EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

SECOND QUARTER ENDED 30 JUNE 2018
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 28 August 2018

EVERSENDAI

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

Date: 28 August 2018

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

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

Financial Year ending 31 December 2018
Summary of Key Financial Information for the Second Quarter ended 30 June 2018

		Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
1	Revenue	389,772	465,870	781,048	861,838
2	Profit before tax	8,847	25,747	36,851	44,460
3	Profit for the periods	8,060	22,792	35,549	40,397
4	Profit attributable to equity holders of the Company	10,753	20,609	37,367	35,873
5	Basic earnings per share (sen)	1.38	2.66	4.78	4.64
6	Proposed/declared dividend per share (sen)	-	-	-	-

		As at 30.6.2018 (RM)	As at 31.12.2017 (RM) (Restated)
7	Net assets per share attributable to the equity holders of the Company	1.15	1.13

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2018

		Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
		30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
	Note				
Revenue	6	**389,772**	**465,870**	**781,048**	**861,838**
Cost of sales		(339,795)	(401,737)	(683,707)	(745,735)
Gross profit		**49,977**	**64,133**	**97,341**	**116,103**
Interest income		313	208	1,336	600
Other income		5,235	5,786	12,832	13,296
Operating and administrative expense		(39,445)	(38,377)	(56,528)	(76,266)
Operating profit		**16,080**	**31,750**	**54,981**	**53,733**
Finance costs		(7,233)	(6,003)	(18,130)	(9,273)
Profit before tax	8	**8,847**	**25,747**	**36,851**	**44,460**
Income tax expense	9	(787)	(2,955)	(1,302)	(4,063)
Profit for the period		**8,060**	**22,792**	**35,549**	**40,397**
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	-	-	-
- Foreign currency translation		30,422	(27,732)	(15,050)	(33,558)
Other comprehensive income/(expense) for the period:		**30,422**	**(27,732)**	**(15,050)**	**(33,558)**
Total comprehensive income/(expense) for the period		**38,482**	**(4,940)**	**20,499**	**6,839**

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2018 (Cont'd)

		Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
		30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
	Note				
Profit for the period attributable to:					
- Equity holders of the Company		10,753	20,609	37,367	35,873
- Non-controlling interests		(2,693)	2,183	(1,818)	4,524
		8,060	**22,792**	**35,549**	**40,397**
Total comprehensive income/(expense) attributable to:					
- Equity holders of the Company		40,374	(6,033)	22,487	3,655
- Non-controlling interests		(1,892)	1,093	(1,988)	3,184
		38,482	**(4,940)**	**20,499**	**6,839**
Earnings per share attributable to equity holders of the Company					
- **Basic/diluted (sen)**	10	1.38	2.66	4.78	4.64

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017, and the accompanying explanatory notes attached to these interim financial statements.

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Financial Position as at 30 June 2018

	Note	30.6.2018 RM'000	31.12.2017 RM'000 (Restated)
Assets			
Non-current assets			
Property, plant and equipment	11	698,478	714,881
Goodwill	12	12,119	12,119
Deferred tax assets		1,466	2,161
Total non-current assets		**712,063**	**729,161**
Current assets			
Inventories	13	264,556	281,243
Amount due from customers under construction contracts		657,394	1,026,144
Trade receivables		918,075	602,062
Other receivables, refundable deposits and prepaid expenses		181,346	165,256
Investment in securities	15	23	23
Tax recoverable		1,545	1,612
Cash and bank balances	14	240,321	273,359
		2,263,260	2,349,699
Assets classified as held for sale	18	47,997	339
Total current assets		**2,311,257**	**2,350,038**
Total assets		**3,023,320**	**3,079,199**

EVERSENDAI CORPORATION BERHAD **(614060-A)**
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Financial Year ending 31 December 2018
Condensed Consolidated Statement of Financial Position as at 30 June 2018 (Cont'd)

	Note	30.6.2018 RM'000	31.12.2017 RM'000 (Restated)
Equity and liabilities			
Current liabilities			
Trade payables		291,393	302,046
Other payables and accrued expenses		433,272	467,409
Amount due to customers under construction contracts		132,403	142,457
Amount due to directors		8,189	10,282
Hire purchase payables	17	3,370	4,076
Borrowings	17	787,528	957,125
Tax liabilities		35,059	38,618
		1,691,214	1,922,013
Liabilities directly associated with assets classified as held for sale	18	30,630	-
Total current liabilities		**1,721,844**	**1,922,013**
Non-current liabilities			
Hire purchase payables	17	3,265	3,692
Borrowings	17	320,948	195,274
Employees' service benefits		67,741	64,695
Deferred tax liabilities		4,274	4,274
Total non-current liabilities		**396,228**	**267,935**
Total liabilities		**2,118,072**	**2,189,948**
Net assets		**905,248**	**889,251**

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2018
Condensed Consolidated Statement of Financial Position as at 30 June 2018 (Cont'd)

	Note	30.6.2018 RM'000	31.12.2017 RM'000 (Restated)
Equity and liabilities (Cont'd)			
Capital and reserves			
Issued capital	16	585,308	585,308
Treasury shares	16	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		140,812	155,692
Fair value adjustment reserve		30	30
Retained earnings		173,718	136,351
Equity attributable to equity holders of the Company		899,964	877,477
Non-controlling interests		5,284	11,774
Total equity		**905,248**	**889,251**
Total equity and liabilities		**3,023,320**	**3,079,199**

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017, and the accompanying explanatory notes attached to these interim financial statements.

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2018

	Attributable to equity holders of the Company									
	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	Total RM'000	Non-controlling interests RM'000	Total equity 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**

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2018
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2018 (Cont'd)

	Attributable to equity holders of the Company									
	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	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2018, as previously stated	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**143,841**	**884,967**	**12,335**	**897,302**
Effects of adoption of MFRS9	**-**	**-**	**-**	**-**	**-**	**-**	**(7,490)**	**(7,490)**	**(561)**	**(8,051)**
At 1.1.2018, as restated	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**136,351**	**877,477**	**11,774**	**889,251**
Profit for the period	-	-	-	-	-	-	37,367	37,367	(1,818)	35,549
Other comprehensive loss	-	-	-	-	(14,880)	-	-	(14,880)	(170)	(15,050)
Total comprehensive (loss)/income	-	-	-	-	(14,880)	-	37,367	22,487	(1,988)	20,499
Dividend	-	-	-	-	-	-	-	-	(4,502)	(4,502)
At 30.6.2018	**585,308**	**-**	**(91)**	**187**	**140,812**	**30**	**173,718**	**899,964**	**5,284**	**905,248**

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 2017, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD **(614060-A)**
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Financial Year ending 31 December 2018
Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2018

	Cumulative Quarter 6 months ended 30.6.2018 RM'000	30.6.2017 RM'000
Operating activities		
Profit before taxation	36,851	44,460
Adjustments for:		
Depreciation of property, plant and equipment	27,714	24,258
Provision for employees' service benefits	5,983	4,820
Gain on disposal of property, plant and equipment	(139)	(88)
Property, plant and equipment written off	-	23
Interest income	(1,336)	(600)
(Reversal)/allowance for doubtful debt	(622)	13
Reversal for foreseeable loss	(6,252)	-
Unrealised foreign exchange gains	(988)	(4,851)
Finance cost	18,130	9,273
Operating profit before working capital changes	**79,341**	**77,308**
Working capital changes:		
Net changes in current assets	36,820	(146,847)
Net changes in current liabilities	(34,561)	52,802
Cash generated from/(used in) operations	81,600	(16,737)
Employees' service benefits paid	(1,823)	(2,149)
Taxes paid	(4,113)	(5,637)
Finance cost paid	(18,130)	(9,273)
Net cash flows generated from/(used in) operating activities	**57,534**	**(33,796)**
Investing activities		
Purchase of property, plant and equipment	(21,752)	(36,621)
Proceeds from disposal of property, plant and equipment	677	93
Decrease in deposits pledge with financial institutions	(36,272)	(22,071)
Interest received	1,336	600
Net cash flows used in investing activities	**(56,011)**	**(57,999)**
Financing activities		
Repayment of bank borrowings	(35,077)	(148,617)
Repayment of hire purchase payables	(1,111)	(7,422)
Decrease in amounts due to directors	(1,040)	(3,328)
Dividend paid	(4,502)	-
Net cash flows used in financing activities	**(41,730)**	**(159,367)**

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2018
Condensed Consolidated Statement of Cash Flows for the Second Quarter ended 30 June 2018 (Cont'd)

	Cumulative Quarter 6 months ended	
	30.6.2018 RM'000	30.6.2017 RM'000
Net decrease in cash and cash equivalents	**(40,207)**	**(251,162)**
Effect of changes in foreign exchange rate	(20,257)	39,483
Cash and cash equivalents at beginning of period	159,672	337,912
Cash and cash equivalents at end of period	**99,208**	**126,233**
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	240,321	224,914
Less: Bank overdrafts	(67,979)	(47,501)
Less: Deposits with financial institutions	(73,134)	(51,180)
	99,208	**126,233**

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017, and the accompanying explanatory notes to these interim financial statements.

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 2017, 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 interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 28 August 2018.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 June 2018 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 2017. 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 2017.

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 2017.

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 2018 as follows:

3. Significant Accounting Policies (Cont'd)

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

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

The adoption of these Amendments to MFRSs did not have any material impact on the amounts reported on the financial statements of the Group in the current and previous financial years except for the following:

<u>MFRS 9 *Financial Instruments* ("MFRS 9")</u>

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement a*nd all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

- Investment classified as held-to-maturity and loans and receivables carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of MFRS 9;

- Quoted and unquoted investments and others classified as available-for-sale investments carried at fair value: these investments qualify for designation as measured at FVTOCI under MFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under MFRS 9, which is different from the previous treatment. This will affect the amounts recognised in the Group's and the Company's profit or loss and other comprehensive income but will not affect total comprehensive income;

3. Significant Accounting Policies (Cont'd)

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

MFRS 9 *Financial Instruments* ("MFRS 9") (Cont'd)

(a) Classification and measurement (Cont'd)

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under MFRS 139.

(b) Impairment

Financial assets measured at amortised cost and investments that will be carried at FVTOCI under MFRS 9 (see classification and measurement section above) and financial guarantee contracts will be subject to the impairment provisions of MFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by MFRS 9. As regards the quoted, unquoted and others investments and debentures, the Directors consider that they have low credit risk and hence, expect to recognise 12-month expected credit losses for these items.

In general, the directors anticipate that the application of expected credit loss model of MFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognized for these items.

(c) Hedge accounting

The Directors do not anticipate that the application of the MFRS 9 hedge accounting requirements will have a material impact on the financial statements of the Group and of the Company.

(d) Transition upon the adoption of MFRS 9

The Group has decided to adopt modified retrospective method of transition to MFRS 9. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018. The financial impact for each financial statement line item affected by the application of MFRS 9 for the current and prior years is disclosed in Note 23.

3. Significant Accounting Policies (Cont'd)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 supersede the previous revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In general, the Board has assessed that revenue from construction contracts should be recognised over time as the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date and that the customer control the assets during the course of construction by the Group. Furthermore, the Board considers that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

3. Significant Accounting Policies (Cont'd)

3.2 Standards and Amendments in issue but not yet effective

Effective for annual periods commencing on or after 1 January 2019

MFRS 16	Leases[1]
MFRS 17	Insurance Contracts[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[1]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[1]
IC Interpretation 23	Uncertainty over Income Tax Payments[1]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective date deferred to a date to be announced by MASB

The directors anticipate that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these standards will not have material impact on the financial statements of the Group in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors are currently assessing the impact of adoption of MFRS 16 on the amount reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group complete 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.

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6. Segment Information

	Structural Steel & Construction							
	Middle-East and CIS	India	Malaysia	Others	Oil & Gas	Total	A & E *	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 30.6.2018								
Revenue								
-External	403,533	100,054	72,488	55,372	149,601	781,048	-	781,048
-Internal	103,797	-	63,161	-	38,703	205,661	(205,661)	-
Total revenue	**507,330**	**100,054**	**135,649**	**55,372**	**188,304**	**986,709**	**(205,661)**	**781,048**
Profit/(loss) before tax	**26,948**	**1,964**	**3,079**	**9,764**	**(1,190)**	**40,565**	**(3,714)**	**36,851**
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**

* Consolidation adjustment & eliminations

6. Segment Information (Cont'd)

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute the largest share of the Group's revenue of 51.7% and pre-tax profit of RM26.9 million in the current financial period-to-date.

The operations in Malaysia had contributed 9.3% to the Group's revenue and pre-tax profit of RM3.1 million in the current financial period-to-date.

The operations in India had contributed 12.8% to the Group's revenue. The decrease in revenue from RM120.2 million in preceding year's corresponding period compare to current period of RM100.1 million mainly contributed by higher revenue recognised from DLF IT Park project in the previous year.

The oil and gas business contributed to 19.1% of the Group's revenue in the current period as compared to 15.9% recorded in preceding year's corresponding quarter. The losses of RM1.2 million during the current financial period mainly due to the losses arising from the petrochemical plant projects in Eversendai Oil&Gas.

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 Before Tax

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

	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
	30.6.2018 RM'000	**30.6.2017 RM'000**	**30.6.2018 RM'000**	**30.6.2017 RM'000**
Interest income	(313)	(208)	(1,336)	(600)
Sales of scrap	(4,035)	(2,404)	(8,679)	(6,881)
Finance cost	7,233	6,003	18,130	9,273
Depreciation of property, plant and equipment	13,942	12,256	27,714	24,258
Gain on disposal of property, plant and equipment	(127)	(77)	(139)	(88)
Unrealised foreign exchange loss/(gain)	7,413	(4,710)	(988)	(4,851)
Provision for employee's service benefits expenses	2,155	3,256	5,983	4,820
(Reversal)/allowance for doubtful debt	(628)	13	(622)	13
Reversal for foreseeable loss	(3,085)	-	(6,252)	-

9. Income Tax Expense

	Second Quarter 3-month ended		Cumulative Quarter 6-month ended	
	30.6.2018 RM'000	**30.6.2017 RM'000**	**30.6.2018 RM'000**	**30.6.2017 RM'000**
Current income tax:				
Malaysian income tax	(444)	1,338	(425)	873
Foreign income tax	596	1,617	1,092	3,211
	152	2,955	667	4,084
Deferred tax:				
Relating to origination and reversal of temporary differences	635	-	635	(21)
Total income tax expense	**787**	**2,955**	**1,302**	**4,063**
Profit before taxation	8,847	25,747	36,851	44,460
Effective tax rate	8.9%	11.5%	3.5%	9.1%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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 2018 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.

10. Earnings 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**	
	30.6.2018	**30.6.2017**	**30.6.2018**	**30.6.2017**
Profit for the period (RM'000)	10,753	20,609	37,367	35,873
Number of ordinary shares in issue ('000)	780,999	773,899	780,999	773,899
Basic earnings per share (sen)	**1.38**	**2.66**	**4.78**	**4.64**

11. Property, Plant and Equipment

During the current period under review, the Group disposed-off assets with carrying value of RM538,000 (2017: RM5,000), resulting in a gain of RM139,000 (2017: RM88,000), 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 2018**	**Discount Rate Applied 2018**	**Growth Rate 2017**	**Discount Rate Applied 2017**
Eversendai Engineering L.L.C. Dubai	1%	7%	1%	7%
Eversendai Engineering Sdn. Bhd. *(Formally known as Eversendai Energia Sdn. Bhd.)*	1%	9%	1%	9%
Eversendai Oil & Gas (M) Sdn. Bhd.	1%	9%	1%	9%
Eversendai Constructions (M) Sdn. Bhd.	1%	9%	1%	9%
Eversendai S-Con Engineering Co. Ltd	1%	10%	1%	10%

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 30 June 2018, 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:

	30.6.2018 RM'000	**31.12.2017 RM'000 (Audited)**
Cash and bank balances	167,157	236,467
Deposits with financial institutions	73,164	36,892
Total cash and bank balances	**240,321**	**273,359**
Less:		
Bank overdrafts	(67,979)	(76,825)
Deposits pledged with financial institutions	(73,134)	(36,862)
Total cash and cash equivalents	**99,208**	**159,672**

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 30.6.2018	
Current asset	
Investment in securities	23
Total	**23**
At 31.12.2017 (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 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

	30.6.2018 RM'000	31.12.2017 RM'000 (Audited)
Current:		
Hire purchase	3,370	4,076
Bank overdraft	67,979	76,825
Bills payable	215,216	368,579
Term loans	504,333	511,721
Other Borrowings	787,528	957,125
Total Current Borrowings	**790,898**	**961,201**
Non-current:		
Hire purchase	3,265	3,692
Term loans	320,948	195,274
Total Non-Current Borrowings	**324,213**	**198,966**
Total group borrowings and debt securities	**1,115,111**	**1,160,167**

Included in the Group's borrowings as of 30 June 2018 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.6.2018 '000	Equivalents in value of Malaysian currency 30.6.2018 RM'000
United Arab Emirates Dirham	446,267	489,918
Qatari Riyal	48,553	53,762
Indian Rupees	1,163,944	68,587
Thai Baht	37,975	4,638
United States Dollar	114,000	459,671

18. Assets and liabilities of disposal group classified as held for sale

On 4 May 2018, the Group had entered into a share sale agreement for the disposal of 84,000 ordinary shares in its subsidiary, Perisai Kuasa Sdn Bhd ("PKSB"), which represents 60% of the issued and paid up share capital in PKSB.

The proposed disposal is expected to be completed within two months from the date of the Agreement.

The associated assets and liabilities of the subsidiary were consequently presented as held for sale in the current quarter ended 30 June 2018 financial statement as below:

	30.6.2018 RM'000
Assets classified as held for sale	
Property, plant and equipment	169
Amount due from customers under construction contracts	32,700
Trade receivables	9,004
Other receivables, refundable deposits and prepaid expenses	3,485
Cash and bank balances	2,639
Total assets of disposal group held for sale	**47,997**
Liabilities directly associated with assets classified as held for sale	
Trade payables	(14,737)
Other payables and accrued expenses	(14,042)
Amount due to customers under construction contracts	(1,358)
Amount due to directors	(1,053)
Hire purchase payables	(22)
Tax liabilities	582
Total liabilities of disposal group held for sale	**(30,630)**

19. Dividends Paid

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

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20. Commitments and Contingencies

a) Capital expenditure commitments

	30.6.2018 RM'000	30.6.2017 RM'000
Contracted but not provided for:		
Factory building & labour accommodation	32,747	40,940
Computer systems	34	36
Plant & machineries	8,582	-
	41,363	**40,976**
Approved but not contracted for:		
Factory building & labour accommodation	**-**	**-**

b) Operating lease commitments

	30.6.2018 RM'000	30.6.2017 RM'000
Within one year	32,907	32,542
After one year but not more than five years	74,879	77,266
More than five years	230,443	244,430
	338,229	**354,238**

c) Contingencies

The Group does not have any pending litigation except as disclosed in Note 29 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:

	30.6.2018 RM'000	30.6.2017 RM'000
Eversendai Engineering LLC	3,613,964	4,131,265
Eversendai Offshore RMC FZE	655,374	813,536
Eversendai Engineering Qatar WLL	687,352	751,972
Eversendai Construction Private Limited	323,818	445,949
Eversendai Engineering Sdn. Bhd. (Formally known as Eversendai Energia Sdn. Bhd.)	245,583	228,802
Eversendai Engineering Pte Ltd	39,006	41,748
	5,565,097	**6,413,272**

21. 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	
	30.6.2018	**30.6.2017**
	RM'000	**RM'000**
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	732	697
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	30,280	51,903

22. Events After the Reporting Period

<u>Disposal of Shares in Perisai Kuasa Sdn Bhd ("PKSB"), a subsidiary of the Company</u>

Further to the Company's announcement on 4 May 2018, the disposal of 84,000 ordinary shares in its subsidiary, PKSB which represents 60% of the issued and paid up share capital in PKSB has been completed on 11 July 2018. Accordingly, PKSB no longer a subsidiary of the Company.

<u>Deregistration of Eversendai Steel-A Pty Ltd ("ESPL")</u>

On 6 August 2018, pursuant to an application for voluntary deregistration of ESPL, a dormant company and wholly-owned subsidiary of the Company, made with Australian Securities and Investments Commission (ASIC), ESPL has been deregistered. The voluntary deregistration of ESPL is not expected to have any material effect on the earnings or net assets of the Company for the financial year ending 31 December 2018. None of the Directors or substantial shareholders of the Company or persons connected to them has any interest, direct or indirect, in the said deregistration.

<u>Incorporation of Eversendai Resources Sdn Bhd ("ERSB")</u>

On 17 August 2018, the Company incorporated ERSB in Malaysia as an associate of the Company. The issued paid up share capital of ERSB is RM100 comprising 100 ordinary shares. ERSB is a 49% effectively owned associate company of ECB. ERSB intends to carry on the business of general contractors and property developer.

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23. Restatement of Comparative

The table below show the amount of adjustment for each financial statement line item affected by application of MFRS 9 for the previous financial year.

Condensed Statements of Financial Position

	As previously reported RM'000	MFRS 9 adjustments RM'000	As restated RM'000
As at 1st January 2018			
Trade Receivables	610,113	(8,051)	602,062
Retained Earnings	143,841	(7,490)	136,351
Non- controlling Interests	12,335	(561)	11,774

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

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

The Group recorded total revenue of RM781.0 million for the first half of the year, compared to last year's RM861.8 million was lower by 9.4%.

Out of the total revenue of RM781.0 million, 51.7% was contributed by the businesses in the Middle-East region, 9.3% by operations in Malaysia, 12.8% by operations in India, 19.1% from the oil and gas segment and the remaining 7.1% from operation in Thailand, Singapore and United Kingdom.

The Group has reported a PATAMI of RM37.4 million in the first half of the year, higher than PATAMI of RM35.9 million reported in first half of the previous financial year, mainly due to lower operating expenses incurred during the current quarter.

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

The Group's recorded a lower profit before tax of RM8.8 million during the current quarter when compared to the preceding year's corresponding quarter's profit of RM25.7 million, mainly due to lower revenue recognised and higher finance cost incurred during the current quarter.

26. Prospects of the Group

During the current financial period ended 30 June 2018, the Group has secured approximately RM716.2 million new contracts. As at 30 June 2018, the Group's order book stood at approximately RM2.4 billion. Approximately 59.3% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, 16.4% from Malaysia, 17.1% from India and the remaining 7.2% 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.

27. 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.

28. Corporate Proposals

There is no corporate proposal announced but not completed as at 21 August 2018, being a date not earlier than seven days from the date of issuance of this interim financial report.

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29. Changes in Material Litigation

(i) Linsun Engineering Sdn. Bhd. against Eversendai Engineering Sdn. Bhd. (formerly known as Eversendai Energia 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.

The matter has been fixed for Trial on 14 to 18 January 2019.

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 RM926,387.97 for work done for the Rapid SCC Project-Tower Dress Up project.

The matter has been fixed for Trial on 19 and 31 July 2018 and to be continued on 11 October 2018.

30. Dividend Payable

No interim dividend has been declared for the current financial period and 6 months period ended 30 June 2018.

31. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

By order of the Board of Directors

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

28 August 2018