

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

SECOND QUARTER ENDED 30 JUNE 2017

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 28 August 2017

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

Date: 28 August 2017

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

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

Financial Year ending 31 December 2017

Summary of Key Financial Information for the Second Quarter ended 30 June 2017

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
1 Revenue	465,870	421,551	861,838	862,276
2 Profit/(loss) before tax	25,747	(18,758)	44,460	(65,498)
3 Profit/(loss) for the periods	22,792	(20,292)	40,397	(69,329)
4 Profit/(loss) attributable to equity holders of the Company	20,609	(21,282)	35,873	(71,707)
5 Basic earnings/(loss) per share (sen)	2.66	(2.75)	4.64	(9.27)
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.6.2017 (RM)	As at 31.12.2016 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.13	1.12

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Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2017

	Note	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
		30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Revenue	6	465,870	421,551	861,838	862,276
Cost of sales		(401,737)	(364,903)	(745,735)	(729,256)
Gross profit		64,133	56,648	116,103	133,020
Interest income		208	83	600	177
Dividend income		-	1	-	12
Other income		5,786	1,559	13,296	4,867
Operating and administrative expense		(38,377)	(27,373)	(76,266)	(82,413)
Operating profit		31,750	30,918	53,733	55,663
Finance costs		(6,003)	(10,583)	(9,273)	(19,441)
Net loss on financial assets at fair value through profit or loss		-	(39,093)	-	(101,720)
Profit/(loss) before tax	8	25,747	(18,758)	44,460	(65,498)
Income tax expense	9	(2,955)	(1,534)	(4,063)	(3,831)
Profit/(loss) for the period		22,792	(20,292)	40,397	(69,329)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	-	-	5
- Foreign currency translation		(27,732)	22,745	(33,558)	(61,523)
Other comprehensive (expense)/income for the period:		(27,732)	22,745	(33,558)	(61,518)
Total comprehensive (expense)/income for the period		(4,940)	2,453	6,839	(130,847)

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**Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2017
(Cont'd)**

	Note	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
		30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Profit/(loss) for the period attributable to:					
- Equity holders of the Company		20,609	(21,282)	35,873	(71,707)
- Non-controlling interests		2,183	990	4,524	2,378
		<u>22,792</u>	<u>(20,292)</u>	<u>40,397</u>	<u>(69,329)</u>
Total comprehensive (expense)/income attributable to:					
- Equity holders of the Company		(6,033)	1,574	3,655	(132,450)
- Non-controlling interests		1,093	879	3,184	1,603
		<u>(4,940)</u>	<u>2,453</u>	<u>6,839</u>	<u>(130,847)</u>
Earnings/(loss) per share attributable to equity holders of the Company					
- Basic/diluted (sen)	10	2.66	(2.75)	4.64	(9.27)

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.

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Condensed Consolidated Statement of Financial Position as at 30 June 2017

	Note	30.6.2017 RM'000	31.12.2016 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	711,531	719,489
Goodwill	12	13,780	13,780
Deferred tax assets		1,752	1,766
Total non-current assets		727,063	735,035
Current assets			
Inventories	13	243,252	180,804
Amount due from customers under construction contracts		1,057,091	962,487
Trade receivables		607,725	582,243
Other receivables, refundable deposits and prepaid expenses		161,529	132,710
Investment in securities	15	23	23
Tax recoverable		1,591	1,589
Cash and bank balances	14	224,914	386,695
Total current assets		2,296,125	2,246,551
Total assets		3,023,188	2,981,586
Equity and liabilities			
Current liabilities			
Trade payables		234,166	252,987
Other payables and accrued expenses		509,876	390,083
Amount due to customers under construction contracts		103,991	108,319
Amount due to directors		16,277	19,605
Hire purchase payables	17	310	6,843
Borrowings	17	917,318	930,919
Tax liabilities		36,392	68,675
Total current liabilities		1,818,330	1,777,431

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Condensed Consolidated Statement of Financial Position as at 30 June 2017 (Cont'd)

	Note	30.6.2017 RM'000	31.12.2016 RM'000 (Audited)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	10,371	11,260
Borrowings	17	235,377	239,432
Employees' service benefits		64,389	65,581
Deferred tax liabilities		4,274	4,274
Total non-current liabilities		314,411	320,547
Total liabilities		2,132,741	2,097,978
Net assets		890,447	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		200,102	232,320
Fair value adjustment reserve		30	30
Retained earnings	29	94,186	58,313
Equity attributable to equity holders of the Company		873,049	869,394
Non-controlling interests		17,398	14,214
Total equity		890,447	883,608
Total equity and liabilities		3,023,188	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.

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Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 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				
At 1.1.2016	387,000	191,515	(91)	307	202,465	25	341,066	1,122,287	7,818	1,130,105
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	677	677
Loss for the period	-	-	-	-	-	-	(71,707)	(71,707)	2,378	(69,329)
Other comprehensive (expense)/income	-	-	-	-	(61,523)	5	-	(61,518)	(775)	(62,293)
Total comprehensive (expense)/income	-	-	-	-	(61,523)	5	(71,707)	(133,225)	1,603	(131,622)
Dividend	-	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
At 31.6.2016	387,000	191,515	(91)	307	140,942	30	265,489	985,192	10,098	995,290

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Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2017 (Cont'd)

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable				→ Distributable					
	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			
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	-	-	-	-	-	-	35,873	35,873	4,524	40,397
Other comprehensive expense	-	-	-	-	(32,218)	-	-	(32,218)	(1,340)	(33,558)
Total comprehensive (expense)/income	-	-	-	-	(32,218)	-	35,873	3,655	3,184	6,839
At 30.6.2017	387,000	191,515	(91)	307	200,102	30	94,186	873,049	17,398	890,447

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)
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Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2017

	Cumulative Quarter 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Operating activities		
Profit/(loss) before taxation	44,460	(65,498)
Adjustments for:		
Depreciation of property, plant and equipment	24,258	19,413
Provision for employees' service benefits	4,820	6,393
Gain on disposal of property, plant and equipment	(88)	(140)
Property, plant and equipment written off	23	-
Net loss on financial assets at fair value through profit or loss	-	101,720
Interest income	(600)	(177)
Dividend income from investment in securities	-	(12)
Allowance for doubtful debt	13	(578)
Unrealised foreign exchange (gains)/loss	(4,851)	8,950
Finance cost	9,273	19,441
	77,308	89,512
Operating profit before working capital changes		
Working capital changes:		
Net changes in current assets	(146,847)	(30,894)
Net changes in current liabilities	52,802	87,259
	(16,737)	145,877
Cash (used in)/generated from operations		
Employees' service benefits paid	(2,149)	(996)
Taxes paid	(5,637)	(3,464)
Finance cost paid	(9,273)	(19,441)
	(33,796)	121,976
Net cash flows (used in)/generated from operating activities		
Investing activities		
Purchase of property, plant and equipment	(36,621)	(30,480)
Proceeds from disposal of property, plant and equipment	93	204
Net changes in investment in securities	-	(5)
(Decrease)/increase in deposits pledge with financial institutions	(22,071)	1,383
Interest received	600	177
Proceed from disposal of investment securities	-	8,542
Purchase of investment securities	-	(8,819)
Net cash outflow arising from acquisition of a subsidiary	-	(3,172)
	(57,999)	(32,170)
Net cash flows used in investing activities		

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Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2017 (Cont'd)

	Cumulative Quarter 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Financing activities		
(Repayment)/drawdown of bank borrowings	(148,617)	20,772
(Repayment)/drawdown of hire purchase payables	(7,422)	568
Decrease in amounts due to directors	(3,328)	(5,272)
Net cash (used in)/generated from financing activities	(159,367)	16,068
Net (decrease)/increase in cash and cash equivalents	(251,162)	105,874
Effect of changes in foreign exchange rate	39,483	(80,036)
Cash and cash equivalents at beginning of period	337,912	99,956
Cash and cash equivalents at end of period	126,233	125,794
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	224,914	164,773
Less: Bank overdrafts	(47,501)	(9,803)
Less: Deposits with financial institutions	(51,180)	(29,176)
	126,233	125,794

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.

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Financial Year Ending 31 December 2017

Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 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 28 August 2017.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 June 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 period, 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:

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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
Amendments to MFRS 107	Disclosure Initiative

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.

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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 Construction W.L.L. Kuwait ("ECWLL")**

On 11 May 2017, the Company incorporated 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

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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				
6 months ended 30.6.2017								
Revenue								
- External	485,917	120,183	98,399	20,472	136,867	861,838	-	861,838
- Internal	127,610	-	90	-	-	127,700	(127,700)	-
Total revenue	613,527	120,183	98,489	20,472	136,867	989,538	(127,700)	861,838
Profit/(loss) before tax	39,267	7,970	6,929	(2,662)	(2,485)	49,019	(4,559)	44,460
6 months ended 30.6.2016								
Revenue								
- External	489,389	80,357	87,620	1,470	203,440	862,276	-	862,276
- Internal	184,122	97	1,407	282	-	185,908	(185,908)	-
Total revenue	673,511	80,454	89,027	1,752	203,440	1,048,184	(185,908)	862,276
Profit/(loss) before tax	40,324	6,497	1,473	(104,821)	3,807	(52,720)	(12,778)	(65,498)

* Consolidation adjustment & eliminations

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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 56.4% and pre-tax profit of RM39.3 million in the current financial period-to-date.

The operations in Malaysia had contributed 11.4% to the Group's revenue and pre-tax profit of RM 6.9 million in the current financial period-to-date.

The operations in India had contributed 13.9% to the Group's revenue. The increase in revenue from RM 80.4 million in preceding year's corresponding period compare to current period of RM120.2 million mainly contributed by DLF IT Park project.

The oil and gas business contributed to 15.9% of the Group's revenue in the current period as compared to 23.6% recorded in preceding year's corresponding period. The losses of RM2.5 million during the current financial period 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.

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8. Profit/(Loss) Before Tax

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

	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Interest income	(208)	(83)	(600)	(177)
Dividend income from investment in securities	-	(1)	-	(12)
Sales of scrap	(2,404)	(1,019)	(6,881)	(3,165)
Finance cost	6,003	10,583	9,273	19,441
Depreciation of property, plant and equipment	12,256	9,517	24,258	19,413
Gain on disposal of property, plant and equipment	(77)	(44)	(88)	(140)
Unrealised foreign exchange (gain)/loss	(4,710)	(1,709)	(4,851)	8,950
Net loss on financial assets at fair value through profit or loss	-	39,093	-	101,720
Provision for employee's service benefits expenses	3,256	3,189	4,820	6,393
Allowance for doubtful debt	13	10	13	(578)

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9. Income Tax Expense

	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Current income tax:				
Malaysian income tax	1,338	(257)	873	896
Foreign income tax	1,617	1,172	3,211	2,316
	<u>2,955</u>	<u>915</u>	<u>4,084</u>	<u>3,212</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	619	(21)	619
Total income tax expense	<u>2,955</u>	<u>1,534</u>	<u>4,063</u>	<u>3,831</u>
Profit/(loss) before taxation	25,747	(18,758)	44,460	(65,498)
Effective tax rate	11.5%	(8.2%)	9.1%	(5.8%)

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 year ended 30 June 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.

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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.

	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Profit/(loss) for the period (RM'000)	20,609	(21,282)	35,873	(71,707)
Number of ordinary shares in issue ('000)	773,899	773,899	773,899	773,899
Basic earnings/(loss) per share (sen)	2.66	(2.75)	4.64	(9.27)

11. Property, Plant and Equipment

During the current period under review, the Group disposed-off assets with carrying value of RM5,000 (2016: RM64,000), resulting in a gain of RM88,000 (2016: RM140,000), 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. Intangible Assets

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%

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12. Intangible Assets (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 30 June 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:

	30.6.2017	31.12.2016
	RM'000	RM'000
		(Audited)
Cash and bank balances	161,455	346,483
Deposits with financial institutions	63,459	40,212
Total cash and bank balances	224,914	386,695
Less:		
Bank overdrafts	(47,501)	(19,674)
Deposits pledged with financial institutions	(51,180)	(29,109)
Total cash and cash equivalents	126,233	337,912

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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 30.6.2017	
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.

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17. Group Borrowings and Debt Securities

	30.6.2017 RM'000	31.12.2016 RM'000 (Audited)
Current:		
Hire purchase	310	6,843
Bank overdraft	47,501	19,674
Bills payable	291,001	374,304
Term loans	578,816	536,941
Other Borrowings	917,318	930,919
Total Current Borrowings	917,628	937,762
Non-current:		
Hire purchase	10,371	11,260
Term loans	235,377	239,432
Other Borrowings	235,377	239,432
Total Non-Current Borrowings	245,748	250,692
Total group borrowings and debt securities	1,163,376	1,188,454

Included in the Group's borrowings as of 30 June 2017 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.6.2017 '000	Equivalents in value of Malaysian currency 30.6.2017 RM'000
United Arab Emirates Dirham	899,719	1,051,688
Qatari Riyal	31,416	36,069
Indian Rupees	951,846	63,138
Thai Baht	30,734	3,885

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18. Dividends Paid

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

19. Commitments and Contingencies

a) Capital expenditure commitments

	30.6.2017	30.6.2016
	RM'000	RM'000
Contracted but not provided for:		
Factory building & labour accommodation	40,940	46,660
Computer systems and others	36	159
Office building	-	9,486
	<u>40,976</u>	<u>56,305</u>
Approved but not contracted for:		
Factory building & labour accommodation	-	-

b) Operating lease commitments

	30.6.2017	30.6.2016
	RM'000	RM'000
Within one year	32,542	17,074
After one year but not more than five years	77,266	61,114
More than five years	244,430	232,161
	<u>354,238</u>	<u>310,349</u>

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:

	30.6.2017	30.6.2016
	RM'000	RM'000
Eversendai Engineering Pte Ltd	41,748	-
Eversendai Engineering LLC	4,131,265	2,989,969
Eversendai Offshore RMC FZE	813,536	506,269
Eversendai Engineering Qatar WLL	751,972	875,680
Eversendai Construction Private Limited	445,949	253,389
Eversendai Energia Sdn. Bhd.	228,802	245,583
	<u>6,413,272</u>	<u>4,870,890</u>

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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 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	697	575
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	51,903	143,320

21. Events After the Reporting Period

There were no material events subsequent to the end of the current quarter under review that have not been reflected in this interim financial report.

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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. Review of Group with Comparison to Last Year's Corresponding Periods**

The Group recorded total revenue of RM861.8 million for the first half of the year, comparable to last year's RM862.3 million.

Out of the total revenue of RM861.8 million, 56.4% was contributed by the businesses in the Middle-East region, 11.4% by operations in Malaysia, 13.9% by operations in India, 15.9% from the oil and gas segment and the remaining 2.4% from operation in Thailand and Singapore.

The Group has reported a PATAMI of RM35.9 million in the first half of the year, turned around from the loss of RM71.7 million in first half of last year.

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 RM25.7 million during the current quarter when compared to the loss before tax of RM18.8 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

During the current financial period ended 30 June 2017, the Group has secured approximately RM1,377 million new contracts. As at 30 June 2017, the Group's order book stood at approximately RM2.7 billion. Approximately 46.3% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, 20.5% from Malaysia, 21.7% from India and the remaining 11.5% 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.

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26. Corporate Proposals

On 15 August 2017, the Company proposes to undertake a proposed private placement of up to 77,389,900 new ordinary shares in Eversendai, representing up to 10% of the Company's total number of issued shares (excluding treasury shares). Bursa Securities had vide its letter dated 21 August 2017, resolved to approve the listing of and quotation for up to 77,389,900 Eversendai Shares to be issued pursuant to the Proposed Private Placement.

Except as disclosed, there is no corporate proposal announced but not completed as at 21 August 2017, being a date not earlier than seven days from the date of issuance of this interim financial report.

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.

On the Hearing of the matter on 21 August 2017, the Learned Judge directed that New Trial dates be set, with previous set trial dates to be vacated, as follows:

- a) 12-13 February 2018;
- b) 26-28 February 2018; and
- c) 24-26 April 2018.

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

(ii) Deepsea Resources Sdn Bhd ("DRSB") against Eversendai Oil & Gas (M) Sdn. Bhd. ("EOG")

On 27 July 2017, EOG was served with a Writ of Summons claiming from EOG the sum of RM 926,387.97 for work done for the Rapid SCC Project-Tower Dress Up project, which is being disputed by EOG.

EOG is of the opinion that it has a very good defence against DRSB's claim.

The matter is fixed for Case Management on 29 August 2017.

28. Dividend Payable

No interim dividend has been declared for the current financial period and 6 months period ended 30 June 2017.

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29. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as of 30 June 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.

	30.6.2017	31.12.2016
	RM'000	RM'000
		(Audited)
Total retained earnings of the Group as reported under MFRS		
- Realised	453,320	434,368
- Unrealised	2,329	(17,981)
	<u>455,649</u>	<u>416,387</u>
Less: Consolidation adjustments	(361,463)	(358,074)
Total retained earnings of the Group as per consolidated financial statements	<u>94,186</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 Nathan Elumalay
Executive Chairman and Group Managing Director
Eversendai Corporation Berhad

28 August 2017