EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

SECOND QUARTER ENDED 30 JUNE 2014

(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 28 August 2014

EVERSENDAI

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

Financial Year ending 31 December 2014
Summary of Key Financial Information for the Second Quarter ended 30 June 2014

		Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2014	**30.06.2013**	**30.06.2014**	**30.06.2013**
		RM'000	**RM'000**	**RM'000**	**RM'000**
1	Revenue	222,544	247,506	453,265	490,688
2	Profit before tax	7,762	16,921	19,070	42,385
3	Profit for the periods	6,782	16,624	17,131	41,703
4	Profit attributable to equity holders of the Company	7,300	16,473	18,291	40,152
		RM'sen	**RM'sen**	**RM'sen**	**RM'sen**
5	Basic earnings per share	0.94	2.13	2.36	5.19
6	Proposed/declared dividend per share	1	2	1	2

		As at 30.06.2014 RM (Unaudited)	As at 31.12.2013 RM (Audited)
7	Net assets per share attributable to the equity holders of the Company	1.08	1.09

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

Financial Year ending 31 December 2014
Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 31 June 2014

		Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		RM'000	RM'000	RM'000	RM'000
Revenue		**222,544**	**247,506**	**453,265**	**490,688**
Cost of sales		(197,894)	(206,795)	(395,614)	(410,774)
Gross profit		**24,650**	**40,711**	**57,651**	**79,914**
Interest income		395	719	853	1,362
Dividend income		1,449	1,723	2,469	2,554
Other income		7,090	290	13,492	4,916
Operating and administrative expenses		(26,640)	(20,355)	(51,509)	(36,938)
Operating profit		**6,944**	**23,088**	**22,956**	**51,808**
Finance costs		(6,143)	(5,060)	(11,200)	(9,328)
Share of associates' results		453	(1,107)	127	(95)
Net gain on financial assets at fair value through profit or loss		6,508	-	7,187	-
Profit before tax	8	**7,762**	**16,921**	**19,070**	**42,385**
Income tax expense	9	(980)	(297)	(1,939)	(682)
Profit for the period		**6,782**	**16,624**	**17,131**	**41,703**
Other comprehensive income/(expense):					
- Fair value adjustment of investment securities		(63)	75	(52)	(539)
- Foreign currency translation		(13,248)	8,238	(17,479)	24,702
Other comprehensive income/(expense) for the period		**(13,311)**	**8,313**	**(17,531)**	**24,163**
Total comprehensive income/(expense) for the period		**(6,529)**	**24,937**	**(400)**	**65,866**

EVERSENDAI CORPORATION BERHAD **(614060-A)**
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Comprehensive Income for the Second Quarter ended 30 June 2014 (cont'd)

	Note	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to:					
- Equity holders of the Company		7,300	16,473	18,291	40,152
- Non-controlling interests		(518)	151	(1,160)	1,551
		6,782	**16,624**	**17,131**	**41,703**
Total comprehensive income/(expense) attributable to:					
- Equity holders of the Company		(5,961)	24,561	849	63,760
- Non-controlling interests		(568)	376	(1,249)	2,106
		(6,529)	**24,937**	**(400)**	**65,866**
Earnings per share attributable to equity holders of the Company					
- **Basic (sen)**	10	0.94	2.13	2.36	5.19

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD **(614060-A)**
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Financial Position as at 30 June 2014

	Note	30.06.2014 RM'000 (Unaudited)	31.12.2013 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and machinery	11	369,171	362,352
Goodwill	12	12,088	10,757
Investment in associates		87,116	87,399
Derivative financial asset	15	18,784	12,181
Investment in structured deposit	15	24,584	24,000
Deferred tax assets		449	459
Total non-current assets		**512,192**	**497,148**
Current assets			
Inventories	13	133,200	133,262
Amount due from customers on construction contracts		421,742	364,531
Trade contract receivables		378,028	402,251
Other receivables and deposits		59,634	53,447
Tax recoverable		136	136
Investment securities	15	202,379	130,583
Deposit and bank balances	14	131,521	182,023
Total current assets		**1,326,640**	**1,266,233**
Total assets		**1,838,832**	**1,763,381**
Equity and Liabilities			
Current liabilities			
Trade payables		97,077	84,101
Other payables		213,635	213,568
Amount due to customers on construction contracts		163,307	46,283
Amount due to directors		6,125	1,167
Hire purchase payables		1,544	2,743
Borrowings	17	176,003	214,447
Provision for taxation		17,609	18,491
Dividend payables		7,739	3,293
Total current liabilities		**683,039**	**584,093**

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Financial Position as at 30 June 2014 (cont'd)

	Note	30.06.2014 RM'000 (Unaudited)	31.12.2013 RM'000 (Audited)
Non-current liabilities			
Hire purchase payables	17	8,652	6,389
Borrowings	17	276,337	294,236
Employees' service benefits		29,887	28,891
Deferred tax liabilities		2,814	2,904
Total non-current liabilities		**317,690**	**332,420**
Total liabilities		**1,000,729**	**916,513**
Net assets		**838,103**	**846,868**
Equity attributable to equity holders of the Company			
Share capital	16	387,000	387,000
Share premium		191,515	191,515
Treasury shares		(91)	(2)
Capital reserve		307	307
Foreign currency translation reserve		(16,060)	1,418
Fair value adjustment reserve		(506)	(454)
Retained earnings	30	276,262	265,710
		838,427	845,494
Non-controlling interests		(324)	1,374
Total equity		**838,103**	**846,868**
Total equity and liabilities		**1,838,832**	**1,763,381**

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD **(614060-A)**
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2014

	Attributable to equity holders of the Company									
	Non-distributable reserves						Distributable reserve			
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 01.01.2013	**387,000**	**191,515**	**-**	**307**	**(44,243)**	**127**	**248,554**	**783,260**	**5,824**	**789,084**
Non-controlling interests on incorporation of subsidiaries	-	-	-	-	-	-	-	-	1,048	1,048
Profit for the period	-	-	-	-	-	-	40,152	40,152	-	40,152
Other comprehensive income/(expense)	-	-	-	-	24,702	(539)	-	24,163	2,106	26,269
Total comprehensive income/(expense)	-	-	-	-	24,702	(539)	40,152	64,315	2,106	66,421
Dividend	-	-	-	-	-	-	(15,480)	(15,480)	-	(15,480)
At 30.06.2013	**387,000**	**191,515**	**-**	**307**	**(19,541)**	**(412)**	**273,226**	**832,095**	**8,978**	**841,073**

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Changes in Equity for the Second Quarter ended 30 June 2014 (cont'd)

	Attributable to equity holders of the Company									
	Non-distributable reserves						Distributable reserve			
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 01.01.2014	**387,000**	**191,515**	**(2)**	**307**	**1,418**	**(454)**	**265,710**	**845,494**	**1,374**	**846,868**
Purchase of treasury shares	-	-	(89)	-	-	-	-	(89)	-	(89)
NCI arising from increase in stake in subsidiaries	-	-	-	-	-	-	-	-	(449)	(449)
Profit for the period	-	-	-	-	-	-	18,291	18,291	-	18,291
Other comprehensive income/(expense)	-	-	-	-	(17,478)	(52)	-	(17,530)	(1,249)	(18,779)
Total comprehensive income/(expense)	-	-	-	-	(17,478)	(52)	18,291	761	(1,249)	(488)
Dividend	-	-	-	-	-	-	(7,739)	(7,739)	-	(7,739)
At 30.06.2014	**387,000**	**191,515**	**(91)**	**307**	**(16,060)**	**(506)**	**276,262**	**838,427**	**(324)**	**838,103**

These condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Cash Flows for the Cumulative Quarter ended 30 June 2014

	Cumulative Quarter 6 months ended	
	30.06.2014	**30.06.2013**
	RM'000	**RM'000**
Operating activities		
Profit before taxation	19,070	42,385
Adjustments for:		
Depreciation of property, plant and equipment	15,269	13,901
Provision for employees' service benefits	3,488	3,171
Gain on disposal of property, plant and equipment	(204)	(17)
Gain on financial assets at fair value through profit or loss	(7,187)	(539)
Property, plant and equipment written off	-	163
Write back of impairment losses on receivables	(10,136)	-
Share of results of associate companies	(127)	95
Interest income	(853)	(1,362)
Dividend income from investment securities	(2,469)	(2,554)
Unrealised foreign exchange (gain)/loss	2,197	(2,576)
Interest expense	11,200	9,328
Operating profit before working capital changes	**30,248**	**61,995**
Working capital changes:		
Net changes in current assets	(32,367)	45,530
Net changes in current liabilities	129,606	(45,440)
Cash generated from operations	127,487	62,085
Employees' service benefits paid	(1,760)	(1,263)
Taxes paid	(2,416)	(1,332)
Interest expense paid	(11,200)	(9,328)
Net cash generated from operating activities	**112,111**	**50,162**
Investing activities		
Purchase of property, plant and equipment	(25,441)	(52,590)
Proceeds from disposal of property, plant and equipment	509	470
Non-controlling interest arising from incorporation of subsidiaries	-	1,048
Net changes in investment securities	(71,796)	(112,852)
Acquisition of a subsidiary, net of cash paid	(1,331)	-
Proceeds from partial disposal of investment in an associate	410	-
Investment in associate	-	(117,130)
Decrease in deposits pledged with financial institutions	3,786	298
Interest received	853	1,362
Dividend received	2,469	2,554
Net cash used in investing activities	**(90,541)**	**(276,840)**

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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Cash Flows for the Cumulative Quarter ended 30 June 2014 (cont'd)

	Cumulative Quarter 6 months ended	
	30.06.2014	**30.06.2013**
	RM'000	**RM'000**
Financing activities		
Drawdown/(repayment) of bank borrowings and bond	(56,343)	223,977
Drawdown of hire purchase payables	1,064	3,555
Acquisition of non-controlling interest	(448)	-
Dividends paid	(3,293)	-
Increase/(decrease) in amount due to a director	4,958	(11)
Purchase of treasury shares	(89)	-
Net cash (used in)/generated from financing activities	**(54,151)**	**227,521**
Net (decrease)/increase in cash and cash equivalents	**(32,581)**	**843**
Effect of changes in foreign exchange rate	(15,162)	23,545
Cash and cash equivalents at beginning of period	141,841	106,829
Cash and cash equivalents at end of period	**94,098**	**131,217**
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	131,521	167,517
Less: Bank overdrafts	(3,521)	(20)
Less: Deposits with financial institutions	(33,902)	(36,280)
	94,098	**131,217**

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013, and the accompanying explanatory notes to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)
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Financial Year Ending 31 December 2014
Explanatory Notes to the Interim Financial Report for the Second Quarter ended 30 June 2014

A. Explanatory Notes pursuant to Standard #134 of the Malaysian Financial Reporting Standards

1. Corporate information

Eversendai Corporation Berhad ("ECB" or "the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 28 August 2014.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 June 2014 have been prepared in accordance with Standard #134 – Interim Financial Reporting of the Malaysian Financial Reporting Standards ("MFRS"), and Chapter 9 of the Main Market Listing Requirements of Bursa Securities. The unaudited condensed consolidated interim financial statements also comply with Standard #34 – Interim Financial Reporting of the International Accounting Standards issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of ECB and its subsidiaries ("the Group") since the year ended 31 December 2013.

3. Significant accounting policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual statements for the financial year ended 31 December 2013 except for the adoption of the following with effect from 1 January 2014:

	Description	**Effective date**
-	Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities.	1 January 2014
-	Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities.	1 January 2014
-	Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets.	1 January 2014
-	Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
-	IC Interpretation 21: Levies	1 January 2014

3. Significant accounting policies (cont'd)

Description	Effective date
- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
- Annual improvements to MFRSs 2010-2012 Cycle	1 July 2014
- Annual improvements to MFRSs 2011-2013 Cycle	1 July 2014
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced.
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced.
- MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139.	To be announced.

The initial application of the above is not expected to have any material financial impact on the Group's results.

4. Changes in estimates

There were no changes in estimates adopted in the preparation of financial statements that have had a material effect in the current and comparative quarter.

5. Changes in composition of the Group

On 13 March 2014, the Company entered into a sale and purchase agreement with Technics Oil & Gas Limited ("TOGL"), an associated company, for the purchase by the Company from TOGL 300,000 ordinary shares of RM1 each representing 30% equity interest in Eversendai Technics Sdn Bhd ("ETSB") for a total cash consideration of RM300,000. The acquisition was completed on 11 April 2014 and accordingly, ETSB and its' wholly owned Eversendai Technics RMC FZE ("ETRF") have become wholly-owned subsidiaries of the Company. On 14 April 2014, ETSB changed its' name to Eversendai Offshore Sdn Bhd. Subsequently on 6 May 2014, ETRF changed its name to Eversendai Offshore RMC FZE.

On 9 May 2014, the Company announced that it has acquired 1,000,000 ordinary shares of RM1 each representing 20% equity interest in Vahana Constructions Sdn Bhd ("VCSB") for a total cash consideration of RM1,000,000. Upon the completion of the said acquisition, the Company's equity interest in VCSB has increased from 49% to 69% and accordingly, VCSB has become a subsidiary of the Company. On 28 May 2014, VCSB changed its' name to Eversendai Constructions (M) Sdn Bhd.

Saved as disclosed, there is no change in the composition of the Group, including business combination, acquisition and/or disposal of subsidiary and long-term investments, restructuring, and discontinued operations during the current quarter under review.

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6. Segment information

	Middle-East	India	Malaysia	Others	Total	A & E *	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 30.06.2014							
Revenue							
- External	287,784	40,426	125,055	-	453,265	-	453,265
- Internal	66,325	4,383	14,714	-	85,422	(85,422)	-
Total revenue	**354,109**	**44,809**	**139,769**	**-**	**538,687**	**(85,422)**	**453,265**
Profit before tax	**14,706**	**(1,261)**	**23,010**	**(2,333)**	**34,122**	**(15,052)**	**19,070**
6 months ended 30.06.2013							
Revenue							
- External	317,749	62,400	110,539	-	490,688	-	490,688
- Internal	88,750	5,727	-	-	94,477	(94,477)	-
Total revenue	**406,499**	**68,127**	**110,539**	**-**	**585,165**	**(94,477)**	**490,688**
Profit before tax	**33,023**	**(7)**	**6,147**	**1,511**	**40,674**	**1,711**	**42,385**

* Consolidation adjustments & eliminations

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute a lion share of the Group revenue (63%) and pre-tax profit of RM14.7m in the current financial year-to-date. However, when compared to last years', total revenue and pre-tax profit were marginally lower by 9% and 55% as a few major projects have reached their final stage of execution and newly awarded contracts are still at their engineering and contract mobilization stages.

The operations in Malaysia, which is mainly steel fabrication and erection for construction of coal-fired power plant, saw its revenue and pre-tax profit rose from RM110.5m and RM6.1m to RM125.1m and RM8.3m (net of interco dividend) year-on-year. The Manjung 4 coal-fired power plant contract has reached the final stage of contract while the execution of the Tanjung Bin 4 coal-fired power plant project has accelerated since the beginning of FY2014.

The revenue from operations in India decreased by 35% and this has resulted in higher pre-tax loss due mainly to higher cost of project financing.

Overall, total revenue and pre-tax profit in the current financial year-to-date were 8% and 55% lower when compared to last year due mainly to the longer gestation period of new contracts secured and expenses incurred for the development of new businesses.

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7. Seasonality of operations

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

8. Profit before tax

Included in the profit before tax are the following income/(expense):

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	395	719	853	1,362
Dividend income from securities	1,449	1,723	2,469	2,554
Sales of scrap	4,296	890	5,837	3,082
Interest expense	(6,143)	(5,060)	(11,200)	(9,328)
Depreciation of property, plant and equipment	(7,473)	(6,995)	(15,269)	(13,901)
Write back of impairment losses on receivables	5,108	-	10,136	-
Provision for or write-off of inventories	-	-	-	-
Gain on disposal of property, plant and equipment	139	9	204	17
Gain/(loss) on disposal of quoted investment in associates	45	-	45	-
Impairment of assets	-	-	-	-
Unrealised foreign exchange (loss)/gain	(2,155)	(20)	(2,197)	2,576
Net gain on financial assets at fair value through profit or loss	6,508	(140)	7,187	539
Employee benefits expense	(1,691)	(1,643)	(3,488)	(3,171)
Property, plant and equipment written off	-	(163)	-	(163)
Exceptional items	-	-	-	-

9. Income tax expense

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2014	**30.06.2013**	**30.06.2014**	**30.06.2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax:				
Malaysian income tax	967	237	1,935	552
Foreign income tax	13	60	4	130
Total income tax expense	**980**	**297**	**1,939**	**682**
Profit before taxation	7,762	16,921	19,070	42,385
Effective tax rate	13%	2%	10%	2%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the current quarter's 13% and cumulative 6 months period's 10% was lower than the statutory tax rate of 25% in Malaysian is due mainly to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in many of the jurisdictions are not subject to income tax.

10. Earnings per share

Basic/diluted

Basic and diluted earnings per share for the current quarter and cumulative 6 months period under review are calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial period.

	Second Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2014	**30.06.2013**	**30.06.2014**	**30.06.2013**
Profit for the period (RM'000)	7,300	16,473	18,291	40,152
Number of ordinary shares in issue ('000)	773,899	774,000	773,899	774,000
Basic earnings per share (sen)	**0.94**	**2.13**	**2.36**	**5.19**

11. Property, plant and equipment

During the current cumulative 6 months period under review, Eversendai Offshore RMC FZE, a wholly owned subsidiary of the Company, has invested RM25.5 mil on the development-in-progress of its water-front fabrication yard at the Maritime City of Ras Al-Khaimah.

During the current cumulative 6 months period under review, the Group disposed-off assets with carrying value of RM306,000 (2013: RM466,000), resulting in a gain of RM204,000 (2013: RM3,000), recognized and included in other income in the statement of comprehensive income.

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

12. Intangible assets

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill is based on the followings:

a) Budgeted gross margin
The basis used to determine the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increase for expected efficiency improvements and after considering current economic conditions.

b) Discount rate
The discount rates used are pre-tax and reflect cost of borrowings of the subsidiaries.

c) Growth rate
The growth rates are based on projects tendered and awarded and do not exceed the long-term average growth rate for the industries relevant to the cash-generating units.

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As at 30 June 2014, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

13. Inventories

In the nature of the Group's businesses, its procurement policies and rate of inventories turnover, the Group is not exposed to the risk of old or obsolete inventories. Accordingly, no allowance has been made for impairment. Any shortfall which may arise on subsequent realization will be recognized in the profit and loss as and when incurred.

Certain inventories of the Group are pledged against bank borrowings.

14. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	30.06.2014 RM'000	30.06.2013 RM'000
Cash and bank balances	87,085	51,491
Deposits with financial institutions	44,436	116,026
Total cash and bank balances	**131,521**	**167,517**
Less:		
Bank overdrafts	(3,521)	(20)
Deposits pledged with financial institutions	(33,902)	(36,280)
Total cash and cash equivalents	**94,098**	**131,217**

15. Fair value hierarchy

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

Level 1 : Quoted prices (unadjusted) in active markets for the financial instruments or identical assets or liabilities.

Level 2 : Inputs that are based on observable market data, either directly or indirectly.

Level 3 : Inputs that are not based on observable market data.

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

	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 30 June 2014			
Non-current asset			
Derivative financial asset	18,784	-	18,784
Investment in structured deposit	-	25,584	25,584
Current asset			
Investment securities	202,379	-	202,379
Total	**221,163**	**25,584**	**246,747**
At 30 June 2013			
Current asset			
Investment in structured deposit	-	25,284	25,284
Investment securities	234,893	-	234,893
Total	**234,893**	**25,284**	**260,177**

Investment securities are investments in unit trust fund and quoted shares. On 29 January 2013, the investment in quoted shares of RM76,862,000 has been reclassified to investment in an associate. As at 30 June 2014, the investment securities wholly comprised of investment in unit trust fund and the fair value of this financial asset is measured based on the market price.

Derivative financial asset is an investment in the quoted warrants of an associated company. The fair value of this class of financial asset is measured based on the quoted market price, with the fair value gains or losses through profit or loss.

Structure deposit is an investment placed with a licensed financial institution, and with returns that linked to market indices. The fair value of this class of financial asset is measured based on the market observable inputs, with the fair value gains or losses through profit or loss.

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

16. Share capital, share premium and treasury shares

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

However, during the first quarter of the current financial year under review, the Company repurchased 100,000 of its issued ordinary shares from the open market at an average price of RM0.89 per share. The total consideration paid for the repurchase including transaction costs was RM89,751, financed wholly by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Except as disclosed, there was no issue or repurchase or repayment of equity during the current quarter and cumulative 6 months period under review.

17. Group borrowings and debt securities

	30.06.2014	30.06.2013
	RM'000	RM'000
Current:		
Hire purchase	1,544	1,505
Bank borrowings	176,003	186,277
Total current	**177,547**	**187,782**
Non-current:		
Hire purchase	8,652	7,784
Bank borrowings	26,337	34,394
Islamic medium-term notes	250,000	250,000
Total non-current	**284,989**	**292,178**
Total group borrowings and debt securities	**462,536**	**479,960**

Total borrowings including hire purchase payables of the Group as at 30 June 2014 in their respective foreign currencies are as follows:

	Value in foreign currency	Equivalents in value of Malaysian currency
	30.06.2014	**30.06.2014**
	‘000	**RM‘000**
United Arab Emirates Dirham	67,235	58,814
Qatari Riyal	71,973	63,502
Indian Rupees	1,273,473	68,198

18. Dividends paid

There was no payment of dividends by the Company during the current quarter under review.

19. Commitments and contingencies

a) Capital expenditure commitments

	30.06.2014	**30.06.2013**
	RM’000	**RM’000**
Contracted but not provided for:		
Land	-	31,442
Factory building	52,882	1,557
Office building	4,820	-
Plant and machinery	21,868	3,494
Computer systems and others	3,124	1,694
	82,694	**38,187**
Approved by not contracted for:		
Factory building	167	-
Plant and machinery	2,854	-
	3,021	**-**

b) Operating lease commitments

	30.06.2014	**30.06.2013**
	RM’000	**RM’000**
Within one year	22,635	4,929
After one year but not more than five years	55,992	6,161
More than five years	166,553	208
	245,180	**11,298**

c) Contingencies

At the end of the current quarter under review, the Group does not have any pending litigation or financial guarantee issued in favour of a third party that will result in potential financial liability to the Group.

Corporate guarantees
The Company has provided corporate guarantees for banking facilities to the following subsidiaries as follows:-

	30.06.2014 RM'000	30.06.2013 RM'000
Eversendai Engineering LLC	2,087,936	2,083,930
Eversendai Offshore RMC FZE	139,654	-
Eversendai Engineering Qatar WLL	598,893	638,932
Eversendai Construction Private Limited	181,329	129,169
Shineversendai Engineering (M) Sdn Bhd	80,209	108,621
	3,088,021	**2,960,652**

20. Related party transactions

Related parties include key management personnel of the Group and companies in which they are principal owners. The following table provides information on the transactions which have been entered into with related parties during the cumulative quarters under review:

	Cumulative Quarter 6 months ended	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	461	278

21. Events after the reporting period

On 17 July 2014, the Company announced that it has incorporated a new wholly-owned subsidiary, namely Eversendai Engineering Limited Liability Company ("EEL") in the Republic of Azerbaijan. The authorized and paid up share capital of EEL is AZN100,000 (approximately RM410,000) that comprised of 100,000 shares with a nominal value per share of AZN1.00. EEL will be principally engaged in the provision of engineering, procurement, construction and fabrication services.

On 14 July 2014, the Company announced that it has incorporated a new wholly-owned subsidiary, namely Eversendai Frontiers Pvt. Ltd. ("EFPL") in Mumbai, The State of Maharashtra, India. The authorized share capital is Rs5,000,000 comprising 500,000 shares of Rs10 each, and the issued and paid up share capital is Rs1,000,000 (approximately RM53,000). EFPL will be principally involved in the provision of engineering, procurement, construction and fabrication services.

Saved as disclosed above and in Note 5 to this Interim Financial Report, there were no material events subsequent to the end of the current quarter under review that have not been reflected in this interim financial report.

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

22. Review of Group with comparison to last year's corresponding periods

During the second quarter under review, the Group has secured followings material contracts:

a) 2 contracts for the construction of 2 units of liftboat for USD90.0 mil each or total contract values of approximately RM588.0 mil;
b) A structural steel fabrication and erection and mechanical works contract for the Gabbro Terminal expansion project in the Mesaieed State in Qatar for a total contract value of approximately RM77.9 mil;
c) A structural steel fabrication and erection contract for the Skylight project of Mall of Qatar in Doha for a total contract value of approximately RM16.1 mil;
d) A structural steel fabrication contract for the J3 Project in Jamnagar, Gujerat, India for a total contract value of approximately RM57.5 mil.

which together with the following contract win in the first quarter, has added total contract worth of approximately RM946.8 mil to the order book of the Group in the current cumulative 6 months period under review:

a) A structural steel fabrication and erection contract for the New Jet Propulsion Centre in Jeddah, the Kingdom of Saudi Arabia for a total contract value of approximately RM40.9 mil;
b) A structural steel fabrication and erection contract for the Al Ain Mosque in Abu Dhabi, UAE for a total contract value of approximately RM27.1 mil;
c) A structural steel fabrication and erection contract for the Dubai Frame in Dubai, UAE for a total contract value of approximately RM11.9 mil;

d) A structural steel fabrication and erection contract for the Lusail Expressway Artscape in Doha, Qatar for a total contract value of approximately RM14.0 mil; and
e) A contract for construction of composite structure for the Kshijit building at Paramanadwadi, Mumbai at contract value of approximately RM57.4 mil.

As many of the above-stated contracts secured during the current financial year under review are still in the early stages of contract, the revenue of the Group registered in the second quarter and cumulative 6 months period of RM222.5 mil and RM453.3 mil were still derived from the following major contracts which were brought forward from last financial year:

a) The Abu Dhabi International Airport project in Doha, Qatar;
b) The King Abdul Aziz International Airport Railway Station project in Saudi Arabia;
c) The Pear Mansion project in Doha, Qatar;
d) The Hub-Zero City project in Dubai, UAE;
e) The Worli Mixed Use Development project in Mumbai, India;
f) The Manjung 4 coal-fired power plant project in Perak, Malaysia; and
g) The Tanjung Bin 4 coal-fired power plant in Johor, Malaysia.

Total revenue for the second quarter and cumulative 6 months period of RM222.5 mil and RM453.3 mil, which when compared to last years', were lower by 10% and 8% respectively, due mainly to the longer gestation period of newly secured contracts.

Out of the total revenue of RM453.3 mil, 63% was contributed by the businesses in the Middle-East region (including the Commonwealth of Independent States), 28% by operations in Malaysia and the remaining 9% by projects in India.

Profit before tax for the second quarter and cumulative 6 month periods were RM7.8 mil and RM19.1 mil, which when compared to last year's RM16.9 mil and RM42.4 mil, were lower by 54% and 55% respectively due mainly to lower revenue and costs incurred on the development of new businesses in which the Group is in progress to extend and expand its' core operation strengths into the liftboat construction, steel fabrication and plant construction segments of the oil & gas industry.

23. Material change in profit before taxation in current quarter as compared to preceding quarter

The Group's profit before tax of RM7.8 mil for the second quarter, which when compared to the preceding quarter's RM11.3 mil, was lower by 31%. This was mainly due to the costs incurred on preparation for the execution of newly secured material contracts.

24. Prospects of the Group

As at 30 June 2014, the Group's order book stood at approximately RM1.7 billion. Approximately 75% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, while the remaining 13% and 12% will be executed by the operations in Malaysia and India respectively.

Subsequent to 30 June 2014, the Company has announced that its subsidiary in Qatar has secured a RM113 mil contract for the refurbishment of Khalifa Olympic Stadium.

In addition, the Group's extension and expansion of its core strengths in the steel engineering, fabrication and erection for the building construction and power plant industry, into the relevant segments in the oil and gas industry which started in the middle of year 2013, has been successful with the procurement of 2 contracts for the construction of 2 units of liftboat in the second quarter. The liftboat contracts are expected to contribute positively to the Group in the remaining months of the current financial year.

Barring unforeseen circumstances, the Board is confident that the Group will perform better in the current financial year.

25. Profit forecast or profit guarantee

There was no profit forecast or profit guarantee issued by the Company or the Group for the current quarter and cumulative 6 months period under review.

26. Corporate proposals

There is no corporate proposal announced but not completed as at 21 August 2014, being a date not earlier than seven days from the date of issuance of this interim financial report.

27. Changes in material litigation

During the current quarters under review and up to 21 August 2014, being a date no earlier than seven days from the date of this interim financial report, there was no material litigation against the Group.

28. Dividend payable

At the Annual General Meeting of the Company held on 19 June 2014, a final tax exempt (single-tier) dividend of RM0.01 per share on 773,899,000 ordinary shares (excluded treasury share of 101,000 shares) of RM0.50 each, amounting to total dividend payable of RM7,738,990 for the preceding financial year ended 31 December 2013, has been approved by the shareholders of the Company. In respect of the deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 9 July 2014 and paid on 23 July 2014. The financial statements for the current financial period have reflected this dividend in equity as appropriation of retained earnings in the financial period ended 30 June 2014.

29. Realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2014 and 31 December 2013 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia dated 25 March 2010 and 20 December 2010, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30.06.2014 RM'000 (Unaudited)	**31.12.2013 RM'000 (Audited)**
Total retained profits of the Group as reported under MFRS		
- Realised	585,930	587,456
- Unrealised	31,907	30,487
	617,837	617,943
Total share of retained earnings/(accumulated losses) from:-		
Associated companies:		
- Realised	(5,898)	(6,025)
Less: Consolidation adjustments	(335,677)	(346,208)
Total retained profits of the Group as per consolidated financial statements	**276,262**	**265,710**

30. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

By order of the Board of Directors

Tan Sri Nathan a/l Elumalay
Executive Chairman and Group Managing Director
Eversendai Corporation Berhad
28 August 2014