March 2017

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
1 Revenue	395,968	440,725	395,968	440,725
2 Profit/(loss) before tax	18,713	(46,740)	18,713	(46,740)
3 Profit/(loss) for the period	17,605	(49,037)	17,605	(49,037)
4 Profit/(loss) attributable to equity holders of the Company	15,264	(50,425)	15,264	(50,425)
5 Basic earnings/(loss) per share (sen)	1.97	(6.52)	1.97	(6.52)
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 31.3.2017 (RM)	As at 31.12.2016 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.14	1.12

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

Financial Year ending 31 December 2017

Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2017

	Note	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue	6	395,968	440,725	395,968	440,725
Cost of sales		(343,998)	(364,353)	(343,998)	(364,353)
Gross profit		51,970	76,372	51,970	76,372
Interest income		392	94	392	94
Dividend income		-	11	-	11
Other income		7,510	3,308	7,510	3,308
Operating and administrative expense		(37,889)	(55,040)	(37,889)	(55,040)
Operating profit		21,983	24,745	21,983	24,745
Finance costs		(3,270)	(8,858)	(3,270)	(8,858)
Net loss on financial assets at fair value through profit or loss		-	(62,627)	-	(62,627)
Profit/(loss) before tax	8	18,713	(46,740)	18,713	(46,740)
Income tax expense	9	(1,108)	(2,297)	(1,108)	(2,297)
Profit/(loss) for the period		17,605	(49,037)	17,605	(49,037)
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	5	-	5
- Foreign currency translation		(5,826)	(84,268)	(5,826)	(84,268)
Other comprehensive expense for the period		(5,826)	(84,263)	(5,826)	(84,263)
Total comprehensive income/ (expense) for the period		11,779	(133,300)	11,779	(133,300)

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

Financial Year ending 31 December 2017
**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2017
(Cont'd)**

	Note	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Profit/(loss) for the period attributable to:					
- Equity holders of the Company		15,264	(50,425)	15,264	(50,425)
- Non-controlling interests		2,341	1,388	2,341	1,388
		<u>17,605</u>	<u>(49,037)</u>	<u>17,605</u>	<u>(49,037)</u>
Total comprehensive income/ (expenses) attributable to:					
- Equity holders of the Company		9,688	(133,592)	9,688	(133,592)
- Non-controlling interests		2,091	292	2,091	292
		<u>11,779</u>	<u>(133,300)</u>	<u>11,779</u>	<u>(133,300)</u>
Earnings/(loss) per share attributable to equity holders of the Company					
- Basic/diluted (sen)	10	1.97	(6.52)	1.97	(6.52)

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016, and the accompanying explanatory notes attached to these interim financial statements.

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

Financial Year ending 31 December 2017
Condensed Consolidated Statement of Financial Position as at 31 March 2017

		31.3.2017	31.12.2016
		RM'000	RM'000
	Note		(Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	720,504	719,489
Goodwill	12	13,780	13,780
Deferred tax assets		1,795	1,766
Total non-current assets		736,079	735,035
Current assets			
Inventories	13	194,217	180,804
Amount due from customers under construction contracts		1,010,108	962,487
Trade receivables		588,599	582,243
Other receivables, refundable deposits and prepaid expenses		158,471	132,710
Investment in securities	15	23	23
Tax recoverable		1,603	1,589
Cash and bank balances	14	273,788	386,695
Total current assets		2,226,809	2,246,551
Total assets		2,962,888	2,981,586
Equity and liabilities			
Current liabilities			
Trade payables		233,645	252,987
Other payables and accrued expenses		433,630	390,083
Amount due to customers under construction contracts		114,275	108,319
Amount due to directors		15,697	19,605
Hire purchase payables	17	550	6,843
Borrowings	17	875,119	930,919
Tax liabilities		37,900	68,675
Total current liabilities		1,710,816	1,777,431

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

Financial Year ending 31 December 2017

Condensed Consolidated Statement of Financial Position as at 31 March 2017 (Cont'd)

	Note	31.3.2017 RM'000	31.12.2016 RM'000 (Audited)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	9,890	11,260
Borrowings	17	277,419	239,432
Employees' service benefits		65,102	65,581
Deferred tax liabilities		4,274	4,274
Total non-current liabilities		356,685	320,547
Total liabilities		2,067,501	2,097,978
Net assets		895,387	883,608
Capital and reserves			
Issued capital	16	387,000	387,000
Share premium	16	191,515	191,515
Treasury shares	16	(91)	(91)
Capital reserve		307	307
Foreign currency translation reserve		226,743	232,320
Fair value adjustment reserve		30	30
Retained earnings	29	73,577	58,313
Equity attributable to equity holders of the Company		879,081	869,394
Non-controlling interests		16,306	14,214
Total equity		895,387	883,608
Total equity and liabilities		2,962,888	2,981,586

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

Financial Year ending 31 December 2017
Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2017

	← Attributable to equity holders of the Company →						→ Distributable →		Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable			→			Retained earnings RM'000	Total RM'000		
	Issued capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2016	387,000	191,515	(91)	307	202,465	25	341,066	1,122,287	7,818	1,130,105
(Loss)/profit for the period	-	-	-	-	-	-	(50,425)	(50,425)	1,388	(49,037)
Other comprehensive (expenses)/income	-	-	-	-	(84,268)	5	-	(84,263)	(1,096)	(85,359)
Total comprehensive (expenses)/income	-	-	-	-	(84,268)	5	(50,425)	(134,688)	292	(134,396)
Dividend	-	-	-	-	-	-	-	-	-	-
At 31.3.2016	387,000	191,515	(91)	307	118,197	30	290,641	987,599	8,110	995,709

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

Financial Year ending 31 December 2017
Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2017 (Cont'd)

	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	← Non-distributable				→ Distributable					
	Issued capital	Share premium	Treasury share	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Retained earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2017	387,000	191,515	(91)	307	232,320	30	58,313	869,394	14,214	883,608
Profit for the period	-	-	-	-	-	-	15,264	15,264	2,341	17,605
Other comprehensive loss	-	-	-	-	(5,577)	-	-	(5,577)	(249)	(5,826)
Total comprehensive (loss)/income	-	-	-	-	(5,577)	-	15,264	9,687	2,092	11,779
Dividend	-	-	-	-	-	-	-	-	-	-
At 31.3.2017	387,000	191,515	(91)	307	226,743	30	73,577	879,081	16,306	895,387

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 2016, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

Financial Year ending 31 December 2017
Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2017

	Note	Cumulative Quarter 3 months ended	
		31.3.2017 RM'000	31.3.2016 RM'000
Operating activities			
Profit/(loss) before taxation		18,713	(46,740)
Adjustments for:			
Depreciation of property, plant and equipment		12,002	9,896
Provision for employees' service benefits		1,564	3,204
Gain on disposal of property, plant and equipment		(11)	(96)
Property, plant and equipment written off		24	-
Net loss on financial assets at fair value through profit or loss		-	62,627
Interest income		(392)	(94)
Dividend income from investment in securities		-	(11)
Allowance for doubtful debt		-	(588)
Unrealised foreign exchange (gains)/loss		(141)	10,659
Finance cost		3,270	8,858
		35,029	47,715
Operating profit before working capital changes			
Working capital changes:			
Net changes in current assets		(79,768)	(63,310)
Net changes in current liabilities		(3,262)	(100,479)
Cash used in operations		(48,001)	(116,074)
Employees' service benefits paid		(893)	(809)
Taxes paid		(326)	(1,035)
Net cash flows used in operating activities		(49,220)	(117,918)
Investing activities			
Purchase of property, plant and equipment		(16,527)	(20,002)
Proceeds from disposal of property, plant and equipment		21	143
Net changes in investment in securities		-	(5)
(Decrease)/increase in deposits pledge with financial institutions		(5,684)	3,761
Interest received		392	94
Proceed from disposal of unit trust fund		-	8,542
Purchase of quoted shares		-	(8,819)
Net cash flows used in investing activities		(21,798)	(16,286)

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

Financial Year ending 31 December 2017

Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2017 (Cont'd)

	Note	Cumulative Quarter 3 months ended	
		31.3.2017 RM'000	31.3.2016 RM'000
Financing activities			
Drawdown of bank borrowings		(35,140)	(9,925)
(Repayment)/drawdown of hire purchase payables		(7,663)	397
(Decrease)/increase in amounts due to directors		(3,908)	3,648
Finance cost paid		(3,270)	(8,858)
Net cash flows used in financing activities		(49,981)	(14,738)
Net decrease in cash and cash equivalents		(120,999)	(148,942)
Effect of changes in foreign exchange rate		(12,740)	152,159
Cash and cash equivalents at beginning of period		337,912	99,956
Cash and cash equivalents at end of period		204,173	103,173
Cash and cash equivalents at end of period comprised of:			
Cash and bank balances	14	273,788	131,927
Less: Bank overdrafts		(34,822)	(1,956)
Less: Deposits with financial institutions		(34,793)	(26,798)
	14	204,173	103,173

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016, and the accompanying explanatory notes to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

Financial Year ending 31 December 2017

Explanatory Notes to the Interim Financial Report for the First Quarter ended 31 March 2017

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”).

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 25 May 2017.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2017 have been prepared in accordance with MFRS 134, Interim Financial Reporting and Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia. These unaudited condensed consolidated interim financial statements also comply with International Accounting Standard (IAS) 34 issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of ECB and its subsidiaries (“the Group”) since the year ended 31 December 2016.

3. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual statements for the financial year ended 31 December 2016.

3.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted the new and revised Standards and Amendments issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to their operations and effective for annual periods beginning on or after 1 January 2017 as follows:

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

3. Significant Accounting Policies (Cont'd)

3.1 Adoption of New and Revised Malaysian Financial Reporting Standards (Cont'd)

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 Cycle

The adoption of these new and revised Standards and Amendments did not have any material impact on the amounts reported on the financial statements of the Group and of the Company in the current and previous financial years.

3.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these interim financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers ²
MFRS 16	Leases ⁴
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ³
Amendments to MFRS 140	Transfers of Investment Property ²
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

² Effective for annual periods beginning on or after 1 January 2018.

³ Overlay approach to be applied when MFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

⁴ Effective for annual periods beginning on or after 1 January 2019.

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

3. Significant Accounting Policies (Cont'd)

3.2 Standards and Amendments in issue but not yet effective (Cont'd)

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9 and MFRS 15.

However, it is not practical to provide a reasonable estimate of the effect on MFRS 9 and MFRS 15 until the Group undertakes a detailed review.

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, except:-

(i) Incorporation of Eversendai Steel-S Limited (“ESSL”)

On 10 February 2017, the Company incorporated Eversendai Steel-S Limited (“ESSL”) in England and Wales as a private limited company, through its wholly-owned subsidiary, Eversendai Construction (S) Pte Ltd, a company incorporated in Singapore. The authorised and issued paid up share capital of ESSL is RM5,600,000 and RM5,600 respectively. The principal activities of ESSL is involvement in the provision of businesses relating to building development, construction of commercial, domestic and other civil engineering projects.

(ii) Incorporation of Eversendai Steel-A Pty Ltd (“ESAPL”)

On 10 March 2017, the Company incorporated Eversendai Steel-A Pty Ltd (“ESAPL”) in Australia as a proprietary limited company, through its wholly-owned subsidiary, Eversendai Construction (S) Pte Ltd, a company incorporated in Singapore. The issued paid up share capital of ESAPL is RM336. The principal activities of ESAPL is involvement in the provision of businesses relating to engineering, fabrication, design and erection of structural steel works and construction of commercial, domestic and other civil engineering projects.

EVERSENDI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

6. Segment Information

	Structural Steel & Construction				Oil & Gas	Total	A & E *	Group
	Middle-East and CIS	India	Malaysia	Others				
	RM'000	RM'000	RM'000	RM'000				
3 months ended 31.3.2017								
Revenue								
- External	230,987	48,549	52,987	9,015	54,430	395,968	-	395,968
- Internal	61,848	-	90	-	-	61,938	(61,938)	-
Total revenue	292,835	48,549	53,077	9,015	54,430	457,906	(61,938)	395,968
Profit/(loss) before tax	19,421	2,102	3,396	301	(4,659)	20,561	(1,848)	18,713
3 months ended 31.3.2016								
Revenue								
- External	236,670	45,649	43,067	-	115,339	440,725	-	440,725
- Internal	103,244	425	690	-	44	104,403	(104,403)	-
Total revenue	339,914	46,074	43,757	-	115,383	545,128	(104,403)	440,725
Profit/(loss) before tax	17,071	6,025	654	(77,341)	3,896	(49,695)	2,955	(46,740)

* Consolidation adjustment & eliminations

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

6. Segment Information (Cont'd)

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute a lion share of the Group's revenue of 58.3% and pre-tax profit of RM19.4 million in the current financial period-to-date.

The operations in Malaysia had contributed 13.4% to the Group's revenue. The increase in revenue from RM 43.1 million in preceding year's corresponding quarter compare to current quarter of RM53.0 million mainly due to key projects were at commencement stage in the preceding year's corresponding quarter.

The revenue from operations in India of RM48.5 million with a contribution of 12.3% to the Group revenue during the current quarter is consistent with the revenue of RM45.7 million recorded in the preceding year's corresponding quarter.

The oil and gas business contributed to 13.7% of the Group's revenue in the current quarter as compared to 26.2% recorded in preceding year's corresponding quarter. The losses of RM4.7 million during the current financial quarter mainly due to low utilization of fabrication plant of the oil and gas industries.

7. Seasonality of Operations

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

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

8. Profit/(loss) Before Tax

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

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Interest income	(392)	(94)	(392)	(94)
Dividend income from investment in securities	-	(11)	-	(11)
Sales of scrap	(4,477)	(2,146)	(4,477)	(2,146)
Finance cost	3,270	8,858	3,270	8,858
Depreciation of property, plant and equipment	12,002	9,896	12,002	9,896
Gain on disposal of property, plant and equipment	(11)	(96)	(11)	(96)
Unrealised foreign exchange (gain)/loss	(141)	10,659	(141)	10,659
Net loss on financial assets at fair value through profit or loss	-	62,627	-	62,627
Provision for employee's service benefits expenses	1,564	3,204	1,564	3,204
Allowance for doubtful debt	-	(588)	-	(588)

EVERSENDI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

9. Income Tax Expense

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Current income tax:				
Malaysian income tax	(465)	1,153	(465)	1,153
Foreign income tax	1,594	1,144	1,594	1,144
	<u>1,129</u>	<u>2,297</u>	<u>1,129</u>	<u>2,297</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(21)	-	(21)	-
Total income tax expense	<u>1,108</u>	<u>2,297</u>	<u>1,108</u>	<u>2,297</u>
Profit/(loss) before taxation	18,713	(46,740)	18,713	(46,740)
Effective tax rate	5.9%	(4.9%)	5.9%	(4.9%)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the current period ended 31 March 2017 is lower than the 24% statutory tax rate in Malaysian mainly due to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in these jurisdictions are not subject to income tax.

EVERSENDI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

10. Earnings / (Loss) per Share
Basic/diluted

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-month ended		Cumulative Quarter 3-month ended	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Profit/(loss) for the period (RM'000)	15,264	(50,425)	15,264	(50,425)
Number of ordinary shares in issue ('000)	773,899	773,899	773,899	773,899
Basic earnings/(loss) per share (sen)	1.97	(6.52)	1.97	(6.52)

11. Property, Plant and Equipment

During the current quarter period under review, the Group disposed-off assets with carrying value of RM10,000 (2016: RM47,000), resulting in a gain of RM11,000 (2016: RM96,000), recognized and included in other income in the statement of comprehensive income.

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
	2017	2017	2016	2016
Eversendai Engineering L.L.C. Dubai	1%	7%	1%	7%
Eversendai Energia Sdn. Bhd.	1%	8%	1%	8%
Eversendai Oil & Gas (M) Sdn. Bhd.	1%	8%	1%	8%
Eversendai Constructions (M) Sdn. Bhd.	1%	8%	1%	8%

EVERSENDI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

12. Goodwill (Cont'd)

- a) Budgeted gross margin
The basis used to determine the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increase for expected efficiency improvements and after considering current economic conditions.
- b) Discount rate
The discount rates used are pre-tax and reflect the weighted average cost of capital of the respective CGUs.
- c) Growth rate
The growth rates are based on projects tendered and awarded and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As of 31 March 2017, 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.

13. Inventories

In 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:

	31.3.2017	31.12.2016
	RM'000	RM'000
		(Audited)
Cash and bank balances	227,514	346,483
Deposits with financial institutions	46,274	40,212
Total cash and bank balances	273,788	386,695
Less:		
Bank overdrafts	(34,822)	(19,674)
Deposits pledged with financial institutions	(34,793)	(29,109)
Total cash and cash equivalents	204,173	337,912

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

15. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 : inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : unobservable inputs for the asset or liability.

As at the end of the current quarters under review, the Group held the following financial assets that are measured at fair value:

	Level 1 RM'000
At 31.3.2017	
Current asset	
Investment in securities	23
Total	23
At 31.12.2016 (Audited)	
Current asset	
Investment in securities	23
Total	23

Investment in securities are investments in unit trust fund. The fair value of this class of financial asset is measured based on the quoted market price, with the fair value gains or losses through profit or loss.

The Group does not have any financial instruments measured at fair value using significant unobservable inputs. There were no transfers between any levels of the fair value hierarchy took place during the current quarter and comparative period. The Group also does not hold any credit enhancement or collateral to mitigate credit risk and therefore, the carrying amount of financial assets represents the potential credit risk.

16. Issued Capital, Share Premium and Treasury Shares

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

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

17. Group Borrowings and Debt Securities

	31.3.2017 RM'000	31.12.2016 RM'000 (Audited)
Current:		
Hire purchase	<u>550</u>	<u>6,843</u>
Bank overdraft	34,822	19,674
Bills payable	257,552	374,304
Term loans	<u>582,745</u>	<u>536,941</u>
Other Borrowings	<u>875,119</u>	<u>930,919</u>
Total Current Borrowings	<u>875,669</u>	<u>937,762</u>
Non-current:		
Hire purchase	<u>9,890</u>	<u>11,260</u>
Term loans	<u>277,419</u>	<u>239,432</u>
Other Borrowings	<u>277,419</u>	<u>239,432</u>
Total Non- current Borrowings	<u>287,309</u>	<u>250,692</u>
Total group borrowings and debt securities	<u>1,162,978</u>	<u>1,188,454</u>

Included in the Group's borrowings as of 31 March 2017 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency	Equivalents in value of Malaysian currency
	31.3.2017 '000	31.3.2017 RM'000
United Arab Emirates Dirham	850,880	1,025,157
Qatari Riyal	54,423	66,143
Indian Rupees	887,023	60,577
Thai Baht	19,659	2,529

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

18. Dividends Paid

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

19. Commitments and Contingencies
a) Capital expenditure commitments

	31.3.2017	31.3.2016
	RM'000	RM'000
Contracted but not provided for:		
Factory building & labour accommodation	20,076	18,529
Computer systems and others	87	452
	20,163	18,981
Approved but not contracted for:		
Factory building & labour accommodation	-	-

b) Operating lease commitments

	31.3.2017	31.3.2016
	RM'000	RM'000
Within one year	37,418	23,554
After one year but not more than five years	86,557	58,637
More than five years	252,757	213,187
	376,732	295,378

c) 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 quarters under review, the Group has provided corporate guarantees for banking facilities; which will not result in potential financial liability to the Group, as follows:

	31.3.2017	31.3.2016
	RM'000	RM'000
Eversendai Engineering Pte Ltd	41,748	-
Eversendai Engineering LLC	4,258,364	2,915,780
Eversendai Offshore RMC FZE	838,564	494,347
Eversendai Engineering Qatar WLL	796,045	855,182
Eversendai Construction Private Limited	459,132	252,486
Eversendai Energia Sdn. Bhd.	245,583	248,071
	6,639,436	4,765,866

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

20. 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	
	31.3.2017	31.3.2016
	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of office premises from a director	339	294
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 director by virtue of his direct interest in the ultimate holding Company of the Group	18,419	101,094

21. Events After the Reporting Period

Incorporation of Eversendai Construction W.L.L, Kuwait ("ECWLL")

On 11 May 2017, the Company announced the incorporation of Eversendai Construction W.L.L, Kuwait ("ECWLL") in Kuwait as a limited liability company. The issued paid up share capital of ECWLL is KWD10,000 (RM142,453). ECWLL is considered as a subsidiary of the Company as ECB has 100% effective interest in profits and asset distribution based on the shareholder's agreement entered between ECB and Mr. Fahad Abdulrahman Ahmad Alhajri. The principal activities of ECWLL is involvement in the provision of businesses relating to engineering, supply, fabrication and erection of structural steel works and construction of commercial, domestic and other civil engineering projects.

EVERSENDI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

B. Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia**22. Review of Group with Comparison to Last Year's Corresponding Periods**

The Group recorded total revenue of RM396.0 million in the first quarter, which when compared to preceding year's corresponding quarter was lower by 9.9%.

Out of the total revenue of RM396.0 million, 58.3% was contributed by the businesses in the Middle-East region, 13.4% by operations in Malaysia, 12.3% by operations in India, 13.7% from the oil and gas segment and the remaining 2.3% from operation in Thailand.

The Group has reported a PATAMI of RM15.3 million in the first quarter, turned around from the loss of RM50.4 million in first quarter last year. The loss for the first quarter last year were mainly due to the Impact on fair value of financial assets amounting to RM62.6 million.

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

The Group's recorded a higher profit before tax of RM18.7 million during the current quarter when compared to the loss before tax of RM46.7 million recorded in preceding year's corresponding quarter. The loss in preceding year's corresponding quarter mainly due to provision for impairment in Investment in Technics shares and unrealised foreign exchange losses taken up during the period.

24. Prospects of the Group

The Group has secured approximately RM1.3 billion new contracts to-date. As at 31 March 2017, the Group's order book stood at approximately RM2.9 billion. Approximately 46.1% of the order book came from the Group's traditional stronghold in the Middle East region, 20.8% from South East Asia, 19.4% from India and the remaining 13.7% are from the Oil & Gas segment.

With the current order book in hand, the Group is confident to achieve higher revenue and profitability going forward.

25. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued by the Company or the Group for the current quarter under review.

26. Corporate Proposals

There is no corporate proposal announced but not completed as at 18 May 2017, being a date not earlier than seven days from the date of issuance of this interim financial report.

EVERSENDAI CORPORATION BERHAD (614060-A)

(Incorporated in Malaysia)

27. Changes in Material Litigation

(i) Linsun Engineering Sdn. Bhd. against Eversendai Energia Sdn. Bhd. (“Eversendai Energia”)

On 14 November 2014, a supplier known as Linsun Engineering Sdn. Bhd. (“the plaintiff”) has served a Writ of Summons against Eversendai Energia, 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.

This case has been set for trial on the following dates:-

- a) 7 – 8 June 2017
- b) 13 – 15 June 2017
- c) 10 – 13 July 2017
- d) 3 – 4 August 2017
- e) 13, 17 and 27 November 2017

Management is of the view that it has a very good defence against the above claim.

(ii) Poratha Corporation Sdn. Bhd. against Eversendai Energia Sdn. Bhd.

Both parties have settled the matter amicably and executed a Settlement Agreement in which Eversendai Energia Sdn. Bhd. paid Poratha Corporation Sdn. Bhd a sum of RM2,000,000.00 as full and final settlement. Poratha Corporation Sdn. Bhd’s solicitors have accordingly filed a notice of discontinuance without liberty to file afresh in Court.

28. Dividend Payable

No interim dividend has been declared for the current first quarter and 3 months period ended 31 March 2017.

29. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as of 31 March 2017 and 31 December 2016 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia dated 25 March 2010 and 20 December 2010, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

29. Realised and Unrealised Profits or Losses (Cont'd)

	31.3.2017 RM'000	31.12.2016 RM'000 (Audited)
Total retained earnings of the Group as reported under MFRS		
- Realised	425,739	434,368
- Unrealised	6,523	(17,981)
	<u>432,262</u>	<u>416,387</u>
Less: Consolidation adjustments	(358,685)	(358,074)
Total retained earnings of the Group as per consolidated financial statements	<u>73,577</u>	<u>58,313</u>

30. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

By order of the Board of Directors

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

25 May 2017