EVERSENDAI

EVERSENDAI CORPORATION BERHAD (614060-A)

MOVING FORWARD WITH **CONFIDENCE**

ANNUAL REPORT **2017**

Inside AR2017

15th ANNUAL GENERAL MEETING

Date : 31 May 2018

Time : 3.00 p.m.

Venue : Safir I, Hotel Istana
Kuala Lumpur City Centre
73 Jalan Raja Chulan
50200 Kuala Lumpur

OUR **VISION**

To be a global leader by innovating, excelling and sustaining with our core values in new frontiers.

MISSION **STATEMENT**

- We aim to deliver sustainable value to our stakeholders by fulfilling our commitment to our clients while strengthening and forging new ties.
- We endeavour to maintain and enhance consistent performance, work culture and standards.
- We strongly believe in maximising the value of human capital and aligning it with company initiatives as a fundamental element of our business objectives.

CORE **VALUES**

- Compliance to Safety
- Conformance to Quality
- Adherence to Schedule
- Consistent Client Satisfaction

Eversendai is recognised globally as a leading organisation in undertaking turnkey contracts for highly complex projects which require innovative construction methodologies. Our portfolio includes **structural steel**, **power** and **process plants**, **oil & gas** process modules as well as composite and reinforced concrete building structures in the **Asian** and **Middle Eastern** regions.

STRUCTURAL STEEL DESIGN & ENGINEERING

We provide turnkey structural engineering solutions that bring challenging and complex geometrical designs into reality. We have a highly trained and experienced team of qualified engineers coupled with a range of contemporary computer softwares and design techniques. Our Design and Engineering services include Structural Design, BIM, 3D Detailing and Specialist Construction Engineering Services for the entire spectrum of Structural Steel Projects.

STRUCTURAL STEEL SUPPLY & FABRICATION

Our 7 strategically located, state-of-the-art steel fabrication facilities fabricate, provide protective treatment and make available trial assemblies for complex structures. We source raw steel material from reputable and renowned rolling mills to be used in our production line which has a collective production capacity that exceeds well over 204,000 tonnes per annum.

STRUCTURAL STEEL ERECTION

Our innovative construction methodologies have resulted in the successful and safe completion of several global iconic landmark structures across the globe which are the pride of their respective nations. This has led to the creation of an unmatched track record which is second to none.

PLANT CONSTRUCTION

We have extensive experience in the construction of coal-fired power plant projects, which require advanced engineering expertise and involve substantial quantities of steelwork. Our expertise also lies in the areas of assembly and installation of boiler pressure and non-pressure parts, ductwork, pipework, installation of auxiliary equipment, control and instrumentation packages.

COMPOSITE STRUCTURE AND CIVIL CONSTRUCTION

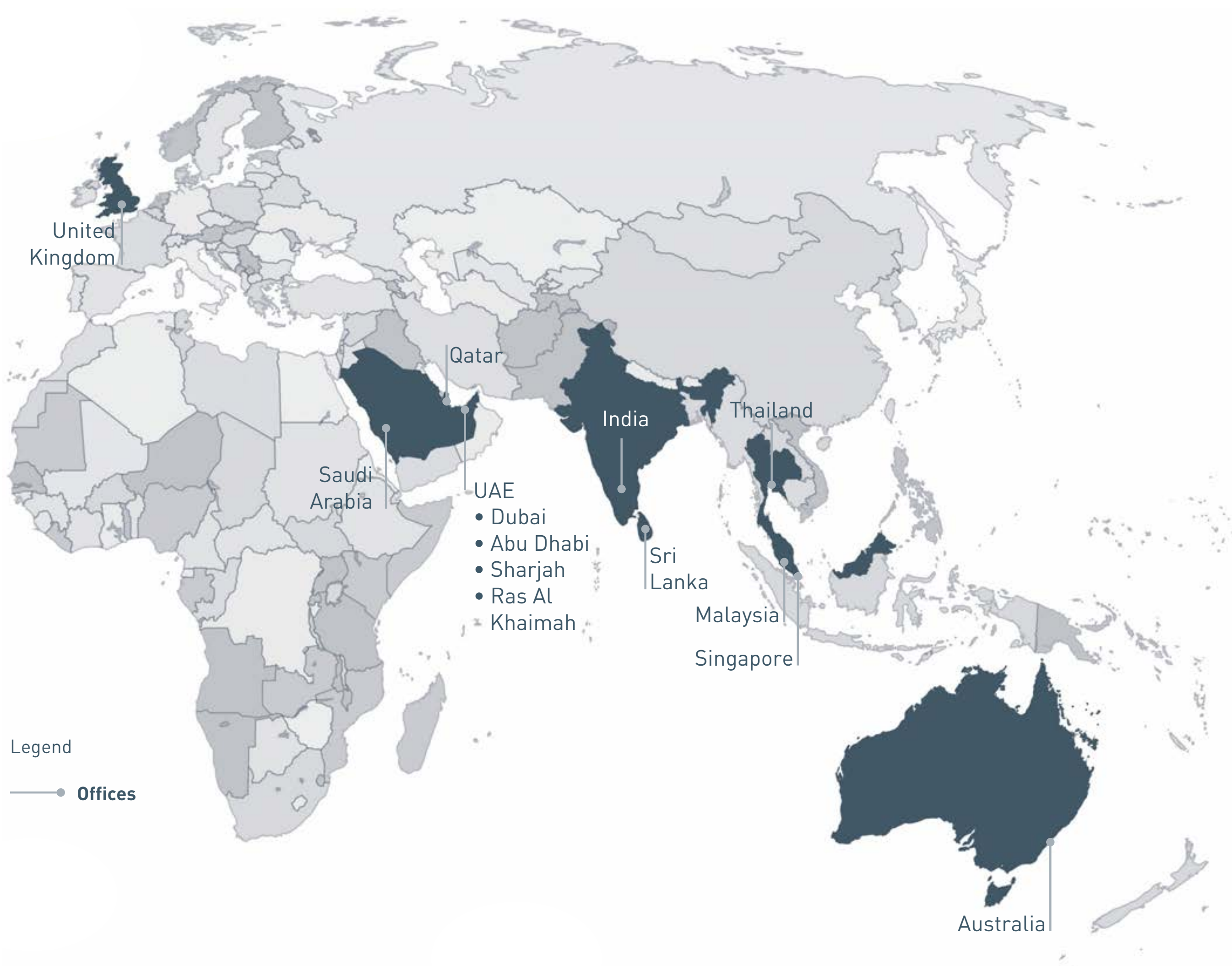
Eversendai's venture into construction using composite and civil structures and innovative construction methodologies for high rise buildings and infrastructure projects in Malaysia, India and the Middle East has allowed us to diversify our strength and expertise into different industries and sectors in line with our vision.

OIL & GAS

We are an Oil & Gas EPCC contractor executing complex fabrication and construction projects for the Oil & Gas industry such as Process Modules, Jackets/Piles, Topsides, Living Quarters and Self-Propelled Jack-up Barges at our waterfront fabrication facility in Ras Al Khaimah, UAE.

OUR PRESENCE

Eversendai Corporation Berhad ("Eversendai" or the "Group") is one of the most sought after structural steel turnkey and power plant contractors in the world, having served clients in over 16 countries which include Malaysia, Singapore, Indonesia, Thailand, Philippines, UAE, Oman, Kingdom of Saudi Arabia, Azerbaijan, Qatar, India, Kuwait, Algeria, Bahrain, Vietnam and Hong Kong. Over the years, Eversendai Group has garnered an enviable reputation in the industry by executing many prestigious and complex projects, both locally and internationally.



PROJECTS

Malaysia	Azerbaijan
Singapore	Qatar
Indonesia	India
Thailand	Kuwait
Philippines	Algeria
United Arab Emirates	Vietnam
Oman	Bahrain
Kingdom of Saudi Arabia	Hong Kong

FABRICATION FACILITIES

Rawang, Malaysia
Chachoengsao, Thailand
Trichy, India
Doha, Qatar
Hamriyah - Sharjah, UAE
Al Qusais - Dubai, UAE
Ras Al Khaimah, UAE

MEDIA HIGHLIGHTS

CHAIRMAN'S **STATEMENT**

Dear Valued Shareholders,

I am pleased to report that Eversendai Corporation Berhad ("Eversendai" or "the Group") has returned to profitability for financial year 2017 ("FY2017"). In turning around after a challenging financial year 2016 ("FY2016"), the Group has registered record revenue and its highest profits in the last five years.

It is gratifying to note that our response to difficult times has been immediate, with the resounding comeback achieved on the back of core resilience, our focus on delivering growth, internal restructuring and re-strategising efforts to drive performance.

The Group's remarkable performance in FY2017 has coincided with a more favourable external environment, which has seen oil prices recover from the USD30 per barrel mark in January 2016 to above USD60 per barrel at the close of 2017. Improvements in operating performance and implementation were recorded across business units, contributing to the Group's earnings.

The Group will continue to uphold our key values of compliance to safety, conformance to quality, timely delivery and ensuring consistent client satisfaction. Eversendai's commitment to our stakeholders takes precedence and we will deliver sustainable values and continue to innovate as we evolve to new frontiers.

In this regard, I would like to commend the management and employees for their focus and fortitude as well as our shareholders for their support and loyalty. Eversendai's current success and prospects are, as always, built on your respective contributions.

Effectively, this turn of events has boosted confidence and created a positive sentiment in the markets where Eversendai has considerable presence, particularly for structural steel construction, installation and fabrication works. We will solidify foundations in new markets, build and strengthen our business and engineering capabilities in innovative industrial areas to carve opportunities while constantly advancing ways of doing business. We are now poised to build on and sustain our business in the years ahead.

With this, it is my privilege to present on behalf of the Board of Directors the financial results of Eversendai for the year ended 31 December 2017.

16%

The Group achieved revenue of RM1.83 billion in FY2017 (FY2016: RM1.58 billion)

Profit Before Tax in FY2017

RM 96.2 MILLION

(FY2016: -RM267.2 million)

Profit After Tax in FY2017

RM87.1 MILLION

(FY2016: -RM274.1 million)

10 COUNTRIES

Progressively building a solid reputation for quality and reliability in structural steel

FINANCIAL RESULTS

The Group achieved Revenue of RM1.83 billion in FY2017, growing by 16% against RM1.58 billion registered the year before. Growth in Revenue was mainly generated by our structural steel operations in the Middle East, which accounted for 54.6% of total Revenue.

Our operations in Southeast Asia and India contributed 15.5% and 14.5% respectively with the Oil & Gas business making up 15.4%.

Significant gains were realised for both Profit Before Tax ("PBT") and Profit After Tax ("PAT") at RM96.2 million (FY2016: -RM267.2 million) and RM87.1 million (FY2016: -RM274.1 million) respectively.

The turnaround in profits can be attributed to higher revenue as well as improved performance efficiency across our various business units. The main contributors to both Revenue and improved profits were structural steel projects in the Middle East with RM87.0 million (90.4%).

Improved PBT of RM8.7 million was also achieved for our operations in India, Southeast Asia RM5.2 million while the Oil & Gas division posted a Loss Before Tax of RM2.1 million (FY2016: -RM134.0 million).

Meanwhile, Group Earnings Per Share ("EPS") for the year in review was 11.03 sen, a striking difference from -36.04 sen achieved in FY2016.

- **Dividend**

  Despite the positive results for the year in review, the Board has decided to defer any dividends to replenish our cash reserves following the downturn in FY2016. Nevertheless, we are optimistic that the Group can sustain growth over the next few years, placing us in a position to once again share profits with our esteemed shareholders.

BUSINESS PERFORMANCE

Eversendai's operations are spread across 10 different countries in three regions where we have progressively built a solid reputation for quality and reliability in structural steel for high-rise, retail and commercial buildings as well as Oil & Gas facilities and power plants.

The Group's expertise in design engineering and operational experience in these markets enable us to rapidly adapt to external forces and promptly deal with any adverse circumstances. In the wake of a challenging 2016, we reviewed and then improved our business approach and operating processes for 2017 to generate a better bottom line in all the countries where we operate.

At the same time, we also leveraged on our track record of projects in 16 countries globally to ensure we maintained our leading position. We will continue our efforts to secure new contracts for large complex projects which require a level of competency and efficiency, hallmark traits that we are known for. These projects enabled the company to build on its solid foundation and break new grounds driven by innovation and know-how.

During the year in review, the Group achieved several milestones, among which were the:

- International Achievement Award for 2017 conferred by Malaysia's Construction Industry Development Board ("CIDB");
- 9COM certification of Eversendai Offshore RMC FZE's fabrication facility in the UAE by Saudi Aramco, making us the first Malaysian company to be awarded a major offshore fabrication project by the Saudi oil giant; and
- Load-out of our ARYAN Liftboat, the company's first GustoMSC NG-2500X Self-Propelled Jack-Up.

CHAIRMAN'S STATEMENT (CONT'D)

Total projects that have been secured

RM 533.9 MILLION

First Quarter of 2018

BUSINESS PERFORMANCE (CONT'D)

In terms of on-going operations, the Middle East remains our largest market. For January 2018, our subsidiary Eversendai Engineering LLC which is based in Dubai secured RM272 million worth of new projects. With the new wins in the Middle East, a total of RM533.9 million worth of projects was secured by the Group for the first quarter of 2018, while its Order Book stands at approximately RM2.3 billion. Scheduled for completion by 2020, the new Dubai project consists of a luxury residential tower and a mixed-use development within the central business district of Dubai.

The Group also secured several high-profile projects in India in 2017. These include what is set to be a new icon in the Mumbai skyline, five other projects for a residential development, an office building and a start-up incubator complex.

FY2017 was a watershed for our Oil & Gas division, with our certification by Saudi Aramco expected to yield many more projects given that the oil giant had announced it would invest USD300 billion in infrastructure and other facilities over the next 10 years.

As at 31 December 2017, the Middle East accounts for 56.2% of the Order Book, Southeast Asia 21.8% and the remaining 22% from the Indian market.

The Group is also looking to expand to other non-traditional markets, partly as a hedge against the performance of the Ringgit for the past two years. On the back of the Ringgit strengthening in early 2018, we are actively seeking to grow our business in economies and markets with strong and stable currencies such as Singapore, Australia and the United Kingdom.

OUTLOOK FOR 2018 AND BEYOND

The global economy is projected to grow by an annual 3.9% over the next two financial years (2018 and 2019), according to the International Monetary Fund ("IMF"). This being the case, Eversendai is cautiously optimistic of what financial year 2018 ("FY2018") will bring.

Eversendai is focusing on strengthening our operations in the markets where we operate and streamlining our cost control to improve profits. Innovation has been our key driver in the way we operate and forms the foundation of our expansion plans. We will continue to push ourselves to be bigger and better and we will carve out new business and identify opportunities that we can leverage to drive and grow the business. We will face the year with greater tenacity and remain steadfast in our commitments.

The entry of new technologies is also unfolding and will affect the way we live and work, as it will impact the economic and business landscapes for all sectors. The Group has and will continue to evolve with the times and looks forward to more positive sentiments as the economy rebounds, stock markets rally with the return of foreign funds and the strengthening of macro-economic prospects.

In the Middle East, the Expo 2020 Dubai is expected to drive growth momentum towards a diverse innovation-driven economy to complement its Oil & Gas division. The Group had a bright start to FY2018, securing seven projects in the region and ensuring we have a steady stream of projects in the pipeline over the next few years.

Vahana Aryan GustoMSC NG-2500X Self-Propelled Jack-Up, the first Liftboat to be owned and built from scratch by a Malaysian entity in Middle East, has the distinction of being completely engineered and fabricated by Eversendai Offshore. Its recent launch will further drive growth and revenue in the Middle East.

RM46 BILLION

New development projects in 2018 in Malaysia

OUTLOOK FOR 2018 AND BEYOND (CONT'D)

The outlook for India remains largely positive, with the economy expected to grow at 7.4% in 2018, It is now on track to overtake Japan as Asia's largest construction market by 2023. Our established presence in India places the Group in an advantageous position to capitalise on future opportunities.

Back home in Malaysia, the Government has allocated RM46 billion for new development projects, as announced in Budget 2018. In addition, the construction industry is expected to thrive given the RM8.5 billion set aside for large infrastructure projects to be rolled out under the 11th Malaysia Plan.

The cyclical upturn has been broadening and encouraging. With a balance of strength, prudence and sound enterprise risk management, Eversendai is well positioned to continue its performance of delivering better margin returns for 2018.

Overall, the years ahead are expected to offer many opportunities for strong and solid companies such as Eversendai. Having rebounded so emphatically in FY2017, Eversendai is optimistic over its future prospects.

INCORPORATING SUSTAINABILITY AS THE NEW DRIVER FOR GROWTH

I am pleased to present our first Sustainability Statement on pages 25 to 40. The Board and management recognises the importance of being a sustainable organisation in every aspect of its operations. We are committed to this new undertaking and look forward to developing and reporting on more comprehensive measures to embed sustainability in our business activities in the years to come.

ACKNOWLEDGEMENT

On behalf of my fellow directors, I would like to warmly welcome Datuk Iskandar bin Sarudin to the Board. We can be sure to benefit from his experience and expertise. I also wish to record my appreciation and gratitude to Tan Sri Rastam bin Mohd Isa, who has retired as Independent Non-Executive Director, for his dedicated service and valuable contributions during his tenure.

I would like to express my sincere gratitude and appreciation to the Board. The Group stands to benefit significantly from its collective experience and diversity.

To our esteemed stakeholders which comprise our shareholders, associates, clients, bankers, business partners, and suppliers, I thank you for your continuous and unwavering support for the Group and this has been integral to our success.

We have come a long way from our beginnings as a modest structural steel erection company based in Malaysia to become one of world's most sought-after integrated structural steel turnkey contractor. We attribute this success to the management team and all employees who have gone the extra mile. Today, we are where we are because of your sense of responsibility, loyalty, commitment and dedication to our shared goals and vision.

Let us all move forward with confidence as we strive for greater heights.

On behalf of the Board of Directors, I wish to extend my sincere appreciation to each and every one of you for your invaluable service to the Group. Thank you.

TAN SRI DATO' A K NATHAN ELUMALAY
Executive Chairman & Group Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Eversendai Corporation Berhad is a specialist provider of engineering and construction services with strong presence in UAE, Saudi Arabia, Qatar, Kuwait, India, Thailand, Singapore and Malaysia. Our 30-year business experience is clearly evident in some of the world's iconic buildings, which include the Petronas Twin Towers, the Burj Khalifa and the Qatar National Museum.

The Company went public on 1 July 2011 with a current market capitalisation of approximately RM757.5 million, as of 30 March 2018. Our net assets stood at RM897.3 million as at 31 December 2017. This includes seven fabrication facilities in Dubai, Sharjah, Qatar, Ras Al Khaimah, India, Malaysia and Thailand, which have a collective capacity to produce over 204,000 tonnes of fabricated steel annually.

As at 31 December 2017, the Group has over 34 significant on-going projects, which are spread over various countries. These projects were manned by approximately 15,000 skilled employees.

GROUP BUSINESS AND FINANCIAL REVIEW

The Group has operations in three regions, namely: Southeast Asia, India and the Middle East, in the following segments:

i) Structural Steel & Construction, and

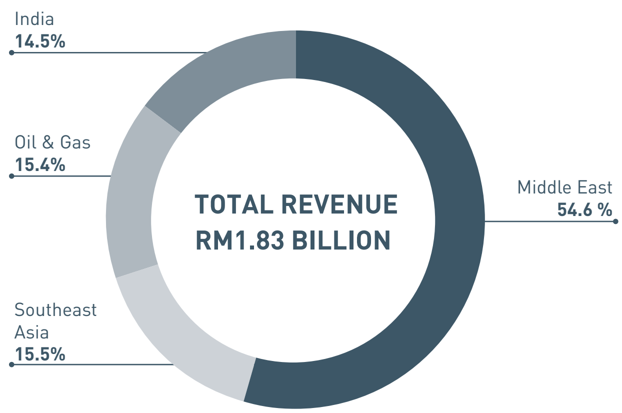
ii) Oil & Gas.

The Structural Steel & Construction operations are in all operating regions while the Oil & Gas operations are in the Middle East and Malaysia. These three regions also host operational offices, fabrication facilities and ongoing projects.

The Group recorded a Revenue of RM1.83 billion and a Profit Before Tax ("PBT") of RM96.2 million for the year ended 31 December 2017. For the same period in 2016, the Group recorded a Revenue and Loss Before Tax of RM1.58 billion and RM267.2 million respectively, which represents a Revenue increase of 16% in 2017.

Out of the total Revenue of RM1.83 billion, 54.6% was contributed by businesses in the Middle East region, 15.5% by operations in Southeast Asia, 14.5% by operations in India, 15.4% from the Oil & Gas operations.

Despite an economic slowdown, the Group had, as of 31 December 2017 secured contracts valued at RM1.6 billion and the Group's Order Book stood at approximately RM2.2 billion.



SEGMENTAL BUSINESS PERFORMANCE

Structural Steel & Construction

Middle East

The Middle East region is Eversendai's long-term stronghold. We first entered into this region in 1996, after winning a contract to erect steel structures for the Burj Al Arab in Dubai, the only 7-star hotel in the world. To date, this remains our strongest region with more than 14 significant ongoing projects. The company's key operational offices and four of the seven fabrication facilities are also located here. Among the significant ongoing projects in the area are the DIFC ICD Brookfield Place, Museum of the Future in Dubai, Riyadh Metro, King Abdullah Financial District Iconic Station in Kingdom of Saudi Arabia and Sabah Al-Salem Kuwait University City project in Kuwait.

SEGMENTAL BUSINESS PERFORMANCE (CONT'D)

Structural Steel & Construction (Cont'd)

Middle East (Cont'd)

For the year 2017, despite a sluggish economy in the oil-producing countries where our projects are located, the Middle East operations continued to garner 54.6% of the Group's total Revenue of RM1.83 billion. This is a 2.3% increase from contribution registered at 61.8% of total Revenue of RM1.58 billion recorded in 2016. A total of 12 projects were secured in this region for the year 2017.

Southeast Asia

Eversendai was incorporated in Malaysia in 1982 when the founder was granted his first project, the Dayabumi in Kuala Lumpur. More than 30 years later, the once small-scale office of one man has grown into a world-class turnkey contractor which is linked to some of the world's most iconic buildings. Two projects were secured in Malaysia in 2017.

In December 2015, Eversendai ventured into Thailand with the subscription of 70% of the voting rights of S-Con Engineering Co. Ltd, which is now known as Eversendai S-Con Engineering Co. Ltd. ("ESECL").

The Group, via ESECL was awarded its maiden project in Thailand to construct a power plant in 2016. The Group re-entered Singapore after a 10-year hiatus with the Singapore State Courts project in 2016.

The Southeast Asia region contributed 15.5% to Group's Revenue with Malaysia being the main contributor to the revenue. The decrease in revenue of RM204.3 million in 2017 from RM225.7 million registered for the same corresponding period in 2016, was mainly due to the delays in commencement of major key projects.

Total Revenue in FY2017

RM1.83 BILLION

FY2016 : RM1.58 billion

Profit Before Tax in FY2017

RM96.2 MILLION

FY2016 : -RM267.2 million

Profit After Tax in FY2017

RM87.1 MILLION

FY2016 : -RM274.1 million

Earnings Per Share in FY2017

RM11.03 SEN

FY2016 : -36.04 sen

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

SEGMENTAL BUSINESS PERFORMANCE (CONT'D)

Structural Steel & Construction (Cont'd)

India

In 2009, the Group expanded its business operations to the Indian subcontinent. The Group secured seven projects in this region for the year 2017. India continues to grow as a focal point for the Group as the country takes on numerous construction contracts for iconic buildings, which is a well-noted expertise for the Group. The Revenue from operations in India remain stable, contributing 14.5% to Group Revenue with PBT of RM8.7 million compared to a Revenue of 10% with a PBT of RM8.2 million for the year 2016.

Oil & Gas

The Group's Oil & Gas operations are based in the Middle East and Malaysia, managed by its wholly owned subsidiary, Eversendai Offshore RMC FZE and by its subsidiary of the Group, Eversendai Oil & Gas (M) Sdn Bhd respectively. While most of the Oil & Gas operations were facing a bleak outlook, Eversendai Offshore was awarded a major offshore fabrication project for Saudi Aramco, the first Malaysian company to be appointed by Saudi Aramco for their offshore fabrication project.

Eversendai Offshore expects this to be the first of many more projects to come its way from Saudi Aramco, which is projected to invest more than USD300 billion over the next 10 years. This combined with the building of two liftboats which are meant to service oil-well platforms, brings a revolutionary breakthrough for Eversendai Offshore.

Eversendai Offshore was also certified with the Saudi Aramco 9COM certification that allows it to execute Saudi Aramco projects which are only open to pre-qualified and approved companies who fulfil highly stringent requirements by Saudi Aramco. With this certification, the company's fabrication yard in Ras Al Khaimah becomes a pre-qualified vendor for fabrication and construction of Offshore Platforms and Jackets for Saudi Aramco.

Eversendai Oil & Gas Malaysia has an ongoing project in Pengerang in Johor, Malaysia. The Oil & Gas division contributed 15.4% to the Group's Revenue as compared to 13.4% in the corresponding period in 2016.

RISKS AND MITIGATING PROCESSES

Liquidity Risk

The Group's exposure to liquidity risk comes primarily from its various payables, loans and borrowings as well as financial guarantees which were given to banks for credit facilities granted to its subsidiaries. The Group manages its liquidity risks so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group also raises committed funding from financial institutions and balances its portfolio with some short-term funding to achieve overall cost-effectiveness.

Political, Regulatory and Economic

Our financial and business prospects and the industry in which we operate are closely linked to the developments in the political, economic and regulatory conditions in the Middle East, India, Malaysia and any other country where we operate or intend to operate. The Group has and will continue to take effective and adequate measures to mitigate such risks. The Group's current significant operations are located in countries that are economically and politically stable.

Exposure to Liabilities for Contract Claims

Under the UAE laws, certain subsidiaries are jointly liable, without fault, for the cost of rectifying structural defects that appear in a building or structure within 10 years of handover. For such liability, referred to as Decennial Liability, to be applicable, it is not necessary to prove any negligence or breach of contract and the liability attached, notwithstanding that the collapse or defect is caused by sub-surface conditions or that the customer had approved the defective work.

In the past and as at this reporting period, the Group has not been affected by any liability arising from our exposure to Decennial Liability and will not have any material adverse effect on the Group's financial position, business and operations.

RISKS AND MITIGATING PROCESSES (CONT'D)

Business and Project Risks

The Group is engaged in the construction industry and depends on securing new contracts for our business and growth. Closely connected to this risk, are project risks which we face when executing each contract.

The structural steel engineering sector that we are involved in is highly dependent on the economies of the countries we operate in and the cyclical nature of the industry. Delay or failure to complete contractual work will potentially affect our net profits and reputation. However, the Group has a good track record of successfully managing project risks in the past and will continuously conduct detailed studies to complete projects on schedule and to avoid project cost overruns.

The Group is renowned for its commendable track record for timely project completion with the best quality and operational practices. With more than 30 years' experience as an industry leader, the Group will be able to manage these businesses and mitigate project risks, should such occurrences arise.

PROSPECTS

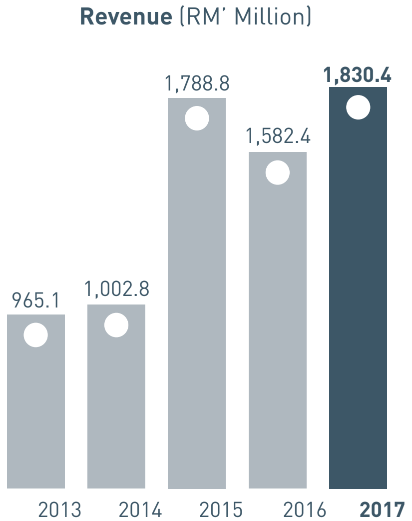
With the recovery in the Oil & Gas market, despite being sluggish, positive trends can be expected for the Group. The regions of operations are showcasing good GDP forecasts with positive effects for the construction segment. This is more evident in the Middle East with the upcoming Expo 2020 Dubai and the 2022 Qatar FIFA World Cup, where the Group expects to leverage on its expertise and experience in the region.

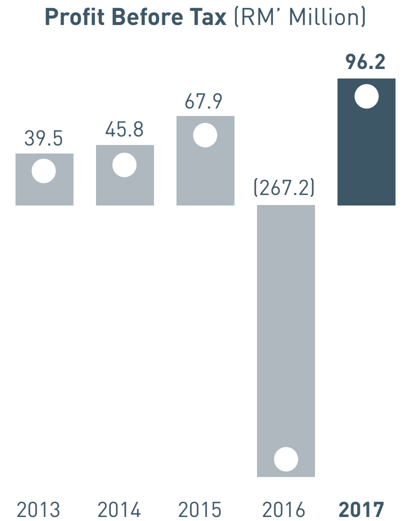
The Structural Steel segment remains the Group's largest business, contributing 68.3% of total Revenue. The Oil & Gas division contributed 16.0% while Civil Construction contributed 6.7% of the total Revenue. The remaining 9.0% was contributed by the Power Plant segment.

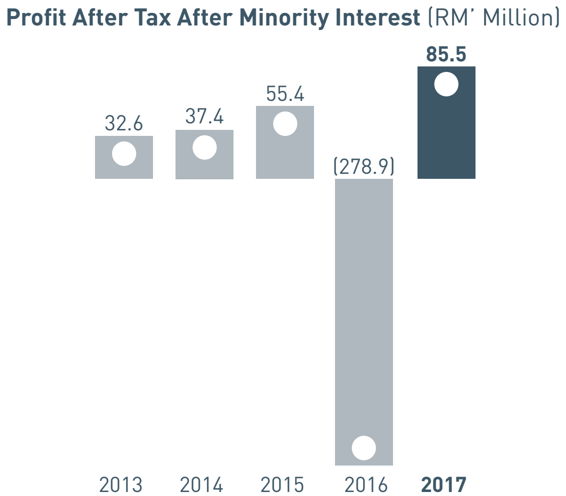
As at 31 December 2017, our Order Book stood at RM2.2 billion, the highest secured by the Group thus far. 73.4% of the Order Book is from the Structural Steel segment, with contracts valued at RM1.6 billion. The Oil & Gas Division, despite being within a slow recovering industry that took a beating in 2016, contributed 16.5% with projects valued at RM369 million. 8.0% is from the Civil Construction with projects valued at RM179 million and the Power Plant segment contributed to the remainder 2.1% with projects valued at RM47 million.

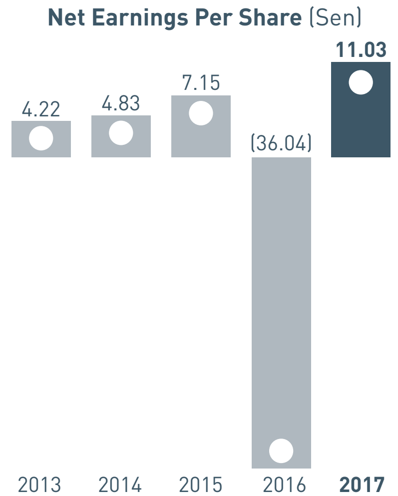
The Group projects to grow revenue in tandem with profits, progressively in the year 2018 by restructuring its management, better internal and cost controls, and a more aggressive pitching team. We remain resilient and are committed to producing world-class structures and positive value to our shareholders. RM533.9 million worth of new contracts were secured in the first quarter of 2018 bringing the Order Book to almost RM2.3 billion, signalling a good year ahead for the Group.

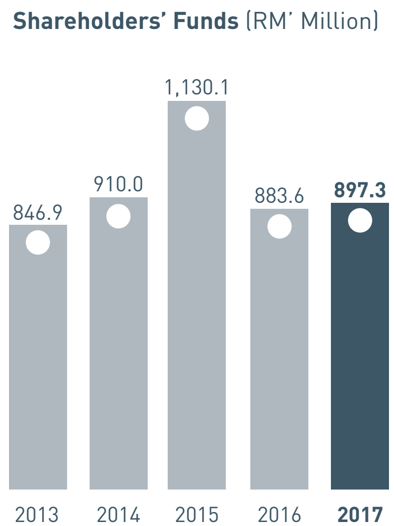
5-YEAR GROUP FINANCIAL HIGHLIGHTS

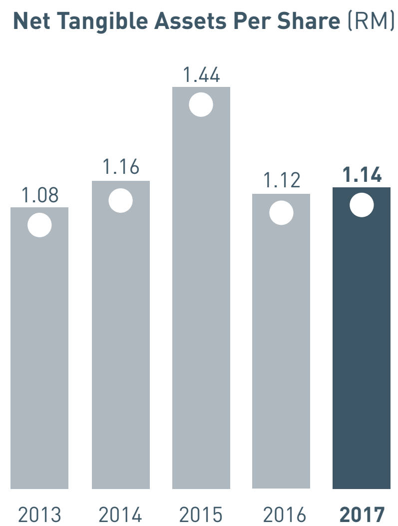












CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' A K Nathan Elumalay
(Executive Chairman &
Group Managing Director)

Mohammad Nizar Bin Idris
(Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Independent Non-Executive
Director)

Datuk Ng Seing Liong PJN.JP
(Independent Non-Executive
Director)

Cheah Ban Seng
(Executive Director)

Nadarajan Rohan Raj
(Executive Director)

Narla Srinivasa Rao
(Executive Director)

Narishnath Nathan
(Executive Director)

AUDIT COMMITTEE

Datuk Ng Seing Liong PJN.JP
(Chairman/Independent
Non-Executive Director)

Mohammad Nizar Bin Idris
(Member/Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

REMUNERATION COMMITTEE

Datuk Iskandar Bin Sarudin
(Chairman/Independent
Non-Executive Director)

Mohammad Nizar Bin Idris
(Member/Senior Independent
Non-Executive Director)

Nadarajan Rohan Raj
(Member/Executive Director)

NOMINATION COMMITTEE

Mohammad Nizar Bin Idris
(Chairman/Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

Datuk Ng Seing Liong PJN.JP
(Member/Independent
Non-Executive Director)

RISK MANAGEMENT COMMITTEE

Datuk Ng Seing Liong PJN.JP
(Chairman/Independent
Non-Executive Director)

Mohammad Nizar Bin Idris
(Member/Senior Independent
Non-Executive Director)

Datuk Iskandar Bin Sarudin
(Member/Independent
Non-Executive Director)

COMPANY SECRETARY

Cheok Kim Chee (MACS 00139)

REGISTERED OFFICE

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Fax : +603 6091 2577

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47810 Petaling Jaya
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Fax : +603 7733 3351 / 52
Website : www.eversendai.com

PRINCIPAL BANKERS

Malaysia
- Alliance Bank Malaysia Berhad
- HSBC Amanah Malaysia Berhad
- United Overseas Bank (Malaysia) Berhad
- Bank of China (Malaysia) Berhad

Singapore
- United Overseas Bank Limited

India
- Bank of Baroda

UAE
- Abu Dhabi Commercial Bank
- Al Hilal Bank PJSC
- Commercial Bank International
- Dubai Islamic Bank (PJSC)
- Emirates Islamic Bank
- Emirates NBD Bank (PJSC)
- Export Import Bank of Malaysia Berhad
- First Abu Dhabi Bank (National Bank of Abu Dhabi)
- Gulf International Bank
- HSBC Bank Middle East Limited
- MashreqBank PSC
- Union National Bank
- United Arab Bank
- United Bank Limited

Qatar
- HSBC Bank Middle East Limited
- MashreqBank PSC
- The Commercial Bank (Q.S.C.)

INDEPENDENT AUDITORS

Deloitte PLT (LLP0010145-LCA) (AF0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
Telephone : +603 7610 8888
Fax : +603 7726 8986

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Telephone : +603 7849 0777
Fax : +603 7841 8151 / 52
Email : ssr.helpdesk@symphony.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : SENDAI
Stock Code : 5205

CORPORATE STRUCTURE

EVERSENDAI CORPORATION BERHAD (614060-A)

- Eversendai Construction WLL (Kuwait)
- Eversendai Engineering LLC (Baku, Azerbaijan)
- Eversendai Engineering LLC (Dubai, UAE)
- EVS Construction LLC (Dubai, UAE)
- Eversendai Engineering LLC (Abu Dhabi, UAE)
- Eversendai Engineering FZE (Sharjah, UAE)
- Eversendai Engineering Saudi LLC (Saudi Arabia)
- Eversendai Frontiers Pvt Ltd (Mumbai, India)
- ECB Properties Sdn Bhd (Malaysia)
- Eversendai Construction (S) Pte Ltd (Singapore)
    - Eversendai Engineering Pte Ltd (Singapore)
    - Eversendai Construction Pvt Ltd (Chennai, India)
    - Eversendai Engineering Qatar WLL (Qatar)
    - Eversendai S-Con Engineering Co. Ltd (Thailand)
    - Eversendai Steel-S Ltd (United Kingdom)
    - Eversendai Steel-A Pty Ltd (Australia)
- Eversendai Engineering Sdn Bhd (Malaysia)
  (Formerly known as Eversendai Energia Sdn Bhd (Malaysia))
- Eversendai Offshore Sdn Bhd (Malaysia)
    - Eversendai Offshore RMC FZE (Ras Al Khaimah, UAE)
- Perisai Kuasa Sdn Bhd (Malaysia)
    - Eversendai Oil & Gas (M) Sdn Bhd (Malaysia)
- Eversendai Constructions (M) Sdn Bhd (Malaysia)
    - Eversendai Engineering (Pvt) Ltd (Sri Lanka)

PROFILE OF DIRECTORS

TAN SRI DATO' A K NATHAN ELUMALAY
Executive Chairman

Age 62

Other posts held within the company:
Group Managing Director

Other posts held in external company(ies):
Deputy President of Master Builders Association Malaysia

Appointed to the Board on:
12 August 2004

Tan Sri Dato' A K Nathan Elumalay, the founder of Eversendai, built the company from a modest structural steel erection company in Malaysia to one of the world's most sought after integrated structural steel turnkey contractors. His sheer determination, keen enthusiasm and acute attention to fine details have served as the driving power behind the development of the Eversendai Group.

Under his leadership, the company grew from strength to strength and spread its business from Malaysia to ASEAN, South Asia, the Middle East and North Africa. Some of the prominent structures built by Eversendai over the course of more than three decades of operations include the Petronas Twin Towers (Tower 2), Kuala Lumpur International Airport, Burj Al Arab, Burj Khalifa, Doha International Airport and Capital Gate. He was also instrumental in establishing Eversendai's steel fabrication facilities in Rawang, Thailand, Dubai, Sharjah, Doha, Ras Al-Khaimah and Trichy. Eversendai produces a combined annual capacity of over 204,000 tonnes. Today, Eversendai has a workforce of over 15,000 in 10 countries and operates out of 15 offices.

His charismatic approach to business and the construction industry has earned him many accolades. Some notable ones are the Malaysian Entrepreneur of the Year 2008 from Ernst & Young, the CEO of the Year Award in 2008 by CIDB and the Lifetime Achievement Award for Leadership in Construction Industry by the World Chinese Economic Forum in 2015.

Tan Sri is also a prolific speaker and is often invited to deliver speeches at various seminars, forums, universities and conferences.

MOHAMMAD NIZAR BIN IDRIS
Senior Independent Non-Executive Director

Age 75

Other posts held within the company:
NIL

Other posts held in external company(ies):
- Chairman of Pacific & Orient Insurance Berhad
- Board Member of FIDE FORUM
- Board Member of MCIS Insurance Berhad

Appointed to the Board on:
1 June 2010

Encik Mohammad Nizar Bin Idris obtained his Bachelor of Law (Honours) Degree from the University of Singapore in 1967 and was admitted as an Advocate and Solicitor of the High Court of Malaya. He attended the Advance Management Programme at Harvard University, Boston in 1994.

His working experience ranges from judicial services for the Government of Malaysia to various posts within the Royal Dutch Shell (Shell) company, where he was, amongst others, the Head of the Legal Division responsible for Shell's investment, joint ventures, mergers and acquisitions worldwide. Before retiring from Shell, he returned to Malaysia to assume the position of Deputy Chairman and Executive Director of the Shell Companies in Malaysia. He was also the Chairman of Shell Chemicals (TKSB). Upon retirement, he was appointed as a director on the board of several companies.

PROFILE OF DIRECTORS (CONT'D)

DATUK ISKANDAR BIN SARUDIN

Independent Non-Executive Director

Age 62

Other posts held within the company:
NIL

Other posts held in external company(ies):
- Director of Complete Logistic Services Berhad and Aeon Co. (M) Berhad
- Independent Director of AEON Malaysia Bhd

Appointed to the Board on:
22 August 2017

Datuk Iskandar Bin Sarudin began his career in the Malaysian Administrative and Diplomatic Service in 1979. He has served the nation in Jakarta, Indonesia and Lagos, Nigeria as the Second Secretary and First Secretary of the Embassy of Malaysia and High Commission of Malaysia respectively. He was then appointed as the Principal Assistant Secretary, Ministry of Foreign Affairs, Malaysia in 1989 before being tasked by the Ministry to establish Embassy of Malaysia in Republic of Chile and Sarajevo, Bosnia and Herzegovina. He has also served as High Commissioner of Malaysia to Sri Lanka, Republic of Maldives and Ambassador of Malaysia to the Republic of Philippines, People's Republic of China and Mongolia in addition to being appointed as Deputy Secretary General (Management Affairs), Ministry of Foreign Affairs in 2006. Datuk Iskandar Sarudin retired in 2015.

DATUK NG SEING LIONG PJN.JP

Independent Non-Executive Director

Age 63

Other posts held within the company:
NIL

Other posts held in external company(ies):
- Managing Director of Kota Kelang Development Sdn Bhd
- Senior Partner of S. L. Ng & Associates
- Director of CIDB (January 2007 to August 2016)
- Past President of REDHA Malaysia (2006 - 2010)
- Current Patron of REDHA Malaysia
- Member of the MIA Insolvency Committee
- Council Member and Honorary Treasurer of Insolvency Practitioners Association of Malaysia (IPAM)

Appointed to the Board on:
18 June 2010

Datuk Ng Seing Liong holds a Diploma in Commerce from Tunku Abdul Rahman College. He has more than 30 years of experience in the field of Audit, Receivership, Liquidation and Corporate Advisory Services. He is an active member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Certified Public Accountants. He holds a Fellow Member position with Association of Chartered Certified Accountants. In Malaysia, he is a Fellow Member of the Institute of Co-operative and Management Auditors Malaysia and Chartered Tax Institute of Malaysia. Internationally he holds an associate member position with the Institute of Chartered Secretaries & Administrators UK.

CHEAH BAN SENG

Executive Director

Age 53

Other posts held within the company:
Executive Director, Group Managing Director Office

Other posts held in external company(ies):
NIL

Appointed to the Board on:
22 August 2017

Mr. Cheah Ban Seng is a Chartered Accountant and has 28 years of experience in various public listed companies prior to joining Eversendai. He worked in overseeing the financial performance of various public listed groups that have business in a wide range of principles including construction, properties, integrated steel plant, mining, consumer products, and others.

He also has vast experience in the full spectrum of corporate functions covering corporate finance, strategic planning & corporate development, merger & acquisitions and corporate affairs & investor relations activities.

NADARAJAN ROHAN RAJ

Executive Director

Age 51

Other posts held within the company:
Chief Executive Officer, Group Structural Steel and Construction

Other posts held in external company(ies):
NIL

Appointed to the Board on:
12 August 2004

Mr. Nadarajan Rohan Raj is a Chartered Civil Engineer and obtained his Master of Business Administration from London Business School, United Kingdom. He is also an Associate of the Chartered Institute of Arbitrators, United Kingdom. He has over 20 years' experience in the structural steel industry spanning across the Middle East, India and Southeast Asia.

He has been responsible for the successful tendering, negotiation and execution of several major projects and was involved in the expansion of steel fabrication facilities, in Dubai, UAE and Seremban, Malaysia. His last position in Cleveland Bridge was as Managing Director of their Indian operations and Director of their Malaysian operations. Prior to joining Eversendai, he was with the Sembawang Group, Singapore, for about a year where he headed commercial management related to the engineering and construction of an offshore gas processing facility.

PROFILE OF DIRECTORS (CONT'D)

NARLA SRINIVASA RAO

Executive Director

Age 50

Other posts held within the company:
Chief Operating Officer, Group Structural Steel and Construction

Other posts held in external company(ies):
NIL

Appointed to the Board on:
26 May 2010

Mr. Narla Srinivasa Rao graduated in 1987 with a Diploma in Mechanical Engineering and has a Post Graduate Diploma in Business Administration from Manchester Business School, United Kingdom.

He started his career at Century Construction Pvt Ltd, India as a junior engineer where he gained valuable experience in fabrication and erection of structural steelwork and in hydro and coal-fired power plant construction. Subsequently joining Eversendai in 1993 as a site engineer. He held various positions within the Group before being appointed to his current position. He has played a major role in the successful execution of several major landmark projects for Eversendai.

NARISHNATH NATHAN

Executive Director

Age 35

Other posts held within the company:
Chief Executive Officer, Group Energy

Other posts held in external company(ies):
NIL

Appointed to the Board on:
26 May 2010

Mr. Narishnath Nathan holds a Bachelor's degree in Business Information Technology (Honours) from Coventry University, United Kingdom. He first joined Eversendai Dubai in 2004, after which he was posted to Eversendai Qatar in 2006 as its General Manager where he, among others, set up Eversendai's fabrication facility and managed several other major projects. He was also instrumental in securing several large contracts for the Group.

He also served the company as Country Head / Executive Director for Indian operations representing 4 divisions i.e. Infrastructure, Engineering, Power and Fabrication. Today, he is the Chief Executive Officer of Eversendai's Group Energy Division.

He is the son of Tan Sri Dato' A K Nathan Elumalay, the Executive Chairman and Group Managing Director.

Notes:

- Save as disclosed, there are no family relationships between the Directors and/or major shareholders of the Company.
- None of the Directors have any conflict of interest with the Company.
- All Directors maintain a clean record with regards to conviction for offences.

KEY SENIOR MANAGEMENT PROFILES

CHAN FOOK KWONG
Chief Financial Officer

Age 49

Academic/Professional Qualification:
- Chartered Institute of Management Accountants (Associate)
- Malaysian Institute of Accountants (Member)

Office Location:
Mutiara Damansara, Malaysia

Date Appointed:
18 August 2015

Mr. Chan Fook Kwong has over 20 years of experience in accounting and reporting, financial management, treasury management, corporate finance and tax planning. Prior to his appointment as Chief Financial Officer, he served as Head of Corporate Finance at Eversendai Corporation Berhad. He joined the company in September 2008 and spent 3 years working in Eversendai's operations in Sharjah, UAE before returning to assist in the IPO exercise of Eversendai Corporation Berhad in 2011.

PASHMEENA BHATIA
Chief Financial Officer, Middle East & CIS

Age 53

Academic/Professional Qualification:
- CPA, CMA Professional

Office Location:
Dubai, UAE

Date Appointed:
2005

Ms. Pashmeena Bhatia joined Eversendai in 1988. For 12 years, she has worked on planning, strategising and managing fiscal aspects of the Group's Middle East financial functions. She specialises in financial management, working capital management, raising finance, corporate finance, corporate performance management, internal controls, risk management, leadership qualities in treasury management and qualitative analysis.

DEVAN NAIR P K KRISHNAN NAIR
General Manager, Group Human Resources and Administration

Age 45

Academic/Professional Qualification:
- Masters in Business Administration

Office Location:
Dubai, UAE

Date Appointed:
1 January 2016

Mr. Devan Nair P K Krishnan Nair has 21 years of working experience with 15 years in Human Resources and Organisational Development. Prior to joining Eversendai, he served as a Vice President for Talent and Engagement for a subsidiary of Ministry of Finance Incorporated Malaysia (MOF Inc.) focusing on the development of the Board of Directors for Government Linked Companies and Government-Linked Investment Companies. He was also Vice President of Learning and Talent Development for a leading banking group in Malaysia focusing on Management and Senior Leadership Development. Mr. Devan is well experienced in the conceptualisation and roll out of Talent Acquisition and Compensation and Benefits strategies for medium to large companies.

ANBU JAYABALAN
Chief Executive Officer, Indian Operation

Age 49

Academic/Professional Qualification:
- B.E. Civil., M.E. Structures
- Executive Post Graduate Program in Finance from Indian Institute of Management (IIM)Kozhikode.

Office Location:
Chennai, India

Date Appointed:
25 March 2015

Mr. Anbu Jayabalan has 27 years of experience in the areas of Business and Construction Management specialised in residential, commercial and infrastructure projects. Currently, he is spearheading Eversendai India operations with project portfolio spread in steel, civil and composite structures with the focus on holistic construction solutions. Prior to joining Eversendai, he worked as a Vice President in a leading construction firm in operations, spearheading project development for the southern Indian region, inclusive of luxury category residential and commercial developments. Mr. Anbu has vast experience in managing large scale project execution, PMCs and consultants, delivering high-quality projects promptly to the stakeholders and customers.

KEY SENIOR MANAGEMENT PROFILES (CONT'D)

JOHAR GANGANNAGARI

Chief Operating Officer, Southeast Asia & Australia

Age 49

Academic/Professional Qualification:
- M.E. Master's in Structural Engineering
- B.E. Civil Engineering
- Post Graduate Diploma in Construction Management

Office Location:
Mutiara Damansara, Malaysia

Date Appointed:
20 November 2017

Mr. Johar Gangannagari has 25 years of extensive experience in construction industry from India, USA, & Middle East. His profile of experience includes Design, Engineering, Project Management, Execution, Business Development & Operations, on several Engineering, Procurement & Construction (EPC) Projects. He was previously employed as General Manager & Head of International Business for a large EPC Multinational Company. Also, a Certified Lead Auditor from Llyod's Register Quality Assurance, UK. Currently he is heading the group construction division for Southeast Asia.

CHRISTOPHER BUSH

Chief Operating Officer, Group Energy

Age 51

Academic/Professional Qualification:
- BSc (Hons), Member of the Royal Institute of Chartered Surveyors, Diploma. Building

Office Location:
Dubai, UAE

Date Appointed:
24 April 2017

Mr. Christopher Bush has over 30 years of experience gained across the globe with major EPC players. Having started his career in the UK including working in a fabrication yard on several North Sea platform developments, Christopher moved overseas to work for several top-tier onshore and offshore contractors in key project management and commercial roles on a variety of Oil & Gas projects in Europe, Far East, and the Americas. Most recently, Christopher has spent over 11 years with Technip in Abu Dhabi as Vice President Offshore covering the portfolio of EPIC projects and prospects in the Oil & Gas market across the Middle East.

PARDHASARADHI CHADALAVADA

Operations Director, Dubai & Abu Dhabi

Age 53

Academic/Professional Qualification:
- B.Tech in Mechanical

Office Location:
Dubai, UAE

Date Appointed:
17 February 2006

Mr. Pardhasaradhi Chadalavada has over 30 years of experience in various segments of the construction industry. He first joined Eversendai in February 2006 as a Deputy General Manager and subsequently promoted as Commercial Director for Middle East Operations and then as Country Head for UAE operations. He has vast experience not only in the structural steel industry but also with many plant construction projects coupled with highly competent techno-commercial capabilities. Prior to joining Eversendai, he worked with several leading Indian construction companies in executing several major industrial and infrastructural project assignments in India, the various sectors such as major steel plants, power plants, petrochemical plants, mining projects and other oil refineries.

SARAVANAN K

Sr. Vice President, Indian Operations (Special Projects)

Age 47

Academic/Professional Qualification:
- B.E. Civil
- M.E. Structural
- Master's in Business Administration

Office Location:
Chennai, India

Date Appointed:
1 April 2015

Mr. Saravanan K has been with the Eversendai Group for 21 years. He has handled numerous projects located in the far east, middle east and India while with the Group and has a wide range of experience in structural steel construction, design, construction methodology, and execution. Currently, he manages Eversendai's Structural Steel site operations in India and the production in the fabrication factory at Trichy. Prior to joining Eversendai, he worked in the petrochemical industry for 3 years doing petrochemical plant design and engineering works.

DAVID A. OGILVIE

Senior Vice President, Eversendai S-Con, Thailand/ USA & Canada Operations

Age 63

Academic/Professional Qualification:
- Steel Detailing and Connection Design & Business Management

Office Location:
USA

Date Appointed:
1 March 2018

Mr. David Ogilvie has completed his education from BC Institute of Technology and has more than 40 years of extensive experience in the structural steel business. He was most recently employed with Corey, USA Inc. as President and has also worked as an Advisor/Consultant for Grupo Recal, Mitsui Corp & NSSMC and Clark Construction. He was the Vice President of the Herrick Corp. California for 25 years and Managing Director of Thai Herrick Co. Ltd. in Thailand as well. His knowledge of both the North American and International markets for major Industrial and Commercial projects is significant.

BABU CHINAARAJ

General Manager, Proposal & Tendering

Age 44

Academic/Professional Qualification:
- Diploma in Civil Engineering

Office Location:
Dubai, UAE

Date Appointed:
15 January 2015

Mr. Babu Chinaaraj has 26 years of experience in the construction industry. He started off his career with one of India's leading construction company working on various mega civil structure projects in southern India. After joining Eversendai, he served the Group in Malaysia, Philippines, Hong Kong, UAE, Saudi, and Qatar. After the successful completion of a project in the Philippines in the year 2002 as Project Manager, he was assigned as Tendering Manager for Eversendai Dubai, in 2003 and subsequently promoted to his current position in 2015 working on contract awards which includes all sections of technical, planning, method statement developments, commercial, contracts, estimation, tendering, negotiations and joint finalisation of sub-contracts etc. He focuses primarily on the Middle East and special projects in CIS region, Russia, India, Sri Lanka, Malaysia, Bangkok, Korea, United Kingdom as well as Australia.

RAJAGOPAL DAMODHARAN

General Manager, Sharjah Operations

Age 49

Academic/Professional Qualification:
- Diploma in Mechanical Engineering

Office Location:
Sharjah, UAE

Date Appointed:
August 2008

Mr. Rajagopal Damodharan has 30 years of experience in various segments of the construction industries. He started his career in heavy structural fabrication activity for 8 years and later joined an international construction company as a project engineer for a refinery project in Surat, India. In 1996 he joined Eversendai as a Senior Project Engineer and held various positions within the Group before being appointed to the current position. He has been part of the successful execution of many landmark projects in the Middle East.

MURALIDHARAN BALAGURUMOORTHI

General Manager, Qatar Operations

Age 45

Academic/Professional Qualification:
- Diploma in Civil Engineering

Office Location:
Doha, Qatar

Date Appointed:
1 April 2016

Mr. Muralidharan Balagurumoorthi has 26 years of experience working in various segments of the construction industry. He first started his career as a Site Engineer in India and was involved in many architectural & industrial structures. He later joined Eversendai in 1996 as a site engineer and held various positions within the Group before being appointed as the General Manager. He has executed numerous landmark and highly challenging projects across the Middle East, Malaysia and the Philippines.

KEY SENIOR MANAGEMENT **PROFILES** (CONT'D)

P. BASKARAN

General Manager, Kuwait Operations

Age 48

Academic/Professional Qualification:
- Diploma In Mechanical Engineering

Office Location:
Sharq, Kuwait

Date Appointed:
23 January 2017

Mr. P. Baskaran has a total of 27 years of hands-on experience in the fields of structural steel and plant construction with overall operations management experience with sound knowledge in contracts and commercial. He began his career in Mumbai, India as an Engineer working in the areas of fabrication, steel structure erection, erection of rolling mill equipment, testing, commissioning, cold and hot runs including other aspects for various rolling mill operations. He joined the Eversendai Group in 1994 as a Site Engineer in Malaysia and carried out various projects in the field of structural steel, across Malaysia and Singapore. In 2003 he re-joined the Group as a Project Manager in Dubai and has been involved with various complex projects in the UAE, Oman, India, and Kuwait.

PALADUGU BHASKARA RAO

General Manager, Saudi Arabia Operations

Age 51

Academic/Professional Qualification:
- Licensiate In Mechanical Engineering

Office Location:
Riyadh, Saudi Arabia

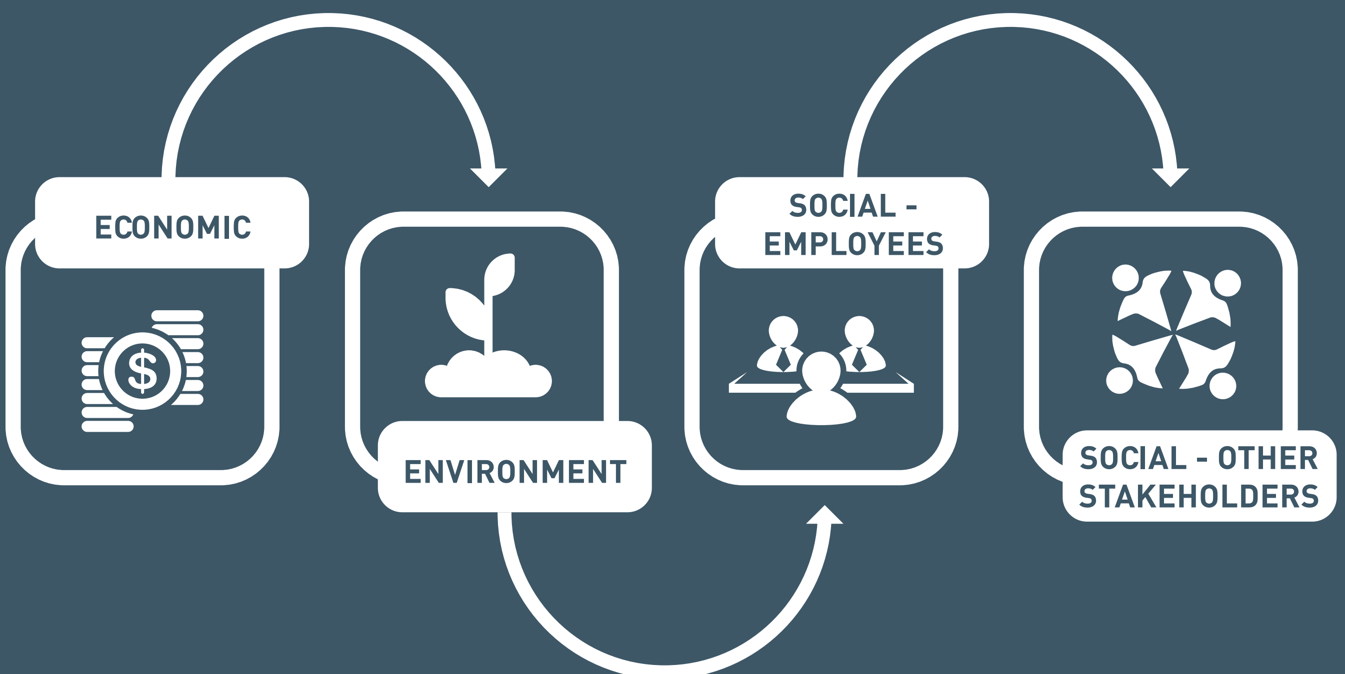
Date Appointed:
1 January 2016

Mr. Paladugu Bhaskara Rao has over 30 years of experience in structural steel fabrication and erection works. He started his career in India working on hydel power projects, penstock site fabrication, and installation works. He joined Eversendai in 1993 as a Site Engineer and was involved in the construction of various iconic buildings including malls, power plants, airports, etc. At present, he is managing the Group's Saudi Arabia operations for structural steel works which include design, connection design, fabrication and installation of complicated structures as well as fireproofing works and roofing and cladding works through specialist contractors.

Notes:

- Save as disclosed, there are no family relationships between the Key Senior Management and/or major shareholders of the Company.
- None of the Key Senior Management hold any Directorship in Public Listed Companies and listed issuers.
- None of the Key Senior Management have any conflict of interest with the Company.
- All Key Senior Management maintain a clean record with regards to conviction for offences.

SUSTAINABILITY **REPORT**



ABOUT THIS SECTION

This is the inaugural section on **SUSTAINABILITY** by **Eversendai Corporation Berhad** ("Eversendai" or "the Group"). The section outlines the initial steps taken by Eversendai to drive its business operations and corporate activities on a journey towards sustainability. It tracks and monitors the plans and processes to implement sustainability considerations in key areas of our business and how they impact our stakeholders including shareholders, partners, associates, vendors and suppliers, and employees as well as our clients and the communities where we operate. Our performance in practising sustainability during the year in review represents a baseline against which future results can be compared.

REPORTING PERIOD

1 January to 31 December, 2017

REPORTING SCOPE

Eversendai is committed to reviewing, updating and reporting our sustainability performance on an annual basis. At this initial stage, the Group is documenting all relevant plans and implementing steps to embed and track the performance of sustainability measures in three key dimensions of Economic, Environment and Social. The reporting covers Eversendai's operations in Malaysia as well as overseas activities by our subsidiaries. However, it does not include any business operations carried out by the Group's joint venture partners or any other activities beyond our direct control. Our reporting adheres to the following guidelines:

- GRI Sustainability Reporting Standards
- Bursa Malaysia Sustainability Reporting Framework

FEEDBACK

Eversendai looks forward to input by any parties on how we can improve on our sustainability initiatives as well as on our reporting. For such communication and other enquiries, please contact:

Tel No. : +603 7733 3300
Email : ir@eversendai.com

STARTING OUR JOURNEY

Message from the Chairman & Group Managing Director

I am pleased to present Eversendai Corporation Berhad's inaugural report on sustainability for the financial year ended 31 December, 2017 ("FY2017").

As a Group, we are enthusiastic to start a journey that will eventually become an integral part of all our operations and activities. We consider our embrace of sustainability as central to the aspirations of the Group as it serves as a valuable tool for all our stakeholders and all parties within our sphere of influence. It further enables our stakeholders to evaluate our commitment and performance toward sustainable business practices.

We fully expect sustainability to be the platform from which we can develop a company of the future and for the future. We view this platform as a catalyst to create opportunities by optimising resources in capital, assets and people while also minimising any adverse impact on the environment and communities we live in.

It is commendable of Bursa Malaysia to embark on this initiative in order to drive all listed entities towards sustainability and in mandating sustainability reporting as a compulsory requirement.

Far from viewing this as an issue of compliance, we believe this can only enhance the way we conduct our business and carry out our corporate responsibilities. In effect, planning and implementing sustainability will go a long way to ensuring we can continue to contribute to nation and community building for many years to come. At the same time, it will also bring us closer to harmonising our activities with the preservation of the environment for future generations.

At this stage, I would like to highlight that the Group is only just starting our journey towards sustainability. As with all beginnings, there are bound to be challenges, both internally and externally, which we need to overcome. Even so, we remain undaunted and endeavour to address any issues, which may arise objectively and positively.

At this juncture, I would like to extend my appreciation to all those involved in embedding sustainability measures and reporting instruments in the Group's operations and other activities. The first steps toward any journey could be, at times, overwhelming. However, with the efforts of our people and the support from all our stakeholders, I am certain of a secure future for the Group.

TAN SRI DATO' A K NATHAN ELUMALAY
Executive Chairman & Group Managing Director

EMBRACING SUSTAINABILITY

Sustainability has been an integral part of Eversendai for many years, although we are only now embarking on a formal approach to initiate tracking and reporting the performance of the Company and its subsidiaries.

From the outset, we have always understood the value and benefits of incorporating sustainability as a business imperative to every aspect of our operations. We believe the practice of sustainability will generate many benefits not only to the Group, but also to all other stakeholders impacted by our activities.

Now that we have started our official journey towards sustainable development, the priority is to implement a holistic approach to maximise its benefits from an economic and social perspective while also minimising its impact on the environment.

Following the first year of sustainability reporting, we intend to integrate sustainability into everything we do via the following steps or stages:

- Establishment of a governance structure to guide, supervise and monitor sustainability performance;
- Selection of materiality matters most critical to the Group and its stakeholders; and
- Development of comprehensive plans to implement sustainability measures in 3 broad areas or dimensions: Economic (incorporating Governance), Environment and Social (incorporating Community).

During the year in review, we had outlined our Sustainability Policy as featured in the sidebar:

SUSTAINABILITY POLICY STATEMENT

1. **Objective**
   The Board acknowledges the need to put in place, policies that ensures not only the continuity of the company but have positive impacts on both internal and external stakeholders. The Malaysian Code on Corporate Governance 2017 recommends the Board to ensure the company's strategies promote sustainability, especially in the aspect of economic, environment and social. As a global company, Eversendai is committed to promoting sustainability while continuously integrating such policies within our working environment as well as business processes. We pledge our commitment to accountability and transparency in all our undertaking, based on the following principles:
   - Complying with all relevant legislation, law and code of practices;
   - Including sustainability considerations in all decision-making processes at the Board level;
   - Promoting sustainable activities to employees in ensuring awareness and commitment towards Eversendai's Sustainability Policy;
   - Working consistently towards improving and updating the policy.

EVERSENDAI'S SUSTAINABILITY APPROACH AT A GLANCE

ECONOMIC

- To undertake ethical and transparent business practices for sustainability.
- To implement business continuity plans to ensure response, recovery and restoration are executed within the specified time frame in an adverse event.
- Whistle blowing policy available to all stakeholders to raise concerns without fear of retaliation.
- Zero tolerance towards bribery and corruption.

ENVIRONMENT

- To conduct environment aspect and significant impact analysis to reduce risk to the environment.
- To consume and manage resources wisely and safely, thereby ensuring conservation and protection of the natural environment.
- To promote the concept of 3R (reduce, reuse and recycle) for resources among the employees of the company.

SOCIAL – EMPLOYEES

- To provide a conducive, safe and healthy work environment for the well-being of all employees.
- To attract and retain talents by providing an environment where employees have opportunities to learn and grow/achieve their potential.
- To enhance knowledge and skills, improve competencies through training, mentoring, teaching, learning and development for succession planning.
- To implement performance management system to recognise and reward excellent performances.

SOCIAL – OTHER STAKEHOLDERS

- To support underprivileged communities and groups with special needs to achieve a better life.
- To support the development and promotion of sports, games and entertainment to promote a healthy lifestyle, balanced well-being and foster harmony with the stakeholders.

The next few chapters outline what we have achieved in the respective dimensions of Economic, Environment and Social.

ECONOMIC

Any effort to drive sustainability must start with the economic dimension as this ensures the longevity of the company and its role in ensuring the financial security of various stakeholders, which include shareholders, partners, associates, vendors, employees and the larger community it serves.

As a public-listed company, Eversendai is responsible for the financial assets of its shareholders. The Group's businesses across Southeast Asia, India, the Middle East and other regions also supports the livelihoods of tens of thousands through employment as well as by providing business opportunities to vendors.

In this regard, Eversendai contributes to the national economy in more ways than one while also driving innovation for business and industry.

DRIVING BUSINESS PERFORMANCE TO ENSURE RETURN OF INVESTMENT ("ROI")

The Group has been a model of sustainability in business and financial performance over the long term. Except for a solitary financial year, Eversendai has achieved growth over the past 10 years, ensuring shareholders can consistently gain through their shareholdings and dividends over an extended period.

Details for the Group's financial performance are presented in this Annual Report 2017.

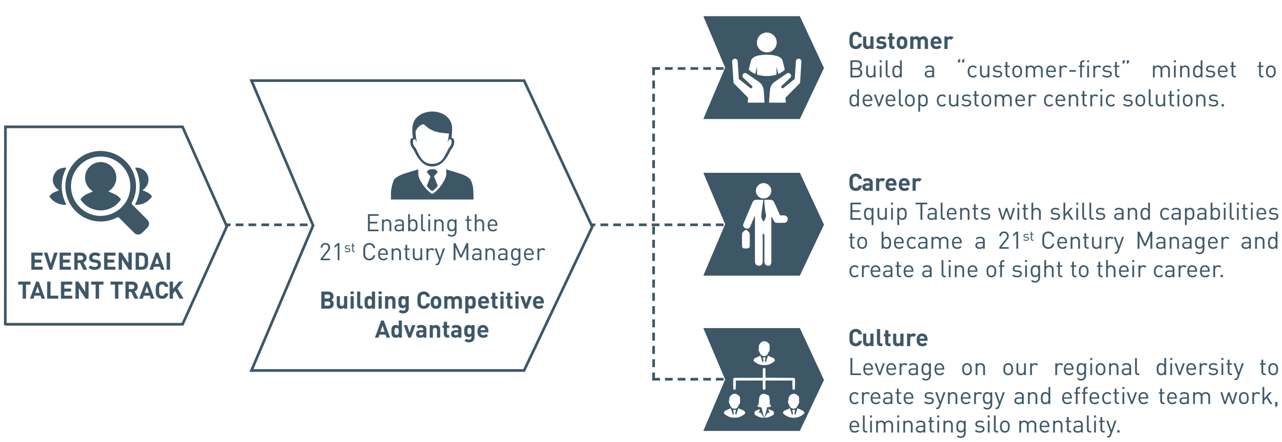
LOOKING AHEAD WITH BUSINESS CONTINUITY

Eversendai places a premium on business continuity, which is a key element of sustainability in the economic dimension as it provides a stream of competent leadership for the future or in case of any unforeseen circumstances.

The Group is seeking international certification for its business continuity management system which is built around a succession plan developed in 2017 and launched in February 2018.

The succession plan revolves around a talent tracking programme and supported by internal mentorship to grow and enable the '21st Century Manager', as shown in the infographic below:

TALENT TRACK PROGRAMME



ECONOMIC (CONT'D)

LOOKING AHEAD WITH BUSINESS CONTINUITY (CONT'D)

The focus of the plan is to identify and develop talents from within the Group in a process guided by the '3Ps' of 'performance + potential = promotion'. The leadership and talent management selection process is illustrated by the infographic below:

LEADERSHIP AND TALENT MANAGEMENT SELECTION PROCESS

Suitable talents are then developed through a composite process involving on-the-job experience, structured training, job performance, coaching and mentorship.

COMMITTING TO QUALITY FOR BUSINESS SUSTAINABILITY

A prime reason for Eversendai's growth as a company and expansion beyond national boundaries to become a multinational corporation is our commitment to quality products, solutions and projects.

Our management and employees are trained and guided to comply with, and in many cases, exceed all our client's technical requirements and specifications. Over and above this guiding principle, we have in place an Integrated Management System ("IMS"), which ensures our conformance to quality requirements, international standards and codes of practice, compliance with health, safety and environment regulations and other local requirements in the countries we operate.

Hamriyah Free Zone, Sharjah Fabrication Facility

- Certificate of Conformity of the Factory Production Control - Bureau Veritas
- Accredited Structural Steel Fabricator for Category S1 - Singapore Structural Steel Society
- UNI EN ISO 3834-2:2006 - Bureau Veritas

Al Qusais Industrial, Dubai Fabrication Facility

- ISO 9001:2015 - SGS
- ISO 14001:2015 - SGS
- OHSAS 18001:2007 - SGS

Industrial Area Doha, Qatar Fabrication Facility

- Certificate of Conformity of the Factory Production Control - Bureau Veritas
- ISO 9001:2015 - SGS
- ISO 14001:2015 - SGS
- OHSAS 18001:2007 - SGS

RAK Maritime City, Ras Al Khaimah Fabrication Facility

- Certificate of Conformity of the Factory Production Control - DNV GL
- ISO 9001:2008 - DNV GL
- ISO 14001:2004 - DNV GL
- OHSAS 18001:2007 - DNV GL

Chacherngsao Thailand Fabrication Facility

- ISO 9001:2015 - LRQA

Trichy, India Fabrication Facility

- Certificate of Conformity of the Factory Production Control - SGS
- ISO 9001:2015 – TUV NORD
- ISO 14001:2015 - TUV NORD
- OHSAS 18001:2007 - TUV NORD

Rawang, Malaysia Fabrication Facility

- ISO 9001:2015 - LRQA
- ISO 14001:2015 - LRQA
- OHSAS 18001:2007 - LRQA

ECONOMIC (CONT'D)

COMMITTING TO QUALITY FOR BUSINESS SUSTAINABILITY (CONT'D)

In addition, Eversendai has a long-standing tradition of hiring and training the best people in the market who are specialists in their respective disciplines with considerable experience, proven expertise and reliable competence.

We will continue to uphold our quality standards even as we seek global opportunities to expand our existing scope of operations.

INVESTOR RELATIONS

At Eversendai, we understand the value of constant and consistent engagement with our shareholders and investors as they contribute to the success of our operations and the sustainability of the company.

We have in place multiple channels to engage and interact with our shareholders, as listed below:

- A dedicated Investor Relations (IR) team responsible for managing all communications with investors
- An IR webpage: **http://www.eversendai.com/web/investor-relations/**
- Events/meetings with shareholders, fund managers, analysts and potential investors:
    - Annual General Meeting (25 May, 2017)

      This serves as an ideal platform for face-to-face discourse with our Board of Directors, Management Team and shareholders.
    - Analysts Briefing (28 February & 7 September, 2017)
- Regular and periodic announcements via Bursa Malaysia and media releases, which are also updated on our website to share information on financial results, projects and other relevant corporate information, as shown in the table below:

EVENT	DATE
Fourth Quarter FY2016	28 February 2017
First Quarter FY2017	25 May 2017
Second Quarter FY2017	28 August 2017
Third Quarter FY2017	27 November 2017
Fourth Quarter FY2017	27 February 2018

ANCHORING BUSINESS PERFORMANCE ON CORPORATE GOVERNANCE

Eversendai is committed to practising good governance as a foundation on which to operate all our external business operations and internal corporate activities.

We believe our emphasis on always conducting ourselves in an ethical manner will ultimately impact positively on our business and our brand.

Further details on Corporate Governance are featured in the respective section in this Annual Report 2017.

- **Code of Conduct**

  All management and employees are required to adhere to a Code of Conduct which covers a range of issues, which include their appearance, abuse of alcohol and drugs, confidentiality, conflict of interest, dealings with suppliers and customers, and also include marital status and transfer.

- **Whistleblower Policy**

  The Group has a Whistle Blower Policy to encourage all stakeholders including employees, customers, suppliers and shareholders to report any unethical behaviour, malpractices, illegal acts or cases of non-compliance. The policy outlines the channels, procedures and actions for reporting such cases.

ENVIRONMENT

Environmental impact is an area of paramount importance to Eversendai, given our standing as a global leader in structural construction across much of Asia and the Middle East.

We are committed to minimising any adverse effects from our operations on the location ecosystem. At the same time, we also understand that sustainability in this dimension requires the Group to incorporate environment-friendly practices at all levels of our business.

Accordingly, our efforts are two-fold: to limit the environmental impact of our external operations; and to promote green practices internally as a company.

MINIMISING THE IMPACT OF OUR OPERATIONS

The Group and all its subsidiaries including overseas operations are required to carry out an environmental impact analysis of all our fabrication and construction activities for every project.

Such Environmental Aspect and Significant Impact Analysis (EASI) typically covers an exhaustive list of items including:

- Consumption of paper, power and water etc. leading to depletion of resources;
- Generation of used materials leading to potential land contamination;
- Generation of smoke, noise etc. leading to air or noise pollution.

In each case, the EASI outlines the control measures to be taken in order to prevent or reduce, wherever and whenever possible, either the depletion of resources, contamination of land or pollution in any form.

- **Water and Energy Consumption**

  We are currently in the process of setting parameters for our consumption of energy and water at all our offices, based on our monthly consumption figures gathered in 2017.

- **Air and Noise Pollution**

  Going forward, we will put in place the necessary plans, procedures and tracking instruments to monitor our air as well as noise pollution. The data to be compiled in 2018 will represent the baseline figures from which we will seek improvements.

- **Waste Management**

  We are committed to managing the collection, storage and disposal of all waste materials in a safe and orderly manner in compliance with all laws and regulations governing such materials.

  We have in place meticulous and methodical procedures to deal with all wastes generated from our corporate, business operations and maintenance activities.

  These procedures cover all hazardous and non-hazardous materials from every office and project site in every country we operate from. The guidelines include the following:

  - **Container Management:** Empty drums from project sites are returned to the manufacturer for either refilling or recycling.
  - **Management of Waste Layers:** Wastes generated at our project sites are categorised into solid waste, hazardous waste and recyclable waste.

    All solid wastes produced are sent to designated landfills and wastes deemed hazardous are disposed through licensed hazardous waste contractors.
  - **Waste Management Plan and Waste Registry:** Waste generation is an unavoidable by-product of the construction industry, which is closely tied to materials usage.

    In order to minimise wastage and to handle waste management properly, we ensure good practices from the start of each project we undertake. Our waste management plan and waster registry in place encompass the quantification and management of waste. By having a reliable system to track and quantify construction waste generated, we aim to minimise waste disposal to the landfills.

ENVIRONMENT (CONT'D)

PROMOTING ECO-FRIENDLY PRACTICES

To complement and supplement efforts to reduce the environmental impact of our operations, we also adopt proactive measures to protect and preserve the environment. Eversendai has applied the Reduce, Reuse and Recycle (3R) concept as part of the daily operations, in which all recyclable waste such as steel and wood off-cuts, plastic and paper are recycled.

Among others, our 3R practices have resulted in the following gains:

- Reduction in consumption of paper by providing soft copies of documents;
- Recycling paper for preparation of drafts;
- Reduction in energy consumption by switching off power supply during lunch breaks;
- Reduction in printing materials by providing soft copies; and
- Reusing packaging materials for delivery purposes.

Beyond these measures, we also prioritise the selection of eco-friendly building materials and encourage the reduction in travel.

SOCIAL

The social dimension is an extensive aspect of corporate sustainability as it revolves around a company's human resources as well as the corporation's outreach to the communities it serves and operates in.

The Group is committed to ensuring the welfare and wellbeing of all our employees and contracted workers as well as their families. For example, we celebrate the marriages of our employees and births of their children with a cash token. Employees are also granted 30 days leave to perform their religious pilgrimage.

Over and above these considerations, the management places priority on providing our employees with a safe, secure and conducive working environment. Besides panel clinics to meet employees' medical needs, food and drinks are also made available at the workplace.

In addition, we always encourage and solicit employee input and feedback on a range of issues, which relate to both personal and professional matters.

INVESTING IN HUMAN CAPITAL

In terms of our corporate philosophy on human capital, we always seek to attract, retain and deploy the best talent in the market in order to achieve optimal business results.

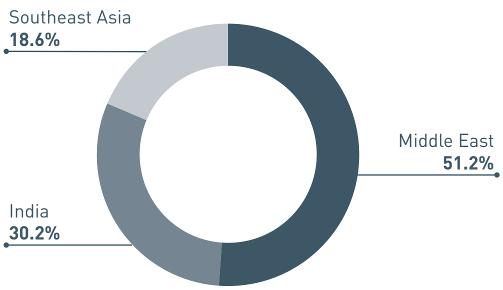
To achieve this, we believe it is essential that our employee value proposition contains a substantial and authentic commitment to support the career development of our employees through continuous learning.

In this regard, we provide opportunities for our employees to develop their capabilities so as to meet the challenges of a dynamic work environment, deliver high performance in a consistent and sustainable manner, and mitigate business continuity risks by having a ready pool of internal leaders.

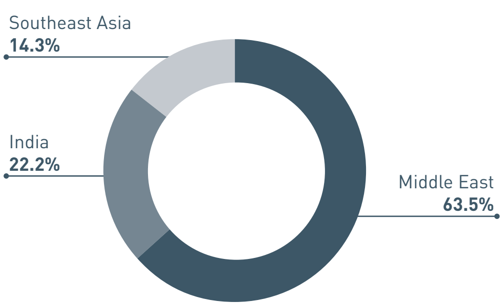
SOCIAL (CONT'D)

The Group's manpower strength exceeds 10,000 for permanent employees and contract workers.

EMPLOYEES COMPLEMENT EVERSENDAI AND ITS SUBSIDIARIES BY REGION



OTHER WORKERS CONTRACTED TO EVERSENDAI AND ITS SUBSIDIARIES BY REGION



As our business operations are located in Malaysia, Southeast Asia and India, our strategy to ensure efficient people management includes recruiting and retaining the best skilled talents in the industry.

CAPITALISING ON DIVERSITY

We understand the value of diversity in our talents, especially as our operations are spread across different regions. Having a diverse workforce ensures we are better placed to assimilate in the communities and cultures where we operate. All our overseas offices and project sites are staffed by locals from those countries and regions.

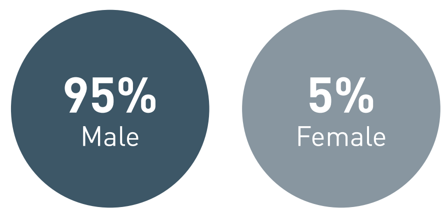
Our recruitment drive includes foreigners from within the areas where we operate, in order to relate and respond to customers and communities in the respective vicinity.

Apart from Malaysians, the majority of our employees are Indians followed by the Thais. Other nationalities under our employment are from Afghanistan, Bangladesh, Bosnia, UK, Egypt, Ethiopia, the Philippines, France, Italy, Japan, Nepal, Pakistan, Singapore and UAE.

The company is committed to equal opportunity employment and strives to cultivate a diverse workforce. Our recruitment policies outline equal opportunities regardless of race, religion, gender, marital status or age.

However, due to the nature of our business, which is very much male-dominated, men account for 95% of our workforce as compared to 5% female employees as at 31 December 2017.

GENDER (PERCENTAGE)



SOURCING FOR THE BEST AND BRIGHTEST

Eversendai ensures that it is always at the cutting edge of new ideas and innovation. To achieve this, we are always on the lookout for new talents who can bring on board their expertise and experience to complement the Group's existing talents.

Our recruitment and selection policy prioritises internal sourcing for vacant positions before we look for external prospects. All recruitment efforts are carried out in accordance with the Company's approved Manpower Plan and Budget for the year in question.

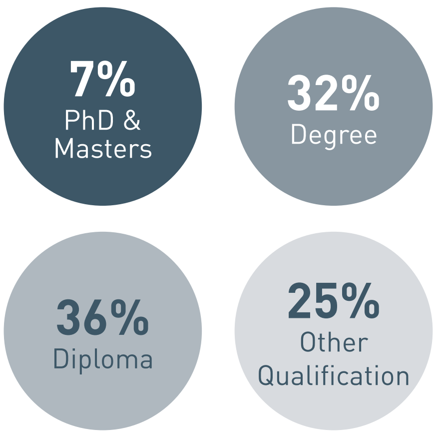
Candidates are evaluated on their individual competencies, organisational and job fit.

SOCIAL (CONT'D)

SOURCING FOR THE BEST AND BRIGHTEST (CONT'D)

89% of our employees have at least a minimum technical qualification. 75% are professional & specialists who have varied experience and expertise in the construction industry.

QUALIFICATION (PERCENTAGE)

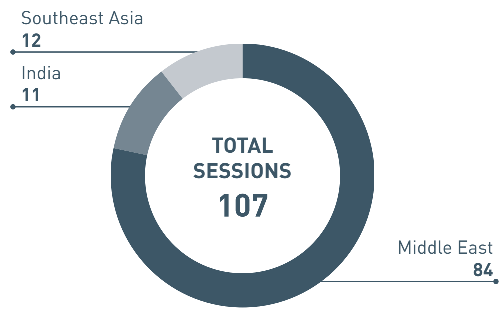


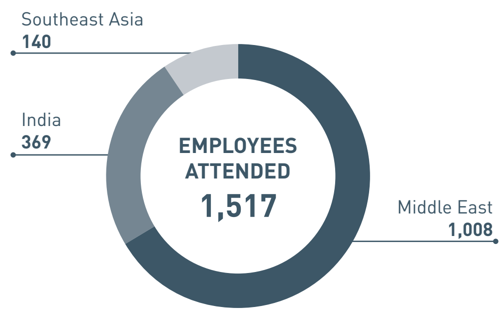
DEVELOPING AND RETAINING TALENTS FOR CONTINUOUS IMPROVEMENT

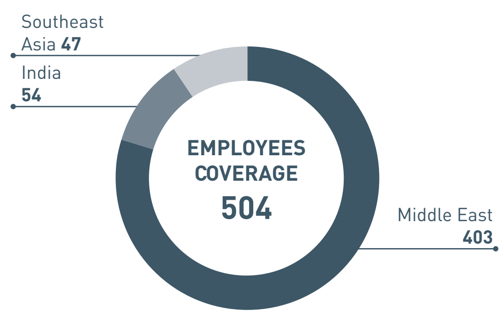
Eversendai is a firm believer in upskilling the capabilities and capacities of our talents and on this score, we invest heavily in various training and leadership programmes for our employees as well as other contracted personnel.

In 2017, more than 1,500 of our employees participated in various in-house training programmes, with the attendees having undergone an average of 13 training hours per employee.

INTERNAL TRAINING PROGRAMMES - 2017







The rating score total is 6 indicating that the training programmes conducted were rated between Very Good and Excellent.

	LEVEL 1 AVERAGE RATING
Southeast Asia	4.7/6
India	4.7/6
Middle East	4.7/6

SOCIAL (CONT'D)

INTERNAL TRAINING PROGRAMMES (CONT'D)

The programmes, which include training for competency and compliance regulatory requirements, on-the-job training, and supervisory and management skills, are listed below:

- Personal Leadership
- Critical Thinking & Problem Solving
- Managerial Skills
- Power of Choice
- Presentation Essentials
- Habits of Highly Effective Leaders
- Time Management
- Communication Essentials

Effective Business Writing

Communication Essentials

Eversendai Team Building 2.0

YEARLY TECHNICAL TRAINING PROGRAMMES

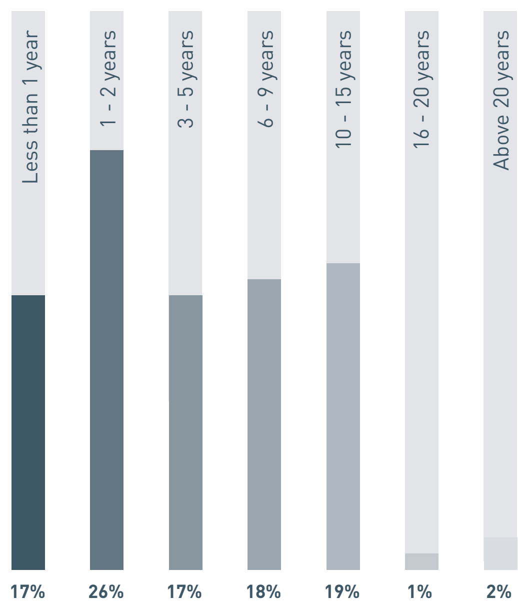
TITLE
• Drawing study, Productivity, Modernized Fabrication Technique, Cost Saving Methods, Improvements in Blasting, Painting, Packing and Delivery
• Advanced Planning, Cost Savings, Time Management, Adhering to Project Schedule
• Quality Requirements, Internal Audit, Policies and Procedures, Quality Objectives, IMS Requirements, Requirements by Government Authorities
• Material Storage, Accountability and Store Management & Inventory
• Specification & Standards, WPS, PQR, Welding Process and Methods
• Policies and procedures including process flow
• Avoid Wastages
• Team work and Smart work
• Preventive Maintenance, Do's and Don'ts, Handling and operation of Tools and Tackles
• Safety, Health and Environment, First Aid, Fire Fighting, PBS

In addition, we also conducted an Annual Quality Assurance Training covering a host of work-related disciplines including fabrication, construction and installation works.

Employee retention is crucial to create a healthy workplace environment. Besides providing competitive remuneration and benefits, training and coaching programmes help our employees improve their work and thus, increase productivity.

SOCIAL (CONT'D)

EMPLOYEE TENURE – AS AT 31 DECEMBER, 2017



In 2017, we introduced a Long Service Award to acknowledge loyal employees in India, with the intention of extending this recognition to all countries where we have operations. During the year in review, a total of 157 employees in India received certificates of long service with those having served more than 10 years awarded additional plaques and cash vouchers.

REVIEWING PERFORMANCE

Eversendai conducts a performance review twice a year in July and December, with our employees achieving the following results as shown in the table below:

PERFORMANCE STANDARDS	RATINGS
PLATINUM - Consistently Exceeds Expectations	86% - 100%
GOLD - Exceeds Expectations	70% - 85%
SILVER - Meets Expectations	60% - 69%
BRONZE - Needs Improvement	50% - 59%
COPPER - Below Expectations	49% and below

PROTECTING OUR PEOPLE

Eversendai's first priority is the health and safety of our employees and persons working on our behalf, as reflected by the OHSAS 18001:2007 certification received at our sites in Qatar, India, UAE, Malaysia and Singapore.

We comply with all legal and regulatory requirements relevant to Occupational Safety and Health (OSH). In addition, we undertake the following measures to strengthen compliance and to safeguard all our employees and other workers:

- Hazard identification, risk assessment and determining controls;
- Workplace inspection;
- Incident reporting and investigation;
- Toolbox meetings;
- Training; and
- Emergency preparedness and response training (e.g. fire drill)

GIVING BACK TO THE COMMUNITY

Eversendai is committed to community outreach, believing in the principle of giving back to society as a means to ensure disadvantaged individuals and groups benefit from our presence as a responsible corporate citizen.

SOCIAL (CONT'D)

During the year in review, we carried out a number of Community outreach events and activities, as shown below:

DUBAI - LLC - 18 May 2017
A blood Donation Campaign was organised by Eversendai at the Hamriyah (HFZ) Workshop along with the Ministry of Health & Sharjah Blood Transfusion & Research Centre, UAE where 70 employees participated in this Life-saving campaign.

QATAR - 18 May 2017
30 employees from our Qatar head office participated in a Blood Donation Camp which was organised by Hamad Medical Corporation. We received a Certificate of Appreciation from the hospital for our participation.

DUBAI - LLC - 26 May 2017
A free Medical Campaign was organised by Eversendai and Metro Medical Centre at our workers accommodation in Ajman, UAE. 370 employees underwent medical check-ups and were briefed on prevention of diseases and medical conditions.

MALAYSIA - 27 August 2017
Employees participated in the *#AnakAnakMalaysiaWalk* to celebrate Malaysia's diversity and promote unity and understanding among its people.

OFFSHORE - 15 December 2017
A free medical check-up was organised by Eversendai and Indian Medical Committee in Ras Al Khaimah, UAE for 60 employees and workers.

OUR COMMITMENT TO QUALITY

Eversendai Group, including our subsidiaries and associates, places emphasis on the quality of our products and services irrespective of the country in which we operate.

Our dedicated, diligent and duty conscious manpower strive to build some of the most impressive, innovative and iconic structures in the world through adhering to Eversendai's core values meeting our client's technical requirements and specifications.

We have a long-standing tradition of hiring and training the best people in the market who are specialists in their respective disciplines with considerable experience, proven expertise and reliable competence. This also makes Eversendai a preferred and sought after employer.

We do not compromise on quality. Our finished products and services are constantly in compliance with all health, safety and environmental regulations while conforming to international codes and standards required in the countries where we operate.

Under the extremely enterprising founder, Tan Sri Dato' A K Nathan Elumalay, who is also the Executive Chairman and Group Managing Director of the Eversendai Group, Eversendai has seen tremendous growth and is synonymous with superior quality. We shall continue to seek global opportunities to expand our existing scope of operations while upholding our quality standards.

MOVING FORWARD

Our journey towards sustainability has started well and we are confident the Group will gain momentum in embracing sustainable development in every facet of our operations and activities.

In the new financial year, we will continue to create awareness among our management and employees as to the necessity and importance of embedding sustainability in everything we do. At the same time, we will continue to engage with all our stakeholders to gain their acceptance and support for this challenging new campaign.

We will also conduct a selection process in collaboration with all stakeholders of those material matters most important to the Company. Once these are determined, we intend to develop action plans specifying the objectives, targets, parameters and tracking mechanisms for each of these material matters.

Looking ahead, we can then begin monitoring and reporting on the performance, always with a view to improving their results year after year. With this in mind, we look forward to producing a full and comprehensive Sustainability Report to outline what we have achieved, our plans and targets for the future.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Eversendai Corporation Berhad (the "Board") is committed to upholding the practices of good corporate governance throughout the Group as prescribed in the Malaysian Code on Corporate Governance 2017 (the "Code"). The Board believes good corporate governance supports the enhancement of shareholders' value and sustainable growth. The Board is pleased to share the manner in which the Principles of the Code have been applied within the Group in respect of the financial year ended 31 December 2017 and the extent to which the Company has complied with the recommendations of the Code during the financial year ended 31 December 2017 except where otherwise stated.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

There are eight (8) members on the Board, comprising the Executive Chairman (who is also the Group Managing Director), four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board is mindful of the Code's practice which states that if the Chairman of the Board is not an Independent Director, then the Board should comprise a majority of Independent Directors to ensure balance of power and authority on the Board. In this regard, the Nomination Committee is currently making efforts to identify, assess and recommend to the Board for approval suitable candidate(s) to fill in the position of Independent Director.

1.2 Board Balance

The Board comprise members with diverse professional backgrounds, skills, extensive experience and knowledge in the areas of engineering, steel fabrication, information technology, finance, business, general management and strategy required for the successful direction of the Group.

There is currently no female representation on the Board of Directors. The Board recognises the need for gender diversification and will gradually be looking to fulfilling this role accordingly.

The profiles of the members of the Board are provided for on pages 17 to 20 in the Annual Report.

The Board is of the view that it has the right mix of individual qualities to fulfill its role. With its diversity of skills, the Board has been able to provide clear and effective collective leadership to the Group and has brought informed and independent judgement to the Group's strategy and performance so as to ensure that the highest standards of conduct and integrity are always at the core of the Group. None of the Independent Non-Executive Directors participate in the day-to-day management of the Group.

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent opinions, advice and decisions to ensure that the interests, not only of the Group, but also of shareholders, employees, customers, suppliers and other communities in which the Group conducts its business are well represented and considered.

Encik Mohammad Nizar Bin Idris is the Senior Independent Non-Executive Director, to whom affairs of the Group may be conveyed.

The Code recommends that there should be clear division of responsibilities at the head of the company to ensure proper balance of power and authority.

Although the roles of the Chairman of the Board and the Group Managing Director are combined, the Board is of the view that there is a strong independent element on the Board and that there are adequate measures and controls to ensure balance of power and authority, so that no individual has unfettered powers of decision. The more significant measures and controls are summarised below.

All Executive and Non-Executive Directors have unrestricted and timely access to all relevant information necessary for informed decision-making. The Executive Chairman encourages participation and deliberation by Board members to tap their collective wisdom and to promote consensus building as much as possible.

Matters which are reserved for the Board's approval and delegation of powers to the Board Committees, the Group Managing Director, the Chief Executive Officer and the Management are expressly set out in an approved framework on limits of authority. Business affairs of the Group are governed by the Group's Discretionary Authority Limits and manuals on policies and procedures. Any non-compliance issues are brought to the attention of the Management, Audit Committee and/or the Board, for effective supervisory decision-making and proper governance.

As the Group is expanding and its business growing, the division of authority is constantly reviewed to ensure that Management's efficiency and performance remain at its level best.

1. BOARD OF DIRECTORS (CONT'D)

1.3 Board Roles and Responsibilities

The Board has adopted a Charter, which sets out, amongst others, the Board's strategic intent and outlines the Board's roles and responsibilities. It is a source of reference and primary induction literature for existing and prospective members of the Board. It also sets out the Code of Ethics and Conduct that the members of the Board must observe in the performance of their duties. The Board Charter is subject to review periodically. Details of the Board Charter is available online in the Governance and Responsibility section at **www.eversendai.com.**

The Board is collectively responsible for the success of the Group. The Board's roles and responsibilities include without limitation to the following:

- Reviewing and adopting strategic business plans for the Group's effective business performance;
- Overseeing the conduct of the Group's business to evaluate whether the business is being effectively managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to effectively manage and monitor identified risks;
- Ensuring that all candidates appointed to senior management positions are of sufficient caliber and that there are programmes in place to enable orderly succession of senior management;
- Ensuring effective communication with the shareholders and other stakeholders;
- Reviewing the efficacy of the Group's systems of internal control and of management information, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Developing corporate objectives, policies and strategies;
- Reviewing and approving acquisitions and disposals of undertakings and properties of substantial value and major investments.

The board is guided by the Code of Conduct which outlines the duties and responsibilities of the Board.

1.4 Appointments to the Board

The Nomination Committee comprising three Independent Directors makes independent recommendations for appointments to the Board. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, gender diversity, competencies and other qualities, before recommending them to the Board for appointment.

1.5 Re-election of Directors

The Company's Articles provide that one-third (1/3) of the Directors are subject to retirement by rotation at every Annual General Meeting but are eligible for re-election provided that all Directors shall retire from office at least once in three (3) years.

With the coming into force of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors of a company.

1.6 Assessment of Performance

The Board has an on-going responsibility of assessing the Directors. Upon the completion of every financial year, the Nomination Committee undertakes a Board Assessment and Evaluation process to assess the effectiveness of the Board in discharging its duties and responsibilities effectively and efficiently.

The Board Assessment and Evaluation is primarily based on answers to a detailed questionnaire prepared internally by the Group's Legal and Secretarial Department taking into account applicable best practices. The assessment questionnaire is distributed to all the respective Board members and covers topics which include, amongst others, the responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting, audit and internal process, human capital management, corporate social responsibility, communication, corporate governance, and shareholders' interest and value.

1. BOARD OF DIRECTORS (CONT'D)

1.6 Assessment of Performance (Cont'd)

Other areas being assessed include Board composition and size, the contribution of each member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangements.

Actionable improvement programs will be identified, upon review of the results of the Board and committee assessment by the Nomination Committee and the Board. Such programs may include training needs of individual Directors.

1.7 Directors' Independence and Tenure

The Board takes cognizance of Practice 4.2 of the Code that the tenure of an independent director should not exceed a cumulative term limit of 9 years. Although a longer tenure of directorship may be perceived to influence a director's independence, the Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such directors who have, over time, gained valuable insights into the Group, its market and the industry.

Independent Directors are subject to an independence assessment by the Nomination Committee and the Board during assessment for appointment and on an annual basis. Under the evaluation process, each Independent Director will perform a self-review of his or her independence by completing a declaration form with questions drawn from the requirements imposed by the various authorities. In this respect, the Board had adopted the same criteria used in the definition of "independent directors" prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), including the tenure prescribed by the Code. The declaration form will be submitted to the Nomination Committee for evaluation. The Nomination Committee will evaluate the independence of the Independent Directors based on the criteria approved by the Board and submit its findings to the Board for deliberation.

Each Independent Director has undertaken to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an independent director of the Company.

As at the approved date of this Statement, none of the Independent Directors of the Company have served a tenure of 9 years and above.

1.8 Fostering Commitment

In compliance with the MMLR, each member of the Board holds not more than five directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively.

The Directors have been informed of the expectations of time commitment during their appointments to the Board. This takes the form of the number of Board and Board Committee meetings scheduled to be held in a financial year. All the Directors are aware of their responsibilities and are required to devote sufficient time to discharge their duties and responsibilities, which includes attendance at meetings of the Board, Board Committees and General Meetings, preparatory work ahead of such meetings, keeping abreast of relevant business developments and legislations, contribution to the strategic development of the business, providing counsel and guidance to the Management team and meeting with professional advisers and external auditors, where necessary.

The Directors' commitment is evidenced by their attendance and input at all Board and Board Committee meetings. The Board is thus satisfied with the level of time commitment by each of the Directors towards fulfilling their roles on the Board and Board Committees.

1. BOARD OF DIRECTORS (CONT'D)

1.9 Board meetings

The Board meets quarterly with additional meetings convened as and when the Board's approval and guidance is required. Upon consultation with the Chairman and Group Managing Director, due notice shall be given of proposed dates of meetings during the financial year and agenda and matters to be tabled to the Board.

Four (4) Board meetings were held during the financial year ended 31 December 2017 and the details of attendance of each Director are as follows:

DIRECTOR	DESIGNATION	NUMBER OF MEETINGS ATTENDED
Tan Sri Dato' A K Nathan Elumalay	Executive Chairman & Group Managing Director	4 out of 4
Cheah Ban Seng*	Executive Director	2 out of 2
Nadarajan Rohan Raj	Executive Director & Chief Executive Officer - Group Structural Steel & Construction	4 out of 4
Narla Srinivasa Rao	Executive Director & Chief Operating Officer - Group Structural Steel & Plant Construction	4 out of 4
Narishnath Nathan	Executive Director & Chief Executive Officer, Group Energy	3 out of 4
Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	4 out of 4
Datuk Ng Seing Liong	Independent Non-Executive Director	4 out of 4
Datuk Iskandar Bin Sarudin**	Independent Non-Executive Director	2 out of 2
Tan Sri Rastam Bin Mohd Isa***	Independent Non-Executive Director	1 out of 2
S. Sunthara Moorthy A/L S. Subramaniam****	Executive Director-Corporate Affairs	1 out of 1

* *Cheah Ban Seng was appointed as Executive Director of Eversendai Corporation Berhad on 24 August 2017.*

** *Datuk Iskandar Bin Sarudin was appointed as Independent Non-Executive Director of Eversendai Corporation Berhad on 24 August 2017.*

*** *Tan Sri Rastam Bin Mohd Isa retired as Independent Non-Executive Director of Eversendai Corporation Berhad on 25 May 2017.*

**** *S. Sunthara Moorthy A/L S. Subramaniam resigned as Director of Eversendai Corporation Berhad on 30 March 2017.*

1.10 Supply of Information

The Board is supplied with and assured of full and timely access to all relevant information to honour its duties effectively. A set of Board papers (together with a detailed agenda in the case of a meeting) is furnished to the Board members in advance of each Board meeting or Directors' Circular Resolution for consideration, guidance and where required, for decisions.

In addition to updated board meeting papers and reports, the Board is also furnished with ad-hoc reports to ensure that they are appraised on key business, financial, operational, corporate, legal, regulatory and industry matters, as and when the need arises.

The Directors also have direct access to the advice and services of the Group Internal Audit & Risk Department and Company Secretary in addition to other members of Senior Management. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. The Board may, at the Group's expense, seek external and independent professional advice and assistance from experts in furtherance of their duties.

1. BOARD OF DIRECTORS (CONT'D)

1.11 Company Secretary

The Board is supported by a qualified, experienced and competent Company Secretary. The Company Secretary plays an important advisory role to the Board and takes charge of ensuring overall compliance with the MMLR and Companies Act 2016, and other relevant laws and regulations.

The Company Secretary also:

- Ensures that all appointments to the Board and Committees are properly made;
- Maintains records for the purposes of meeting statutory obligations;
- Ensures that obligations arising from the MMLR or other regulatory requirements are met; and
- Facilitates the provision of information as may be requested by the Directors from time to time.

1.12 Directors' Remuneration

The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the calibre needed to run the Group successfully. In Eversendai Corporation Berhad, the component parts of remuneration for the Executive Directors are structured so as to link rewards to corporate and individual performance. In the case of Independent Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the Independent Non- Executive Directors.

Remuneration Procedures

The Remuneration Committee recommends to the Board the policy and framework of the Directors' remuneration and the remuneration package for the Executive Directors. In recommending the Group's remuneration policy, the Remuneration Committee may receive advice from external consultants. It is nevertheless the ultimate responsibility of the Board to approve the remuneration of these Directors.

The determination of the remuneration packages of Independent Non-Executive Directors (whether in addition to, or in lieu of, their fees as Directors), is a matter for the Board as a whole. Individual Directors do not participate in decisions regarding their own remuneration packages.

Directors' Remuneration

Directors' remuneration for the Group is determined at levels which enable the group to attract and retain Directors with the relevant experience and expertise to manage the group effectively.

The details of the remuneration of Directors during the financial year ended 31 December 2017 are set out below:

	Group (RM'000)			Company (RM'000)		
	Directors' fees	Salaries/ bonus/ other allowances	Benefits-in-kind	Directors' fees	Salaries/ bonus/ other allowances	Benefits-in-kind
Tan Sri Dato' A K Nathan Elumalay	-	8,844	56	-	382	-
Cheah Ban Seng	-	177	4	-	177	4
Nadarajan Rohan Raj	-	1,276	92	-	-	-
Narla Srinivasa Rao	-	1,373	21	-	-	-
Narishnath Nathan	-	1,616	16	-	147	-
Mohammad Nizar Bin Idris	72	10	-	72	10	-
Datuk Ng Seing Liong	72	10	-	72	10	-
Tan Sri Rastam Bin Mohd Isa	29	2	-	29	2	-
Datuk Iskandar Bin Sarudin	25	5	-	25	5	-
Total	**198**	**13,313**	**189**	**198**	**733**	**4**

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training

The Board is always encouraged to attend seminars, conferences and briefings in order to enhance its skills and knowledge and to keep abreast of the latest developments in the industry and marketplace.

Orientation and familiarisation programmes which include visits to the Group's business operations and meetings with key management are, where appropriate, organised for newly-appointed Directors to facilitate their understanding of the Group's operations and businesses. Regular talks are scheduled on various topics for the Board and these sessions are held together with Senior Management in order to encourage open discussion and comments.

Directors evaluate their training needs on a continuous basis, by determining areas that would best strengthen their contributions to the Board. Regular briefings/updates (some by external advisers) on various subjects including the following are held at Board meetings:

- Market and industry;
- Regulatory and legal developments;
- Information on significant changes in business risks and procedures instituted to mitigate such risks;
- Corporate matters or new acquisitions by the Group; and
- New developments in law, regulations and Directors' duties and obligations.

During the financial year under review, the Directors participated in various programmes to enhance their understanding of specific industry and market issues and trends to improve their effectiveness in the boardroom. These sessions have also been attended by invited members of the senior leadership team, with the objective to improve board management dynamics.

The training programmes, seminars and/or conferences attended by the Directors during the financial year are as follows:

DIRECTOR	TOPIC
Tan Sri Dato' A K Nathan Elumalay	1. Rotary District Convention (Ooty, India) 2. MRCA Talk on "Innovative Leadership by Sustaining Core Values" (PJ, Malaysia) 3. 43rd IFAWPCA Conference (Seoul, Korea) 4. ASLI 3rd Economic Summit (PJ, Malaysia) 5. Power Talk by The Star Publications (PJ, Malaysia) 6. ACF Special Conference (Bangkok, Thailand) 7. Seminar on Opportunities of Housing Projects in South Africa (KL, Malaysia) 8. Briefing on Companies Act, 2016 (KL, Malaysia) 9. 44th ACF Council Meeting (Singapore) 10. MBAM Building and Construction Conference (KL, Malaysia) 11. Asian Business Leaders Conclave (KL, Malaysia)

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training (Cont'd)

DIRECTOR	TOPIC
Mohammad Nizar Bin Idris	1. Briefing on Bank Negara Annual Report by BNM Governor (KL, Malaysia) 2. May Rail Conference organized by Japanese Embassy and Japanese Rail Corporation (KL, Malaysia) 3. Malaysian Oil and Gas Conference (KL, Malaysia) 4. FIDE Talk ""What must be known by Boards about a sustainable Financial Institution" (KL, Malaysia) 5. FIDE talk on FIN-TECH -Opportunities for the Financial Services Industry in Malaysia. (KL, Malaysia) 6. FIDE talk on Cryptocurrency and Block Chain Technology (KL, Malaysia) 7. Malaysian Rail Conference (KL, Malaysia) 8. Insurance Regulatory Conference organized by Bank Negara. (KL, Malaysia) 9. FIDE talk Leveraging Technology for Growth. (KL, Malaysia) 10. HRDF Conference (KL, Malaysia) 11. Talk on Malaysian Financial Reporting System 2017 by KPMG (KL, Malaysia)
Datuk Iskandar Bin Sarudin	1. The CG Breakfast Series for Directors – Leading Change (KL, Malaysia)
Datuk Ng Seing Liong	1. 10th Malaysian Property Summit 2017 2. Global Business Insights Series Embracing Paradoxes by Professor Salvatore Cantale 3. Towards Transforming Malaysia's Construction Industry 4. Company Law Workshop 2017 5. Modern Construction Technologies (IBS) 6. Qlassic Workshop (Central) 7. National Tax Conference 2017 8. Tax & GST Issues 2017 9. Singapore Insolvency Conference 10. Value Engineering 11. Insolvency Conference 2017 12. MIA 50th Anniversary Commemorative Lecture 13. MFRS 9 Financial Instruments: Gearing Up for First-Time Adotion 14. Accounting for Revenue under MFRS 15 15. JPA International Network Anniversary & JPA Group Meeting (Paris) Discuss International Accounting Standard (Present & Proposed) 16. CEO Series 2017 17. 2018 Budget Seminar 18. Budget 2018 19. JPA BIC Asian Platform

1. BOARD OF DIRECTORS (CONT'D)

1.13 Directors' Training (Cont'd)

DIRECTOR	TOPIC
Cheah Ban Seng	1. Briefing on Companies Act, 2016 (KL, Malaysia) 2. Mandatory Accreditation Program (MAP) for Board of Directors (KL, Malaysia)
Nadarajan Rohan Raj	1. Briefing on Companies Act, 2016 (KL, Malaysia)
Narla Srinivasa Rao	1. Briefing on Companies Act, 2016 (KL, Malaysia)
Narishnath Nathan	1. JP Morgan Financial Outlook Conference (Dubai) 2. 5th Offshore Jack-Up Middle East 2017 Conference (Dubai)

2. BOARD COMMITTEES

The Board delegates certain responsibilities to the respective Committees of the Board which operate within clearly defined terms of reference. These Committees have the authority to examine issues and report to the Board with their proceedings and deliberations. On Board reserved matters, Committees shall deliberate and thereafter state their recommendations to the Board for its approval.

During Board meetings, the Chairman of the various Committees provide summary reports of the decisions and recommendations made at the respective Committee meetings and highlight to the Board any further deliberation that is required at Board level. These Committee reports and deliberations are incorporated into the minutes of the Committees and Board meetings.

The Company has four (4) principal Board Committees:

2.1 Nomination Committee

The Nomination Committee of the Board consists of the following Independent Non-Executive Directors:

- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director and Chairman of the Nomination Committee);
- Datuk Ng Seing Liong (Independent Non-Executive Director); and
- Datuk Iskandar bin Sarudin (Independent Non-Executive Director).

The Nomination Committee has been entrusted with the responsibility of proposing and recommending new nominees to the Board and the Board Committees as well as assessing Directors on an ongoing basis.

The functions of the Nomination Committee include:

- formulating the nomination, selection and succession policies for members of the Board and Board Committees; and
- reviewing and recommending to the Board:
  - (i) the optimum size of the Board;
  - (ii) the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies of Non-Executive Directors; and
  - (iii) appointment to, and membership of, other Board committees.

2. BOARD COMMITTEES (CONT'D)

2.1 Nomination Committee (Cont'd)

In addition, the Nomination Committee has the function of assessing:

- the transparency of procedures for proposing new nominees to the Board and Committees of the Board;
- the effectiveness of the Board as a whole and the contribution of each individual Director and Board Committee member; and
- whether the investments of the minority shareholders are fairly reflected through Board representation.

The Nomination Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Nomination Committee had, for the financial year, reviewed and deliberated on the proposed re-nomination of the directors who are retiring at the Fourteenth Annual General Meeting of the Company. The Nomination Committee had also, in accordance with Recommendation 2.1 of the Code, deliberated on the proposed appointment of the Senior Independent Non-Executive Director as the Chairman of the Nomination Committee.

2.2 Remuneration Committee

The Remuneration Committee of the Board consists of the following Directors:

- Datuk Iskandar bin Sarudin (Independent Non-Executive Director and Chairman of the Remuneration Committee);
- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director); and
- Nadarajan Rohan Raj (Executive Director and Chief Executive Officer, Group Structural Steel and Construction).

The Remuneration Committee is entrusted with the following responsibilities:

- Recommending to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the Executive Directors;
- Evaluating the performance and reward of the Executive Directors, including ensuring performance targets are established to achieve alignment with the interests of shareholders of the Company, with an appropriate balance between long and short-term goals;
- Designing and implementing an evaluation procedure for Executive Directors; and
- Reviewing, on a yearly basis, the individual remuneration packages of Executive Directors and making appropriate recommendations to the Board.

The Remuneration Committee meets as and when necessary and can also make decisions by way of circular resolutions. The Remuneration Committee had, for the financial year, reviewed the remuneration packages of the Executive Directors of the Company.

2.3 Audit Committee

The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report.

2.4 Risk Management Committee

The Risk Management Committee of the Board consists of the following Independent Non-Executive Directors:

- Datuk Ng Seing Liong (Independent Non-Executive Director and Chairman of the Risk Management Committee);
- Mohammad Nizar Bin Idris (Senior Independent Non-Executive Director); and
- Datuk Iskandar bin Sarudin (Independent Non-Executive Director).

2. BOARD COMMITTEES (CONT'D)

2.4 Risk Management Committee (Cont'd)

The functions of the Risk Management Committee include:

- Evaluating the effectiveness of the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to mitigate losses and maximise opportunities;
- Recommending to the Board steps to improve the system of internal control derived from proposed internal control through the identified potential risk by the Risk Management Sub-Committee;
- Undertaking reviews of the consolidated risk register of major subsidiaries and associates within the Group to identify significant risks and whether these are adequately managed;
- Ensuring that the Board receives adequate and appropriate information including the annual risk report for decision making and review respectively;
- Commissioning where required, special projects to investigate, develop or report on specific aspects of the risk management processes of the Company; and
- Reviewing and proposing the Company's risk appetite and its acceptable tolerance level annually.

3. ACCOUNTABILITY AND AUDIT

3.1 Promoting Sustainability

The Board is devoted to promoting a sustainable business by recognising the importance of environmental, social and governance aspect on the Group's businesses. These include working within the law and community to be innovative and demonstrate efforts to meet the requirements of various stakeholders.

Details on the Group's sustainability activities are set out on pages 25 to 40 of this Annual Report.

3.2 Code of Conduct

The Board has an official Code of Conduct which works as an ethical framework to guide actions and behaviours of all Directors and employees while at work. The Code of Conduct is made available to all employees in their respective country's local shared drive. The Code of Conduct lines up the fundamental policies of Health, Safety and Environmental Protection, Sexual Harassment, Accounting Standards and Records, Whistle Blower Policy, and Employee Conduct Expectation.

3.3 Conflict of Interest Situations

The Board is mindful on the probability of potential conflict of interest situations involving the Directors and the Company and guarantees its responsibility to making sure that such aspects of conflicts are avoided. It has been the practice of the Company to require that members of the Board make a declaration at the Board meeting in the event that they have interests in proposals being considered by the Board, including where such interest arises through close family members, in line with various statutory requirements on the disclosure of Director's interest. In all situations where the Directors could be deemed as interested, they would abstain from deliberation and discussion or decisions on matters in which they have a conflicting interest. The minutes of meeting would also reflect as such.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.4 Whistleblowing Policy

Eversendai Corporation Berhad calls for the highest standards of integrity from all its employees and stakeholders. The Group views seriously any wrongdoing on the part of any of its Employees, Management, Directors and Vendors, especially with regards to their obligations to the Group's interests.

The Whistleblowing channel is made available to help all stakeholders raise concerns, without fear of retaliation, of any wrongdoing that they may observe within the Eversendai Group of companies.

Parties can report a Whistleblowing complaint if they are aware of any wrongdoings, including, but not limited to the following:

- fraud;
- misappropriation of assets;
- sexual harassment;
- criminal breach of trust;
- illicit and corrupt practices;
- questionable or improper accounting;
- misuse of confidential information;
- acts or omissions which are deemed to be against the interest of the Company, laws, regulations or public policies;
- giving false or misleading information (including suppression of any material facts or information);
- breaches of Group Policies and Code of Conduct; or
- the deliberate concealment of any of the above matter or other acts of wrongdoings.

Procedures

All Protected Disclosures are to be disclosed in writing to the Group Managing Director or the Chairman of the Audit Committee of the Company. Disclosures can be made through an email whistleblower@eversendai.com, directly accessible to the Group Managing Director or via a letter addressed to Group Managing Director's office.

Action

All reports will be investigated promptly by the investigator appointed by the Group Managing Director or Audit Committee. The appointed investigator for the duration of the enquiry will be reporting all matters directly to the Group Managing Director's office. To ensure proper investigation, all departments are obliged to furnish any documentation asked for by the appointed investigator during the course of enquiry, provided they may be relevant to the investigation.

The progress of investigation will be reported to the Audit Committee no later than at the next scheduled meeting. Upon completion of investigation, appropriate course of action will be recommended to the Committee for their deliberation. Decision made by the Committee will be implemented immediately.

Protection

The Company recognises that the decision to report a concern can be a difficult one to make. The identity of the Whistle Blowers shall be kept confidential to the extent possible and permitted under law. However, if the need arises for the matter to be taken up in court, the Whistle Blower should be willing to present himself/herself to court and furnish details of the malpractices highlighted by him/her.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.5 Financial Reporting & Compliance

The Board is committed to providing a clear, balanced and comprehensive account on the financial performance and position of the Group through quarterly and yearly announcements of its results as well as through its comprehensive annual report.

Company law requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and the Group for that period.

In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently. The Directors have also ensured that all applicable accounting standards have been followed in the preparation of the financial statements.

3.6 Internal Control

The Board is responsible in establishing and maintaining a sound internal control system to mitigate any significant risk to the company. The system of internal control is set to ensure the reliability and integrity of financial and operational systems, efficiency and effectiveness in achieving the company objective, safeguarding of assets and compliance with the policies, regulations, procedures and laws.

The Board through Audit Committee will assess the effectiveness of internal control systems by reviewing the issues, recommendations and management responses presented by the Group Internal Audit Function.

3.7 Risk Management

The Board recognises the importance of Enterprise Risk Management ("ERM") in supporting the Group's objectives in enhancing shareholders' value and business success by minimizing unforeseen risks. The Group has in place a clear on-going process for identifying, evaluating and managing significant risks facing the Group. The Board correspondingly has overall responsibility for the system of internal control which includes financial controls, operational and compliance controls and risk management.

The Statement on Risk Management and Internal Control which provides an overview of the Group's state of internal control has been set out on pages 60 and 63 of this Annual Report

3.8 Internal Audit

The Group has an established internal audit function performed by the in-house group internal audit department ("GIAD") which is in charge of the overall internal audit activities of the Group. It's principle objective is to undertake regular reviews of key processes, monitor compliance with policies and procedures, evaluate the adequacy and effectiveness of the internal control and risk management system, highlight significant findings, as well as propose enhancement and corrective measures in respect of any non-compliance on a timely basis.

3.9 Relationship with External Auditors

The Board, through the Audit Committee, maintains a transparent and professional relationship with the internal and external auditors. The Audit Committee has been explicitly accorded the authority to communicate directly with both the internal and external auditors. From time to time, the auditors would highlight to the Audit Committee and the Board on matters that require the Board's attention.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.10 Corporate Disclosure Policy

The Group also has in place a Corporate Disclosure Policy, which emphasises on comprehensive, accurate, balanced, clear and timely disclosure of material information to enable informed and orderly decisions by the shareholders and investors.

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

4.1 Shareholders Communication

The Group strives to maintain an open and transparent channel with its stakeholders, institutional investors and the investing public at large with the objective of providing clear and complete information of the Group's performance and financial standing.

Announcements on all significant developments and matters of the Group are made to Bursa Securities. Shareholders and stakeholders are provided with a regular overview of the Group's performance via the financial results which are released on a quarterly basis within the mandatory period. The Investor Relations section of Eversendai's website holds all the announcements made by the Company to Bursa Securities.

As part of the Company's active investor relations programme, discussions and dialogues are held with fund managers, financial analyst, shareholders, potential investors and members of the media to convey information about the Company's performance, strategy and other matters affecting shareholders' interest.

4.2 Dialogue between the Company and Investors

The Board believes that the Group should be transparent and accountable to its shareholders and investors.

In ensuring this, the Company has been actively communicating with its shareholders and stakeholders through the following medium:

- Release of financial results on a quarterly basis;
- Press releases and announcements to Bursa Securities and subsequently to the media;
- Meetings with institutional investors; and
- Briefing for analysts on a semi-annually basis.

The Group's website at **www.eversendai.com** is a significant communication network to reach shareholders and general public which offers detailed information on the Group's businesses and latest developments. It is upgraded and updated from time to time to provide current and comprehensive information about the Group.

The website also incorporates a dedicated section for investor relations and corporate governance which enhances the investor relation function by including all relevant up-to-date information of the Group such as announcements to Bursa Securities, quarterly results and audited financial statements, annual report, Board Charter, investor presentations, share price and financial information.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT** (CONT'D)

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT (CONT'D)

4.2 Dialogue between the Company and Investors (Cont'd)

The Company acknowledges the need for a specific medium for shareholders and investors to direct their queries or requests for additional information.

To obtain all relevant information about the Group, investors and shareholders are encouraged to direct their queries to

Contact details:
Tel no. : +603-7733 3300
Email : ir@eversendai.com

4.3 Annual General Meeting

The Annual General meeting ("AGM") is the principal forum for dialogue with all shareholders who are encouraged and are given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns.

Twenty-one (21) days prior to the meeting, all shareholders of the group will receive a copy of the annual report and notice of AGM, the notice is also advertised in the press and released on Bursa Securities. This leaves the shareholders with sufficient time to review the Annual Report as well as to make necessary arrangements to attend the meeting. Shareholders are also encouraged to participate in the Question and Answer session on the resolutions being proposed or about the Group's operations in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.

The Chairman and the Board members are in attendance to provide clarification on shareholders' queries. Where appropriate, the Chairman of the Board will endeavour to provide the shareholders with written answers to any significant questions that cannot be readily answered during the AGM. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and not only at the AGM.

Each notice of a general meeting, which includes any item of special business, will be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

To strengthen transparency and efficiency in the voting process and in line with the recent amendments to the MMLR, the Group implements poll voting for all the resolutions set out in the Notice of AGM. The Group has appointed an independent external scrutineer to validate all the votes in the coming meeting. The outcome of the AGM is released to Bursa Malaysia Securities Berhad on the same meeting day.

This Corporate Governance Overview Statement was approved by the Board on 27 February 2018.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established on 21 April 2011. Eversendai Corporation Berhad ("ECB") was listed on the Main Market of Bursa Malaysia Securities Berhad on 1 July 2011.

TERMS OF REFERENCE

The terms of reference are set out on pages 57 to 58.

MEMBERSHIP AND MEETINGS

The AC comprises of three Independent Non–Executive Directors. The Chairman of the Audit Committee, Datuk Ng Seing Liong is a qualified Chartered Accountant and a member of the Malaysia Institute of Accountants.

During the year the Committee held four (4) meetings without the presence of the Executive Directors, except when their attendance was at the invitation of the Committee. The Chief Financial Officer and Group Internal Audit Department ("GIAD") attended all the AC meetings upon invitation by the AC. The representatives of the External Auditors also attended two AC meetings upon invitation by the Committee.

The members of the Committee and details of their attendance at meetings during the year are as follows:

NAME	STATUS OF DIRECTORSHIP	NO. OF MEETINGS ATTENDED
Datuk Ng Seing Liong (Chairman)	Independent Non-Executive Director	4 out of 4
En. Mohammad Nizar Bin Idris	Senior Independent Non-Executive Director	4 out of 4
Datuk Iskandar Bin Sarudin*	Independent Non-Executive Director	2 out of 2
Tan Sri Rastam Bin Mohd Isa**	Independent Non-Executive Director	1 out of 2

* *Datuk Iskandar Bin Sarudin was appointed as Independent Non-Executive Director of ECB on 24 August 2017.*

** *Tan Sri Rastam Bin Mohd Isa resigned as Independent Non-Executive Director of ECB on 25 May 2017.*

All the members of the Committee are financially literate and are able to analyse and interpret financial statements to effectively honour their duties and responsibilities as members of the AC. The Committee members' profiles are available in the "Profile of Directors" section set out on pages 17 to 20.

SUMMARY OF ACTIVITIES

The activities of the AC during the year encompassed the following:

1. **Financial Results and Announcements**

   - Reviewed the quarterly financial results of the Group and the related announcements, prior to recommending to the Board for their approval and the release of the results to Bursa Malaysia Securities Berhad, focusing on the following matters:

     (i) Changes in or implementation of major accounting policy changes;

     (ii) Significant and unusual events;

     (iii) Compliance with accounting standards and other legal requirements; and

     (iv) The going concern assumption.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES (CONT'D)

2. External Audit

- Reviewed with the external auditors, their terms of engagement, proposed auditors' remuneration and the audit plan for the financial year ended 31 December 2017 to ensure that their scope of work adequately covers the activities of the Group;
- Reviewed the results and issues arising from the external auditors' audit of the year-end financial statements and the resolution of issues highlighted in their report to the Committee;
- Reviewed the independence, objectivity, and cost-effectiveness of the external auditors before recommending to the Board their re-appointment and remuneration; and
- Reviewed compliance of the external auditors with ECB's external audit independence policy.

3. Internal Audit

- Reviewed the proposed 2017 annual risk-based internal audit plan to ensure adequacy of the scope and coverage of works which includes risk areas and key processes which includes project management, project costing, subcontractor's claims, procurement process, financial statements, human resources and production monitoring by entities;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the Internal Audit function, including adequacy of the terms of reference; and
- Reviewed the internal audit reports and updates, presented by the GIAD.

4. Related Party Transactions

- Reviewed related party transactions for compliance with the Main Market Listing Requirements of Bursa Securities ("MMLR") and the Group's policies and procedures as well as the appropriateness of such transactions before recommending them to the Board for its approval; and
- Reviewed the procedures for securing the shareholders' mandate for Recurrent Related Party Transactions.

5. Others

- Reviewed with management, the reports on material litigation; and
- Reviewed the Report of the AC, the Statement on Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Company's Annual Report.

GROUP INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Department which reports to the AC of the Board. The primary responsibility of this independent GIAD function is to undertake regular and systematic reviews of the system of internal controls and to provide reasonable assurance that the system operates satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that the relevant controls addressing those risks are reviewed on a rotational basis.

The activities carried out by the GIAD include amongst others, the review of the adequacy and effectiveness of risk management and the system of internal controls, compliance with established rules, guidelines, laws and regulations, reliability and integrity of information and the means of safeguarding assets.

TERMS OF REFERENCE OF THE AC

The Committee is governed by the following terms of reference which have been applied by the Group since its inception on 21 April 2011.

1. Composition

The Audit Committee shall consist of not less than three members, all of whom are Independent and Non-Executive Directors and at least one member of the AC:

a) Must be a member of the Malaysian Institute of Accountants; or

b) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

   (i) He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

   (ii) He must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

c) Fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Chairman shall be an independent Director elected by the members of the Committee.

In the event of any vacancy in the Committee resulting in the non-compliance of the above paragraph, the Board must fill the vacancy within 3 months.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference.

2. Meetings

a) The Committee is to meet at least four times a year and as many times as the Committee deems necessary;

b) The quorum for any meeting of the Committee shall be the majority of members present;

c) The meetings and proceedings of the Committee are governed by the provisions of the Constitution of the Company regulating the meetings and proceedings of the Board so far as the same are applicable;

d) The Chief Financial Officer and the GIAD shall normally attend meetings of the Committee. The presence of a representative of the External Auditors will be requested if required;

e) Upon request by the External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the External Auditors believe should be brought to the attention of the Directors or Shareholders of the Company;

f) At least twice a year, the Committee shall meet with the External Auditors without the presence of any Executive Director and the Management; and

g) Whenever deemed necessary, meetings can be convened with the External Auditors, Internal Auditors or both, excluding the attendance of other directors and employees.

3. Authority

The Committee is granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference, and all employees are directed to co-operate as requested by members of the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

TERMS OF REFERENCE OF THE AC (CONT'D)

4. Responsibility

The Committee is to serve as a focal point for communication between non-Committee Directors, the External Auditors, Internal Auditors and the Management on matters relating to financial accounting, reporting, and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in assuring the independence of the Company's External Auditors, the integrity of the Management and the adequacy of disclosures to shareholders.

If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved to result in a breach of the MMLR, the Committee shall promptly report such matter to Bursa Securities.

5. Functions

The functions of the Committee are to:

a) review with the External Auditors, their audit plan;

b) review with the External Auditors, their evaluation of the system of internal accounting controls;

c) review with the External Auditors, their audit report, and management letter, if any;

d) review the assistance given by the Company's Officers to the External Auditors;

e) review the adequacy of the scope, functions, competency, and resources of the internal audit functions and that it has the necessary authority to carry out its work;

f) review the internal audit programs, processes, the findings reflected in the internal audit reports, or investigation was undertaken and whether appropriate action is taken on the recommendations of the internal audit function;

g) approve any appointment or termination of senior members of the internal audit function and take cognizance of resignations of internal audit staff members and provide the resigning staff an opportunity to submit his reasons for resigning;

h) review the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:

   (i) changes in or implementation of major accounting policy changes;

   (ii) significant and unusual events;

   (iii) compliance with accounting standards and other legal requirements; and

   (iv) the going concern assumption;

i) review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity; and

j) consider the nomination, appointment and re-appointment of External Auditors; their audit fees; and any questions on resignation, suitability, and dismissal.

6. Secretary

The Secretary of the Committee shall be the Company Secretary.

ADDITIONAL CORPORATE DISCLOSURE

The following disclosures in respect of the financial year ended 31 December 2017 are provided for shareholders' information and in accordance with the requirements of Bursa Malaysia Securities Berhad:

1. Utilisation of proceeds from corporate proposals

During the financial year under review, the Company has issued 7.1 million shares under the proposed private placement of 77,389,900 new ordinary shares in Eversendai, representing 10% of the Company's total number of issued shares (excluding treasury shares), as follows:

Issued date	No of shares	Price per share RM
29 August 2017	500,000	0.9444
11 September 2017	600,000	1.0061
13 September 2017	1,000,000	1.0055
18 September 2017	1,500,000	0.9608
21 September 2017	1,000,000	0.9000
03 November 2017	500,000	0.9000
06 November 2017	600,000	0.9000
09 November 2017	600,000	0.9000
10 November 2017	800,000	0.9000

The Company has terminated the Private Placement effective on 19 February 2018.

As at 31 December 2017, the proceeds from the private placement exercise have been fully utilised to repay the borrowings of the Group and their related incidental costs as intended.

2. Non-audit fees

There were no non-audit fees incurred by the Group for services rendered by the Company's external auditors for the financial year ended 31 December 2017 except for a total sum of RM18,000 (2016: RM17,000).

3. Material contracts involving directors and major shareholders' interest

Save for the recurrent related party transactions disclosed in item 4, there were no material contracts including those of a borrowing nature entered into by the Group involving the directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 December 2017 or, if not then subsisting, entered into since the end of the previous financial year.

4. Recurrent related party transactions

All recurrent related party transactions entered into by the Group were made in the ordinary course of business at arm's length and are based on normal commercial terms that are not more favourable to the transacting related party than those generally available to non-related party and will not be detrimental to the interests of minority shareholders of the Company.

Details of the recurrent related party transactions entered into by the Group during the financial year ended 31 December 2017 are disclosed in Note 21 to the Financial Statements on pages 128 to 129 of this Annual Report.

At the Fourteenth Annual General Meeting of the Company held on 25 May 2017, the Company had obtained approval from the shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature with certain related parties. The said shareholders' mandate took effect from 25 May 2017 until the conclusion of the forthcoming Fifteenth Annual General Meeting of the Company, in which the Company intends to seek for a renewal of the shareholders' mandate for existing recurrent party transactions and the proposed new shareholder's mandate for additional recurrent related party transactions, proposed by the Board of Directors. Details of the mandates to be sought are furnished in the Circular to Shareholders dated 30 April 2018 which was despatched together with this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Eversendai Corporation Berhad is pleased to share the key aspects of the Group's internal control system in respect of the financial year ended 31 December 2017. The Group in honouring its responsibilities has established procedures of internal control that are in accordance with the guidance as set out in the "Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers". These procedures, which are subject to regular review by the Board, provide an ongoing process for identifying, evaluating and managing significant risks faced by the Group that may affect the achievement of its business objectives.

BOARD'S RESPONSIBILITY

The Board is fully committed to the maintenance of a sound internal control environment to safeguard shareholders' investments and the Group's assets. The Board has an overall responsibility for the Group's system of internal control and performs a continuous review on the adequacy, integrity, and effectiveness of the risk management and internal control system. The system of internal control is designed to manage, mitigate or eliminate, if practical, risks that may impede the achievement of the Group's business objectives. Internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognises the importance of Enterprise Risk Management ("ERM") in supporting the Group's objectives in enhancing shareholders' value and business success by minimizing unforeseen risks. The Group has a clear on-going process for identifying, evaluating and managing significant risks facing the Group. Such process has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report. The Group has further enhanced its risk management practices by conducting risk awareness workshop to raise awareness to staff and formalising the risk management process through the implementation of the ERM software.

The ERM framework is managed and documented in a risk register to assist the Group's operational managers to continuously conduct discussions to identify, analyse, monitor and evaluate the progress of the identified risks and reports the results to the Risk Management Committee ("RMC"). The RMC comprises members of Independent Directors and Risk Management Sub Committee ("RMSC") comprises of management team. RMSC will update the RMC on quarterly basis on the consolidated risk register and risk management activities. This will ensure that adequate attention and focus is placed on risk management.

RISK MANAGEMENT FRAMEWORK AND PROCESSES

The framework describes policy and procedures of the risk management process and encompasses the following key elements:

1. CORPORATE RISK MANAGEMENT POLICY

The policy explains the objectives of risk management functions and agreed risk appetite and acceptable level of risk by the Board of Directors and Management.

2. ROLES OF BOARD OF DIRECTORS, MANAGEMENT, AND RMC

This section encompasses roles and responsibilities of Board of Directors and the Management towards the risk management functions in the company. RMC members act as primary champions who are responsible to review consolidated risk register of major subsidiaries within the group and to ensure the significant risks are identified and managed adequately. Head of Company at each subsidiary level plays a role in managing the agreed action plan for significant risks with the assistance of appointed Risk Coordinators ("RC").

RISK MANAGEMENT FRAMEWORK AND PROCESSES (CONT'D)

3. RISK MANAGEMENT PROCESS

The company has adopted ISO 31000:2009 Risk Management as a guideline for managing risk throughout the Group. Risk owners are responsible to identify, mitigate, prevent or reduce significant risks that would affect the Group in achieving its objectives. Each key business unit has nominated RC's who are responsible to guide risk owners to identify, monitor and develop action plans to mitigate the risks. The RCs are supported by Risk Management Unit ("RMU") who monitor and guide the RCs on risk areas. RMU reviews every new risk identified and authenticate the viability of action plan provided by each RC.

The RMSC will present quarterly reports on the enterprise risk map and analysis of the ERM register, status of progress and propose changes for improvements to RMC and the Board for review.

CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes to identify, evaluate and manage significant risks faced by the Group. These processes include updating the system of internal control when there are changes to the business environment or regulatory guidelines. The key elements of the Group's control environment include the following:

1. ORGANISATION STRUCTURE

The Board is supported by a number of established Board committees, namely the Audit, Nomination and Remuneration Committees, in honouring its responsibilities toward risk management and internal control. Each Committee has a set of clearly defined terms of reference. Responsibility for the implementation of Group's strategies and day-to-day businesses are delegated to management. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship.

2. AUDIT COMMITTEE

The Audit Committee is instituted by the Board to undertake the review of the systems of internal control and risk management framework in the Group. The Audit Committee comprises 3 Independent Non-Executive Directors. The Audit Committee evaluates the adequacy and effectiveness of the Group's internal control systems and reviews internal control issues identified by Internal Auditors, External Auditors, and the Management. Throughout the financial year, the Audit Committee members are briefed by the management during the presentation of the quarterly financial performance and results on corporate governance practices, updates of Malaysian Financial Reporting Standards, as well as legal and regulatory requirements in addition to key matters affecting the financial statements of the Group.

The Audit Committee also reviews and reports to the Board the engagement and independence of the External Auditors and their audit plan, nature, approach, scope and other examinations of the external audit matters. It also reviews the effectiveness of the internal audit function which is further described in the following section on Internal Audit. The current composition of the Audit Committee members brings with them a wide variety of knowledge, expertise, and experience from different industries and backgrounds. They continue to meet regularly and have full and unimpeded access to the Internal and External Auditors and all employees of the Group.

CONTROL ENVIRONMENT AND STRUCTURE (CONT'D)

3. INTERNAL AUDIT

The Group Internal Audit Department ("GIAD") continues to independently review key processes, monitor compliance with policies and procedures, evaluate the adequacy and effectiveness of internal control and risk management systems and highlight significant findings, enhancements and corrective measures in respect of any non-compliance on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually before the commencement of the following financial year and an update is given to the Audit Committee every quarter. The Audit Committee oversees the Internal Audit department's function, its independence, the scope of work and resources. Head of GIAD on a quarterly basis present to the Audit Committee of audit results and significant matters raised in the audit reports for the audits undertaken in the respective area of operations. Follow-up audits were also carried out to determine the status of implementation of agreed corrective actions based on the previous audit issues reported.

During the year, some areas for improvement in the internal control system were reported by the GIAD to the Audit Committee. However, no weakness in internal control has resulted in material losses, contingencies or uncertainties which would require disclosure in this annual report. Management has been responsive to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted. The effectiveness of the system of internal control is constantly reviewed and enhanced in response to changes in the operating environment. The cost of the Group Internal Audit function for 2017 is RM649,645. Further activities of the Internal Audit function are set out in the Audit Committee Report on pages 55 to 58.

4. LEGAL

The Legal department plays a pivotal role in ensuring that the interests of the Group are preserved and safeguarded from a legal perspective. It also plays a key role in advising the Board and the Management on legal and strategic matters.

5. LIMITS OF AUTHORITY

The Group's Discretionary Authority Limits ("DAL") policy sets the authorisation limits at the various levels of management and staff, and also matters requiring Board approval; to ensure accountability, segregation of duties and control over the Group's financial commitments. The DAL policy is reviewed and updated periodically to reflect business, operational and structural changes.

6. POLICIES AND PROCEDURES

There is extensive documentation of policies and procedures in manuals including those relating to Financial, Contract Management, Procurement, Project Management, Human Resources and Information Systems. These policies and procedures are continuously being enhanced.

CONTROL ENVIRONMENT AND STRUCTURE (CONT'D)

7. FINANCIAL AND OPERATIONAL INFORMATION

A detailed budgeting and reporting process has been established. Comprehensive budgets are prepared by the operating units and presented to the Board. Upon approval of the budget, the Group's performance is then tracked and measured against the approved budget on a monthly basis. Reporting systems which highlight significant variances against the plan are in place to track and monitor performance. These variances in financial as well as operational performance indices are incorporated in detail in the monthly management reports. On a quarterly basis, the results are reviewed by the Board to enable them to measure the Group's overall performance compared to the approved budgets and prior periods.

MONITORING AND REVIEW

The processes adopted to monitor and review the effectiveness of the system of internal control include:

1. Management Representation to the Board by the Group Managing Director on the control environment of the Group, based on representations made to him by management on the control environment in their respective areas. Any exceptions identified are highlighted to the Board.

2. Internal Audit in their quarterly report to the Audit Committee continues to highlight significant issues and exceptions identified during the course of their review on processes and controls compliance. The Chairman of the Audit Committee updates the Board on the significant matters deliberated upon and the decisions made during the Audit Committee meetings.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with ISAE 3000, Assurance Engagements other than Audit or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Group Managing Director and Chief Financial Officer to the best of their ability and knowledge confirm that the Group's risk management and internal control systems are adequate and effective to safeguard shareholders' investments and the Group's assets. The Board is satisfied that the system of risk management and internal control is satisfactory and has not resulted in any material loss, contingency or uncertainty that would require separate disclosure in the Group's Annual Report.

STATEMENT OF **DIRECTORS' RESPONSIBILITY**

IN RESPECT OF AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 in Malaysia and the Main Market Listing Requirements of Bursa Securities to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

In preparing the financial statements the Directors have:

- Considered the requirements of the Companies Act, 2016 in Malaysia;
- Considered the requirements in accordance to Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- Adopted and consistently applied appropriate accounting policies;
- Made prudent and reasonable judgements and estimates; and
- Ensured that the financial statements are prepared on a going concern basis as the Directors have a reasonable expectation, having made enquires, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibilities to ensure that the Group and the Company retain the accounting and other records and the registers of the Group and the Company and are in accordance with the requirements of the Companies Act, 2016 in Malaysia.

The Directors have general responsibility for undertaking reasonable steps to safeguard the assets of the Group and the Company and are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors of **EVERSENDAI CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The information on the name, place of incorporation, principal activities, and percentage of issue share capital held by the Group in each subsidiary is as disclosed in Note 15 to the Financial Statements.

EVENTS AFTER REPORTING PERIOD

Events after reporting period are as disclosed in Note 39 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit for the year	87,066	395,332
Profit attributable to:		
Equity holders of the Company	85,528	395,332
Non-controlling interests	1,538	-
	87,066	395,332

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid up share capital by RM6,672,560 via a private placement of 77,389,900 new ordinary shares in the Company, representing up to 10% of the Company's total number of issued shares (excluding treasury shares) at the issued price ranging from RM0.90 to RM1.01 to Macquarie Bank, a financial institution based in Australia.

The new ordinary shares issued during the year ranked pari passu in all respects with the then existing ordinary shares of the Company.

The Company did not issue any new debentures during the financial year.

TREASURY SHARES

During the financial year, the Company did not purchase its own ordinary shares.

As of 31 December 2017, the Company held 101,000 treasury shares at a carrying amount of approximately RM91,000. Movement in the Company's treasury shares are as disclosed in Note 25 to the Financial Statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Nathan A/L Elumalay
Mohammad Nizar Bin Idris
Datuk Ng Seing Liong
Nadarajan Rohan Raj
Narla Srinivasa Rao
Narishnath A/L Nathan
Datuk Iskandar Bin Sarudin (Appointed on 22 August 2017)
Cheah Ban Seng (Appointed on 22 August 2017)
Tan Sri Rastam Bin Mohd Isa (Resigned on 25 May 2017)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report (not including those directors listed above) are:

Datuk David Rashid bin Ghazalli
IR. Chandrasegran A/L S P Uthirapathy
Puan Sri. Puspawathy A/P Subramaniam
Mohd Tahir Bin Jamhari (Resigned on 30 June 2017)

DIRECTORS' INTERESTS

The shareholdings in the Company and in a related corporation of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares			
	Balance as of 1.1.2017	**Bought**	**Sold**	**Balance as of 31.12.2017**
Shares in the Company				
Direct interest				
Nadarajan Rohan Raj	500,000	-	-	500,000
Narla Srinivasa Rao	500,000	-	-	500,000
Datuk Ng Seing Liong	70,000	-	-	70,000
Indirect interest				
Tan Sri Dato' Nathan A/L Elumalay *	555,363,360	-	-	555,363,360

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares			
	Balance as of 1.1.2017	Bought	Sold	Balance as of 31.12.2017
Shares in the holding company, Vahana Holdings Sdn Bhd				
Direct interest				
Tan Sri Dato' Nathan A/L Elumalay	298,230	-	-	298,230
Narishnath A/L Nathan	1,170	-	-	1,170

* Deemed interest by virtue of his shareholdings in the holding company.

By virtue of the above directors' interest in the shares of the holding company and in the Company, they are deemed to have an interest in the shares of the subsidiaries to the extent that the Company and the holding company have an interest.

None of the other directors in office at the end of the financial year, held shares or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or being fixed salary of a full-time employee of the Company as disclosed in Note 10 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits as disclosed in the Note 21 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for any directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

HOLDING COMPANY

The Company is a subsidiary of Vahana Holdings Sdn Bhd, a company incorporated in Malaysia, which is regarded by the directors as the immediate and ultimate holding company.

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 8 to the Financial Statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the directors,

TAN SRI DATO' NATHAN A/L ELUMALAY

CHEAH BAN SENG

Kuala Lumpur,
18 April 2018

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **EVERSENDAI CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 77 to 155.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD (CONT'D)

Key audit matters	*Our audit performed and responses thereon*
Recoverability of receivables and amount owing by customers under construction contracts The allowance for doubtful debts of the Group continues to be a focus of our audit. The management provide allowances based on certain assumptions which required the use of estimates and judgement. The use of judgement and estimate in determining the allowance may vary due to changes in circumstances from year to year and may impact the value of the receivable balances. Included in the amount owing by customers under construction contracts is an amount of approximately RM537,063,000 relating to contracts for construction of two liftboats for a related company. Of this balance, an amount of approximately RM257,000,000 will be received via a certain banking facilities arrangement with the related company, subject to the fulfillment of certain terms and conditions. The assessment on recoverability of the remaining balance of approximately RM280,063,000 directly from the related company involves significant management judgement. The accounting policies for allowance for doubtful debts on amount owing by customers under construction contracts, and trade receivables are set out in Note 3, Note 4, Note 18 and Note 19 to the Financial Statements.	We obtained the management's computation of the allowance for doubtful debts. The computation includes consideration of receivables ageing, collections history and subsequent collections. We have tested the ageing of the receivable balances by matching selected samples of invoice dates to the respective ageing category of receivables. We also checked the recoverability of outstanding balances through examination of subsequent to year end collections on a sample basis. We also performed recomputation on the allowance for doubtful debts provided by the management. For the recoverability of balances to be received via banking arrangements relating to the lift boat, we have obtained the Facility Agreement and corroborated our understanding of the contractual terms with the Group's management. For the recoverability of remaining balances relating to the two liftboats, we have discussed with the management on the likelihood of collection from the related company. We further performed independent check to the related company's financial position to assess its ability to repay the remaining balances.
Estimated revenue and future cost on contracts The construction industry is characterised by contract risk with significant judgements that involve the assessment of both current and future financial performance. Contract revenues are recognised based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract. The Group updates the estimated costs to complete of individual contracts on a regular basis and significant judgement is exercised in multiple assessments. The assessments include cost of potential claims by contractors and the cost of meeting other contractual obligations to the customers.	We obtained an understanding of key controls over the recognition of contract revenue and evaluated the design and implementation of these controls. We selected a sample of contracts in order to challenge management's key judgements inherent in the forecast costs to complete by reviewing the contract terms and conditions in the contract documentation. We obtained the management-prepared budgets for the contracts and compared to actual construction costs incurred to determine the accuracy of budgeted costs. We selected samples of actual costs incurred and verified to supplier invoices, delivery orders, services reports and other supporting documents and ensured that they are recorded in the correct accounting period.

Key audit matters	*Our audit performed and responses thereon*
Estimated revenue and future cost on contracts (Cont'd) Any changes in these judgements and the related estimates can result in material adjustments to the stage of completion of individual contracts and thus affecting the revenue recognised. As a result of the regular updates of these contracts, the Group management has recorded foreseeable losses of RM5,509,000 relating to contracts for construction of a liftboat and RM17,189,000 relating to the contracts of a project in India. The foreseeable losses arising from total budgeted costs exceeding total contract revenue is recognised immediately in profit or loss. Consequently, any changes in the judgements and related estimates in arriving at total budgeted costs will result in a change in the foreseeable losses recognised. The accounting policies and relevant disclosures for revenue are set out in Note 3, Note 4, Note 5 and Note 32 to the Financial Statements.	We recomputed the percentage of completion of major projects based on actual costs incurred and compared to management's computation. We further reviewed selected variation orders ("VOs") to ensure the VOs are endorsed by the customer. We have also reviewed changes in estimates to ensure they are being approved by appropriate management personnel. We performed site visits on major construction projects on a rotation basis, discussed with the construction engineers and compared the percentage of completion certified against the physical construction progress.
Financial covenants on borrowings Included in the borrowings of the Group is a term loan amounting to RM463,227,000 obtained for the purpose of working capital and other loan settlement. The term loan is subject to certain financial covenants of which the Group has not met. Accordingly, the lenders have the right to declare all or part of the loans be immediately due and payable as stated in the Facilities Agreement. As at the date of approval of the financial statements, the lenders have yet to demand for immediate repayment. The accounting policies and relevant disclosures for borrowings are set out in Note 3 and Note 29 to the Financial Statements.	We have read the terms of the Facilities Agreement and corroborated our understanding of the contractual terms with the Group's management. We have received management's financial covenants computation and performed arithmetical accuracy check. We also recomputed the financial covenants according to the financial definition depicted in the Facilities Agreement and compared to the management's computation. We checked the arithmetical accuracy of the amount of term loan being reclassified from non-current to current liability in the financial statements. We reviewed management's assessment of the Group's ability to repay the term loan in the event the lenders demand for an immediate repayment. We challenged the assumption used in management's assessment and computation.

We have determined that there are no key audit matters in the audit of the financial statements of the Company to communicate in our Auditors' Report.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of the Group and of the Company.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016, we also report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 15 to the Financial Statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EVERSENDAI CORPORATION BERHAD (CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2018 J
Chartered Accountant

18 April 2018
Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Revenue	5	1,830,427	1,582,428	404,632	146,408
Cost of sales		(1,584,363)	(1,478,750)	-	-
Gross profit		246,064	103,678	404,632	146,408
Other operating income	6	45,212	14,132	15,799	2
Operating and administrative expenses		(162,953)	(258,622)	(10,735)	(30,328)
Finance costs	7	(32,100)	(24,676)	(14,340)	(10,569)
Impairment loss on financial assets at fair value through profit or loss		-	(101,720)	-	(101,720)
Profit/(Loss) before tax	8	96,223	(267,208)	395,356	3,793
Income tax (expense)/credit	11	(9,157)	(6,881)	(24)	15
Profit/(Loss) for the year		87,066	(274,089)	395,332	3,808
Other comprehensive (loss)/income, net of income tax:					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation		(78,397)	30,780	-	-
Net fair value gain on available-for-sale financial assets		-	5	-	-
Other comprehensive (loss)/income for the year, net of tax		(78,397)	30,785	-	-
Total comprehensive income/(loss) for the year		8,669	(243,304)	395,332	3,808
Profit/(Loss) attributable to:					
Equity holders of the Company		85,528	(278,883)	395,332	3,808
Non-controlling interests		1,538	4,794	-	-
		87,066	(274,089)	395,332	3,808
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		8,900	(249,023)	395,332	3,808
Non-controlling interests		(231)	5,719	-	-
		8,669	(243,304)	395,332	3,808
Earnings/(Losses) per share attributable to equity holders of the Company					
Basic and diluted (cent)	12	11.0	(36.0)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	13	714,881	719,489	12,394	12,967
Goodwill	14	12,119	13,780	-	-
Investment in subsidiaries	15	-	-	1,099,985	705,108
Deferred tax assets	16	2,161	1,766	-	-
Total Non-current Assets		729,161	735,035	1,112,379	718,075
Current Assets					
Inventories	17	281,243	180,804	-	-
Amount owing by customers under construction contracts	18	1,026,144	962,487	-	-
Trade receivables	19	610,113	582,243	-	-
Other receivables, refundable deposits and prepaid expenses	20	165,256	132,710	96	194
Amount owing by subsidiaries	21	-	-	150,155	181,690
Investment in securities	22	23	23	-	-
Tax recoverable		1,612	1,589	94	56
Cash and bank balances	23	273,359	386,695	2,666	2,440
		2,357,750	2,246,551	153,011	184,380
Non-current assets held for sale	34	339	-	-	-
Total Current Assets		2,358,089	2,246,551	153,011	184,380
Total Assets		3,087,250	2,981,586	1,265,390	902,455
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	24	585,308	387,000	585,308	387,000
Share premium	24	-	191,515	-	191,515
Treasury shares	25	(91)	(91)	(91)	(91)
Capital reserve	25	187	307	-	120
Foreign currency translation reserve	25	155,692	232,320	-	-
Fair value adjustment reserve	25	30	30	-	-
Retained earnings	26	143,841	58,313	414,410	19,078
Equity attributable to equity holders of the Company		884,967	869,394	999,627	597,622
Non-controlling interests		12,335	14,214	-	-
Total Equity		897,302	883,608	999,627	597,622

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017 (CONT'D)

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current Liabilities					
Hire-purchase payables					
- non-current portion	28	3,692	11,260	-	52
Borrowings					
- non-current portion	29	195,274	239,432	-	-
Employees' service benefits	30	64,695	65,581	-	-
Deferred tax liabilities	16	4,274	4,274	-	-
Total Non-current Liabilities		267,935	320,547	-	52
Current Liabilities					
Trade payables	31	302,046	252,987	-	-
Other payables and accrued expenses	32	467,409	420,617	2,681	440
Amount owing to customers under					
construction contracts	18	142,457	108,319	-	-
Amount owing to directors	33	10,282	19,605	5,843	5,854
Amount owing to subsidiaries	21	-	-	257,182	298,427
Hire-purchase payables					
- current portion	28	4,076	6,843	52	54
Borrowings					
- current portion	29	957,125	930,919	-	-
Tax liabilities		38,618	38,141	5	6
Total Current Liabilities		1,922,013	1,777,431	265,763	304,781
Total Liabilities		2,189,948	2,097,978	265,763	304,833
Total Equity and Liabilities		3,087,250	2,981,586	1,265,390	902,455

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2017

The Group	Attributable to equity holders of the Company									
	Non-distributable					Distributable				
	Issued capital RM'000	Share premium RM'000	Treasury shares 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
Balance as of 1 January 2016	387,000	191,515	(91)	307	202,465	25	341,066	1,122,287	7,818	1,130,105
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	677	677
Loss for the year	-	-	-	-	-	-	(278,883)	(278,883)	4,794	(274,089)
Other comprehensive income	-	-	-	-	29,855	5	-	29,860	925	30,785
Total comprehensive loss for the year	-	-	-	-	29,855	5	(278,883)	(249,023)	5,719	(243,304)
Dividends (Note 27)	-	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
Balance as of 31 December 2016	387,000	191,515	(91)	307	232,320	30	58,313	869,394	14,214	883,608
Balance as of 1 January 2017	387,000	191,515	(91)	307	232,320	30	58,313	869,394	14,214	883,608
Increase in share capital (Note 24)	6,673	-	-	-	-	-	-	6,673	-	6,673
Transfer arising from 'no par value' regime (Note 24)	191,635	(191,515)	-	(120)	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	85,528	85,528	1,538	87,066
Other comprehensive loss	-	-	-	-	(76,628)	-	-	(76,628)	(1,769)	(78,397)
Total comprehensive income for the year	-	-	-	-	(76,628)	-	85,528	8,900	(231)	8,669
Dividends	-	-	-	-	-	-	-	-	(1,648)	(1,648)
Balance as of 31 December 2017	585,308	-	(91)	187	155,692	30	143,841	884,967	12,335	897,302

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

The Company	**Attributable to equity holders of the Company**					
	Non-distributable				**Distributable**	
	Issued capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Capital reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Balance as of 1 January 2016	387,000	191,515	(91)	120	19,140	597,684
Profit for the year	-	-	-	-	3,808	3,808
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	3,808	3,808
Dividends (Note 27)	-	-	-	-	(3,870)	(3,870)
Balance as of 31 December 2016	387,000	191,515	(91)	120	19,078	597,622
Balance as of 1 January 2017	387,000	191,515	(91)	120	19,078	597,622
Increase in share capital (Note 24)	6,673	-	-	-	-	6,673
Transfer arising from 'no par value' regime (Note 24)	191,635	(191,515)	-	(120)	-	-
Profit for the year	-	-	-	-	395,332	395,332
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	395,332	395,332
Balance as of 31 December 2017	585,308	-	(91)	-	414,410	999,627

STATEMENTS OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before tax	96,223	(267,208)	395,356	3,793
Adjustments for:				
Depreciation of property, plant and equipment	50,393	42,139	577	665
Finance costs	32,100	24,676	14,340	10,569
Provision for employees' service benefits	14,212	17,246	-	-
Provision for foreseeable losses	4,798	17,900	-	-
Allowance for doubtful debts on trade receivables	2,831	48,740	-	-
Property, plant and equipment written off	2,199	-	-	-
Impairment of goodwill	1,661	-	-	-
Unrealised foreign exchange (gain)/loss	(17,902)	15,473	(15,799)	18,581
Interest income	(2,137)	(910)	(687)	(35)
Gain on disposal of property, plant and equipment	(125)	(187)	-	-
Impairment of a subsidiary	-	-	3,584	-
Dividend income from Subsidiaries	-	-	(398,318)	(145,809)
Impairment loss on financial assets at fair value through profit or loss:				
Investment in securities	-	93,442	-	93,442
Derivative financial assets	-	8,278	-	8,278
Allowance for doubtful debts on amount owing by customers under construction contracts	-	25,341	-	-
Dividend income from investment in securities	-	(12)	-	-
Operating Profit/(Loss) Before Working Capital Changes	184,253	24,918	(947)	(10,516)
(Increase)/Decrease in:				
Inventories	(100,439)	(12,238)	-	-
Receivables	(61,618)	(154,884)	98	271
Increase/(Decrease) in:				
Payables	102,834	97,834	161	(3,720)
Net changes in intercompany balances	-	-	6,264	287,275
Cash Generated From/(Used In) Operations	125,030	(44,370)	5,576	273,310
Employees' service benefits paid	(6,035)	(3,803)	-	-
Income tax paid	(6,917)	(4,538)	(63)	(78)
Income tax refunded	-	132	-	132
Net Cash From/(Used In) Operating Activities	112,078	(52,579)	5,513	273,364
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 13)	(85,073)	(61,883)	(4)	(154)
Proceeds from disposal of property, plant and equipment	832	781	-	-
Incorporation of a subsidiary (Note 15)	(143)	(3,172)	(143)	-
Net changes in investment securities	-	(17)	-	-
Proceeds from disposal of unit trust fund	-	8,542	-	-
Purchase of investment in securities	-	(8,820)	-	(8,820)
(Increase)/Decrease in deposits with financial institutions	(7,753)	1,450	-	-
Interest received	2,137	910	27	22
Dividends received	-	12	-	-
Net Cash Used In Investing Activities	(90,000)	(62,197)	(120)	(8,952)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Cash from private placement	24	6,673	-	6,673	-
Drawdowns of bank borrowings		-	660,033	-	-
Repayments of bank borrowings	40	(75,103)	(313,427)	-	(254,493)
Dividends paid		(1,648)	(3,870)	-	(3,870)
Repayments of hire-purchase payables	40	(11,564)	(3,630)	(54)	(52)
(Decrease)/Increase of amount owing to directors	40	(9,323)	10,004	(11)	5,838
Interest paid		(40,488)	(34,461)	(11,775)	(10,007)
Net Cash (Used In)/From Financing Activities		(131,453)	314,649	(5,167)	(262,584)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(109,375)	199,873	226	1,828
Foreign exchange differences on translation		(68,865)	38,083	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		337,912	99,956	2,440	612
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	159,672	337,912	2,666	2,440

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The registered office and principal place of business of the Company is located at Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 18 April 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand except where otherwise indicated.

Adoption of Amendments to Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted the 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:

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

Amendments to MFRS 107 Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's and the Company's liabilities arising from financing activities consist of borrowings (Note 29), hire-purchase payables (Note 28), and amount owing to directors (Note 33). A reconciliation between the opening and closing balances of these items is provided in Note 40. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 40, the application of these amendments has had no impact on the Group's and the Company's financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, Amendments and IC Interpretations 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 (and the related Clarification)[1]
MFRS 16	Leases[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[1]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[2]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[2]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IC Interpretation 23	Uncertainty over Income Tax Payments[2]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date deferred to a date to be announced by MASB

The directors anticipate that the abovementioned Standards, Amendments and IC Interpretations will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretations will have no material impact on the financial statements of the Group and the Company in the period of initial application except as discussed below:

<u>MFRS 9 Financial Instruments</u>

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective (Cont'd)

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability to be presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective (Cont'd)

Key requirements of MFRS 9: (Cont'd)

Based on an analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

Classification of financial assets

Based on the directors' assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

	2017 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
The Group			
Trade receivables	610,113	Loans and receivables	Amortised Cost
Other receivables and refundable deposits	64,382	Loans and receivables	Amortised Cost
Investment in securities	23	Available-for-sale	FVTOCI
Cash and bank balances	273,359	Loans and receivables	Amortised Cost
The Company			
Other receivables and refundable deposits	69	Loans and receivables	Amortised Cost
Amount owing by subsidiaries	150,155	Loans and receivables	Amortised Cost
Cash and bank balances	2,666	Loans and receivables	Amortised Cost

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 current 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.

Impairment

Financial assets measured at amortised cost under MFRS 9 and contract assets under MFRS 15 will be subject to the impairment provisions of MFRS 9. Meanwhile, the equity investments carried at FVTOCI are outside the scope of impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its financial assets measured at amortised cost and contract assets under MFRS 15.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective (Cont'd)

Key requirements of MFRS 9: (Cont'd)

Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities.

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 will supersede the current 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.

(a) Step 1 : Identify the contract(s) with a customer
(b) Step 2 : Identify the performance obligations in the contract
(c) Step 3 : Determine the transaction price
(d) Step 4 : Allocate the transaction price to the performance obligations in the contract
(e) 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 June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective (Cont'd)

The directors have preliminarily assessed that the revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation, the objective is to depict the performance in transferring control of goods or services promised to customer. This is similar to the current identification of separate revenue components under MFRS 111. Furthermore, even though MFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors do not expect that the allocation of revenue will be significantly different from that currently determined. The timing of revenue recognition of the performance obligations is also expected to be consistent with current practice.

The directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

<u>MFRS 16 Leases</u>

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 and the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Basis of Consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation and Subsidiaries (Cont'd)

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Subsidiaries

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less any accumulated impairment losses, if any, in the Company's financial statements.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill (Cont'd)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

Revenue from construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described further below.

Rental income

Rental income is accounted for on a straight line basis over the lease term.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Management fee income

Management fee income is recognised upon performance of management services by reference to the contracts entered into.

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Construction Contracts (Cont'd)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount owing by customers under construction contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount owing to customers under construction contracts.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in RM, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies (Cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Employee Benefits

Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and social contributions are recognised in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

(i) Malaysia and Singapore

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia and Singapore make such contributions to the Employees Provident Fund ("EPF") and Central Provident Fund ("CPF") respectively.

(ii) India

Retirement benefits in the form of provident fund are defined contribution scheme and the contributions are charged to profit or loss when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

Defined benefit plans

(i) Middle East

The Group's foreign subsidiaries in the Middle East provide end of service benefits to its employees determined in accordance with the United Arab Emirates ("UAE"), Qatar and Saudi Arabia labour law. The entitlement to these benefits is based upon the employees' salary and length of service subject to the completion of a minimum service period of employment. The expected costs of these benefits are accrued over the period of employment.

(ii) India

Gratuity liability is defined benefit obligation and is provided for on the basis of estimated projected unit credit method made at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Lease Payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax (Cont'd)

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation (unless stated otherwise) and impairment losses (if any).

Capital work-in-progress comprises the construction of factory building, offices and plant and machineries which have not been commissioned. Capital work-in-progress is not depreciated.

Capital work-in-progress is capitalised in accordance with MFRS 116 *Property, Plant and Equipment* and is recognised as an asset when:

(i) It is probable that future economic benefit associated with the assets will flow to the enterprise; and
(ii) The cost of the assets to the enterprise can be measured reliably.

Property, plant and equipment, other than freehold land and capital work-in-progress which are not depreciated, are depreciated using the straight-line method at rates calculated to write off the cost of the assets over their estimated useful lives. The annual rates used are as follows:

Buildings	2% - 5%
Fabrication factory	5%
Plant and machinery	10% - 25%
Motor vehicles	20% - 33%
Computer systems	13% - 33%
Furniture, fittings and office equipment	10% - 25%

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

Gain or loss arising on disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Property, Plant and Equipment under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Non-Financial Assets Other Than Goodwill

The carrying amount of non-financial assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is revised upwards to the estimated recoverable amount, but to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are valued at the lower of cost (determined on the "first-in, first-out" basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and appropriate proportion of production overheads. Net realisable value represents the estimated selling price of inventories in the ordinary course of business less all other estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that the Group will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not only wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goods and Service Tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset.

Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST receivable or GST payable.

GST receivable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset/liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) contingent consideration that may be paid by an acquirer as part of a business combination to which MFRS 3 applies or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss.

Unit trust funds held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value adjustment reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value adjustment reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial Liabilities and Equity Instruments Issued by the Group and the Company

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liability or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial Liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derivative Financial Instruments

Derivatives are classified as at FVTPL and are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset at FVTPL; a derivative with a negative fair value is recognised as a financial liability at FVTPL.

Embedded Derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which bank overdrafts, if any, are deducted.

Current versus Non-current Classification

The Group presents assets and liabilities in statements of financial position based on current/non-current classification. An asset classified as current when it is:

(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Segment Reporting

For management purposes, the Group is organised into operating segments based on their operating activities and geographic which are independently managed by the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

(i) **Critical Judgements in Applying the Group's Accounting Policies**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Liabilities for contract claims

Under UAE laws, certain subsidiaries are jointly liable, without fault, for the cost of rectifying structural defects that appear in a building or structure within ten years of handover. For such liability, referred to as Decennial Liability, to be applicable, it is not necessary to prove any negligence or breach of contract and the liability attached, not withstanding that the collapse or defect is caused by sub-surface conditions or that the customer had approved the defective work. In the past, the Group has not been affected by any claims in relation to the Decennial Liability through mitigating measures taken by the management and accordingly, no provision has been made in the financial statements. However, there can be no assurance that the Group's exposure to Decennial Liability will not have any material adverse effect on the Group's results.

Consolidation of subsidiaries

The Group has entered into various legal shareholder agreements with its foreign partners in respect of certain subsidiaries in the United Arab Emirates and Thailand. As a result of these agreements, the Group has consolidated these foreign subsidiaries on a basis which differs from the proportion of legal ownership interest and the original profit-sharing agreements. Uncertainties may exist as a result of potential changes in legislations in the foreign countries that may affect the enforceability of these agreements.

The directors are of the opinion that the existing shareholders agreements are enforceable as at the date of these financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key Sources of Estimation Uncertainty

The management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as follows:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated.

When value-in-use calculation are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 14.

Impairment of trade receivables and amount owing by customers under construction contracts

The Group makes allowance for impairment of trade receivables and amount owing by customers under construction contracts based on management's assessment of the recoverability of these receivables. Allowances are made where events and changes in circumstances indicate that the carrying amounts may not be recoverable.

In assessing the extent of irrecoverability of these receivables, management has given due consideration to all pertinent information relating to the ability of the customers to settle the debts. Where the expectation is different from the original estimate, such difference will impact the carrying amount of these receivables.

The carrying amount of the Group's amount owing by customers under construction contracts and trade receivables at the reporting date is disclosed in Note 18 and Note 19 respectively.

Computation of income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense and credit already recorded. Such differences of interpretation may arise from a wide variety of issues depending on the condition prevailing in the respective country in which the Group operates. The income tax expense/(credit) of the Group for the financial year is disclosed in Note 11.

Estimated revenue and future cost on contracts

The Group recognised revenue based on the percentage of completion method. The percentage of completion is measured by reference to the costs incurred to date to the estimated total costs for the contract. The percentage of completion method requires the Group to make reasonably dependable estimates of progress towards completion of property development projects and costs in determining the percentage of completion, and the recoverability of development projects. In making the estimate, management relied on opinion/service of experts, past experience and a continuous monitoring mechanism.

5. REVENUE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction contract revenue	1,830,427	1,582,428	-	-
Dividend income from subsidiaries	-	-	398,318	145,809
Management fee income (Note 21)	-	-	5,063	-
Interest income:				
Cash and bank balances	-	-	27	22
Charged to subsidiaries (Note 21)	-	-	660	13
Rental income (Note 21)	-	-	564	564
	1,830,427	1,582,428	404,632	146,408

6. OTHER OPERATING INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of scrap	14,211	10,955	-	-
Sundry income	10,837	2,068	-	-
Gain on foreign exchange:				
Unrealised	17,902	-	15,799	-
Realised	-	-	-	2
Interest income	2,137	910	-	-
Gain on disposal of property, plant and equipment	125	187	-	-
Dividend income from investment in securities	-	12	-	-
	45,212	14,132	15,799	2

7. FINANCE COSTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Borrowings *	31,727	14,349	13,851	70
Hire-purchase payables	373	396	4	6
Amount owing to subsidiaries (Note 21)	-	-	485	562
Profit rate on:				
Islamic medium-term notes	-	9,931	-	9,931
	32,100	24,676	14,340	10,569

* Included in interest expense on borrowings of the Company amounting to RM13,851,000 (2016: RMNil) relating to the interest recharged by a subsidiary (Note 21) for the term loan obtained in October 2016 as disclosed in Note 29(c).

8. PROFIT/(LOSS) BEFORE TAX

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense (Note 9)	455,761	405,486	4,567	1,762
Depreciation of property, plant and equipment (Note 13)	50,393	42,139	577	665
Rental of:				
Premises	29,822	32,012	402	215
Others	2,207	1,309	17	-
Provision for employees' service benefits (Note 30)	14,212	13,871	-	-
Loss on foreign exchange:				
Unrealised	-	15,473	-	18,581
Realised	5,003	1,241	-	-
Provision for foreseeable losses (Note 32)	4,798	17,900	-	-
Allowance for doubtful debts:				
Trade receivables (Note 19)	2,831	48,740	-	-
Amount owing by customers under construction contracts (Note 18)	-	25,341	-	-
Property, plant and equipment written off (Note 13)	2,199	-	-	-
Impairment of goodwill (Note 14)	1,661	-	-	-
Auditors' remuneration:				
Audit fees	1,011	919	80	73
Under/(Over)provision in prior years	29	(11)	16	(17)
Non-audit services	18	17	8	8
Non-executive directors' remuneration (Note 10)	226	254	226	254
Impairment of a subsidiary (Note 15)	-	-	3,584	-
Impairment loss on financial assets at FVTPL:				
Investment in securities*	-	93,442	-	93,442
Derivative financial assets*	-	8,278	-	8,278

* On 4 April 2016, the Company had acquired an additional 23,438,100 ordinary shares in Technics Oil & Gas Limited ("TOGL"), representing 10.25% of TOGL's total shareholdings, with a total consideration of approximately RM8,820,000. Accordingly, the acquisition increased the Company's shareholdings in TOGL from 19.62% to 29.87%. On 22 June 2016, the Board of Directors of TOGL stepped down pursuant to the appointment of judicial managers to manage the affairs, business and property of TOGL. A judicial management involves managing TOGL into a more advantageous realisation than would be effected on a winding up. Consequentially, the Company had fully impaired the derivative financial assets and investment in securities in relation to TOGL in previous financial year.

9. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors remuneration (Note 10)	13,286	13,405	706	948
Other employees remuneration:				
Cost of sales	358,403	320,664	-	-
Operating and administrative expenses	84,072	71,417	3,861	814
	442,475	392,081	3,861	814
Total employees benefits expense	455,761	405,486	4,567	1,762

Included in employee benefits expense is defined contribution plans amounting to approximately RM22,876,000 (2016: RM24,397,000) and RM426,000 (2016: RM171,000) for the Group and the Company respectively.

10. DIRECTORS' REMUNERATION

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors:				
Salaries	13,162	13,171	648	861
Defined contribution plan	124	234	58	87
Executive directors' remuneration (Note 9)	13,286	13,405	706	948
Other emoluments	189	229	4	24
Total executive directors' remuneration	13,475	13,634	710	972
Non-executive directors:				
Fees	198	216	198	216
Other emoluments	28	38	28	38
Non-executive directors' remuneration (Note 8)	226	254	226	254
Total directors' remuneration	13,701	13,888	936	1,226

11. INCOME TAX (EXPENSE)/CREDIT

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Estimated tax payable:				
Current year:				
Malaysian income tax	(2,310)	(176)	(61)	(72)
Foreign income tax	(7,392)	(6,765)	-	-
Overprovision in prior years	(99)	645	37	87
	(9,801)	(6,296)	(24)	15
Deferred tax (Note 16):				
Current year	623	(367)	-	-
Over/(Under)provision in prior years	21	(218)	-	-
	644	(585)	-	-
	(9,157)	(6,881)	(24)	15

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

A reconciliation of income tax (expense)/credit applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax (expense)/credit at the effective income tax rate is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Profit)/Loss before tax	(96,223)	267,208	(395,356)	(3,793)
Tax at applicable statutory tax rate of 24%	(23,094)	64,130	(94,885)	(910)
Difference in foreign tax rates	(77,050)	(67,930)	-	-
Tax effects of:				
Expenses not deductible for tax purposes	(10,092)	(44,444)	(5,779)	(33,385)
Income not subject to tax	101,157	40,936	100,603	34,223
(Over)/Underprovision in prior years:				
Income tax	(99)	645	37	87
Deferred tax	21	(218)	-	-
	(9,157)	(6,881)	(24)	15

12. EARNINGS/(LOSSES) PER SHARE

Earnings/(Losses) per share is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares) during the financial year as follows:

Basic

	The Group	
	2017	**2016**
Profit/(Loss) for the year attributable to equity holders of the Company (RM'000)	85,528	(278,883)
Weighted average number of ordinary shares in issue ('000 units)	775,641	773,899
Basic earnings/(losses) per share (cent)	11.0	(36.0)

Diluted

The basic and diluted earnings per share are the same as the Company has no potentially dilutive ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM'000	Fabrication factory and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
Balance as of 1 January 2016	145,097	218,240	265,453	48,314	21,611	13,592	201,102	913,409
Acquisition of subsidiary	2,826	3,628	5,714	2,038	-	896	-	15,102
Additions	-	-	23,309	8,164	2,895	1,748	47,964	84,080
Reclassifications	-	-	2,965	-	-	-	(2,965)	-
Disposals	-	-	(489)	(1,639)	-	(18)	-	(2,146)
Exchange differences	715	5,360	10,648	2,209	1,121	3,742	12,219	36,014
Balance as of 31 December 2016	148,638	227,228	307,600	59,086	25,627	19,960	258,320	1,046,459
Balance as of 1 January 2017	148,638	227,228	307,600	59,086	25,627	19,960	258,320	1,046,459
Additions	-	-	42,696	3,050	3,795	3,076	44,885	97,502
Reclassifications	-	186,701	-	-	-	-	(186,701)	-
Disposals	-	-	(1,415)	(1,129)	(4)	(73)	-	(2,621)
Written Off	(2,116)	-	-	(60)	(71)	-	-	(2,247)
Transfer to non-current assets held for sale (Note 34)	(339)	-	-	-	-	-	-	(339)
Exchange differences	(792)	(26,888)	(23,575)	(4,095)	(1,914)	(1,420)	(16,366)	(75,050)
Balance as of 31 December 2017	145,391	387,041	325,306	56,852	27,433	21,543	100,138	1,063,704

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group

	Freehold land RM'000	Fabrication factory and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation								
Balance as of 1 January 2016	-	64,311	141,364	36,075	14,727	7,756	-	264,233
Acquisition of subsidiary	-	1,465	4,677	1,867	-	886	-	8,895
Charge for the year	-	9,674	21,534	5,643	2,559	2,729	-	42,139
Disposals	-	-	(24)	(1,524)	-	(4)	-	(1,552)
Exchange differences	-	3,502	5,282	1,643	693	2,135	-	13,255
Balance as of 31 December 2016	-	78,952	172,833	43,704	17,979	13,502	-	326,970
Balance as of 1 January 2017	-	78,952	172,833	43,704	17,979	13,502	-	326,970
Charge for the year	-	11,275	26,285	6,878	3,421	2,534	-	50,393
Disposals	-	-	(843)	(1,056)	-	(15)	-	(1,914)
Written off	-	-	-	-	(48)	-	-	(48)
Exchange differences	-	(7,255)	(13,824)	(3,136)	(1,335)	(1,028)	-	(26,578)
Balance as of 31 December 2017	-	82,972	184,451	46,390	20,017	14,993	-	348,823
Net Book Value								
Balance as of 31 December 2017	145,391	304,069	140,855	10,462	7,416	6,550	100,138	714,881
Balance as of 31 December 2016	148,638	148,276	134,767	15,382	7,648	6,458	258,320	719,489

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

	Freehold land RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
Balance as of 1 January 2016	11,582	397	2,968	28	302	15,277
Additions	-	-	83	8	63	154
Balance as of 31 December 2016	11,582	397	3,051	36	365	15,431
Balance as of 1 January 2017	11,582	397	3,051	36	365	15,431
Additions	-	-	4	-	-	4
Balance as of 31 December 2017	11,582	397	3,055	36	365	15,435
Accumulated Depreciation						
Balance as of 1 January 2016	-	330	1,458	11	-	1,799
Charge for the year	-	67	592	6	-	665
Balance as of 31 December 2016	-	397	2,050	17	-	2,464
Balance as of 1 January 2017	-	397	2,050	17	-	2,464
Charge for the year	-	-	572	5	-	577
Balance as of 31 December 2017	-	397	2,622	22	-	3,041
Net Book Value						
Balance as of 31 December 2017	11,582	-	433	14	365	12,394
Balance as of 31 December 2016	11,582	-	1,001	19	365	12,967

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Acquisition of property, plant and equipment during the year

Additions to property, plant and equipment were acquired by way of:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Hire-purchase	1,229	12,412	-	-
Cash	85,073	61,883	4	154
Interest expense capitalisation	11,200	9,785	-	-
	97,502	84,080	4	154

The Group has additions of capital work-in-progress amounting to RM38,825,000 (2016: RM36,354,000) and RM1,659,000 (2016: RM5,057,000) for building under construction on a land leased from RAK Maritime City, Ras Al Khaimah, UAE and plant and machinery purchased for the fabrication factory in Sharjah, UAE respectively. The lease term for the leased land from RAK Maritime City is for a period of 25 years effective 1 June 2014 and is renewable for a further period of 25 years. The operating lease commitment is disclosed in Note 35.

Included in the capital work-in-progress is interest expense capitalisation on term loans amounting to RM20,985,000 (2016: RM9,785,000).

Allocation of depreciation expenses

Depreciation has been allocated to profit or loss as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cost of sales	36,778	30,356	-	-
Operating and administrative expenses	13,615	11,783	577	665
	50,393	42,139	577	665

Assets pledged as securities

Net book value of the property, plant and equipment of the Group and of the Company pledged as securities for borrowings and hire-purchase payables are as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net book value				
Borrowings (Note 29)	450,406	463,383	-	-
Hire-purchase payables (Note 28)	14,732	13,619	-	-
	465,138	477,002	-	-

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets acquired under hire purchase arrangements

As of 31 December 2017, the Group and the Company have property, plant and equipment acquired under hire purchase arrangements with carrying value amounting to RM14,732,000 (2016: RM13,619,000) and RMNil (2016: RMNil) respectively.

14. GOODWILL

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	13,780	12,088
Additions	-	1,692
Impairment (Note 8)	(1,661)	-
At end of year	12,119	13,780

Goodwill arising from business combination has been allocated to the following cash-generating units ("CGUs"):

	The Group	
	2017 RM'000	2016 RM'000
Eversendai Engineering LLC Dubai	4,143	4,143
Eversendai Engineering Sdn Bhd (formerly known as Eversendai Energia Sdn Bhd)	5,777	5,777
Eversendai Oil & Gas (M) Sdn Bhd	-	837
Eversendai Constructions (M) Sdn Bhd	1,331	1,331
Eversendai S-Con Engineering Co.Ltd	868	1,692
	12,119	13,780

The management carried out its annual review of recoverable amounts of its goodwill. During the financial year, the Group has recognised goodwill impairment amounting to RM1,661,000 (2016: RMNil) as a result of certain event which gave rise to indication of impairment.

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

	Growth Rate		Discount Rate	
Cash-generating units ("CGUs")	**2017**	**2016**	**2017**	**2016**
Eversendai Engineering LLC Dubai	1%	1%	7%	7%
Eversendai Engineering Sdn Bhd (formerly known as Eversendai Energia Sdn Bhd)	1%	1%	9%	9%
Eversendai Oil & Gas (M) Sdn Bhd	1%	1%	9%	9%
Eversendai Constructions (M) Sdn Bhd	1%	1%	9%	9%
Eversendai S-Con Engineering Co.Ltd	1%	1%	10%	10%

Sensitivity to change in assumptions

Management believes that any reasonably possible change in the above key assumptions applied are not likely to cause the recoverable amounts to be materially lower than the carrying amounts.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2017 RM'000	2016 RM'000
Unquoted shares - at cost		
At beginning of year	705,108	656,250
Capitalisation of amount owing by subsidiaries	398,318	48,858
Impairment of a subsidiary (Note 8)	(3,584)	-
Incorporation of a subsidiary*	143	-
At end of year	1,099,985	705,108

* On 11 May 2017, the Company incorporated Eversendai Construction WLL Kuwait ("Eversendai Kuwait") as a subsidiary of the Company under the Commercial Companies Law of Kuwait as a limited liability company. The issued and paid up share capital of Eversendai Kuwait amounts to approximately RM143,000. The principal activities of Eversendai Kuwait are provision of businesses relating to engineering, supply, fabrication and erection of structural steel works and construction of commercial, domestic and other civil engineering projects.

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group		Effective interest-in profit based on shareholders' agreement	
			2017 %	2016 %	2017 %	2016 %
Held by the Company						
Eversendai Engineering Sdn Bhd (formerly known as Eversendai Energia Sdn Bhd) ("EESB")	Malaysia	Engineering, fabrication, design and erection of mechanical and structural steel works	100	100	N/A	N/A
Eversendai Technics Pte Ltd ("ETPL") #	Singapore	Design, fabrication works and integration of compression systems and process	70	70	N/A	N/A
Eversendai Engineering FZE ("Eversendai Sharjah") @	United Arab Emirates	Steel, fabrication and painting	100	100	N/A	N/A
Eversendai Engineering LLC ("Eversendai Dubai") ^ @	United Arab Emirates	Fabrication and erection of steel structures	49	49	100	100
Eversendai Engineering LLC - Abu Dhabi ("Eversendai Abu Dhabi") ^ @	United Arab Emirates	Building, steel structures and general contracting	49	49	100	100

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group 2017 %	Proportion of ownership interest held by the Group 2016 %	Effective interest-in profit based on shareholders' agreement 2017 %	Effective interest-in profit based on shareholders' agreement 2016 %
Held by the Company						
EVS Construction LLC ("EVSC") ^ @	United Arab Emirates	Engineering and contracting services	49	49	100	100
Eversendai Engineering Saudi LLC ("Eversendai Saudi") ^ @	Kingdom of Saudi Arabia	Steel construction contracts for buildings, steel construction works related to oil and gas fields. Industrial establishment building contracting, fire proofing and civil works	80	80	100	100
Eversendai Construction (S) Pte Ltd ("Eversendai Singapore") #	Singapore	Building construction including major upgrading works	100	100	N/A	N/A
Eversendai Offshore Sdn Bhd ("EOSB")	Malaysia	Engineering, procurement, fabrication and construction services for the oil and gas industry	100	100	N/A	N/A
ECB Properties Sdn Bhd ("EPSB")	Malaysia	Real property and development	100	100	N/A	N/A
Perisai Kuasa Sdn Bhd ("PKSB")	Malaysia	Engineering services and technology provider in the oil and gas industry	60	60	N/A	N/A
Eversendai Constructions (M) Sdn Bhd ("ECMSB")	Malaysia	Civil engineering and general contracting services	69	69	N/A	N/A
Eversendai Frontiers Private Limited ("EFPL") @	India	Engineering, procurement, fabrication and construction services	100	100	N/A	N/A
Eversendai Engineering LLC ("Eversendai Azerbaijan") #	Republic of Azerbaijan	Engineering, procurement, fabrication and construction services	100	100	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group 2017 %	Proportion of ownership interest held by the Group 2016 %	Effective interest-in profit based on shareholders' agreement 2017 %	Effective interest-in profit based on shareholders' agreement 2016 %
Held by the Company (Cont'd)						
Eversendai Construction WLL Kuwait ("Eversendai Kuwait") ^ &	Kuwait	Engineering, procurement, fabrication and construction services	49	N/A	100	N/A
Held by Eversendai Singapore						
Eversendai Engineering Pte Ltd ("EEPL Singapore") #	Singapore	Mechanical, electrical, civil and general engineers and engineering consultants	100	100	N/A	N/A
Eversendai Construction Private Limited ("Eversendai India") @	India	Engineering, design, detailing, steel fabrication, development of residential buildings and commercial complexes	100	100	N/A	N/A
Eversendai Engineering Qatar WLL ("Eversendai Qatar") ^ @	State of Qatar	Engineering, blasting, painting, fabrication, design and erection of mechanical and structural steel works	49	49	70	70
Eversendai S-Con Engineering Co. Ltd. ("ESECL") ^ #	Thailand	Carbon steel and stainless steel fabrication, mechanical construction and installation	49	49	70	70
Eversendai Steel-S Limited ("ESSL") &	United Kingdom	Carbon steel and stainless steel fabrication, mechanical construction and installation	100	N/A	N/A	N/A
Eversendai Steel-A Pty Ltd ("ESAPL") &	Australia	Carbon steel and stainless steel fabrication, mechanical construction and installation	100	N/A	N/A	N/A
Held by EOSB						
Eversendai Offshore RMC FZE ("EVORF") @	United Arab Emirates	Manufacturing and construction of oil and gas field equipment, oil and gas facility, sea platforms and rigs, structural steel, pressure vessels and other related activities	100	100	N/A	N/A

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group		Effective interest-in profit based on shareholders' agreement	
			2017 %	2016 %	2017 %	2016 %
Held by PKSB						
Eversendai Oil & Gas (M) Sdn Bhd ("Eversendai O&G")	Malaysia	Engineering services and technology provider in the oil and gas industry	48	48	N/A	N/A
Held by ECMSB						
Eversendai Engineering (Pvt) Limited ("Eversendai Sri Lanka") #	Sri Lanka	Construction	69	69	N/A	N/A

Audited by auditors other than auditors of the Company

@ Audited by member firms of Deloitte PLT in the respective countries

& Not required to be audited pursuant to the relevant regulations of the place of incorporation

^ Pursuant to the shareholders' agreements with the respective foreign partners of the subsidiaries and the power of attorney granted by them, the Group controls these subsidiaries by virtue of having the:

(i) power of more than half of the voting rights and to govern the financial and operating policies;

(ii) power to appoint or remove majority of the members of the board of directors or equivalent governing body and control of the entity that is by that board or body; and

(iii) power to cast majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

During the financial year, the Company increased its investment in subsidiaries via capitalisation of amount owing by the respective subsidiaries for working capital purposes, as follows:

	The Company	
	2017 RM'000	2016 RM'000
EVSC	-	48,858
Eversendai Dubai	398,318	-
	398,318	48,858

On 10 February 2017, the Group 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.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

On 10 March 2017, the Group 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 RM339. 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.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests RM'000		Accumulated non-controlling interests RM'000	
		2017	**2016**	**2017**	**2016**	**2017**	**2016**
Eversendai Qatar	State of Qatar	30%	30%	5,260	6,232	16,775	15,053
Eversendai O&G	Malaysia	52%	52%	(4,278)	173	(3,223)	1,054
ESECL	Thailand	30%	30%	27	(2,056)	(1,267)	(1,412)
Individually immaterial subsidiaries with non-controlling interests	N/A	N/A	N/A	529	445	50	(481)
				1,538	4,794	12,335	14,214

Summarised information of companies with non-controlling interests that are significant to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests of the other subsidiaries which are not material to the Group are not presented.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of financial position

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2017				
Current assets	508,528	39,874	18,531	566,933
Non-current assets	22,465	202	8,199	30,866
Total assets	530,993	40,076	26,730	597,799
Current liabilities	393,967	42,452	29,084	465,503
Non-current liabilities	73,132	-	-	73,132
Total liabilities	467,099	42,452	29,084	538,635
Net assets/(liabilities)	63,894	(2,376)	(2,354)	59,164
Equity attributable to equity holders of the Company	47,119	847	(1,087)	46,879
Non-controlling interests	16,775	(3,223)	(1,267)	12,285
	63,894	(2,376)	(2,354)	59,164
2016				
Current assets	506,708	37,406	8,963	553,077
Non-current assets	29,723	272	9,178	39,173
Total assets	536,431	37,678	18,141	592,250
Current liabilities	468,658	31,797	22,910	523,365
Non-current liabilities	9,088	31	-	9,119
Total liabilities	477,746	31,828	22,910	532,484
Net assets/(liabilities)	58,685	5,850	(4,769)	59,766
Equity attributable to equity holders of the Company	43,632	4,796	(3,357)	45,071
Non-controlling interests	15,053	1,054	(1,412)	14,695
	58,685	5,850	(4,769)	59,766

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of profit or loss and other comprehensive income

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2017				
Revenue	239,376	18,966	53,246	311,588
Profit/(Loss) attributable to:				
- Equity holders of the Company	10,947	(3,846)	(876)	6,225
- Non-controlling interests	5,260	(4,278)	27	1,009
Profit/(Loss) for the year	16,207	(8,124)	(849)	7,234
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	4,650	(3,519)	(482)	649
- Non-controlling interests	3,371	(4,278)	145	(762)
Total comprehensive income/(loss) for the year	8,021	(7,797)	(337)	(113)
2016				
Revenue	349,389	44,213	9,066	402,668
Profit/(Loss) attributable to:				
- Equity holders of the Company	13,017	160	(4,799)	8,378
- Non-controlling interests	6,232	173	(2,056)	4,349
Profit/(Loss) for the year	19,249	333	(6,855)	12,727
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	16,178	160	(4,906)	11,432
- Non-controlling interests	7,180	173	(2,089)	5,264
Total comprehensive income/(loss) for the year	23,358	333	(6,995)	16,696

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statements of cash flows

	Eversendai Qatar RM'000	Eversendai O&G RM'000	ESECL RM'000	Total RM'000
2017				
Net cash (outflow)/inflow from operating activities	(59,051)	9,722	3,108	(46,221)
Net cash (outflow)/inflow from investing activities	(33)	1	(697)	(729)
Net cash inflow/(outflow) from financing activities	44,994	(9,397)	258	35,855
Net (outflow)/inflow	(14,090)	326	2,669	(11,095)
2016				
Net cash inflow/(outflow) from operating activities	47,834	(1,953)	745	46,626
Net cash (outflow)/inflow from investing activities	(2,441)	15	(2,523)	(4,949)
Net cash (outflow)/inflow from financing activities	(40,197)	(202)	3,564	(36,835)
Net inflow/(outflow)	5,196	(2,140)	1,786	4,842

16. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	1,766	2,574
Recognised in profit or loss (Note 11):		
Property, plant and equipment	(159)	(194)
Other payables and accrued expenses	780	66
Others	23	588
Unabsorbed capital allowances	-	(123)
Unused tax losses	-	(1,277)
	644	(940)
Exchange differences	(249)	132
At end of year	2,161	1,766

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax assets provided in the financial statements are in respect of the tax effects on the following:

	The Group 2017 RM'000	The Group 2016 RM'000
Deferred tax assets (before offsetting):		
Temporary differences arising from:		
Property, plant and equipment	189	624
Other payables and accrued expenses	1,164	220
Others	808	1,233
	2,161	2,077
Offsetting	-	(311)
Deferred tax assets (after offsetting)	2,161	1,766
Deferred tax liabilities (before offsetting):		
Temporary differences arising from property, plant and equipment	-	(311)
Offsetting	-	311
Deferred tax liabilities (after offsetting)	-	-

Deferred tax liabilities

	The Group 2017 RM'000	The Group 2016 RM'000
At beginning of year	(4,274)	(4,629)
Recognised in profit or loss (Note 11):		
Property, plant and equipment	-	500
Other payables and accrued expenses	-	(145)
	-	355
At end of year	(4,274)	(4,274)

Deferred tax liabilities provided in the financial statements are in respect of the tax effects on the following:

	The Group 2017 RM'000	The Group 2016 RM'000
Deferred tax liabilities:		
Temporary differences arising from:		
Property, plant and equipment	(4,071)	(4,071)
Other payables and accrued expenses	(203)	(203)
	(4,274)	(4,274)

17. INVENTORIES

	The Group 2017 RM'000	2016 RM'000
At cost:		
Materials at fabrication yard and on site	281,243	180,804

Due to the nature of the Group's business, its procurement policies and rate of inventory turnover, the Group is not exposed to the risk of old or obsolete inventory. Accordingly, no allowance has been made for impairment of inventories.

During the year, approximately RM378,144,000 (2016: RM313,918,000) of inventories was recognised as an expense in cost of sales of the Group.

Certain inventories amounting to RM30,426,000 (2016: RM24,169,000) are pledged against borrowings as disclosed in Note 29.

18. AMOUNT OWING BY/(TO) CUSTOMERS UNDER CONSTRUCTION CONTRACTS

	The Group 2017 RM'000	2016 RM'000
Aggregate costs incurred to date	8,954,009	8,589,886
Attributable profits less recognised losses	667,897	855,406
	9,621,906	9,445,292
Less: Allowance for doubtful debts* (Note 19)	(24,881)	(25,341)
Less: Progress billings on contracts	(8,719,429)	(8,563,658)
Exchange difference	6,091	(2,125)
	883,687	854,168
Presented as:		
Amount owing by customers under construction contracts	1,026,144	962,487
Amount owing to customers under construction contracts	(142,457)	(108,319)
	883,687	854,168

* During the financial year, the decrease in allowance for doubtful debts of RM460,000 (2016: RMNil) is the result of foreign currency changes.

Retention sums on construction contracts are included in trade receivables as disclosed in Note 19.

Included in amount owing by customers under construction contracts as of 31 December 2017 is an amount of approximately RM24,881,000 (2016: RM27,466,000) relating to contract works carried out for a customer who is involved in the construction of a tower at Dubai, UAE ("the Tower"). The construction of the Tower is currently on hold since 2012. The amount has been fully impaired in the previous years.

18. AMOUNT OWING BY/(TO) CUSTOMERS UNDER CONSTRUCTION CONTRACTS (CONT'D)

Included in amount owing by customers under construction contracts as of 31 December 2017 is an amount of approximately RM537,063,000 (2016: RM420,451,000) relating to contract works carried out on two liftboats at Ras Al Khaimah, UAE for a related company, Vahana Offshore (S) Pte. Ltd. In this regard, the Group had entered into two banking facilities amounting to approximately RM111,000,000, equivalent to AED100,000,000 (2016: RM122,000,000, equivalent to AED100,000,000) ("Murabaha Facility") and RM257,000,000, equivalent to AED232,000,000 (2016: RM283,000,000, equivalent to AED232,000,000) ("Ijarah Facility") for the purpose of financing the construction of one of the liftboats and to settle the Murabaha Facility upon construction completion of the said liftboat, respectively. The Ijarah facility allows the Group to transfer the ownership of Ijarah Facility to Vahana Offshore (S) Pte. Ltd. subject to the mutual agreement between both parties and fulfillment of certain terms and conditions. In previous year, the Murabaha Facility had been drawn down as disclosed in Note 29(c).

19. TRADE RECEIVABLES

	The Group	
	2017 RM'000	2016 RM'000
Trade receivables	346,028	323,133
Retention sum receivables	333,420	335,346
	679,448	658,479
Less: Allowance for impairment losses	(69,335)	(76,236)
	610,113	582,243

The retention sum receivables are subject to satisfactory completion of the respective project defect liability periods.

The Group's trading terms with its customers are mainly on credit. The Group's average credit term ranges from 30 to 90 days (2016: 30 to 90 days). Trade receivables are non-interest bearing.

Included in trade receivables and retention sum receivables is a specific receivable amount which is from a customer involved in the construction of a tower at Dubai, UAE ("the Tower") that was on hold since 2012.

	The Group	
	2017 RM'000	2016 RM'000
Contract receivable	26,984	29,788
Retention receivable	6,773	7,477
Contract work-in-progress	24,881	27,466
	58,638	64,731
Less: Allowance for doubtful debts on		
Amount owing by customers under construction contracts (Note 18)	(24,881)	(25,341)
Trade receivables	(33,757)	(32,469)
Exchange difference	-	(6,921)
	-	-

19. TRADE RECEIVABLES (CONT'D)

Ageing of trade receivables not impaired:

	The Group	
	2017 RM'000	2016 RM'000
Not past due	78,520	225,019
Past due 1 - 30 days	89,062	47,371
Past due 31 - 60 days	25,782	70,151
Past due more than 60 days	416,749	239,702
Net	610,113	582,243

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. The Group mitigates the risk of default by monitoring the receivables closely and engaging only with reputable customers with good creditworthiness.

None of the Group's trade receivables that are neither past due nor impaired have been re-negotiated during the financial year.

Trade receivables that are past due but not impaired

Unimpaired trade receivables are expected, on the basis of past experiences and contractual agreements, to be fully recovered.

Movement in the allowance for doubtful debts:

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	76,236	27,406
Charge for the year (Note 8)	2,831	48,740
Write back of allowance	(504)	(4,072)
Written-off	(2,010)	(229)
Exchange difference	(7,218)	4,391
At end of year	69,335	76,236

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

20. OTHER RECEIVABLES, REFUNDABLE DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	36,260	28,253	31	29
Downpayments to suppliers	47,478	59,257	-	-
Refundable deposits	28,122	24,050	38	38
Prepaid expenses	7,631	10,077	-	120
GST receivables	45,765	11,073	27	7
	165,256	132,710	96	194

Other receivables disclosed above are neither past due nor impaired at the end of the reporting period.

Downpayments to suppliers are to be offset against the suppliers invoices upon issuance.

Included in refundable deposits are security deposits amounting to RM14,932,000 (2016: RM11,370,000) relating to accommodation of contract workers which are refundable in their respective countries. Also included in refundable deposits are payments for contract labour cost of RM7,097,000 (2016: RM6,699,000) relating to the working permits which are refundable in the respective countries.

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Vahana Holdings Sdn Bhd, a company incorporated in Malaysia, which is regarded by the directors as the immediate and ultimate holding company.

Amounts owing by/(to) subsidiaries and other related companies, which arose mainly from trade transactions and payments on behalf, are unsecured, interest-free and repayable on demand, except for net advances to subsidiaries approximately RM3,684,000 which bear interest of 4.75% per annum and are collectable on demand; In 2016, net advances from subsidiaries amounting to approximately RM12,113,000 which bear interest of 4.75% per annum and are repayable on demand.

During the financial year, significant related party transactions undertaken between the Group and the Company with related parties, which are negotiated based on agreed terms and conditions, are as follows:

The Group	2017 RM'000	2016 RM'000
Transactions with certain directors and key management personnel of the Group		
Rental expense paid by the Group on properties owned by a director of the Company	(1,495)	(1,225)
Transactions with other related companies		
Provision of services for engineering and fabrication by a subsidiary to Vahana Offshore (S) Pte Ltd, a subsidiary of the holding company	116,612	99,640
Provision of consultancy services by a subsidiary to Hi-tech and Contracting Company Limited, a shareholder of Eversendai Saudi	(3,339)	(2,966)
Purchase of goods and services by a subsidiary from Qatari Investors Industrial Group, a shareholder of Eversendai Qatar	(1,758)	(2,249)

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

The Company	2017 RM'000	2016 RM'000
Interest recharged by a subsidiary (Note 7)	13,851	-
Rental charged to a subsidiary (Note 5)	564	564
Interest charged to subsidiaries (Note 5)	660	13
Loan processing fees charged by subsidiary	-	(6,881)
Interest charged by subsidiaries (Note 7)	(485)	(562)
Management fee charged to subsidiaries (Note 5)	5,063	-

Compensation of key management personnel

The members of key management personnel of the Company comprise executive directors of the Group and the Company. Details on the compensation for these key management personnel are disclosed in Note 10.

22. INVESTMENT IN SECURITIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
At fair value				
Available-for-sale financial assets:				
- Unit trust fund	23	23	-	-

23. CASH AND BANK BALANCES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with financial institutions	36,892	40,212	30	30
Cash and bank balances	236,467	346,483	2,636	2,410
	273,359	386,695	2,666	2,440

The weighted average effective interest rate as at the end of the reporting period for the Group was 2.60% (2016: 2.50%) per annum.

Deposits with financial institutions of the Group amounting to RM36,862,000 (2016: RM29,109,000) are pledged as securities for borrowing facilities granted to the subsidiaries as disclosed in Note 29. The maturity period of the Group's deposits with financial institutions at the reporting date range from 30 to 365 days (2016: 30 to 365 days) with those above 90 days being excluded from cash and cash equivalents for statements of cash flows purposes.

23. CASH AND BANK BALANCES (CONT'D)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	273,359	386,695	2,666	2,440
Less: Bank overdrafts (Note 29)	(76,825)	(19,674)	-	-
	196,534	367,021	2,666	2,440
Less: Deposits with financial institutions (> 90 days)	(36,862)	(29,109)	-	-
Cash and cash equivalents	159,672	337,912	2,666	2,440

24. ISSUED CAPITAL AND SHARE PREMIUM

	The Group and The Company			
	No. of shares			
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised				
Ordinary shares:				
At beginning and end of year (Note 24(i))	-	1,000,000	-	500,000
Issued and fully paid				
Ordinary shares:				
At beginning of year	774,000	774,000	387,000	387,000
Allotment of shares pursuant to:				
Private placement (Note 24(iii))	7,100	-	6,673	-
Transfer from share premium and capital reserve (Note 24(ii))	-	-	191,635	-
At end of year	781,100	774,000	585,308	387,000

(i) The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.50 each. The new Companies Act 2016 ("Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

(ii) In accordance with the transitional provisions of the Act, the credit balance of the Company's share premium account of RM191,515,000 and capital reserve account of RM120,000 has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

24. ISSUED CAPITAL AND SHARE PREMIUM (CONT'D)

(iii) The Company has undertaken a private placement of up to 77,389,900 shares ("Placement Share(s)"), representing up to 10% of the Company's total number of issued shares (excluding 101,000 treasury shares) ("Private Placement").

The Private Placement is implemented in line with the general mandate under Sections 75 of the Companies Act, 2016 ("Act"), which the Company obtained approval from its shareholders at its annual general meeting on 25 May 2017 ("General Mandate"). The Company has subsequently entered into a conditional share subscription agreement with Macquarie Bank, a financial institution based in Australia, in relation to the issuance and allotment of up to 77,389,900 Placement Shares ("Subscription Agreement"). The Private Placement is implemented in multiple tranches within 12 months from the date on which the conditions precedent in the Subscription Agreement are satisfied.

The following tranches of the private placement has been issued:

Date	No of shares ('000)	Value per share	Value (RM'000)
29 August 2017	500	0.9444	472
11 September 2017	600	1.0061	604
13 September 2017	1,000	1.0055	1,006
18 September 2017	1,500	0.9608	1,441
21 September 2017	1,000	0.9000	900
3 November 2017	500	0.9000	450
6 November 2017	600	0.9000	540
9 November 2017	600	0.9000	540
10 November 2017	800	0.9000	720
	7,100		6,673

Subsequent to the financial year, the Company has decided to terminate the Private Placement and had on 5 February 2018 delivered a termination notice to Macquarie Bank. The termination of the Private Placement shall be effective on 19 February 2018 pursuant to the clause set in the Subscription Agreement.

25. RESERVES

Treasury shares

	The Group and The Company			
	No. of shares			
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
At Cost:				
At beginning and end of year	101	101	91	91

25. RESERVES (CONT'D)

Capital reserve

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Legal reserve (i)	187	187	-	-
Preference shares redemption reserve (ii)	-	120	-	120
	187	307	-	120

(i) Legal reserve

In accordance with Qatar Companies' Law No.5 of 2002, ("the Qatari Law") and the Articles of Association of Eversendai Qatar, 10% of the Eversendai Qatar's profit for the year is required to be transferred to a Legal Reserve. Eversendai Qatar may resolve to discontinue such annual transfers when the reserve reaches 50% of its capital. The reserve is not normally available for distribution, except in circumstances stipulated under the Qatari Law. Management of Eversendai Qatar has resolved to cease all transfers as the Legal Reserve is higher than the minimum requirements as at the reporting date.

(ii) Preference shares redemption reserve

This relates to the Company's redemption of 12,000,000 Redeemable Convertible Cumulative Preference Shares of RM0.01 each on 30 June 2008. During the year, the amount has been transfer to share capital in accordance with Companies Act, 2016.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

26. RETAINED EARNINGS

The Company is currently under the single-tier income tax system in accordance with Finance Act, 2007 and accordingly, the entire retained earnings of the Company is available for distribution under the single-tier income tax system.

27. DIVIDENDS

	The Group and The Company 2017 RM'000	2016 RM'000
Dividends on ordinary shares:		
Final single-tier dividend of 0.50 cent per share on 773,899,000 ordinary shares declared on 27 May 2016 and paid on 14 July 2016	-	3,870

28. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments:				
Not later than one year	4,291	7,394	53	58
Later than one year but less than five years	3,909	12,163	-	53
Total minimum lease payments	8,200	19,557	53	111
Less: Future finance charges	(432)	(1,454)	(1)	(5)
Present value of minimum lease payments	7,768	18,103	52	106
Present value of payments:				
Payable not later than one year	4,076	6,843	52	54
Payable later than one year but less than five years	3,692	11,260	-	52
Present value of minimum lease payments	7,768	18,103	52	106

Interest rates for hire-purchase of the Group and the Company, which are fixed at inception, range from 2.80% to 8.64% (2016: 2.40% to 12.50%) per annum and 3.10% to 3.28% (2016: 2.48%) per annum respectively.

The hire-purchase payables are secured by a charge over the property, plant and equipment as disclosed in Note 13.

29. BORROWINGS

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current				
Secured [d]:				
Repayable not later than one year:				
Bank overdrafts [a] (Note 23)	76,825	19,674	-	-
Bills payable [b]	368,579	374,304	-	-
Term loans [c]	511,721	536,941	-	-
	957,125	930,919	-	-
Non-current				
Secured [d]:				
Repayable later than one year but less than five years:				
Term loans [c]	195,274	239,432	-	-
	1,152,399	1,170,351	-	-

[a] Bank overdrafts of the Group bear interest of 9.50% (2016: 12.50%) per annum.

[b] Bills payable are obtained for purchase of steel materials for short-term financing. The bills payable carry interest in the range of 1.45% to 7.50% (2016: 2.32% to 6.29%) per annum and are repayable up to 90 days (2016: 90 days) from the date of disbursement.

[c] The term loans of the subsidiaries bear interest at variable rates ranging from 4.00% to 6.25% (2016: 1.68% to 12.50%) per annum and are repayable in equal monthly instalments over a period of 12 months to 60 months (2016: 12 months to 60 months).

In October 2016, the Group had obtained a term loan amounting to RM537,895,000 for the purpose of settlement of Sukuk and working capital of the Group. The term loan is subject to certain financial covenants as of the end of each financial year beginning 2017 to 2020. The Group has not met these financial covenants during the financial year. Hence, the scheduled repayment of RM414,185,000 (2016: RM511,000,000) which is more than one year have been re-classified as current liabilities as of 31 December 2017 in accordance with MFRS 101 *Presentation of Financial Statements* paragraph 74. As of the reporting date, the Group has yet to obtain the indulgence letter in relation to the compliance with current year financial covenants.

In December 2016, the Group had drawn down the Murabaha Facility which amounts to RM122,000,000 for the purpose of financing the construction of one of the liftboat as disclosed in Note 18.

[d] The borrowings are secured by:

(i) Joint and several guarantees by certain directors of the Company;

(ii) Third party legal charges over certain properties belonging to certain directors of the Company;

(iii) Deed of Legal Agreement cum Assignment of all the contract proceeds relating to projects undertaken by certain subsidiaries;

(iv) Pledge on certain inventories as disclosed in Note 17;

(v) Cash collateral and counter-guarantee on all performance bond guarantees and advance payment guarantees; and

(vi) Pledge on certain property, plant and equipment and deposits with financial institutions of the Group as disclosed in Note 13 and Note 23, respectively.

30. EMPLOYEES' SERVICE BENEFITS

Defined benefit plans typically expose the Group to certain risks, namely salary risk, as disclosed below:

Type	Risk
Salary risk	The present value of the defined benefit plans liability is calculated by reference to the future salaries of eligible employees. As such, an increase in the salary of the eligible employees will increase the plan's liability. The employees' service benefits are paid every two years upon expiry of employment contract.

The principal assumptions used for the purpose of the valuation were as follows:

	The Group	
	2017	2016
Discount rate	1.58%	1.58%
Future salary increases	11.00%	11.00%

Movements in the net liability recognised in the statement of financial position are as follows:

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	65,581	52,138
Additions during the year (Note 8)	14,212	13,871
Employees' service benefits paid	(6,035)	(3,803)
Exchange differences	(9,063)	3,375
At end of year	64,695	65,581

31. TRADE PAYABLES

	The Group	
	2017 RM'000	2016 RM'000
Trade payables	273,878	234,295
Retention sum payables	28,168	18,692
	302,046	252,987

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2016: 30 to 90) days.

32. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables and accrued expenses	170,085	178,079	2,658	440
Advances from customers	275,960	236,919	-	-
GST payable	21,364	5,619	23	-
	467,409	420,617	2,681	440

The Group's and the Company's other payables are non-interest bearing.

Advances from customers represent advances received from construction contracts.

Included in other payables and accrued expenses as of 31 December 2017 are provisions for foreseeable losses in respect of the construction of two liftboats at Ras Al Khaimah, UAE carried out for Vahana Offshore (S) Pte Ltd, a related party incorporated in Singapore, and of the construction of a project in India amounting to approximately RM5,509,000 (2016: RM5,509,000) and RM17,189,000 (2016: RM12,391,000) respectively.

33. AMOUNT OWING TO DIRECTORS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company	5,843	5,854	5,843	5,854
Directors of the subsidiaries	4,439	13,751	-	-
	10,282	19,605	5,843	5,854

Amount owing to directors, which arose mainly from payments on behalf and remuneration payable, is unsecured, interest-free and repayable on demand.

34. NON-CURRENT ASSETS HELD FOR SALE

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	-	-
Freehold land held for sale	339	-
At end of year	339	-

The non-current assets held for sale comprises 1,299 square meter of freehold land. On 29 December 2017, the Group has received a notice from the District and Land Office of Gombak to acquire the land. The compulsory acquisition is expected to be completed in 2018.

35. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

	2017 RM'000	2016 RM'000
The Group		
Contracted but not provided for:		
Factory building and labour accommodation	24,750	38,197
Plant and machineries	-	6,413
Office building	-	7,695
Computer systems and others	-	1,734
	24,750	54,039

(b) Operating lease commitments in relation to lease of land (Note 13)

	The Group	
	2017 RM'000	2016 RM'000
Within one year	31,443	32,656
After one year but not more than five years	77,609	91,415
More than five years	250,332	258,813
	359,384	382,884

(c) Corporate guarantees

The Company has provided corporate guarantees for banking facilities to the subsidiaries as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Secured:				
Performance guarantee secured by certain deposits with financial institutions	990,164	1,047,861	-	-
Unsecured:				
Utilised portion	-	-	908,652	1,170,351
Unutilised portion	-	-	5,178,890	5,624,895
	990,164	1,047,861	6,087,542	6,795,246

35. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Corporate guarantees (Cont'd)

The Company has provided corporate guarantees for credit facilities to the suppliers of subsidiaries as follows:

	The Company	
	2017 **RM'000**	**2016** **RM'000**
Unsecured	27,500	10,300

The Company has assessed the corporate guarantees and concluded that the guarantees are more likely not to be called upon by the financial institution and accordingly not recognised as financial liability as of 31 December 2017.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

36.1 Capital Risk Management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholders' value.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group and the Company monitor capital using a gearing ratio, which is total borrowings divided by total equity. The Group and the Company believe that the level of shareholders' funds and total borrowings as at the reporting date is sufficient to support the Group's and the Company's existing and expected level of business operations. The details of capital, which is made up of equity attributable to the equity holders of the Company, and total borrowings are as follows:

	The Group		The Company	
	2017 **RM'000**	**2016** **RM'000**	**2017** **RM'000**	**2016** **RM'000**
Bank borrowings	1,152,399	1,170,351	-	-
Hire-purchase payables	7,768	18,103	52	106
Total borrowings	1,160,167	1,188,454	52	106
Equity attributable to the equity holders of the Company	884,967	869,394	999,627	597,622
Gearing (Debt/Equity) ratio	1.31	1.37	0.00	0.00

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

36.3 Categories of Financial Instruments

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Loans and receivables:				
- Trade receivables	610,113	582,243	-	-
- Other receivables and refundable deposits (Note 20)	64,382	52,303	69	67
- Amount owing by subsidiaries	-	-	150,155	181,690
Available-for-sale:				
- Investment in securities	23	23	-	-
Cash and bank balances	273,359	386,695	2,666	2,440
Financial liabilities				
Other financial liabilities:				
- Hire-purchase payables (Note 28)	7,768	18,103	52	106
- Borrowings (Note 29)	1,152,399	1,170,351	-	-
- Trade payables	302,046	252,987	-	-
- Other payables and accrued expenses (Note 32)	170,085	178,079	2,658	440
- Amount owing to subsidiaries	-	-	257,182	298,427
- Amount owing to directors	10,282	19,605	5,843	5,854

36.4 Financial Risk Management

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.5 Interest Rate Risk Management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Floating interest rates refer to interest rates which are subject to change prior to maturity or repayment of the financial instruments.

Fixed interest rates refer to interest rates which are fixed at inception up to the maturity of the financial instruments.

An increase/decrease of 0.10% in the floating interest rates with all other variables held constant would decrease/increase the profits of the Group and the Company by approximately RM1,152,000 (2016: RM1,170,000) and RMNil (2016: RMNil) respectively.

The information on effective interest rates of financial assets and liabilities are disclosed in their respective notes.

The Group 2017	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Trade receivables	-	-	610,113	610,113
Other receivables and refundable deposits	-	-	64,382	64,382
Investment in securities	-	-	23	23
Cash and bank balances	-	36,892	236,467	273,359
Total financial assets	-	36,892	910,985	947,877
Financial liabilities				
Trade payables	-	-	302,046	302,046
Other payables and accrued expenses	-	-	170,085	170,085
Amount owing to directors	-	-	10,282	10,282
Borrowings and hire-purchase payables	1,152,399	7,768	-	1,160,167
Total financial liabilities	1,152,399	7,768	482,413	1,642,580
Net financial(liabilities)/assets	(1,152,399)	29,124	428,572	(694,703)

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.5 Interest Rate Risk Management (Cont'd)

The Group 2016	**Floating interest rate RM'000**	**Fixed interest rate RM'000**	**Non-interest bearing RM'000**	**Total RM'000**
Financial assets				
Trade receivables	-	-	582,243	582,243
Other receivables and refundable deposits	-	-	52,303	52,303
Investment in securities	-	-	23	23
Cash and bank balances	-	40,212	346,483	386,695
Total financial assets	-	40,212	981,052	1,021,264
Financial liabilities				
Trade payables	-	-	252,987	252,987
Other payables and accrued expenses	-	-	178,079	178,079
Amount owing to directors	-	-	19,605	19,605
Borrowings and hire-purchase payables	1,170,351	18,103	-	1,188,454
Total financial liabilities	1,170,351	18,103	450,671	1,639,125
Net financial (liabilities)/assets	(1,170,351)	22,109	530,381	(617,861)

The Company 2017				
Financial assets				
Amount owing by subsidiaries	-	13,895	136,260	150,155
Other receivables and refundable deposits	-	-	6969	
Cash and bank balances	-	30	2,636	2,666
Total financial assets	-	13,925	138,965	152,890
Financial liabilities				
Other payables and accrued expenses	-	-	2,658	2,658
Amount owing to directors	-	-	5,843	5,843
Amount owing to subsidiaries	-	10,211	246,971	257,182
Borrowings and hire-purchase payables	-	52	-	52
Total financial liabilities	-	10,263	255,472	265,735
Net financial assets/(liabilities)	-	3,662	(116,507)	(112,845)

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.5 Interest Rate Risk Management (Cont'd)

The Company 2016	Floating interest rate RM'000	Fixed interest rate RM'000	Non-interest bearing RM'000	Total RM'000
Financial assets				
Amount owing by subsidiaries	-	125	181,565	181,690
Other receivables and refundable deposits	-	-	67	67
Cash and bank balances	-	30	2,410	2,440
Total financial assets	-	155	184,042	184,197
Financial liabilities				
Other payables and accrued expenses	-	-	440	440
Amount owing to directors	-	-	5,854	5,854
Amount owing to subsidiaries	-	12,238	286,189	298,427
Borrowings and hire-purchase payables	-	106	-	106
Total financial liabilities	-	12,344	292,483	304,827
Net financial liabilities	-	(12,189)	(108,441)	(120,630)

36.6 Foreign Currency Risk Management

The currencies giving rise to this risk are primarily US Dollars and Euro. The operational transactions in Euro are immaterial and hence will not give rise to significant currency risk exposure.

The businesses of the Group in the Middle East region are exposed to transactional currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they are related. The operational transactions of the businesses in other major operating countries like India and Malaysia are mainly denominated in the currencies in which they operate.

The Group is also exposed to foreign currency translation risk arising from its investments in foreign operations, including UAE, Qatar, Saudi Arabia, Azerbaijan, Sri Lanka, India, Singapore, Australia and United Kingdom. The Group's net investments in these foreign operations are not hedged as the currency positions in these foreign investments are considered to be long-term in nature.

The table below indicates the Group's foreign currency exposure as at 31 December. The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against the exchange rate with all other variables held constant, on the profit or loss (due to the fair value of currency sensitive monetary assets and liabilities). The effect of increase in the currency rates is expected to be equal and opposite to the effect of the decreases shown below:

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.6 Foreign Currency Risk Management (Cont'd)

	Carrying amount RM'000	Foreign currency risk +5% RM'000	-5% RM'000
The Group			
2017			
USD Impact			
Financial Assets			
Trade receivables	48,766	2,438	(2,438)
Cash and bank balances	15,017	751	(751)
Financial Liability			
Trade payables	57,834	(2,892)	2,892
Total increase/(decrease)		297	(297)
2016			
USD Impact			
Financial Assets			
Trade receivables	42,549	2,127	(2,127)
Cash and bank balances	14,186	709	(709)
Financial Liability			
Trade payables	27,427	(1,371)	1,371
Total increase/(decrease)		1,465	(1,465)

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

36.7 Liquidity risk management

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.7 Liquidity risk management (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on undiscounted contractual payment:

The Group

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Contractual cash flows: On demand and within 1 year RM'000	Contractual cash flows: 1 - 5 years RM'000	Contractual cash flows: More than 5 years RM'000
2017						
Trade payables	302,046	-	302,046	302,046	-	-
Other payables and accrued expenses	170,085	-	170,085	170,085	-	-
Amount owing to directors	10,282	-	10,282	10,282	-	-
Borrowings and hire-purchase payables - secured	1,160,167	1.45 - 8.64	1,221,137	1,011,924	209,213	-
	1,642,580		1,703,550	1,494,337	209,213	-
2016						
Trade payables	252,987	-	252,987	252,987	-	-
Other payables and accrued expenses	178,079	-	178,079	178,079	-	-
Amount owing to directors	19,605	-	19,605	19,605	-	-
Borrowings and hire-purchase payables - secured	1,188,454	1.68 - 12.50	1,244,649	982,341	262,308	-
	1,639,125		1,695,320	1,4033,012	262,308	-

The Company

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Contractual cash flows: On demand and within 1 year RM'000	Contractual cash flows: 1 - 5 years RM'000	Contractual cash flows: More than 5 years RM'000
2017						
Other payables and accrued expenses	2,658	-	2,658	2,658	-	-
Amount owing to subsidiaries	246,971	-	246,971	246,971	-	-
Amount owing to subsidiaries	10,211	4.75	10,696	10,696	-	-
Amount owing to directors	5,843	-	5,843	5,843	-	-
Secured:						
Hire-purchase payables	52	2.48	53	53	-	-
	265,735		266,221	266,221	-	-

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.7 Liquidity risk management (Cont'd)

The Company

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Contractual cash flows: On demand and within 1 year RM'000	Contractual cash flows: 1 - 5 years RM'000	Contractual cash flows: More than 5 years RM'000
2016						
Other payables and accrued expenses	440	-	440	440	-	-
Amount owing to subsidiaries	286,189	-	286,189	286,189	-	-
Amount owing to subsidiaries	12,238	4.75	12,819	12,819	-	-
Amount owing to directors	5,854	-	5,854	5,854	-	-
Secured:						
Hire-purchase payables	106	2.48	108	55	53	-
	304,827		305,410	305,357	53	-

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.8 Credit Risk Management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and policies and procedures are in place to ensure that the Group's exposure to bad debts is kept to a minimum. The Group did not impose requirement for collateral on their trade receivables.

As a significant portion of the Group's operations is in the Middle Eastern markets such as UAE and Qatar, the performance of the Group is invariably linked to the economic environment of these countries. The dependence on the Middle Eastern market could potentially limit the Group's sources of revenue. Any negative systemic impact on the domestic country or general economic condition of the region could have adverse effects on the Group's results and financial performance. At the reporting date, the Group does not have significant credit risk exposure to any single counterparty.

The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management.

The credit risk of the Group's and the Company's other financial assets, which comprise cash and cash equivalents and non-current investments, arises from potential default of the counterparty. The Group and the Company monitor the credit risks on a regular basis.

As at the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company determine concentrations of credit risk by monitoring the country profile of its receivables, deposits and bank balances, investment in securities and investment in structured deposits on an ongoing basis.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.8 Credit Risk Management (Cont'd)

The credit risk concentration profile at the reporting date are as follows:

The Group

	Receivables* RM'000	Cash and bank balances RM'000	Investment in securities and derivative financial assets RM'000
2017			
By country:			
Qatar	193,718	10,824	-
United Arab Emirates	1,032,794	208,946	-
Malaysia	145,835	15,654	23
India	197,739	27,224	-
Saudi	98,391	5,864	-
Singapore	9,617	1,701	-
Azerbaijan	7,577	4	-
Thailand	14,968	3,085	-
United Kingdom	-	57	-
	1,700,639	273,359	23
2016			
By country:			
Qatar	243,265	27,499	-
United Arab Emirates	1,008,294	270,852	-
Malaysia	118,850	52,592	23
India	133,476	25,675	-
Saudi	72,667	9,058	-
Singapore	5,270	178	-
Azerbaijan	7,492	64	-
Thailand	7,719	777	-
	1,597,033	386,695	23

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.8 Credit Risk Management (Cont'd)

The Company

	Receivables* RM'000	Cash and bank balances RM'000	Investment in securities and derivative financial assets RM'000
2017			
By country:			
Qatar	-	-	1,593
United Arab Emirates	-	-	(2,564)
Malaysia	69	2,666	103,160
India	-	-	1,905
Saudi	-	-	373
Singapore	-	-	45,476
Azerbaijan	-	-	202
United Kingdom	-	-	10
	69	2,666	150,155
2016			
By country:			
Qatar	-	-	354
United Arab Emirates	-	-	22,373
Malaysia	67	2,440	112,990
India	-	-	585
Saudi	-	-	103
Singapore	-	-	45,083
Azerbaijan	-	-	202
	67	2,440	181,690

* Comprising amount owing by customers under construction contracts, trade receivables and other receivables and refundable deposits.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.9 Fair values

Financial instruments measured at fair values

Financial instruments comprise financial assets, financial liabilities and also derivatives.

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The valuations of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is also an integral part of valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustment, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

In addition, the Group continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Determination of fair value

MFRS 7 Financial Instruments: Disclosures requires an entity to classify its financial instruments measured at fair value according to 3 levels of hierarchy. The detail of these hierarchy is disclosed in Note 3.

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.9 Fair values Cont'd)

Fair value disclosures based on 3-Level hierarchy

Classification of financial instruments measured at fair values using the following fair value hierarchies:

Financial assets	Fair value as of 2017 RM'000	Fair value as of 2016 RM'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The Group						
Investment in securities (Notes 22)	23	23	Level 1	Fair values are estimated based on quoted prices in active market (from readily available closing prices from an exchange at the end of the reporting period).	N/A	N/A

At reporting date, the Group and the Company did not have any financial instruments measured at fair value using significant unobservable inputs.

Financial instruments not measured at fair values

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Company are as follows:

- **Cash and bank balances, deposits with financial institutions, trade and other receivables, refundable deposits, intercompany indebtedness, trade and other payables, accrued expenses and amount owing to directors:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.

- **Term loan payables (other than Islamic medium-term notes):** As term loans were obtained from licensed banks at floating rates which reflects the current market rates, the carrying amount of term loans approximate their fair values.

- **Hire-purchase payables:** The fair value is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangement (Level 2). The carrying amount and fair value of hire-purchase payables are as follows:

36. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONT'D)

36.9 Fair values (Cont'd)

	2017		2016	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
The Group				
Financial liabilities				
Hire-purchase payables	7,768	7,512	18,103	16,414
The Company				
Financial liabilities				
Hire-purchase payables	52	52	106	103

37. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into business units based on each respective company and has reportable operating segments based on industry segment and geographical segment of the subsidiaries.

The subsidiaries included in the following segments are:

(i) Structural steel and construction

- (a) Middle East and CIS - Eversendai Dubai, Eversendai Qatar, Eversendai Sharjah, Eversendai Abu Dhabi, EVSC, Eversendai Saudi, Eversendai Azerbaijan and Eversendai Kuwait
- (b) Malaysia - EESB and ECMSB
- (c) India - Eversendai India, EFPL
- (d) Thailand - ESECL
- (e) Others - Eversendai Singapore, ETPL and EEPL Singapore, EOSB, EPSB, PKSB, ESSL, ESAPL and Eversendai Corporation Berhad

(ii) Oil & Gas - EVORF and Eversendai O&G

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a company basis as well.

37. SEGMENT INFORMATION (CONT'D)

Segment Revenue and Results

The Group 2017	The Group Structural Steel & Construction: Middle East and CIS RM'000	India RM'000	Malaysia RM'000	Others RM'000	Thailand RM'000	Oil & Gas RM'000	Total RM'000	Adjustments and elimination RM'000	Group RM'000
Revenue:									
External	999,538	265,086	204,337	26,642	53,246	281,578	1,830,427	-	1,830,427
Internal	240,305	780	15,470	403,945	-	-	660,500	(660,500)	-
Total revenue	1,239,843	265,866	219,807	430,587	53,246	281,578	2,490,927	(660,500)	1,830,427
Results:									
Interest income	1,042	1,747	280	27	14	-	3,110	(973)	2,137
Gain on disposal of property, plant and equipment	65	36	-	-	24	-	125	-	125
Unrealised foreign exchange (loss)/gain	(188)	453	3,462	16,797	-	(2,622)	17,902	-	17,902
Depreciation on property, plant and equipment	(22,588)	(8,988)	(7,218)	(609)	(1,240)	(9,750)	(50,393)	-	(50,393)
Finance costs	(13,759)	(280)	(807)	(13,870)	(948)	(3,409)	(33,073)	973	(32,100)
Income tax expense	(2,323)	(2,902)	(2,838)	(139)	-	(955)	(9,157)	-	(9,157)
Segment profit/(loss)	84,709	5,847	2,493	400,120	(849)	(3,023)	489,297	(402,231)	87,066
Assets:									
Property, plant and equipment	175,812	81,424	48,158	124,073	6,083	279,331	714,881	-	714,881
Other assets*	2,345,663	289,839	363,370	1,609,798	20,647	590,376	5,219,693	(2,847,324)	2,372,369
Segment liabilities^	(1,798,886)	(260,104)	(331,636)	(443,024)	(29,084)	(843,718)	(3,706,452)	1,516,504	(2,189,948)

* Comprising goodwill, deferred tax assets, inventories, amount due from customers under construction contracts, trade receivables, other receivables, refundable deposits and prepaid expenses, tax recoverable, investment in securities and deposits and bank balances.

^ Comprising all classes of liabilities in the statements of financial position.

37. SEGMENT INFORMATION (CONT'D)

Segment Revenue and Results (Cont'd)

The Group 2016	The Group Structural Steel & Construction							Adjustments	
	Middle East and CIS RM'000	India RM'000	Malaysia RM'000	Others RM'000	Thailand RM'000	Oil & Gas RM'000	Total RM'000	Adjustments and elimination RM'000	Group RM'000
Revenue:									
External	977,151	158,278	225,719	-	9,066	212,214	1,582,428	-	1,582,428
Internal	281,203	98	1,514	146,373	-	-	429,188	(429,188)	-
Total revenue	1,258,354	158,376	227,233	146,373	9,066	212,214	2,011,616	(429,188)	1,582,428
Results:									
Interest income	1,011	419	396	22	-	-	1,848	(938)	910
Dividend income from investment in securities	-	-	12	-	-	-	12	-	12
Gain on disposal of property, plant and equipment	184	3	-	-	-	-	187	-	187
Unrealised foreign exchange (loss)/gain	(553)	(236)	1,025	(15,420)	5	(294)	(15,473)	-	(15,473)
Impairment loss on financial assets at fair value through profit or loss	-	-	-	(101,720)	-	-	(101,720)	-	(101,720)
Depreciation on property, plant and equipment	(20,663)	(6,428)	(7,171)	(665)	(494)	(6,718)	(42,139)	-	(42,139)
Finance costs	(12,761)	(39)	(1,336)	(10,008)	(345)	(1,125)	(25,614)	938	(24,676)
Income tax expense	(3,820)	(2,163)	(1,015)	(604)	-	157	(7,445)	564	(6,881)
Segment (loss)/profit	(2,319)	5,996	1,885	3,952	(6,855)	(133,820)	(131,161)	(142,928)	(274,089)
Assets:									
Property, plant and equipment	196,928	71,617	54,324	124,741	9,178	262,701	719,489	-	719,489
Other assets*	2,352,006	203,426	265,743	1,242,253	8,962	589,862	4,662,252	(2,400,155)	2,262,097
Segment liabilities^	(1,834,965)	(165,689)	(242,878)	(481,950)	(22,910)	(820,727)	(3,569,119)	1,471,141	(2,097,978)

* Comprising goodwill, deferred tax assets, inventories, amount due from customers under construction contracts, trade receivables, other receivables, refundable deposits and prepaid expenses, tax recoverable, investment in securities and deposits and bank balances.

^ Comprising all classes of liabilities in the statements of financial position.

38. MATERIAL LITIGATIONS

(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.

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 reasonable prospect to defend against the above claim.

(ii) Deepsea Resources Sdn Bhd ("DRSB") against Eversendai Oil & Gas (M) Sdn Bhd ("Eversendai O&G")

On 27 July 2017, Eversendai O&G was served with a Writ of Summons claiming from Eversendai O&G the sum of RM 926,388 for work done for the Rapid SCC Project-Tower Dress Up project.

The matter came for Case Management on 20 October 2017 where parties informed the court of intention to mediate the matter. The Judge fixed the Mediation on 16 November 2017.

On 16 November 2017, the Learned Judge directed for the Mediation to be adjourned to 19 December 2017 to enable parties to update the court on the final amount of settlement to be agreed upon.

Parties were unable to reach a final settlement amount. Court has set the matter for Trial on 25 and 26 April 2018. Management is of the view that it has a reasonable prospect to defend against the above claim.

(iii) Translift Sdn Bhd ("TSB") against Eversendai Oil & Gas (M) Sdn Bhd ("Eversendai O&G")

On 22 November 2017, Eversendai O&G was served with a Writ of Summons claiming from Eversendai O&G the total sum of RM3,205,001 from Eversendai O&G for various works related to the TGAST (Package A) project.

The matter came for Case Management on 14 December 2017 where parties have mutually agreed to refer the above matter to arbitration. Accordingly, the suit filed in the Shah Alam High Court has been withdrawn on 14 December 2017 by TSB.

39. EVENTS AFTER REPORTING PERIOD

Except for the event disclosed in Note 24, there are no other events after reporting period.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities:

The Group

	Borrowings (Note 29) RM'000	Hire-purchase payables (Note 28) RM'000	Amount owing to directors RM'000	Total RM'000
At beginning of year	1,170,351	18,103	19,605	1,208,059
Drawdowns of bank overdraft (Note 23)	57,151	-	-	57,151
Acquisition of property, plant and equipment (Note 13)	-	1,229	-	1,229
Repayments	(75,103)	(11,564)	(9,323)	(95,990)
At end of year	1,152,399	7,768	10,282	1,170,449

The Company

	Borrowings (Note 29) RM'000	Hire-purchase payables (Note 28) RM'000	Amount owing to directors RM'000	Total RM'000
At beginning of year	-	106	5,854	5,960
Repayments	-	(54)	(11)	(65)
At end of year	-	52	5,843	5,895

41. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the presentation in the current financial year. These relate to the following:

The Group

	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
2016			
Statement of Financial Position			
Other payables and Accrued expenses	390,083	30,534	420,617
Tax liabilities	68,675	(30,534)	38,141
Cash Flows (Used in)/From Investing Activities			
Purchase of property, plant and equipment	(71,668)	9,785	(61,883)
Cash Flows (Used in)/From Financing Activities			
Interest paid	(24,676)	(9,785)	(34,461)

STATEMENT BY **DIRECTORS**

The directors of **EVERSENDAI CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements set out on pages 77 to 155 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

TAN SRI DATO' NATHAN A/L ELUMALAY **CHEAH BAN SENG**

Kuala Lumpur,
18 April 2018

DECLARATION BY THE DIRECTOR **PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY**

I, **TAN SRI DATO' NATHAN A/L ELUMALAY**, the director primarily responsible for the financial management of **EVERSENDAI CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SRI DATO' NATHAN A/L ELUMALAY

Subscribed and solemnly declared by the above named
TAN SRI DATO' NATHAN A/L ELUMALAY at **KUALA LUMPUR**
this 18th day of April 2018.

Before me,

COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2017

	Location & address	Description of property /existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
	Eversendai Corporation Berhad						
1	Lot 19191, 19956 and 19957, Seksyen 20, Bandar Rawang, District of Gombak, Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan, Malaysia	2-storey office building and 1-storey factory / head office and fabrication factory/ 3 pieces of land under the category of land use for industrial purpose/ fabrication factory	94,722 / 471,771	Freehold / -	< 8 years	2007	^28,722
2	Lot 19072, 19073 and 19074, Seksyen 20, Bandar Rawang, District of Gombak, Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Rawang, Selangor Darul Ehsan, Malaysia	3 pieces of land under the category of land use for industrial purpose/ fabrication factory	- / 204,719	Freehold / -	-	2010	4,610
	ECB Properties Sdn Bhd						
3	Geran 111868, Lot No. 67331 and Geran 111869, Lot No. 67332, Mukim of Sungai Buloh, Daerah Petaling, Negeri Selangor in Mutiara Damansara, Malaysia	2 parcels of commercial land	- / 87,759	Freehold / -	-	2013	61,290
4	Geran 93135, Lot No. 22510, Bandar Kundang, Daerah Gombak, Negeri Selangor, Malaysia	1 piece of land under the category of land use for agriculture	- / 2,080,661	Freehold / -	-	2013	50,470
	Eversendai Engineering LLC, Dubai						
5	Plot no. 242-337, Al-Qusais Industrial Area 1, Dubai, UAE	2 blocks of 2-storey office buildings and a 3-bays shop/head office and fabrication factory	85,315 / 80,000	Leasehold 30 years expiring 10 May 2029	< 18 years	1999	1,378
6	Plot no. 264-972, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	3 blocks of 2-storey steel buildings with 96 rooms/ worker accommodation	29,572 / 36,400	Leasehold 30 years expiring 13 July 2038	< 12 years	2006	17,343

LIST OF GROUP PROPERTIES
AS AT 31 DECEMBER 2017 (CONT'D)

	Location & address	Description of property /existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
7	Plot no. 264-573, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	1 block of 3-storey concrete building with 263 rooms / worker accommodation	93,570 / 39,811	Leasehold 99 years expiring 4 August 2109	< 11 years	2007	9,040
8	Plot no. 264-488, Community 264, Street 32a/29b, Muhaisanah Second, Dubai, UAE	Plot for worker accommodation	121,092/ 60,000	Leasehold 99 years / 29 January 2107	< 1 year	2017	37,611
	Eversendai Engineering Qatar WLL						
9	Plot no. 6089/6090, Qatar Medium and Small Industrial Area, Street No.41, New Industrial Area, P.O. Box 35283, Doha, Qatar	2-storey office building with a 3-bays factory / head office and fabrication factory	285,665 / 296,427	Leasehold 25 years expiring 15 August 2031	< 11 years	2007	17,090
	Eversendai Construction Private Limited, India						
10	Plot no. 2/12, Poonthottam 1st Street, Nanganallur, Chennai 600 114, No. 134, Nanganallur Village, Tambaram Taluk, Kancheepuram District, Chennai South Registration District, Alandur Sub Registration District, Alandur Municipality Limits, Tamil Nadu, India	3-storey office building / engineering office	5,500 / 3,750	Freehold / -	< 43 years	2010	643
11	No.199/4, 8, 472/1A, 1B, 2, 3, 4, 5, 6 & 7A Siruganur Village, Manachanallur Talu, Trichy District, Tamil Nadu & No.266/3A, 3B, 3C & 3D, 267/2A, 2B, 2C, 3 & 4, 268/1, 2, 269/6.7A, 7B, 8, 9 & 10, Reddimangudi Village, Lalgudi Taluk, Trichy District, Tamil Nadu	Land/ Work shop (U-shaped industrial sheds) with office buildings, paint shop, canteen buildings, open yard storage / steel fabrication, painting, storage of temporary support steel structure and scaffolding, lifting tools and tackles, and industrial	676,166 & 1,004,427	Freehold / -	< 4 years	2011	10,971 & 15,825

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2017 (CONT'D)

	Location & address	Description of property /existing use	Built-up/ land area (sq. ft.)	Tenure/ date of expiry of lease	Approx. age of building	Year of acquisition	Net book value (RM'000)
	Eversendai Construction Private Limited, India (Cont'd)						
12	Plot No: 1 & 2 (Np), The Lords. Block-1, 5th & 6th Floor, Northern Extension Area, Thiru. Vi. Ka. Industrial Estate, Ekkatuthangal, Chennai 600032	Office building	35,296	Freehold	< 12 years	2013	18,680
	Eversendai Engineering FZE, Sharjah						
13	Plot no. 1F-18, 1G-15, 31 and 32, 2C-02 and 13, 2D-03, 04, 14, 15 and 18, 2E-01, 02, 04, 05, 06, 07, 09 and 10, 2J-07A, 2M 13A, 13B, 14 and 15, 3E-03 and IZ-8-19 and 27-38 P.O. Box: 42531, Hamriyah Free Zone, Sharjah, UAE	Work shop (U-shaped industrial sheds) with office buildings, paint shop, canteen buildings, open yard storage / steel fabrication, painting, storage of temporary support steel structure and scaffolding, lifting tools and tackles, and industrial	1,957,578 / 4,004,139	Leasehold 5 to 15 years expiring between 3 July 2018 and 4 July 2030	< 13 years	2005	32,985
	Eversendai S-Con Engineering Co Ltd, Thailand						
14	Title deed no. 5697, Land no. 9, Survey Page no. 3080 at Khu Mi Sub-District, Sanam Chai Khet District, Chachoengsao	Fabrication factory, open yard painting, storage, office building and canteen	439,813 / 843,632	Freehold / -	< 13 years	2005	5,252
	Eversendai Offshore RMC FZE, Ras Al Khaimah						
15	Plot#12,13,14,15,16, 17, part of Plot#18 and Plot#39A, Hulayla, RAK Maritime City, Ras-Al-Khaimah, UAE, 65159	1 block of 3-storey Office building / a 3-bays shop Fabrication Factory	586,574 / 2,133,590	Leasehold 25 years expiring 31 May 2038 + 25 years	< 1 years	2017	23,461 & 116,544

Note:

^ Comprised of 3 pieces of freehold industrial land with total net book value of RM6,971,976 owns by the Company, and a 2-storey office building and a 1-storey factory building with total net book value of RM21,749,525 owns by Eversendai Engineering Sdn Bhd (formerly known as Eversendai Energia Sdn Bhd).

ANALYSIS OF **SHAREHOLDINGS SUMMARY**

AS AT 30 MARCH 2018

Total number of Issued Shares	781,100,000* Ordinary Shares
Class of Shares	Ordinary Shares
Voting Rights	1 Vote per Ordinary Share

* Includes 101,000 ordinary shares held in treasury

DISTRIBUTION OF SHAREHOLDINGS AS PER THE RECORD OF DEPOSITORS

Size of Shareholdings	Number of shareholders	%	Number of shares held	%
Less than 100	25	0.59	450	0.00
100 to 1,000	550	13.08	423,300	0.05
1,001 to 10,000	2,306	54.83	13,014,550	1.67
10,001 to 100,000	1,171	27.84	39,130,740	5.01
100,001 to less than 5% of the issued shares	151	3.59	57,431,000	7.35
5% and above of issued shares	3	0.07	670,998,960	85.92
Total*	**4,206**	**100.00**	**780,999,000***	**100.00**

* Excluding 101,000 ordinary shares held in treasury

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders		No. of Shares Held	%*
1	Vahana Holdings Sdn Bhd		555,363,360	71.11
	Shares held in the name of:			
	- Own account	485,363,360		
	- DB (Malaysia) Nominee (Tempatan) Sdn Bhd	70,000,000		
2	Koon Yew Yin		75,350,000	9.65
	Shares held in the name of:			
	- Kenanga Nominees (Tempatan) Sdn Bhd	27,436,000		
	- TA Nominees (Tempatan) Sdn Bhd	17,954,600		
	- RHB Nominees (Tempatan) Sdn Bhd	17,035,600		
	- HLIB Nominees (Tempatan) Sdn Bhd	7,433,100		
	- Alliance Group Nominees (Tempatan) Sdn Bhd	2,763,200		
	- Affin Hwang Nominees (Tempatan) Sdn Bhd	1,400,000		
	- CIMSEC Nominees (Tempatan) Sdn Bhd	1,327,500		
3	Lembaga Tabung Haji		40,285,600	5.16

* Excluding 101,000 ordinary shares held in treasury

ANALYSIS OF SHAREHOLDINGS SUMMARY
AS AT 30 MARCH 2018 (CONT'D)

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND IN THE SUBSIDIARY AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest No. of Shares Held	%*	Indirect Interest No. of Shares Held	%*
Tan Sri Dato' A K Nathan Elumalay	-	0.00	555,363,360	71.11*
Nadarajan Rohan Raj	500,000	0.06	-	0.00
Narla Srinivasa Rao	500,000	0.06	-	0.00
Datuk Ng Seing Liong	70,000	0.01	-	0.00

* Excluding 101,000 ordinary shares held in treasury

Indirect interest pursuant to Section 8(4) of the Companies Act, 2016.

Tan Sri Dato' A K Nathan Elumalay, by virtue of his interest in shares in the holding company of the Company Vahana Holdings Sdn Bhd, is also deemed interested in the shares of all the company's subsidiaries to the extent of the Company has an interest.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS
(without aggregate the securities from different securities accounts to the same Depositors)

	Name	No. of Shares Held	%*
1	Vahana Holdings Sdn Bhd	485,363,360	62.15
2	DB (Malaysia) Nominee (Tempatan) Sdn Bhd Deutsche Bank AG Singapore For Vahana Holdings Sdn Bhd (Maybank Sg)	70,000,000	8.96
3	Lembaga Tabung Haji	40,285,600	5.16
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	27,436,000	3.51
5	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	17,954,600	2.30
6	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	17,035,600	2.18
7	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	7,433,100	0.95
8	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Kit Pheng	6,712,700	0.86
9	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yap Sung Pang	4,943,600	0.63
10	Cartaban Nominees (Asing) Sdn Bhd Daiwa Capital Mkts Sg For Hanwa Co Ltd	3,900,000	0.50
11	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yap Sung Pang	2,924,200	0.37

ANALYSIS OF SHAREHOLDINGS SUMMARY
AS AT 30 MARCH 2018 (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS
(without aggregate the securities from different securities accounts to the same Depositors) (cont'd)

	Name	No. of shares held	%*
12	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	2,763,200	0.35
13	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Kit Pheng	1,850,000	0.24
14	Affin Hwang Nominess (Tempatan) Sdn Bhd Pledged Securities Account For Koon Yew Yin	1,400,000	0.18
15	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Koon Yew Yin	1,327,500	0.17
16	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Wee Khiang	1,276,100	0.16
17	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Jaya Balan A/L Diraviyam	1,205,100	0.15
18	Looi Kum Pak @ Looi Kam Phak	1,150,000	0.15
19	HSBC Nominees (Asing) Sdn Bhd Exempt An For Bank Julius Baer & Co Ltd (Singapore Bch)	1,000,000	0.13
20	Low Chu Mooi	921,400	0.12
21	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd	844,000	0.11
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tunku Faris Bin Tunku Khalil	770,000	0.10
23	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Teck Ghee	768,300	0.10
24	Chan Siew Kuen	762,100	0.10
25	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Foong Cheng	760,300	0.10
26	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Kit Pheng	741,700	0.09
27	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Chee Meng	630,000	0.08
28	Chan Kam Oai	620,000	0.08
29	Ooi Kok Soon	550,000	0.07
30	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Kok Hoong	521,400	0.07
		703,849,860	**90.12**

* Excluding 101,000 ordinary shares held in treasury

NOTICE OF **FIFTEENTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Eversendai Corporation Berhad (the "Company") will be held at **Safir I, Hotel Istana Kuala Lumpur City Centre, 73 Jalan Raja Chulan, 50200 Kuala Lumpur** on **Thursday, 31 May 2018** at **3.00 p.m.** to transact the following businesses:

AS ORDINARY BUSINESSES

1 To receive the Audited Financial Statements of the Company for the year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **Note 7**

2 To approve payment of Directors' fees **Resolution 1** **Note 8**

3 To re-elect the following Directors who retire by rotation in accordance with Article 128 of the Company's Constitution and being eligible, offer themselves for re-election: **Note 9**

Mr. Nadarajan Rohan Raj **Resolution 2**
Mr. Narishnath Nathan **Resolution 3**

4 To re-elect the following Directors who retire in accordance with Article 133 of the Company's Constitution and being eligible, offer themselves for re-election: **Note 10**

Datuk Iskandar Bin Sarudin **Resolution 4**
Mr. Cheah Ban Seng **Resolution 5**

5 To re-appoint Deloitte PLT as the Company's Auditors and to authorize the Directors to fix their remuneration. **Resolution 6** **Note 11**

AS SPECIAL BUSINESSES

6 **Authority to Issue and Allot Shares Pursuant to Section 75 of the Companies Act, 2016** **Resolution 7** **Note 12**

To consider and, if thought fit, to pass the following Ordinary Resolution:

"THAT, subject always to the Constitution of the Company and the approval of the relevant Regulatory Authorities, pursuant to Section 75 of the Companies Act 2016, the Directors of the Company be and are hereby empowered to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting of the Company and upon such terms and conditions and for such purposes and to such person(s) as the Directors of the Company, may in their absolute discretion deem fit, PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT the Directors of the Company are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares issued on Bursa Malaysia Securities Berhad."

AS SPECIAL BUSINESSES (CONT'D)

7 **Proposed Renewal of Shareholders' Mandate for Existing and the Proposed New Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 8** **Note 13**

To consider and, if thought fit, to pass the following Ordinary Resolution:

"THAT, the Mandate granted by the Shareholders of the Company at the Fourteenth Annual General Meeting held on 25 May, 2017, pursuant to Paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, authorizing the Company and its subsidiaries (the "ECB Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Part A Section 2.4 of the Circular to Shareholders dated 30 April 2018 with the related parties mentioned therein which are necessary for ECB Group's day to day operations, be and is hereby renewed. AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting at which such mandate is passed at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed; or

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the transactions contemplated and/or authorized by this resolution."

8 **Proposed Authority to the Company to Purchase its Own Shares** **Resolution 9** **Note 14**

To consider and, if thought fit, to pass the following Ordinary Resolution:

"THAT subject to the Companies Act 2016, the Company's Constitutions, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant authorities, the Company be and is hereby authorized to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time on the market of the Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT:

(a) the aggregate number of ordinary shares in the Company (the "Company's Shares") which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the Company's Shares shall not exceed the Company's audited retained profits at any point of time;

AS SPECIAL BUSINESSES (CONT'D)

8 **Proposed Authority to the Company to Purchase its Own Shares (Cont'd)**

(c) the authority conferred by this resolution of the Company shall commence immediately upon passing of this resolution until:

(i) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting at which such mandate is passed at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed; or

(ii) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier; and

(d) upon completion of the purchase(s) of the Company's Shares by the Company, the Directors of the Company be and are hereby authorized to cancel the Company's Shares so purchased or to retain the Company's Shares so purchased as treasury shares (of which may be distributed as dividends to shareholders and/or resold on the Bursa Malaysia Securities Berhad and/or subsequently cancelled), or to retain part of the Company's Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Companies Act, 2016, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorized and empowered to do all acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to implement, finalize or to effect the purchase(s) of the Company's Shares with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities."

9 **To transact any other business of which due notice shall have been given.**

BY ORDER OF THE BOARD

CHEOK KIM CHEE
Company Secretary

Rawang

30 April 2018

Notes:

1 Voting at the forthcoming Fifteenth Annual General Meeting of the Company will be conducted by poll. Poll Administrator and Independent Scrutineer will be appointed respectively to conduct polling-voting process and to verify the results of the poll.

2 A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

3 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under the corporation's common seal or under the hand of an officer or attorney duly authorized. Any alteration to the instrument appointing proxy must be initialled.

4 The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5 Where a member appoints more than one proxy to attend and vote at the same meeting, he shall specify the proportion of his shareholding to be represented by each proxy.

6 Where a member of the Company is an Exempt Authorized Nominee, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds.

7 Agenda 1

Agenda 1 is to table the Audited Financial Statements pursuant to the provision of Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require a formal approval and/or adoption by the shareholders of the Company and hence, will not be put forward for voting.

8 Proposed Ordinary Resolution 1

Proposed Ordinary Resolution 1 is to approve the Directors' fees for the period from this Annual General Meeting to the next Annual General Meeting of the Company, to be payable on a quarterly basis. Section 230(1) of the Companies Act 2016 provides that the fees of the directors payable to the directors of a public company, or of a listed company and its subsidiaries shall be approved at a general meeting.

9 Proposed Ordinary Resolution 2 and 3

Article 128 of the Company's Constitution provides that at every annual general meeting one-third of the directors shall retire by rotation. A director who retires from office shall be eligible for re-election.

The Nominating Committee of the Company has assessed the performance and contribution of Mr. Nadarajan Rohan Raj and Mr. Narishnath Nathan and recommended for their re-election. The Board has endorsed the Nominating Committee's recommendation that they be re-elected as Directors of the Company.

10 Proposed Ordinary Resolution 4 and 5

Article 133 of the Company's Constitution provides that the directors may appoint a person who is willing to act as director, either to fill a casual vacancy or as an additional director. A director so appointed shall hold office only until the next annual general meeting and shall be eligible for re-election. Both Datuk Iskandar Bin Sarudin and Mr. Cheah Ban Seng were appointed directors of the Company on 22 August 2017 and shall retire at the forthcoming Fifteenth Annual General Meeting.

The Nominating Committee of the Company has assessed the performance and contribution of Datuk Iskandar Bin Sarudin and Mr. Cheah Ban Seng and recommended for their re-election. The Board has endorsed the Nominating Committee's recommendation that they be re-elected as Directors of the Company.

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING (CONT'D)

Notes: (Cont'd)

11 Proposed Ordinary Resolution 6

The Audit Committee undertook an annual assessment of the suitability and independence of Deloitte PLT, the Independent Auditors. In the assessment, the Audit Committee considered several factors including the following:

(a) performance;
(b) experience and competency of professional staff assigned for the audit;
(c) adequacy of resources;
(d) independence; and
(e) level of non-audit services rendered to the Group.

The Audit Committee is satisfied with the suitability of Deloitte PLT in terms of quality of audit, performance, competency and sufficiency of resources and recommends to the Board to seek the approval of the shareholders at the forthcoming Fifteenth Annual General Meeting. The Board adopted the Audit Committee's recommendation.

Explanatory notes on Special Business:-

12 **Ordinary Resolution 7 - Authority to Issue and Allot Shares Pursuant to Section 75 of the Companies Act 2016**

The existing general mandate for the authority to issue and allot shares pursuant to Section 75 of the Companies Act 2016, was approved by the shareholders of the Company at the Fourteenth Annual General Meeting held on 25 May 2017.

The Company had on 15 August 2017 announced to undertake a Proposed Private Placement of up to 77,389,900 new ordinary shares, representing 10% of the Company's total issued capital (excluding treasury shares).

The Company had issued 7,100,000 new ordinary shares.

The Company had on 19 February 2018 terminated the Private Placement.

The proposed Ordinary Resolution 7 is a renewal of the general mandate for the authority to issue shares pursuant to Section 75 of the Companies Act 2016. The proposed Ordinary Resolution 7, if passed, will empower the Directors to issue shares up to an amount not exceeding ten percent (10%) of the Company's total issued share capital for the time being upon such terms and conditions and for such purposes and to such person(s) as the Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company or at the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

If there should be a decision to issue new shares after the general mandate is approved by the shareholders at the forthcoming Fifteenth Annual General Meeting, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issuance.

In case of any strategic opportunities involving equity deals, which may require the Company to allot and issue new shares speedily, the Company may capitalise on its advantageous position if the Board considers it to be in the best interest of the Company. Any delay arising from and the cost involved in convening a general meeting to approve such issuance of shares would be eliminated.

13 **Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate for Existing and New Recurrent Related Party Transactions of a Revenue or Trading Nature**

Please refer to the Circular to Shareholders dated 30 April 2018.

14 **Ordinary Resolution 9 - Proposed Authority to the Company to Purchase its Own Shares**

Please refer to the Circular to Shareholders dated 30 April 2018.

Members Entitled to Attend Fifteenth Annual General Meeting

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 22 May 2018. Only a member whose name appears on the Record of Depositors as at 22 May 2018 shall be entitled to attend this meeting or appoint a proxy to attend and vote on his behalf.

Annual Report 2017

The Company issues to shareholders its Annual Report 2017 in CD-ROM. A full version of the Annual Report in print form shall be provided to shareholders within four (4) market days from the date of receipt of the written request. Shareholders who wish to receive the full version of the Annual Report 2017 in printed form kindly send the duly completed request form to the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

Registration

Registration of members/proxies attending the meeting will start from 1.30 p.m. and shall remain open until 3.00 p.m. on the day of the Meeting. At the close thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents during registration.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Fifteenth Annual General Meeting and/or any adjournment thereof, a member of the Company:

1 consent to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

2 warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents) the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

3 Agrees that the member will indemnify the Company and its officers in respect of any penalties, claims, demands, losses and damages which arises as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) and information as set out in Appendix 8A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad).

There is no individual seeking for election as a Director at the forthcoming Fifteenth Annual General Meeting of the Company.

(Statement relating to general mandate for issue of shares in accordance to Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of the general mandate to issue shares in the Company pursuant to Section 75 of the Companies Act 2016 are set out in the Explanatory Note 12 of the Notice of Fifteenth Annual General Meeting.

EVERSENDAI CORPORATION BERHAD
(614060-A)

PROXY **FORM**

CDS Account No.

*I/We ______________________________ *NRIC/Passport/Company No. ______________
(FULL NAME IN BLOCK LETTER)

of ____
(FULL ADDRESS)

being a *member/members of **EVERSENDAI CORPORATION BERHAD** (the "Company"), hereby appoint ______________

______________________________ *NRIC/Passport No. ______________
(FULL NAME IN BLOCK LETTER)

of ____
(FULL ADDRESS)

and/or failing *him/her ______________________________ *NRIC/Passport No. ______________
(FULL NAME IN BLOCK LETTER)

of ____
(FULL ADDRESS)

or failing *him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held on Thursday, 31 May 2018 at 3.00 p.m. and at any adjournment thereof.

Please indicate your vote with an "X" in the respective box of each resolution. If no specific direction as to voting is given, the proxy will vote or abstain from voting on the resolutions at his/her discretion.

No.		Resolution	For	Against
1	To approve payment of Directors' fees.	1		
2	To re-elect Mr. Nadarajan Rohan Raj.	2		
3	To re-elect Mr. Narishnath Nathan.	3		
4	To re-elect Datuk Iskandar Bin Sarudin.	4		
5	To re-elect Mr. Cheah Ban Seng.	5		
6	To re-appoint Deloitte PLT as the Company's Auditors.	6		
7	Authority to Issue and Allot Shares Pursuant to Section 75 of the Companies Act, 2016.	7		
8	Proposed Renewal of Shareholders' Mandate for Existing and the Proposed New Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		
9	Proposed Authority for the Company to Purchase its Own Shares.	9		

** Strike out whichever not applicable*

No. of Shares Held

Signed this ______________ day of ______________, 2018.

____
Signature of Member(s)/Common Seal

Notes:

1 A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under the corporation's common seal or under the hand of an officer or attorney duly authorised.

3 The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any alteration to the instrument appointing a proxy must be initialed.

4 Where a member appoints more than one proxy to attend and vote at the same meeting, he shall specify the proportion of his shareholding to be represented by each proxy.

5 Where a member of the Company is an Exempt Authorized Nominees, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds.

6 Voting at the forthcoming Fifteenth Annual General Meeting of the Company will be conducted by poll. Poll Administrator and Independent Scrutineer will be appointed respectively to conduct polling-voting process and to verify the results of the poll.

7 Only members whose names appear on the Record of Depositors on 22 May 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the Meeting or appoint proxy to attend and/or vote on his behalf.

8 Registration of members/proxies attending the meeting will start from 1.30 p.m. and shall remain open until 3.00 p.m. on the day of the Meeting. At the close thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

Personal Data Privacy

By submitting an instrument appointing a proxy and/or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of the Fifteenth Annual General Meeting dated 30 April 2018.

Fold this for sealing

Affix
Stamp

Eversendai Corporation Berhad
c/o Symphony Share Registrars Sdn Bhd
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Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
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