EVERSENDAI

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

FIRST QUARTER ENDED 31 MARCH 2018
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)

Dated 31 May 2018

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

Date: 31 May 2018

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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Financial Year ending 31 December 2018
Summary of Key Financial Information for the First Quarter ended 31 March 2018

		First Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.3.2018 RM'000	**31.3.2017 RM'000**	**31.3.2018 RM'000**	**31.3.2017 RM'000**
1	Revenue	391,276	395,968	391,276	395,968
2	Profit before tax	28,004	18,713	28,004	18,713
3	Profit for the periods	27,489	17,605	27,489	17,605
4	Profit attributable to equity holders of the Company	26,614	15,264	26,614	15,264
5	Basic earnings per share (sen)	3.41	1.97	3.41	1.97
6	Proposed/declared dividend per share (sen)	-	-	-	-

		As at 31.3.2018 (RM)	**As at 31.12.2017 (RM) (Restated)**
7	Net assets per share attributable to the equity holders of the Company	1.10	1.13

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2018

		First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2018	31.3.2017	31.3.2018	31.3.2017
		RM'000	RM'000	RM'000	RM'000
	Note				
Revenue	6	**391,276**	**395,968**	**391,276**	**395,968**
Cost of sales		(343,912)	(343,998)	(343,912)	(343,998)
Gross profit		**47,364**	**51,970**	**47,364**	**51,970**
Interest income		1,023	392	1,023	392
Dividend income		-	-	-	-
Other income		15,998	8,557	15,998	8,557
Operating and administrative expense		(25,484)	(38,936)	(25,484)	(38,936)
Operating profit		**38,901**	**21,983**	**38,901**	**21,983**
Finance costs		(10,897)	(3,270)	(10,897)	(3,270)
Net loss on financial assets at fair value through profit or loss		-	-	-	-
Profit before tax	8	**28,004**	**18,713**	**28,004**	**18,713**
Income tax expense	9	(515)	(1,108)	(515)	(1,108)
Profit for the period		**27,489**	**17,605**	**27,489**	**17,605**
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	-	-	-
- Foreign currency translation		(45,472)	(5,826)	(45,472)	(5,826)
Other comprehensive (expense)/income for the period:		**(45,472)**	**(5,826)**	**(45,472)**	**(5,826)**
Total comprehensive (expense)/income for the period		**(17,983)**	**11,779**	**(17,983)**	**11,779**

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

	Note	First Quarter 3-month ended 31.3.2018 RM'000	First Quarter 3-month ended 31.3.2017 RM'000	Cumulative Quarter 3-month ended 31.3.2018 RM'000	Cumulative Quarter 3-month ended 31.3.2017 RM'000
Profit for the period attributable to:					
- Equity holders of the Company		26,614	15,264	26,614	15,264
- Non-controlling interests		875	2,341	875	2,341
		27,489	**17,605**	**27,489**	**17,605**
Total comprehensive (expense)/income attributable to:					
- Equity holders of the Company		(17,887)	9,688	(17,887)	9,688
- Non-controlling interests		(96)	2,091	(96)	2,091
		(17,983)	**11,779**	**(17,983)**	**11,779**
Earnings per share attributable to equity holders of the Company					
- **Basic/diluted (sen)**	10	3.41	1.97	3.41	1.97

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

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

	Note	31.03.2018 RM'000	31.12.2017 RM'000 (Restated)
Assets			
Non-current assets			
Property, plant and equipment	11	680,991	714,881
Goodwill	12	12,119	12,119
Deferred tax assets		2,091	2,161
Total non-current assets		**695,201**	**729,161**
Current assets			
Inventories	13	262,559	281,243
Amount due from customers under construction contracts		885,971	1,026,144
Trade receivables		693,815	602,062
Other receivables, refundable deposits and prepaid expenses		200,594	165,256
Investment in securities	15	23	23
Tax recoverable		1,548	1,612
Cash and bank balances	14	177,891	273,359
		2,222,401	**2,349,699**
Non- current assets held for sale		-	339
Total current assets		2,222,401	2,350,038
Total assets		**2,917,602**	**3,079,199**
Equity and liabilities			
Current liabilities			
Trade payables		334,393	302,046
Other payables and accrued expenses		495,343	467,409
Amount due to customers under construction contracts		113,675	142,457
Amount due to directors		9,015	10,282
Hire purchase payables	17	4,385	4,076
Borrowings	17	807,756	957,125
Tax liabilities		36,440	38,618
Total current liabilities		**1,801,007**	**1,922,013**

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Financial Position as at 31 March 2018 (Cont'd)

	Note	31.3.2018 RM'000	31.12.2017 RM'000 (Restated)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	3,060	3,692
Borrowings	17	174,196	195,274
Employees' service benefits		63,797	64,695
Deferred tax liabilities		4,274	4,274
Total non-current liabilities		**245,327**	**267,935**
Total liabilities		**2,046,334**	**2,189,948**
Net assets		**871,268**	**889,251**
Capital and reserves			
Issued capital	16	585,308	585,308
Treasury shares	16	(91)	(91)
Capital reserve		187	187
Foreign currency translation reserve		111,191	155,692
Fair value adjustment reserve		30	30
Retained earnings	29	162,965	136,351
Equity attributable to equity holders of the Company		859,590	877,477
Non-controlling interests		11,678	11,774
Total equity		**871,268**	**889,251**
Total equity and liabilities		**2,917,602**	**3,079,199**

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2018

	Attributable to equity holders of the Company									
	Non-distributable						Distributable			
	Issued capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2017	**387,000**	**191,515**	**(91)**	**307**	**232,320**	**30**	**58,313**	**869,394**	**14,214**	**883,608**
Increase in share capital	6,673	-	-	-	-	-	-	6,673	-	6,673
Transfer arising from 'no par value' regime	191,635	(191,515)	-	(120)	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	85,528	85,528	1,538	87,066
Other comprehensive loss	-	-	-	-	(76,628)	-	-	(76,628)	(1,769)	(78,397)
Total comprehensive (loss)/income	-	-	-	-	(76,628)	-	85,528	8,900	(231)	8,669
Dividend	-	-	-	-	-	-	-	-	(1,648)	(1,648)
At 31.12.2017	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**143,841**	**884,967**	**12,335**	**897,302**

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 2018 (Cont'd)

	Attributable to equity holders of the Company									
	Non-distributable						Distributable			
	Issued capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2018, as previously stated	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**143,841**	**884,967**	**12,335**	**897,302**
Effects of adoption of MFRS9	**-**	**-**	**-**	**-**	**-**	**-**	**(7,490)**	**(7,490)**	**(561)**	**(8,051)**
At 1.1.2018, as restated	**585,308**	**-**	**(91)**	**187**	**155,692**	**30**	**136,351**	**877,477**	**11,774**	**889,251**
Profit for the period	-	-	-	-	-	-	26,614	26,614	875	27,489
Other comprehensive loss	-	-	-	-	(44,501)	-	-	(44,501)	(971)	(45,472)
Total comprehensive (loss)/income	-	-	-	-	(44,501)	-	26,614	(17,887)	(96)	(17,983)
Dividend	-	-	-	-	-	-	-	-	-	-
At 31.3.2018	**585,308**	**-**	**(91)**	**187**	**111,191**	**30**	**162,965**	**859,590**	**11,678**	**871,268**

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

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2018

	Cumulative Quarter 3 months ended	
	31.3.2018	**31.3.2017**
	RM'000	**RM'000**
Operating activities		
Profit before taxation	28,004	18,713
Adjustments for:		
Depreciation of property, plant and equipment	13,772	12,002
Provision for employees' service benefits	3,828	1,564
Gain on disposal of property, plant and equipment	(12)	(11)
Property, plant and equipment written off	-	24
Interest income	(1,023)	(392)
Allowance for doubtful debt	6	-
Reversal of provision for foreseeable loss	(3,167)	-
Unrealised foreign exchange gains	(8,401)	(141)
Finance cost	10,897	3,270
Operating profit before working capital changes	**43,904**	**35,029**
Working capital changes:		
Net changes in current assets	113,761	(79,768)
Net changes in current liabilities	114	(3,262)
Cash generated from operations	157,779	(48,001)
Employees' service benefits paid	(1,158)	(893)
Taxes paid	(701)	(326)
Net cash flows generated from/(used in) operating activities	**155,920**	**(49,220)**
Investing activities		
Purchase of property, plant and equipment	(8,224)	(16,527)
Proceeds from disposal of property, plant and equipment	548	21
Net changes in investment in securities	-	-
Decrease in deposits pledge with financial institutions	(5,236)	(5,684)
Interest received	1,023	392
Net cash flows used in investing activities	**(11,889)**	**(21,798)**
Financing activities		
Repayment of bank borrowings	(168,156)	(35,140)
Repayment of hire purchase payables	(323)	(7,663)
Decrease in amounts due to directors	(1,267)	(3,908)
Finance cost paid	(10,897)	(3,270)
Net cash flows used in financing activities	**(180,643)**	**(49,981)**

Financial Year ending 31 December 2018
Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2018 (Cont'd)

	Cumulative Quarter 3 months ended	
	31.3.2018	**31.3.2017**
	RM'000	**RM'000**
Net decrease in cash and cash equivalents	**(36,612)**	**(120,999)**
Effect of changes in foreign exchange rate	(61,801)	(12,740)
Cash and cash equivalents at beginning of period	159,672	337,912
Cash and cash equivalents at end of period	**61,259**	**204,173**
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	177,891	273,788
Less: Bank overdrafts	(74,534)	(34,822)
Less: Deposits with financial institutions	(42,098)	(34,793)
	61,259	**204,173**

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

A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting

1. Corporate Information

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

As per the latest audited financial statements for financial year ended 31 December 2017, ECB has met the criteria of the business activities benchmark and financial ratio benchmark set by Shariah Advisory Council (SAC) of the Securities Commission (SC).

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 31 May 2018.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2018 have been prepared in accordance with MFRS 134, Interim Financial Reporting and Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia. These unaudited condensed consolidated interim financial statements also comply with International Accounting Standard (IAS) 34 issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of ECB and its subsidiaries ("the Group") since the year ended 31 December 2017.

3. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual statements for the financial year ended 31 December 2017.

3.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial period, the Group and the Company have adopted the new and revised Standards and Amendments issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2018 as follows:

3. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

(a) Classification and measurement

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

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

3. Significant Accounting Policies (Cont'd)

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

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

(a) Classification and measurement (Cont'd)

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

(b) Impairment

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

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

(c) Hedge accounting

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

(d) Transition upon the adoption of MFRS 9

The Group has decided to adopt modified retrospective method of transition to MFRS 9. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018. The financial impact for each financial statement line item affected by the application of MFRS 9 for the current and prior years is disclosed in Note 22.

MFRS 15 Revenue from Contracts with Customers

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

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

3. Significant Accounting Policies (Cont'd)

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

MFRS 15 Revenue from Contracts with Customers (cont'd)

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

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

3.2 Standards and Amendments in issue but not yet effective

Effective for annual periods commencing on or after 1 January 2019

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

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

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

3. Significant Accounting Policies (Cont'd)

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

Effective for annual periods commencing on or after 1 January 2019 (Cont'd)

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

MFRS 16 Leases

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

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

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

4. Changes in Estimates

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

5. Changes in Composition of the Group

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

6. Segment Information

	Structural Steel & Construction				Oil & Gas	Total	A & E *	Group
	Middle-East and CIS	India	Malaysia	Others				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31.3.2018								
Revenue								
-External	192,502	56,165	32,267	33,307	77,035	391,276	-	391,276
-Internal	51,790	-	10,028	1,215	-	63,033	(63,033)	-
-Total revenue	**244,292**	**56,165**	**42,295**	**34,522**	**77,035**	**454,309**	**(63,033)**	**391,276**
Profit before tax	**15,117**	**433**	**1,281**	**7,511**	**1,101**	**25,443**	**2,561**	**28,004**
3 months ended 31.3.2017								
Revenue								
-External	230,987	48,549	52,987	9,015	54,430	**395,968**	-	**395,968**
-Internal	61,848	-	90	-	-	**61,938**	(61,938)	-
Total revenue	292,835	48,549	53,077	9,015	54,430	**457,906**	(61,938)	**395,968**
Profit/(loss) before tax	19,421	3,102	3,396	301	(4,659)	**21,561**	(2,848)	**18,713**

* Consolidation adjustment & elimination

6. Segment Information (Cont'd)

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute the biggest share of the Group's revenue at 49.2% and pre-tax profit of RM15.1 million in the current financial period-to-date.

The operations in Malaysia contributed 8.2% to the Group's revenue and pre-tax profit of RM1.3 million in the current financial period-to-date.

The operations in India contributed 14.4% to the Group's revenue. The increase in revenue from RM48.5 million in preceding year's corresponding quarter compare to current quarter of RM56.2 million mainly contributed by DLF IT Park project and Statue of Unity project in Gujarat.

The oil and gas business contributed to 19.7% of the Group's revenue in the current period as compared to 13.7% recorded in preceding year's corresponding quarter. The increase in revenue in oil & gas segment from RM54.4 million in preceding year's corresponding quarter compare to current quarter of RM77.0 million mainly contributed by the offshore fabrication project for Saudi Aramco. This segment has contributed pre-tax profit of RM1.1million in the current financial period- to-date as compared to pre-tax loss of RM4.7 million in preceding year's corresponding quarter.

7. Seasonality of Operations

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

8. Profit Before Tax

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

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2018 RM'000	**31.3.2017 RM'000**	**31.3.2018 RM'000**	**31.3.2017 RM'000**
Interest income	(1,023)	(392)	(1,023)	(392)
Sales of scrap	(4,644)	(4,477)	(4,644)	(4,477)
Finance cost	10,897	3,270	10,897	3,270
Depreciation of property, plant and equipment	13,772	12,002	13,772	12,002
Gain on disposal of property, plant and equipment	(12)	(11)	(12)	(11)
Unrealised foreign exchange gain	(8,401)	(141)	(8,401)	(141)
Provision for employee's service benefits expenses	3,828	1,564	3,828	1,564
Reversal for foreseeable loss	(3,167)	-	(3,167)	-
Allowance for doubtful debt	6	-	6	-

9. Income Tax Expense

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2018	**31.3.2017**	**31.3.2018**	**31.3.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax:				
Malaysian income tax	19	(465)	19	(465)
Foreign income tax	496	1,594	496	1,594
	515	1,129	515	1,129
Deferred tax:				
Relating to origination and reversal of temporary differences	-	(21)	-	(21)
Total income tax expense	**515**	**1,108**	**515**	**1,108**
Profit before taxation	28,004	18,713	28,004	18,713
Effective tax rate	1.8%	5.9%	1.8%	5.9%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the current period ended 31 March 2018 is lower than the 24% statutory tax rate in Malaysian mainly due to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in these jurisdictions are not subject to income tax.

10. Earnings per Share

Basic/diluted

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

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2018	**31.3.2017**	**31.3.2018**	**31.3.2017**
Profit for the period (RM'000)	26,614	15,264	26,614	15,264
Number of ordinary shares in issue ('000)	780,999	773,899	780,999	773,899
Basic earnings per share (sen)	**3.41**	**1.97**	**3.41**	**1.97**

11. Property, Plant and Equipment

During the current cumulative 3 months period under review, the Group disposed-off assets with carrying value of RM536,000 (2017: RM10,000), resulting in a gain of RM12,000 (2017: RM11,000), recognized and included in other income in the statement of comprehensive income.

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

12. Intangible Assets

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by directors for the next five years. The key assumptions for the value-in-use calculations are as follows:

	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
Cash-generating units ("CGUs")	**2018**	**2018**	**2017**	**2017**
Eversendai Engineering L.L.C. Dubai	1%	7%	1%	7%
Eversendai Engineering Sdn. Bhd. (*Formally Known as Eversendai Energia Sdn. Bhd.*)	1%	9%	1%	9%
Eversendai Oil & Gas (M) Sdn. Bhd.	1%	9%	1%	9%
Eversendai Constructions (M) Sdn. Bhd.	1%	9%	1%	9%
Eversendai S-Con Engineering Co. Ltd	1%	10%	1%	10%

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

b) Discount rate
The discount rates used are pre-tax and reflect the weighted average cost of capital of the respective CGUs.

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

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As of 31 March 2018, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

13. Inventories

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

Certain inventories of the Group are pledged against bank borrowings.

14. Cash and Cash Equivalents

Cash and cash equivalents comprised the following amounts:

	31.3.2018 RM'000	31.12.2017 RM'000 (Audited)
Cash and bank balances	135,763	236,467
Deposits with financial institutions	42,128	36,892
Total cash and bank balances	**177,891**	**273,359**
Less:		
Bank overdrafts	(74,534)	(76,825)
Deposits pledged with financial institutions	(42,098)	(36,862)
Total cash and cash equivalents	**61,259**	**159,672**

15. Fair Value Hierarchy

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

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

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

	Level 1 **RM'000**
At 31.3.2018	
Current asset	
Investment in securities	23
Total	**23**
At 31.12.2017 (Audited)	
Current asset	
Investment in securities	23
Total	**23**

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

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

16. Issued Capital and Treasury Shares

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

17. Group Borrowings and Debt Securities

	31.3.2018 RM'000	31.12.2017 RM'000 (Audited)
Current:		
Hire purchase	4,385	4,076
Bank overdraft	74,534	76,825
Bills payable	248,598	368,579
Term loans	484,624	511,721
Other Borrowings	**807,756**	**957,125**
Total Current Borrowings	**812,141**	**961,201**
Non-current:		
Hire purchase	3,060	3,692
Term loans	174,196	195,274
Total Non-Current Borrowings	**177,256**	**198,966**
Total group borrowings and debt securities	**989,397**	**1,160,167**

Included in the Group's borrowings as of 31 March 2018 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 31.3.2018 '000	Equivalents in value of Malaysian currency 31.3.2018 RM'000
United Arab Emirates Dirham	382,461	402,336
Qatari Riyal	54,486	57,804
Indian Rupees	1,245,962	74,920
Thai Baht	38,294	4,906
United States Dollar	114,000	440,439

18. Dividends Paid

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

19. Commitments and Contingencies

a) Capital expenditure commitments

	31.3.2018 RM'000	31.3.2017 RM'000
Contracted but not provided for:		
Factory building & labour accommodation	33,405	20,076
Computer systems	126	87
Plant & machineries	9,863	-
	43,394	**20,163**
Approved but not contracted for:		
Factory building	2,104	-
Plant & machineries	1,052	-
	3,156	-

b) Operating lease commitments

	31.3.2018 RM'000	31.3.2017 RM'000
Within one year	31,676	37,418
After one year but not more than five years	74,820	86,557
More than five years	236,359	252,757
	342,855	**376,732**

c) Contingencies

The Group does not have any pending litigation except as disclosed in Note 28 of this interim financial report.

Corporate guarantees

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

	31.3.2018 RM'000	31.3.2017 RM'000
Eversendai Engineering LLC	3,482,579	4,258,364
Eversendai Offshore RMC FZE	628,003	838,564
Eversendai Engineering Qatar WLL	694,853	796,045
Eversendai Construction Private Limited	324,734	459,132
Eversendai Engineering Sdn. Bhd. (Formally known as Eversendai Energia Sdn. Bhd.)	245,583	245,583
Eversendai Engineering Pte Ltd	38,834	41,748
	5,414,586	**6,639,436**

20. Related Party Transactions

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

	Cumulative quarter 3 months ended	
	31.3.2018 RM'000	31.3.2017 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	450	339
Transactions with other related company:		
Provision of services for engineering and fabrication by a subsidiary to a company where the Company deemed related to one of the director by virtue of his direct interest in the ultimate holding Company of the Group	14,671	18,419

21. Events After the Reporting Period

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

On 2 May 2018, Eversendai Corporation Berhad ("ECB") entered into a Share Sale Agreement for the disposal of 84,000 ordinary shares in its subsidiary, PKSB which represents 60% of the issued and paid up share capital in PKSB.

The principal activities of PKSB are engineering services and technology services provider to the oil and gas industry. Upon completion of the Proposed Disposal, PKSB shall cease to be a subsidiary of the Company.

The Group had decided to dispose its shares in PKSB as part of its rationalization of its involvement in engineering services and technology services provision to the oil and gas industry to better serve the Group's operations and focus on its core business in line with the expectation of the Group's stakeholders.

The Proposed Disposal is not expected to have any material effect on the earnings and net assets of the Group.

22. Restatement of Comparative

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

Condensed Statements of Financial Position

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

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

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

The Group recorded total revenue of RM391.3 million for the first quarter, which when compared to preceding year's corresponding quarter RM396.0 million was lower by 1.2%.

Out of the total revenue of RM391.3 million, 49.2% was contributed by the businesses in the Middle-East region, 8.2% by operations in Malaysia, 14.4% by operations in India, 19.7% from the oil and gas segment and the remaining 8.5% from operation in Thailand and Singapore.

The Group has reported a PATAMI of RM26.6 million in the first quarter, 74.3% higher than PATAMI of RM15.3 million reported in preceding year's corresponding quarter, mainly due to higher foreign exchange gain earned from appreciation of Ringgit Malaysia during the current quarter.

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

The Group's recorded a higher profit before tax of RM28.0 million during the current quarter when compared to the preceding year's corresponding quarter's profit of RM18.7 million, mainly contributed by higher profit from South East Asia and oil & gas segment and higher foreign exchange gain.

25. Prospects of the Group

During the current financial period ended 31 March 2018, the Group has secured approximately RM533.9 million new contracts. The Group's order book stood at approximately RM1.9 billion. Approximately 39.4% of the order book came from the Group's traditional stronghold in the Middle East region, 22.9% from South East Asia, 23.2% from India and the remaining 14.5% are from the Oil & Gas segment.

With the current order book in hand, the Group is confident to continue to have sustainable revenue and profitability going forward.

26. Profit Forecast or Profit Guarantee

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

27. Corporate Proposals

There is no corporate proposal announced but not completed as at 24 May 2018, being a date not earlier than seven days from the date of issuance of this interim financial report.

28. Changes in Material Litigation

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

On 14 November 2014, a supplier known as Linsun Engineering Sdn. Bhd. (“the plaintiff”) has served a Writ of Summons against EESB, for certain supply of manpower for scaffolding erection and dismantling works at the Project known as Manjung 4 Power Plant for an alleged claim of RM8,222,465 plus interest which is disputed by the company.

On the Hearing of the matter on 21 August 2017, the Learned Judge directed that New Trial dates be set on 15 and 17 August 2018.

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

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

On 27 July 2017, EOG was served with a Writ of Summons claiming from EOG the sum of RM926,387.97 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 19 and 31 July 2018.

29. Dividend Payable

No interim dividend has been declared for the current first quarter and 3 months period ended 31 March 2018.

30. Auditors’ Report on Preceding Annual Financial Statements

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

By order of the Board of Directors

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

31 May 2018