

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

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**Directors' Report and Audited Financial  
Statements  
31 December 2011**

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**Eversendai Corporation Berhad  
(Incorporated in Malaysia)**

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**Directors' report**

The directors have pleasure in presenting herewith their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2011.

**Principal activities**

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

The principal activities of the subsidiaries include steel fabrication, structural design, shop drawing services and steel erection. Details of the subsidiaries are set out in Note 11 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the incorporation of Eversendai Engineering Saudi LLC as disclosed in Note 11 to the financial statements.

**Financial results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit before taxation	136,018	10,649
Taxation	(4,469)	(242)
Profit after taxation	<u>131,549</u>	<u>10,407</u>
Attributable to:		
Equity holders of the Company	119,455	10,407
Non-controlling interests	12,094	-
	<u>131,549</u>	<u>10,407</u>

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

In the opinion of the directors, the results of the 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.

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**Dividends**

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2011, of 1 sen per share on 774,000,000 ordinary shares of RM0.50 each, amounting to a dividend payable of RM7,740,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

**Directors**

The names of directors of the Company in office since the date of the last report and at the date of this report are :

- Dato' Nathan a/l Elumalay
- Nadarajan Rohan Raj
- Narishnath a/l Nathan
- Narla Srinivasa Rao
- \* Mohammad Nizar bin Idris
- \*\* Datuk Ng Seing Liong
- \*\* Tan Sri Rastam Mohd Isa
- S Sunthara Moorthy a/l S Subramaniam (appointed on 7 October 2011)
- \* Senior Independent Non-Executive Director
- \*\* Independent Non-Executive Director

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Notes 7 and 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Notes 18 and 24 to the financial statements.

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**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

<b>The Company</b>	<b>Number of ordinary shares of RM1 each</b>				<b>Number of ordinary shares of RM0.50 each</b>			
	<b>1.1.2011</b>	<b>Acquired</b>	<b>Disposed</b>	<b>Bonus issue</b>	<b>Share split</b>	<b>Acquired</b>	<b>Disposed</b>	<b>31.12.2011</b>
<i>Direct interest</i>								
Dato' Nathan a/l Elumalay	27,999,996	2,665,000	-	306,649,960	613,299,920	-	(71,490,000)	541,809,920
Narishnath a/l Nathan	1	-	-	10	20	1,640,000	-	1,640,020
Dato' Subramaniam a/l Ratnavelu	1	-	(1)	-	-	-	-	-
Nadarajan Rohan Raj	-	-	-	-	-	1,630,000	-	1,630,000
Narla Srinivasa Rao	-	-	-	-	-	1,630,000	-	1,630,000
Datuk Ng Seing Liong	-	-	-	-	-	10,000	-	10,000

**Subsidiary Company -**

**Shineversendai Engineering (M) Sdn. Bhd.**

Direct interest

	<b>Number of ordinary shares of RM1 each</b>			
	<b>1.1.2011</b>	<b>Acquired</b>	<b>Disposed</b>	<b>31.12.2011</b>
Dato' Nathan a/l Elumalay	1	-	-	1

By virtue of his interest in shares in the Company, Dato' Nathan a/l Elumalay is also deemed interested in the subsidiaries of the Company to the extent that the Company has interests.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

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**Issue of shares**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM28,000,000 to RM306,650,000 by way of an issuance of 2,665,000 ordinary shares of RM1 each at par as part settlement of an amount due to a director and subsequently by way of a bonus issue of 275,985,000 ordinary shares of RM1 each in the Company on the basis of 9 ordinary shares of RM1 each for every 1 existing ordinary share of RM1 each in the Company.

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

**Share split**

Subsequent to the capitalisation and bonus issue, the Company implemented a share split of the par value of the Company shares whereby each existing ordinary share of RM1 each in the Company is subdivided into 2 ordinary shares of RM0.50 each. Upon the completion of the share split, the issued and paid up share capital of the Company stood at RM306,650,000 comprising 613,300,000 ordinary shares of RM0.50 each.

**Initial Public Offering ("IPO")**

Subsequent to the share split, the Company underwent an Initial Public Offering ("IPO") of 232,190,000 ordinary shares of RM0.50 each comprising:

- (i) Public issue of 160,700,000 new shares to institutional and selected investors at the institutional price which was determined by way of bookbuilding under the institutional offering; and
- (ii) Offer for sale of 71,490,000 existing shares in the following manner:
  - 41,340,000 existing shares to institutional and selected investors at the institutional price; and
  - 30,150,000 existing shares to the Malaysian public, eligible directors and employees of the Group and Company.

After the IPO exercise, the issued and paid up share capital of the Company stood at RM387,000,000 comprising 774,000,000 ordinary shares of RM0.50 each.

**Other statutory information**

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- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

**Other statutory information (cont'd.)**

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**Other statutory information (cont'd.)**

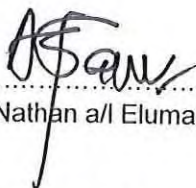
(f) In the opinion of the directors:

- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
- (ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 March 2012.



.....  
Dato' Nathan a/l Elumalay



.....  
Nadarajan Rohan Raj

Kuala Lumpur, Malaysia  
22 March 2012



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**Statement by directors  
Pursuant to Section 169 (15) of the Companies Act, 1965**

We, Dato' Nathan a/l Elumalay and Nadarajan Rohan Raj, being two of the directors of Eversendai Corporation Berhad do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 112 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

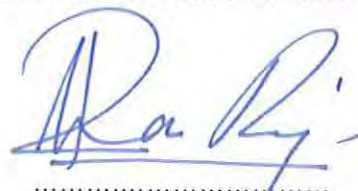
The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 March 2012.



.....  
Dato' Nathan a/l Elumalay

Kuala Lumpur, Malaysia



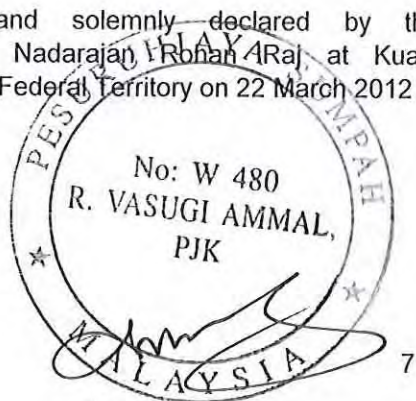
.....  
Nadarajan Rohan Raj

**Statutory declaration  
Pursuant to Section 169 (16) of the Companies Act, 1965**

I, Nadarajan Rohan Raj, being the Director primarily responsible for the financial management of Eversendai Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 112 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.

Subscribed and solemnly declared by the abovenamed, Nadarajan Rohan Raj, at Kuala Lumpur in the Federal Territory on 22 March 2012

Before me,



No: 72, Tkt. 3,  
Jalan Mega Mendung,  
Bandar Kompleks,  
58200 Kuala Lumpur



Nadarajan Rohan Raj

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**Independent auditors' report to the members of  
Eversendai Corporation Berhad  
(Incorporated in Malaysia)**

## **Report on the financial statements**

We have audited the financial statements of Eversendai Corporation Berhad, which the comprise statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 112.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditors' report to the members of  
Eversendai Corporation Berhad (cont'd.)  
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### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financials statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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Independent auditors' report to the members of  
Eversendai Corporation Berhad (cont'd.)  
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#### Other matters

The supplementary information set out in Note 34 on page 113 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
22 March 2012



Gloria Goh Ewe Gim  
No. 1685/04/13(J)  
Chartered Accountant

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**Statements of comprehensive income**  
**For the year ended 31 December 2011**

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	3	1,033,702	744,926	18,728	6,436
Cost of sales		<u>(812,716)</u>	<u>(537,599)</u>	<u>-</u>	<u>-</u>
Gross profit		220,986	207,327	18,728	6,436
Other income / (expenses)	4	15,637	15,288	(53)	(1,155)
Operating and administrative expenses		<u>(80,670)</u>	<u>(79,299)</u>	<u>(7,451)</u>	<u>(4,189)</u>
Operating profit		155,953	143,316	11,224	1,092
Finance costs	6	<u>(19,935)</u>	<u>(17,463)</u>	<u>(575)</u>	<u>(376)</u>
Profit before taxation	5	136,018	125,853	10,649	716
Income tax expense	9	<u>(4,469)</u>	<u>(2,332)</u>	<u>(242)</u>	<u>(141)</u>
Profit for the year		<u>131,549</u>	<u>123,521</u>	<u>10,407</u>	<u>575</u>
Other comprehensive income:					
Foreign currency translation		11,076	(23,443)	-	-
Revaluation of subsidiaries		-	-	363,601	-
Fair value adjustment of investment securities		<u>(346)</u>	<u>-</u>	<u>(346)</u>	<u>-</u>
Other comprehensive income for the year		<u>10,730</u>	<u>(23,443)</u>	<u>363,255</u>	<u>-</u>
Total comprehensive income for the year		<u>142,279</u>	<u>100,078</u>	<u>373,662</u>	<u>575</u>

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**Statement of comprehensive income (cont'd.)**  
**For the year ended 31 December 2011**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit Attributable to:					
Equity holders of the Company		119,455	116,727	10,407	575
Non-controlling interests		12,094	6,794	-	-
		<u>131,549</u>	<u>123,521</u>	<u>10,407</u>	<u>575</u>
Total comprehensive income attributable to:					
Equity holders of the Company		129,818	94,322	373,662	575
Non-controlling interests		12,461	5,756	-	-
		<u>142,279</u>	<u>100,078</u>	<u>373,662</u>	<u>575</u>
<b>Earnings per share attributable to equity holders of the Company</b>					
- Basic and Diluted (sen)	10	<u>18</u>	<u>417</u>		

The accompanying notes form an integral part of the financial statements.

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**Eversendai Corporation Berhad  
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**Statements of financial position  
As at 31 December 2011**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Investment in subsidiaries	11	-	-	734,593	370,178
Goodwill	12	9,920	9,920	-	-
Property, plant and equipment	13	211,757	184,051	12,109	11,582
Deferred tax assets	26	246	133	-	-
		<u>221,923</u>	<u>194,104</u>	<u>746,702</u>	<u>381,760</u>
<b>Current assets</b>					
Inventories	14	158,590	251,685	-	-
Amount due from customers on construction contracts	15	290,944	93,146	-	-
Trade contract receivables	16	360,234	280,882	-	-
Other receivables and deposits	17	36,385	24,973	1,631	372
Amount due from subsidiaries	18	-	-	59,698	15,936
Investment securities	19	151,483	-	151,483	-
Deposits and bank balances	20	198,650	194,308	73,457	2,949
		<u>1,196,286</u>	<u>844,994</u>	<u>286,269</u>	<u>19,257</u>
<b>Total assets</b>		<u>1,418,209</u>	<u>1,039,098</u>	<u>1,032,971</u>	<u>401,017</u>
<b>Equity and liabilities</b>					
Equity attributable to equity holders of the Company					
Share capital	21	387,000	28,000	387,000	28,000
Foreign currency translation reserve	21	(18,540)	(29,249)	-	-
Revaluation reserve	21	(275,985)	-	421,116	333,500
Capital reserve	21	307	307	120	120
Share premium	21	191,515	-	191,515	-
Fair value adjustment reserve	21	(346)	-	(346)	-
Retained earnings	21	435,767	316,312	12,530	2,123
		<u>719,718</u>	<u>315,370</u>	<u>1,011,935</u>	<u>363,743</u>
Non-controlling interests		8,006	2,568	-	-
<b>Total equity</b>		<u>727,724</u>	<u>317,938</u>	<u>1,011,935</u>	<u>363,743</u>

The accompanying notes form an integral part of the financial statements.

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**Eversendai Corporation Berhad  
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**Statements of financial position (cont'd.)  
As at 31 December 2011**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Non-current liabilities</b>					
Hire purchase payables	22	2,902	3,560	299	-
Bank borrowings	23	10,170	10,253	7,986	9,239
Other payables		-	782	-	-
Employees' service benefits	25	15,786	12,622	-	-
Deferred tax liabilities	26	1,352	1,986	42	-
		<u>30,210</u>	<u>29,203</u>	<u>8,327</u>	<u>9,239</u>
<b>Current liabilities</b>					
Trade payables	27	84,044	44,680	38	199
Other payables	27	166,553	137,897	277	142
Amount due to directors	24	11,472	14,690	10,722	13,716
Hire purchase payables	22	2,188	3,167	43	-
Bank borrowings	23	291,224	377,592	1,253	1,252
Amount due to subsidiaries	18	-	-	259	12,585
Amount due to customers on construction contracts	15	96,181	109,479	-	-
Provision for taxation		8,613	4,452	117	141
		<u>660,275</u>	<u>691,957</u>	<u>12,709</u>	<u>28,035</u>
<b>Total liabilities</b>		<u>690,485</u>	<u>721,160</u>	<u>21,036</u>	<u>37,274</u>
<b>Total equity and liabilities</b>		<u>1,418,209</u>	<u>1,039,098</u>	<u>1,032,971</u>	<u>401,017</u>

The accompanying notes form an integral part of the financial statements.



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**Consolidated statements of changes in equity**  
**For the year ended 31 December 2011**

Note	← Attributable to equity holders of the Company →							Distributable Retained earnings	Total	Non- controlling interests	Total equity
				Non-distributable							
	Share capital	Capital reserve	Share premium	Translation reserve	Revaluation reserve	Fair value adjustment reserve	RM'000				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Group</b>											
As at 1 January 2010		28,000	307	-	(6,844)	-	-	199,585	221,048	5,024	226,072
Total comprehensive income for the year		-	-	-	(22,405)	-	-	116,727	94,322	5,756	100,078
Dividends	28	-	-	-	-	-	-	-	-	(8,212)	(8,212)
<b>As at 31 December 2010</b>		<b>28,000</b>	<b>307</b>	<b>-</b>	<b>(29,249)</b>	<b>-</b>	<b>-</b>	<b>316,312</b>	<b>315,370</b>	<b>2,568</b>	<b>317,938</b>
<b>Group</b>											
As at 1 January 2011		28,000	307	-	(29,249)	-	-	316,312	315,370	2,568	317,938
Shares issued as capitalisation of amount due to director	21	2,665	-	-	-	-	-	-	2,665	-	2,665
Bonus issue	21	275,985	-	-	-	(275,985)	-	-	-	-	-
Public issue of new shares	21	80,350	-	191,515	-	-	-	-	271,865	-	271,865
Total comprehensive income for the year		-	-	-	10,709	-	(346)	119,455	129,818	12,461	142,279
Dividends	28	-	-	-	-	-	-	-	-	(7,023)	(7,023)
<b>As at 31 December 2011</b>		<b>387,000</b>	<b>307</b>	<b>191,515</b>	<b>(18,540)</b>	<b>(275,985)</b>	<b>(346)</b>	<b>435,767</b>	<b>719,718</b>	<b>8,006</b>	<b>727,724</b>

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**Eversendai Corporation Berhad  
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**Statements of changes in equity  
For the year ended 31 December 2011**

Note	← Attributable to equity holders of the Company →						
	← Non-distributable →			Distributable			Total Equity
	Share capital	Capital reserve	Share premium	Revaluation reserve	Fair value adjustment reserve	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Company</b>							
As at 1 January 2010	28,000	120	-	333,500	-	1,548	363,168
Total comprehensive income for the year	-	-	-	-	-	575	575
<b>As at 31 December 2010</b>	<b>28,000</b>	<b>120</b>	<b>-</b>	<b>333,500</b>	<b>-</b>	<b>2,123</b>	<b>363,743</b>
<b>Company</b>							
As at 1 January 2011	28,000	120	-	333,500	-	2,123	363,743
Shares issued as capitalisation of amount due to director	21	2,665	-	-	-	-	2,665
Bonus issue	21	275,985	-	(275,985)	-	-	-
Public issue of new shares	21	80,350	-	191,515	-	-	271,865
Total comprehensive income for the year	-	-	-	363,601	(346)	10,407	373,662
<b>As at 31 December 2011</b>	<b>387,000</b>	<b>120</b>	<b>191,515</b>	<b>421,116</b>	<b>(346)</b>	<b>12,530</b>	<b>1,011,935</b>

The accompanying notes form an integral part of the financial statements.

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**Eversendai Corporation Berhad  
(Incorporated in Malaysia)**

**Statements of Cash Flows  
For the year ended 31 December 2011**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	136,018	125,853	10,649	716
Adjustments for:				
Depreciation	23,373	20,098	25	-
Provision for employees' service benefits	3,603	4,532	-	-
Gain on disposal of property, plant and equipment	(162)	(262)	-	-
Property, plant and equipment written off	2	2,225	-	-
Allowance for impairment of receivables	8,479	20,057	-	-
Other receivables written off	390	-	-	-
Waiver of debt by directors	-	-	-	-
Interest income	(1,775)	(757)	-	-
Dividend income from investment securities	(2,493)	-	-	-
Write back of over provision for trade payables	(389)	(1,027)	-	-
Unrealised loss on foreign exchange	700	4,470	-	-
Interest expense	19,935	17,463	575	376
Operating profit before working capital changes	187,681	192,652	11,249	1,092
Working capital changes:-				
Inventories	93,095	(210,337)	-	-
Receivables	(92,466)	(45,389)	(1,259)	3,010
Payables, customers' accounts and amounts due (to)/ from customers on construction contracts	(144,846)	(6,218)	(26)	(1,704)
Subsidiaries	-	-	(56,088)	(1,921)
Cash generated from / (used in) operations	43,464	(69,292)	(46,124)	477
Employees' service benefits paid	(1,726)	(2,481)	-	-
Taxes paid	(1,055)	(10,409)	(224)	-
Interest expense paid	(19,521)	(17,463)	(575)	(376)
Net cash generated from / (used in) operating activities	21,162	(99,645)	(46,923)	101

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**Eversendai Corporation Berhad  
(Incorporated in Malaysia)**

**Statements of Cash Flows (cont'd.)  
For the year ended 31 December 2011**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(47,480)	(44,200)	(552)	-
Proceeds from disposal of property, plant and equipment	200	262	-	-
Purchase of investment securities	(151,829)	-	(151,829)	-
(Increase)/decrease in fixed deposits pledged	(136)	3,258	-	-
Interest received	1,775	757	-	-
Dividends received	2,493	-	-	-
Investment in subsidiary	-	-	(814)	(1,816)
Net cash used in investing activities	<u>(194,977)</u>	<u>(39,923)</u>	<u>(153,195)</u>	<u>(1,816)</u>
<b>Cash flows from financing activities</b>				
Issuance of share capital	271,865	-	271,865	-
(Repayment)/drawdown of bank borrowings	(93,103)	216,607	(1,252)	4,249
Dividends paid	(7,023)	(8,212)	-	-
(Repayment)/drawdown of hire purchase payables	(2,051)	1,822	342	-
Amount due to directors	(553)	182	(329)	-
Net cash generated from financing activities	<u>169,135</u>	<u>210,399</u>	<u>270,626</u>	<u>4,249</u>
<b>Net increase in cash and cash equivalents</b>	(4,680)	70,831	70,508	2,534
Effect of foreign exchange rate changes	2,234	(12,156)	-	-
Cash and cash equivalents at beginning of the year	141,852	83,177	2,949	415
<b>Cash and cash equivalents at end of the year (Note 20)</b>	<u>139,406</u>	<u>141,852</u>	<u>73,457</u>	<u>2,949</u>

The accompanying notes form an integral part of the financial statements.

**Eversendai Corporation Berhad  
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**Notes to the financial statements - 31 December 2011**

**1. Corporate information**

The Company is a public limited liability company incorporated and domiciled in Malaysia. The Company changed its name from Eversendai-Corporation Bhd. to its present name on 10 May 2010. The Company is listed on the Bursa Malaysia Securities Berhad as of 1 July 2011.

The registered office of the Company is located at Lot 19956, Jalan Industri 3/6, Rawang Integrated Industrial Park, 48000 Selangor.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are described in Note 11.

There have been no significant changes in the nature of these activities during the financial year except for the incorporation of Eversendai Engineering Saudi LLC as disclosed in Note 11.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 March 2012.

**2. Significant accounting policies**

**(a) Basis of preparation**

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2 (b).

The financial statements of the Group and the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to nearest thousand (RM'000) except where otherwise indicated.

**Eversendai Corporation Berhad**  
**(Incorporated in Malaysia)**

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**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies**

The accounting policies adopted are consistent with those of previous financial year except as follows:

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations which were mandatory at the following effective dates:

<b>Description</b>	<b>Effective for annual periods beginning or after</b>
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
FRS 3 Business Combinations	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132 Classification of Rights Issues	1 March 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1 Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company except for those discussed below:

**Amendments to FRS 7: Improving Disclosures about Financial Instruments**

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 31. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 30.

**Eversendai Corporation Berhad**  
**(Incorporated in Malaysia)**

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**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

**Standards issued but not yet effective**

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<b>Description</b>	<b>Effective for annual periods beginning or after</b>
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7 Transfers of Financial Assets	1 January 2012
Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 124 Related Party Disclosures	1 January 2012
Amendments to FRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 9 Financial Instruments	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013



**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

**Standards issued but not yet effective (cont'd.)**

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to FRS 7: Transfers of Financial Assets

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and will not have any impact on the Group's financial position or performance.

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

**Standards issued but not yet effective (cont'd.)**

FRS 10 Consolidated financial statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and will not have any impact on the Group's financial position or performance.

FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

**Standards issued but not yet effective (cont'd.)**

FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 128 Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

**Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(b) Changes in accounting policies (cont'd.)**

**Standards issued but not yet effective (cont'd.)**

**Malaysian Financial Reporting Standards (MFRS Framework) (cont'd.)**

At the date of these financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(c) Subsidiaries and basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's financial statements, investments in subsidiaries are stated at fair value as disclosed in Note 2.1(f). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

**(ii) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets acquired, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(c) Subsidiaries and basis of consolidation (cont'd.)**

**(ii) Basis of consolidation (cont'd.)**

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition and the minorities' share of changes in the subsidiaries' equity since then. Where there are legal arrangement in place for the beneficial entitlement to the shareholding, the Group has used these entitlements to compute the minorities share.

**(d) Property, plant and equipment and depreciation**

All items of property, plant and equipment and other fixed assets are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(d) Property, plant and equipment and depreciation (cont'd.)**

Freehold land has an unlimited useful life and therefore is not depreciated. Construction work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Furniture and fittings	10%
Motor vehicles and office equipment	20%
Plant and machinery	10%
Buildings	2%
Computer systems	20%
Fabrication factory	5%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of comprehensive income.

The carrying value of property, plant and equipment are reviewed at each reporting date for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the assets are written down to their recoverable amounts.

**(e) Impairment of non-financial assets**

The carrying amounts of assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(e) Impairment of non-financial assets (cont'd.)**

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the statement of comprehensive income in the period in which it arises.

Impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.



**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(f) Construction contracts**

Revenue from long term fixed price construction contracts is recognised on the percentage of completion method where the outcome of the construction contract can be reliably estimated. The stage of completion is calculated by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of the construction contract cannot be estimated reliably, the construction contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable, and no profit is recognised. Contract costs are recognised as expense in the period in which they are incurred.

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 contract plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

Variations are only recognised when the outcome can be determined with reasonable certainty, and are capable of being reliably measured. Claims are only recognised when the stage of negotiations with the customer has reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

Provision is made for all anticipated losses on construction contracts.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(h) Leases**

**(i) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(ii) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2(n)(ii).

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(i) Income tax**

**(i) Current tax**

Income tax recognised in the statement of comprehensive income comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

**(ii) Deferred tax**

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statements for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(j) 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

**(k) Provisions and contingencies**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

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 statement of financial position of the Group.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(I) Foreign currencies**

**(i) Functional currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are prepared in Ringgit Malaysia (RM), which is also the Company's functional currency.

**(ii) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in statement of comprehensive income for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(l) Foreign currencies (cont'd.)**

**(iii) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

**(m) Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plan**

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 the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries statutory pension schemes.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(n) 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. The following specific recognition criteria must also be met before revenue is recognised:-

**(i) Revenue from construction contracts**

Revenue from construction contracts are recognised by the stage of completion method as described in Note 2(f).

**(ii) Revenue from rental of equipment**

Revenue from rental of equipment is recognised when services are rendered.

**(iii) Interest income**

Interest is recognised on an accrual basis using the effective interest method.

**(iv) Dividend income**

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

**(v) Management fees**

Management fees are recognised when services are rendered.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(o) Financial assets**

Financial assets 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 instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

As at the reporting date, the Group and the Company did not have any financial assets categorised as financial assets at fair value through profit or loss or held-to-maturity investments.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**(i) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.



**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(o) Financial assets (cont'd.)**

**(ii) Available-for-sale financial assets**

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

**(iii) Fair value**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(p) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group has not designated any financial liabilities as at fair value through profit or loss.

**(ii) Other financial liabilities**

The Group's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(p) Financial liabilities (cont'd.)**

**(ii) Other financial liabilities (cont'd.)**

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(q) Impairment of financial assets**

**(i) Trade contract receivables, other receivables and deposits**

Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indications that the contract receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. When a contract receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

The Group assesses at each reporting date whether a financial asset or Group of financial assets is impaired.

**(ii) Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(q) Impairment of financial assets (cont'd.)**

**(ii) Assets carried at amortised cost (cont'd.)**

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade contract receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in income statement, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in income statement. Reversals of impairment losses on debts instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**(iii) Available-for-sale financial investments**

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in income statement, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debts instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**Notes to the financial statements - 31 December 2011**

**2. Significant accounting policies (cont'd.)**

**(r) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(s) Amounts due from/(to) customers on construction contracts**

Amounts due from/(to) customers on construction contracts represent costs incurred plus attributable profits, less foreseeable losses and progress billings received and receivable. Costs comprise direct labour, materials, direct overheads and a proportion of indirect overheads applicable to the stage of completion.

**(t) Segment reporting**

For management purposes, the Group is organised into operating segments based on their demographic which are independently managed by the respective segment managers responsible for the performance of 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 33.

**Notes to the financial statements - 31 December 2011**

**2.1 Significant accounting estimates and judgments**

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Depreciation of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be 4 to 50 years. These are common life expectancies applied in this industry. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 13.

**(b) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at reporting date amounted to RM9,920,000 (2010: RM9,920,000). Further details are disclosed in Note 12.

**Notes to the financial statements - 31 December 2011**

**2.1 Significant accounting estimates and judgments (cont'd.)**

**Key sources of estimation uncertainty (cont'd.)**

**(c) Deferred tax assets / liabilities**

Deferred tax assets/liabilities are recognised for taxable allowances and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the taxable deductible temporary differences can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets / liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of deferred tax assets / liabilities recognised is as disclosed in Note 26.

**(d) Allowance for impairment of receivables**

The Group makes allowance for impairment of receivables based on management's assessment of the recoverability of receivables. Allowances are made where events and changes in circumstances indicate that the carrying amounts may not be recoverable.

In assessing the extent of irrecoverable receivables, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 16.

**(e) 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 income and expense already recorded. Such differences of interpretation may arise on a wide variety of issues depending on the condition prevailing in the respective country in which the Group operates. The income tax expense of the Group for the year is disclosed in Note 9.

**Notes to the financial statements - 31 December 2011**

**2.1 Significant accounting estimates and judgments (cont'd.)**

**Key sources of estimation uncertainty (cont'd.)**

**(f) Fair value of unquoted investment in subsidiaries**

The fair value of unquoted investments in subsidiaries is based on selected price earnings ratio and the discounted cash flows of the various subsidiaries. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence are subject to uncertainty as disclosed in Note 11(b).

**(g) Estimated revenue and future losses on contracts**

Contract revenue represents initial contract value and approved variation orders and claims. If variations to initial contracts are in negotiation, as a prudent estimate, the management recognises the minimum which the Group will be successful in obtaining when the negotiations over the value of variations are resolved. The Group is required to estimate costs to complete on fixed price, modified fixed price contracts and re-measurable contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates include the cost of potential claim by contractors and the cost of meeting other contractual obligations to the customers. Revenue of the Group is as disclosed in Note 3 and no provision for future losses had been recognised as at the reporting date.



**Notes to the financial statements - 31 December 2011**

**2.1 Significant accounting estimates and judgments (cont'd.)**

**Judgement made in applying 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:

**(a) Liabilities for contract claims**

Under United Arab Emirates ("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, notwithstanding 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.

**(b) Subsidiaries**

The Group has entered into various legal shareholder agreements with its foreign partners in respect of certain subsidiaries in the Gulf Cooperation Council ("GCC"). As a result of these agreements, the Group has consolidated these GCC 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 GCC countries that may effect the enforceability of these agreements.

The directors are of the opinion, in consultation with the Group's legal advisors, that the existing shareholders' agreements are enforceable as at the date of these financial statements.

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**Notes to the financial statements - 31 December 2011**

**3. Revenue**

Revenue of the Group and the Company consist of the following:-

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Contract revenue	1,033,702	744,926	-	-
Gross dividend income from subsidiaries	-	-	14,576	5,867
Dividend income from investment securities	-	-	2,493	-
Interest income	-	-	1,095	5
Rental income	-	-	564	564
	<u>1,033,702</u>	<u>744,926</u>	<u>18,728</u>	<u>6,436</u>

**4. Other income**

Other income include the following:-

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	1,775	757	-	-
Dividend income from investment securities	2,493	-	-	-
Sales of scrap	9,077	6,320	-	-
Bad debts recovered	-	1,758	-	-
Gain on disposal of property, plant and equipment	162	262	-	-
Write back of impairment loss on receivables (Note 16)	1,115	32	-	-
Write back of over provision for trade payables	389	1,027	-	-
Unrealised loss on foreign exchange	(700)	(4,470)	(53)	(1,155)
	<u>(700)</u>	<u>(4,470)</u>	<u>(53)</u>	<u>(1,155)</u>

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**Notes to the financial statements - 31 December 2011**
**5. Profit before taxation**

Included in the profit before taxation are the following:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration				
- Current year	443	371	65	17
- Under provision in prior years	159	-	48	-
- Others	14	-	4	-
Depreciation (Note 13)	23,373	20,098	25	-
Director's remuneration (Note 8)	10,691	9,904	2,476	1,299
Employee benefits expenses (Note 7)	134,410	86,980	2,847	982
Property, plant and equipment written off	2	2,225	-	-
Operating lease rentals	10,040	5,403	-	-
Allowance for impairment loss on receivables (Note 16)	8,362	20,057	-	-
Other receivables written off	390	1	-	-
Rental of premises	5,048	995	-	-
Management fees	2,077	2,183	-	-
	<b>2,077</b>	<b>2,183</b>	<b>-</b>	<b>-</b>

**6. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:				
Bank borrowings	19,521	16,666	574	376
Hire purchase liabilities	414	797	1	-
	<b>19,935</b>	<b>17,463</b>	<b>575</b>	<b>376</b>

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**Notes to the financial statements - 31 December 2011**

**7. Employee benefits expense**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Executive directors</b> (Note 8)				
Executive directors of the Group	<u>10,589</u>	<u>9,904</u>	<u>2,374</u>	<u>1,299</u>
<b>Other staff</b>				
Wages and salaries				
- Included in cost of sales	111,826	65,226	-	-
- Included in operating and administrative expenses	<u>22,584</u>	<u>21,754</u>	<u>2,847</u>	<u>982</u>
	<u>134,410</u>	<u>86,980</u>	<u>2,847</u>	<u>982</u>
	<u>144,999</u>	<u>96,884</u>	<u>5,221</u>	<u>2,281</u>

The number of employees of the Group and of the Company including executive directors at the end of the financial year was 7,597 (2010: 5,494) and 14 (2010: 6), respectively.

Included in employee benefits expenses is contribution to defined contribution plan amounting to RM585,000 (2010: RM431,000) and RM289,000 (2010: RM285,000) for the Group and the Company respectively.

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**Notes to the financial statements - 31 December 2011**

**8. Directors' remuneration**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Directors of the Group</b>				
Executive:				
- Salaries and other emoluments	10,401	9,720	2,196	1,168
- Defined contribution plan	188	180	178	131
- Fees	-	4	-	-
Total employee benefits expense of the executive directors (Note 7)	<u>10,589</u>	<u>9,904</u>	<u>2,374</u>	<u>1,299</u>
Total executive directors' remuneration	<u>10,589</u>	<u>9,904</u>	<u>2,374</u>	<u>1,299</u>
Non-Executive:				
- Fees	72	-	72	-
- Other emoluments	30	-	30	-
Total non-executive directors' remuneration	<u>102</u>	<u>-</u>	<u>102</u>	<u>-</u>
Total directors' remuneration	<u>10,691</u>	<u>9,904</u>	<u>2,476</u>	<u>1,299</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2011 RM'000	2010 RM'000
Executive directors:		
RM100,001 to RM150,000	1	-
RM550,001 to RM600,000	1	-
RM650,001 to RM700,000	1	-
RM800,001 to RM850,000	1	2
RM1,100,001 to RM1,150,000	-	1
RM7,100,001 to RM7,150,000	-	1
RM8,400,001 to RM8,450,000	1	-
Non-Executive directors:		
RM1 to RM50,000	3	-

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**Notes to the financial statements - 31 December 2011**

**9. Income tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax:				
Malaysian income tax	654	469	221	141
Foreign income tax	4,583	1,710	-	-
Overprovision in prior years	(21)	-	(21)	-
	<u>5,216</u>	<u>2,179</u>	<u>200</u>	<u>141</u>
Deferred tax (Note 26):				
- Relating to origination and reversal of temporary difference	-	153	42	-
- Overprovision of deferred tax liabilities in prior years	(747)	-	-	-
	<u>(747)</u>	<u>153</u>	<u>42</u>	<u>-</u>
	<u>4,469</u>	<u>2,332</u>	<u>242</u>	<u>141</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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**Notes to the financial statements - 31 December 2011**

**9. Income tax expense (cont'd.)**

The reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	136,018	125,853	10,649	716
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	34,005	31,463	2,662	179
Difference in foreign tax rates	(14,689)	(4,345)	-	-
Expenses not deductible for tax purposes	2,153	(358)	(4,406)	(38)
Income not subject to tax	(16,232)	(24,428)	2,007	-
Overprovision of income tax expense in prior years	(21)	-	(21)	-
Overprovision of deferred tax liabilities in prior years	(747)	-	-	-
Income tax expense for the year	<u>4,469</u>	<u>2,332</u>	<u>242</u>	<u>141</u>

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**Notes to the financial statements - 31 December 2011**

**10. Earnings per share**

**Basic / diluted**

Basic and diluted earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	119,455	116,727
Weighted average number of ordinary shares in issue ('000 units)	<u>673,575</u>	<u>28,000</u>
Basic earnings per share for profit for the year (sen)	<u>18</u>	<u>417</u>

Diluted earnings per share is equivalent to basic earnings per share as the Company does not have any potentially dilutive shares.

**11. Subsidiaries**

**(a) Investment in subsidiaries**

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at valuation, at 1 January	370,178	364,996
Additions during the year:		
- Acquisition of subsidiary	-	2,666
- Increase in share capital of subsidiaries	-	2,516
- Revaluation of subsidiaries	363,601	-
- Incorporation of a new subsidiary	814	-
Unquoted shares, at valuation, at 31 December	<u>734,593</u>	<u>370,178</u>



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**Notes to the financial statements - 31 December 2011**

**11. Subsidiaries (cont'd.)**

**(a) Investment in subsidiaries (cont'd.)**

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest (%)		Effective interest in profit based on shareholders' agreement (%)	
			2011	2010	2011	2010
1. Shineversendai Engineering (M) Sdn. Bhd. ("Shineversendai")	Malaysia	Fabrication and erection of steel works	99.99	99.99	N/A	N/A
2. Eversendai Engineering FZE ("Eversendai FZE") [Note (ii)]	Hamriyah Free Zone Sharjah, United Arab Emirates	Steel, fabrication and painting	100.00	100.00	N/A	N/A
3. Eversendai Construction Private Limited ("Eversendai India") [Note (ii)]	India	Engineering, fabrication and erection of steel works	100.00	100.00	N/A	N/A
4. Eversendai Construction (S) Pte Ltd ("Eversendai Singapore") [Note (i)]	Singapore	Engineering, fabrication and erection of steel works	100.00	100.00	N/A	N/A

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**Notes to the financial statements - 31 December 2011**

**11. Subsidiaries (cont'd.)**

**(a) Investment in subsidiaries (cont'd.)**

Details of the subsidiaries are as follows :

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest (%)		Effective interest in profit based on shareholders' agreement (%)	
				2011	2010	2011	2010
5.	Eversendai Engineering LLC ("Eversendai LLC") [Note (ii), (iii)]	United Arab Emirates	Fabrication and erection of steel works	49.00	49.00	100.00	100.00
6.	Eversendai Engineering Qatar WLL ("Eversendai Qatar") [Note (ii), (iii)]	State of Qatar	Engineering, fabrication and erection of steel works	49.00	49.00	70.00	70.00
7.	Eversendai Engineering LLC - Abu Dhabi ("Eversendai Abu Dhabi") [Note (ii), (iii)]	United Arab Emirates	Engineering, fabrication and erection of steel works	49.00	49.00	100.00	100.00
8.	EVS Construction LLC ("EVSC") [Note (ii), (iii)]	United Arab Emirates	Engineering and contracting services	49.00	49.00	100.00	100.00
9.	Eversendai Engineering Saudi LLC ("Eversendai Saudi") [Note (ii), (iv), (v)]	Kingdom of Saudi Arabia	Engineering, fabrication and erection of steel works	95.00	-	100.00	-

**Notes to the financial statements - 31 December 2011**

**11. Subsidiaries (cont'd.)**

**(a) Investment in subsidiaries (cont'd.)**

- (i) Audited by a firm other than Ernst & Young.
- (ii) Audited by member firms of Ernst & Young Global in the respective countries.
- (iii) 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:
  - a) power over more than half of the voting rights and to govern the financial and operating policies;
  - b) 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 the board or body; and
  - c) power to cast the 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.
- (iv) Eversendai Saudi was incorporated on 4 April 2011.
- (v) Five percent (5%) equity interest of EV Saudi is held in trust by a Director as bare trustee for EV Singapore.

**(b) Revaluation of subsidiaries**

In the current financial year, the Directors have undertaken an exercise to revalue the Company's investment in subsidiaries. The fair value of the investments was estimated using a valuation technique based on assumptions that are both supported by observable market data and unobservable market data. The valuation also requires management to make estimates about the expected future profitability and cash flows of the subsidiaries which are discounted at current rates.

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**Notes to the financial statements - 31 December 2011**

**12. Goodwill**

	<b>Group</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
At 1 January/31 December	<u>9,920</u>	<u>9,920</u>
		<b>RM'000</b>
Eversendai LLC		4,143
Shineversendai		<u>5,777</u>
Total as at 31 December 2011/2010		<u>9,920</u>

(i) Budgeted gross margin

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

(ii) Discount rate

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

(iii) 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 management carried out its annual review of recoverable amounts of its goodwill during the current financial year. The review in the current financial year did not give rise to any impairment losses (2010: Nil).

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.

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**13. Property, plant and equipment**

Group	Freehold land	Furniture, fittings and office equipment	Motor vehicles	Plant and machinery	Fabrication factory and buildings	Construction work-in- progress	Computer systems	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>								
At 1 January 2011	12,082	3,172	21,716	85,311	120,267	5,772	5,316	253,636
Additions	6,510	787	4,458	17,203	1,866	14,032	2,624	47,480
Disposals/written off	-	-	(787)	-	-	-	-	(787)
Exchange differences	(724)	95	672	1,769	3,234	1,406	18	6,470
At 31 December 2011	<u>17,868</u>	<u>4,054</u>	<u>26,059</u>	<u>104,283</u>	<u>125,367</u>	<u>21,210</u>	<u>7,958</u>	<u>306,799</u>
<b>Accumulated depreciation and provision for impairment losses</b>								
At 1 January 2011	-	1,633	13,142	37,406	14,913	-	2,491	69,585
Depreciation for the year	19	508	4,125	11,750	5,514	-	1,457	23,373
Disposals/written off	-	-	(747)	-	-	-	-	(747)
Exchange differences	(2)	119	370	1,647	651	-	46	2,831
At 31 December 2011	<u>17</u>	<u>2,260</u>	<u>16,890</u>	<u>50,803</u>	<u>21,078</u>	<u>-</u>	<u>3,994</u>	<u>95,042</u>
<b>Net book value</b>								
At 31 December 2011	<u>17,851</u>	<u>1,794</u>	<u>9,169</u>	<u>53,480</u>	<u>104,289</u>	<u>21,210</u>	<u>3,964</u>	<u>211,757</u>

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**13. Property, plant and equipment (cont'd.)**

Group	Freehold land	Furniture, fittings and office equipment	Motor vehicles	Plant and machinery	Fabrication factories and buildings	Construction work-in- progress	Computer systems	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>								
At 1 January 2010	11,582	4,109	18,300	76,134	106,062	14,524	4,074	234,785
Reclassification	1,209	(145)	1	25	13,687	(14,777)	-	-
Acquisition of subsidiary	-	135	32	93	-	-	-	260
Additions	-	531	5,770	17,888	12,222	6,129	1,660	44,200
Disposals/written off	(631)	(1,091)	(558)	(971)	-	-	(5)	(3,256)
Exchange differences	(78)	(367)	(1,829)	(7,858)	(11,704)	(104)	(413)	(22,353)
At 31 December 2010	<u>12,082</u>	<u>3,172</u>	<u>21,716</u>	<u>85,311</u>	<u>120,267</u>	<u>5,772</u>	<u>5,316</u>	<u>253,636</u>
<b>Accumulated depreciation and provision for impairment losses</b>								
At 1 January 2010	-	1,375	11,550	31,434	10,813	-	1,527	56,699
Reclassification	-	(2)	2	(1)	-	-	1	-
Depreciation for the year	-	566	3,269	9,693	5,446	-	1,124	20,098
Disposals/written off	-	(161)	(520)	(349)	-	-	(1)	(1,031)
Exchange differences	-	(145)	(1,159)	(3,371)	(1,346)	-	(160)	(6,181)
At 31 December 2010	<u>-</u>	<u>1,633</u>	<u>13,142</u>	<u>37,406</u>	<u>14,913</u>	<u>-</u>	<u>2,491</u>	<u>69,585</u>
<b>Net book value</b>								
At 31 December 2010	<u>12,082</u>	<u>1,539</u>	<u>8,574</u>	<u>47,905</u>	<u>105,354</u>	<u>5,772</u>	<u>2,825</u>	<u>184,051</u>

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**Notes to the financial statements - 31 December 2011**

**13. Property, plant and equipment (cont'd.)**

<b>Company</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computer systems RM'000</b>	<b>Freehold land RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2011	-	-	11,582	-	11,582
Additions	5	150	-	397	552
At 31 December 2011	<u>5</u>	<u>150</u>	<u>11,582</u>	<u>397</u>	<u>12,134</u>
<b>Accumulated depreciation and provision for impairment losses</b>					
At 1 January 2011	-	-	-	-	-
Depreciation for the year	-	12	-	13	25
At 31 December 2011	<u>-</u>	<u>12</u>	<u>-</u>	<u>13</u>	<u>25</u>
<b>Net book value</b>					
At 31 December 2011	<u>5</u>	<u>138</u>	<u>11,582</u>	<u>384</u>	<u>12,109</u>

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**Notes to the financial statements - 31 December 2011**

**13. Property, plant and equipment (cont'd.)**

<b>Company</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computer systems RM'000</b>	<b>Freehold land RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2010	-	-	11,582	-	11,582
Additions	-	-	-	-	-
At 31 December 2010	<u>-</u>	<u>-</u>	<u>11,582</u>	<u>-</u>	<u>11,582</u>
<b>Accumulated depreciation and provision for impairment losses</b>					
At 1 January 2010	-	-	-	-	-
Depreciation for the year	-	-	-	-	-
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>					
At 31 December 2010	<u>-</u>	<u>-</u>	<u>11,582</u>	<u>-</u>	<u>11,582</u>



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**Notes to the financial statements - 31 December 2011**

**13. Property, plant and equipment (cont'd.)**

Depreciation has been allocated in the statement of comprehensive income as follows:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Cost of sales	17,528	17,665
Operating and administrative expenses	5,845	2,433
	<u>23,373</u>	<u>20,098</u>

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net carrying amounts of property, plant and equipment pledged as security for borrowings (Note 23)	<u>39,248</u>	<u>142,116</u>	<u>11,966</u>	<u>11,582</u>

**14. Inventories**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Materials on site, at cost	<u>158,590</u>	<u>251,685</u>

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**Notes to the financial statements - 31 December 2011**

**14. Inventories (cont'd.)**

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. Any shortfall which may arise on subsequent realisation will be recognised in the profit and loss as and when incurred.

The inventories are pledged against bank borrowings as disclosed in Note 23.

**15. Amounts due from/(to) customers on construction contracts**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate costs incurred to date	150,145	2,292,354
Attributable profits less recognised losses	<u>2,719,947</u>	<u>(2,269,578)</u>
	2,870,092	22,776
Less: Progress billings on contracts	<u>(2,675,329)</u>	<u>(39,109)</u>
	<u>194,763</u>	<u>(16,333)</u>
Disclosed in the financial statements as follows:-		
Amounts due from customers on construction contracts	290,944	93,146
Amounts due to customers on construction contracts	<u>(96,181)</u>	<u>(109,479)</u>
	<u>194,763</u>	<u>(16,333)</u>

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**Notes to the financial statements - 31 December 2011**

**16. Trade contract receivables**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade contract receivables	233,460	204,425
Retention sum receivables	178,594	119,196
	<u>412,054</u>	<u>323,621</u>
Less : Allowance for impairment loss	(51,820)	(42,739)
	<u>360,234</u>	<u>280,882</u>

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 normal trade credit term ranges from 30 to 90 (2010: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. Trade contract receivables are non-interest bearing.

As at 31 December, the age analysis of the trade contract receivables of the Group was as follows:-

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	111,365	89,840
Past due but not impaired:		
Past due 1-30 days	62,594	72,294
Past due 31-60 days	74,968	73,319
Past due 61 days and over	111,307	45,429
Impaired	51,820	42,739
Total trade contract receivables	<u>412,054</u>	<u>323,621</u>

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**Notes to the financial statements - 31 December 2011**

**16. Trade contract receivables (cont'd.)**

Receivables that are neither past due nor impaired

Trade and other 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 renegotiated during the financial year.

Receivables that are impaired

The movements in the allowance for impairment during the year consist of :-

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	42,739	28,171
Charge for the year (Note 5)	8,362	20,057
Write back of allowance	(1,115)	(32)
Bad debts recovered	-	(1,758)
Translation differences	1,834	(3,699)
Balance as at 31 December	<u>51,820</u>	<u>42,739</u>

Trade contract receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulty and have defaulted or indicated potential default in payment.

Unimpaired receivables are expected, on the basis of past experience and contractual agreements, to be fully recoverable.

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**Notes to the financial statements - 31 December 2011**

**17. Other receivables and deposits**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Prepayments, deposits and others	36,385	24,973	1,631	372
	<u>36,385</u>	<u>24,973</u>	<u>1,631</u>	<u>372</u>

Other receivables include deposits amounting to RM865,000 (2010: Nil) paid for the purchase of computer software. There is also RM Nil (2010: RM336,000) of Initial Public Offering expenses being capitalised.

**18. Related party transactions**

Related parties include subsidiaries, key management personnel of the Company and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

**(a) Transactions with related parties**

The directors are of the opinion that all of the following transactions have been entered into in the normal course of business and have been established on negotiated and mutually agreed terms.

**(i) Transactions with companies in which certain directors have interests:-**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Subcontract work awarded to EVS Construction LLC ("EVSC")	<u>-</u>	<u>3,783</u>

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**Notes to the financial statements - 31 December 2011**

**18. Related party transactions (cont'd.)**

**(a) Transactions with related parties (cont'd.)**

**(ii) Transactions with certain directors and key management personnel of the Group:-**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with a director:</b>		
Sale of motor vehicle to a subsidiary	136	-
Rental expense paid by the Group on properties	226	262
Rental of office premises from related parties of key management personnel	19	19
Personal guarantee provided by a director	1,449,387	1,832,636
Personal guarantee provided by a director and a key management personnel	5,818	9,889
Acquisition of equity interest in EVSC (Note 24)	-	2,666

**(iii) Transactions with a foreign partner to the Group:-**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease of labour quarters	1,741	2,111

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**Notes to the financial statements - 31 December 2011**

**18. Related party transactions (cont'd.)**

**(a) Transactions with related parties (cont'd.)**

**(iv) Transactions with subsidiaries**

Amounts due from/(to) related parties are as follows:-

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due from subsidiaries</b>		
Eversendai FZE	19,418	15,924
Eversendai India	9	-
Shineversendai	17,901	-
Eversendai Saudi	43	-
Eversendai Singapore	22,327	12
	<u>59,698</u>	<u>15,936</u>
<b>Amount due to subsidiaries</b>		
Eversendai LLC	-	3,682
Eversendai Abu Dhabi	259	251
Shineversendai	-	8,652
	<u>259</u>	<u>12,585</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

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**Notes to the financial statements - 31 December 2011**

**18. Related party transactions (cont'd.)**

**(a) Transactions with related parties (cont'd.)**

**(iv) Transactions with subsidiaries (cont'd.)**

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income from subsidiaries are as follows:		
Eversendai FZE	<u>6,935</u>	<u>5,867</u>
Eversendai Singapore	<u>7,641</u>	<u>-</u>

The remuneration of key management personnel comprising solely of executive directors are as disclosed in Note 8.

**19. Investment securities**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>				
Available-for-sale financial assets				
- Unit trust fund	<u>151,483</u>	<u>-</u>	<u>151,483</u>	<u>-</u>



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**Notes to the financial statements - 31 December 2011**

**20. Deposits and bank balances**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current assets</b>				
Deposits with financial institutions	143,138	65,413	70,876	2,505
Cash and bank balances	55,512	128,895	2,581	444
<b>Total cash and bank balances</b>	<b>198,650</b>	<b>194,308</b>	<b>73,457</b>	<b>2,949</b>

The weighted average effective interest rates as at the reporting date for the Group and the Company were 1.70% (2010: 1.20%) and 2.98% (2010: 4.49%), respectively.

Fixed deposits of the Group amounting to RM52,098,000 (2010 : RM51,962,000) placed with financial institutions are pledged to secure bank borrowing facilities granted to the subsidiaries as disclosed in Note 23.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the reporting date:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	198,650	194,308	73,457	2,949
Less: Bank overdrafts (Note 23)	(7,146)	(494)	-	-
	191,504	193,814	73,457	2,949
Less: Deposits pledged to banks	(52,098)	(51,962)	-	-
<b>Cash and cash equivalents</b>	<b>139,406</b>	<b>141,852</b>	<b>73,457</b>	<b>2,949</b>

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**Notes to the financial statements - 31 December 2011**

**21. Share capital and reserves**

	2011	Group / Company		2010
	'000	2010	2011	2010
		'000	RM'000	RM'000
<b>Authorised share capital:-</b>				
At 1 January				
Ordinary shares of RM1 each	50,000	50,000	50,000	50,000
Created during the year				
Ordinary shares of RM1 each	450,000	-	450,000	-
Share split during the year				
Ordinary shares of RM1 each	(500,000)	-	(500,000)	-
Ordinary shares of RM0.50 each	1,000,000	-	500,000	-
At 31 December				
Ordinary shares of RM1 each	-	50,000	-	50,000
Ordinary shares of RM0.50 each	1,000,000	-	500,000	-

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**Notes to the financial statements - 31 December 2011**

**21. Share capital and reserves (cont'd.)**

	2011 '000	Group / Company		2010 RM'000
		2010 '000	2011 RM'000	2010 RM'000
<b>Issued and fully paid up:-</b>				
At 1 January				
Ordinary shares of RM1 each	28,000	28,000	28,000	28,000
Capitalisation of amount due to director during the year				
Ordinary shares of RM1 each	2,665	-	2,665	-
Bonus issue during the year				
Ordinary shares of RM1 each	275,985	-	275,985	-
Share split during the year				
Ordinary shares of RM1 each	(306,650)	-	(306,650)	-
Ordinary shares of RM0.50 each	613,300	-	306,650	-
Created during the year				
Ordinary shares of RM0.50 each	160,700	-	80,350	-
At 31 December				
Ordinary shares of RM1 each	-	28,000	-	28,000
Ordinary shares of RM0.50 each	774,000	-	387,000	-

**Issue of shares and bonus issue**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM28,000,000 to RM306,650,000 by way of an issuance of 2,665,000 ordinary shares of RM1 each at par as part settlement of an amount due to a director and subsequently by way of a bonus issue of 275,985,000 ordinary shares of RM1 each in the Company on the basis of 9 ordinary shares of RM1 each for every 1 existing ordinary share of RM1 each in the Company.

**Notes to the financial statements - 31 December 2011**

**21. Share capital and reserves (cont'd.)**

**Share split**

Subsequent to the capitalisation and bonus issue, the Company implemented a share split of the par value of the Company shares whereby each existing ordinary share of RM1 each in the Company is subdivided into 2 ordinary shares of RM0.50 each. Upon the completion of the share split, the issued and paid up share capital of the Company stood at RM306,650,000 comprising 613,300,000 ordinary shares of RM0.50 each.

**Initial Public Offering ("IPO")**

Subsequent to the share split, the Company underwent an IPO of 232,190,000 ordinary shares of RM0.50 each comprising:

- (i) Public issue of 160,700,000 new shares to institutional and selected investors at the institutional price which was determined by way of bookbuilding under the institutional offering; and
- (ii) Offer for sale of 71,490,000 existing shares in the following manner:
  - 41,340,000 existing shares to institutional and selected investors at the institutional price; and
  - 30,150,000 existing shares to the Malaysian public, eligible directors and employees of the Group and Company.

After the IPO exercise, the issued and paid up share capital of the Company stood at RM387,000,000 comprising 774,000,000 ordinary shares of RM0.50 each.

All of the new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

**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.

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**Notes to the financial statements - 31 December 2011**

**21. Share capital and reserves (cont'd.)**

**Capital reserve**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Legal reserve	187	187	-	-
Preference shares redemption reserve	120	120	120	120
	<u>307</u>	<u>307</u>	<u>120</u>	<u>120</u>

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.

Preference shares redemption reserve

This relates to the Company's redemption of 12,000,000 Redeemable Convertible Cumulative Preference Shares ("RCCPS") of RM0.01 each on 30 June 2008.

**Revaluation reserve**

Revaluation reserve relates to the gains or losses arising from the revaluation of the Company's investments in subsidiaries.

**Share premium**

Share premium relates to premium arising from new shares issued by the Company.

**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.

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**Notes to the financial statements - 31 December 2011**

**21. Share capital and reserves (cont'd.)**

**Retained earnings**

The Company has elected for the irrevocable option under the Finance Act, 2007 to disregard its Section 108 balance. Following this, the Company will be able to distribute dividends out of its entire retained earnings under the single tier system.

**22. Hire purchase payables**

	<b>Group</b>		<b>Company</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Payable not later than one year	2,188	3,167	43	-
Payable later than one year but not later than five years	2,850	3,556	247	-
Payable later than five years	52	4	52	-
	<u>5,090</u>	<u>6,727</u>	<u>342</u>	<u>-</u>
Future minimum lease payments:-				
- Not later than one year	5,662	3,475	58	-
- Later than one year but not later than five years	3,148	4,147	174	-
- Later than five years	1,587	5	169	-
Total future minimum lease payments	10,397	7,627	401	-
Less: Future finance charges	(5,307)	(900)	(59)	-
Present value of hire purchase payables	<u>5,090</u>	<u>6,727</u>	<u>342</u>	<u>-</u>

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**23. Bank borrowings**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Current liabilities</b>				
Payable not later than one year				
- Bank overdrafts	7,146	494	-	-
- Bills payable	274,765	366,502	-	-
- Term loans	9,313	10,596	1,253	1,252
	<u>291,224</u>	<u>377,592</u>	<u>1,253</u>	<u>1,252</u>
<b>Non-current liabilities</b>				
Payable later than one year but not later than five years				
- Term loans	7,154	6,024	4,970	5,040
Payable later than five years				
- Term loans	3,016	4,229	3,016	4,199
	<u>10,170</u>	<u>10,253</u>	<u>7,986</u>	<u>9,239</u>
<b>Total bank borrowings</b>	<u>301,394</u>	<u>387,845</u>	<u>9,239</u>	<u>10,491</u>

Total bank borrowings of the Group in their respective foreign currencies are as follows:-

	2011		2010	
	Foreign currency in '000	RM'000 equivalent	Foreign currency in '000	RM'000 equivalent
United Arab Emirates (AED)	122,557	105,817	359,912	301,635
Malaysia Ringgit (RM)	21,725	21,725	10,491	10,491
Qatari Riyal (QR)	175,841	153,118	89,590	75,719
India Rupees (INR)	356,431	20,734	-	-
		<u>301,394</u>		<u>387,845</u>

All of the Company's bank borrowings are denominated in RM.

Bills payable are obtained to discount project payment certificates for short term financing. These carry interest in the range of 5.50% - 7.35% (2010: 7.05% - 8.50%) and are repayable up to 180 days from the date of disbursement.

**Notes to the financial statements - 31 December 2011**

**23. Bank borrowings (cont'd.)**

The term loan of the Company bears interest at rates ranging from 4.50% to 7.30% (2010: 6.30% to 7.30%) above the bank's base lending rate and is subject to monthly repayment of up to RM152,000 for 108 months (2010: RM 152,000 for up to 120 months).

The term loans of the subsidiary companies bear interest at variable rates from 6.5% to 8% (2010: 6.30% to 8.50%) and are repayable in equal monthly instalments over a period of 12 months to 26 months (2010: 12 months to 45 months).

The bank 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 the subsidiary companies.
- (iv) Pledge on inventories as disclosed in Note 14.
- (v) Cash collateral and counter-guarantee on all performance bond guarantees and advance payment guarantees.
- (vi) Pledge on certain fixed assets and fixed deposits of the Group as disclosed in Note 13 and Note 20 respectively.

**24. Amount due to directors**

The amount due to directors is unsecured, interest free and repayable on demand. Included in the amount is RM2,666,000 due to a director in respect of the Company's acquisition of EVSC as part of the Group's restructuring exercise pursuant to its listing on Bursa Malaysia Securities Berhad.





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**Notes to the financial statements - 31 December 2011**

**26. Deferred tax assets/liabilities (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial year are as follows:-

	<b>Group</b>	
	<b>Property, plant and equipment RM'000</b>	<b>Total RM'000</b>
<b>Deferred tax assets</b>		
As at 1 January 2010	-	-
Recognised in profit or loss (Note 9)	133	133
As at 31 December 2010	<u>133</u>	<u>133</u>
As at 1 January 2011	133	133
Recognised in profit or loss (Note 9)	113	113
As at 31 December 2011	<u>246</u>	<u>246</u>
<b>Deferred tax liabilities</b>		
As at 1 January 2010	1,700	1,700
Recognised in profit or loss (Note 9)	286	286
As at 31 December 2010	<u>1,986</u>	<u>1,986</u>
As at 1 January 2011	1,986	1,986
Recognised in profit or loss (Note 9)	(634)	(634)
As at 31 December 2011	<u>1,352</u>	<u>1,352</u>
	<b>Company</b>	
	<b>Property, plant and equipment</b>	<b>Total</b>
<b>Deferred tax liabilities</b>		
As at 1 January 2011	-	-
Recognised in profit or loss (Note 9)	42	42
As at 31 December 2011	<u>42</u>	<u>42</u>

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**Notes to the financial statements - 31 December 2011**

**27. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Trade payables</b>	<u>84,044</u>	<u>44,680</u>	<u>38</u>	<u>199</u>
<b>Other payables</b>				
Other payables and accruals	89,268	46,931	277	142
Advances from customers	70,494	86,685	-	-
Retention sums payable	6,791	4,281	-	-
	<u>166,553</u>	<u>137,897</u>	<u>277</u>	<u>142</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2010: 30 to 90) days.

Advances from customers are non-interest bearing.

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**Notes to the financial statements - 31 December 2011**

**28. Dividend**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the financial year:-</b>				
<b>Dividend on ordinary shares:</b>				
Final dividend of 12,881% on 200,000 ordinary shares in Eversendai Qatar declared and paid on 15 December 2011	<u>7,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interim dividend of 9,119% on 200,000 ordinary shares in Eversendai Qatar declared and paid on 8 March 2010	<u>-</u>	<u>8,212</u>	<u>-</u>	<u>-</u>

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2011, of 1 sen per share on 774,000,000 ordinary shares of RM0.50 each, amounting to a dividend payable of RM7,740,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

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**Notes to the financial statements - 31 December 2011**

**29. Commitment and contingencies**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital expenditure commitments</b>		
Contracted but not provided for :-		
Factory building	38,591	10,208
Computer systems	693	-
Others	62	-
	<u>39,346</u>	<u>10,208</u>
Operating lease commitments		
Within one year	6,340	3,369
After one year but not more than five years	6,281	7,373
More than five years	419	2,025
	<u>13,040</u>	<u>12,767</u>
	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital expenditure commitments</b>		
Contracted but not provided for :-		
Computer systems	693	-
	<u>693</u>	<u>-</u>

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**Notes to the financial statements - 31 December 2011**

**29. Commitment and contingencies (cont'd.)**

**Corporate guarantees**

The Company has provided corporate guarantees for banking facilities to the following subsidiaries as at 31 December:-

	<b>Ever- sendai L.L.C. RM'000</b>	<b>Eversendai India RM'000</b>	<b>Ever- sendai W.L.L RM'000</b>	<b>Shin- eversendai RM'000</b>	<b>Total RM'000</b>
<b>2011</b>	<u>1,320,155</u>	<u>105,879</u>	<u>419,087</u>	<u>34,362</u>	<u>1,879,483</u>
<b>2010</b>	<u>1,440,725</u>	<u>60,464</u>	<u>331,447</u>	<u>33,347</u>	<u>1,865,983</u>

The above includes performance guarantees amounting to RM597,887,000 (2010: RM505,503,000), which are pledged against certain deposits maintained with financial institutions as disclosed in Note 23. The rest of the guarantees are unsecured.

**Litigation**

A subsidiary, Shineversendai had issued a writ of summons against a sub-contractor ("the defendant") in 2006 for a total amount of RM3,222,803 in respect of a breach in a subcontract. The defendant had countered claimed against the Company for an amount RM2,838,746 being disputed progress claim and other costs.

Shineversendai is aggressively pursuing the claims and the Company's solicitors have opined that prospects are good. The High Court has fixed a date for trial on 27 March 2012.

**Notes to the financial statements - 31 December 2011**

**30. Financial instruments**

**(a) Financial risk management objectives and policies**

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.

**(b) Interest rate risk**

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 up to the maturity of the financial instruments.

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

An increase of 0.10% in the interest rates with all other variables held constant would decrease the profits of the Group and increase the profits of the Company by RM158,000 (2010: RM322,000) and RM62,000 (2010: decrease in profits of RM8,000) respectively.

The information on effective interest rates of financial assets and liabilities are disclosed in their respective notes.

<b>Group 2011</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial assets</b>				
Amount due from customers on construction contracts	-	-	290,944	290,944
Trade contract receivables	-	-	360,234	360,234
Other receivables and deposits	-	-	36,385	36,385
Investment securities	-	-	151,483	151,483
Deposits and bank balances	-	143,138	55,512	198,650
<b>Total financial assets</b>	<b>-</b>	<b>143,138</b>	<b>894,558</b>	<b>1,037,696</b>



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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Group 2011</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial liabilities</b>				
Trade payables	-	-	84,044	84,044
Other payables	-	-	166,553	166,553
Bank borrowings and hire purchase payables	301,394	5,090	-	306,484
Amount due to directors	-	-	11,472	11,472
Amount due to customers on construction contracts	-	-	96,181	96,181
Employees' service benefits	-	-	15,786	15,786
Total financial liabilities	<u>301,394</u>	<u>5,090</u>	<u>374,036</u>	<u>680,520</u>
<b>Net financial assets/ (liabilities)</b>	<u>(301,394)</u>	<u>138,048</u>	<u>520,522</u>	<u>357,176</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Group 2010</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial assets</b>				
Amount due from customers on construction contracts	-	-	93,146	93,146
Trade contract receivables	-	-	280,882	280,882
Other receivables and deposits	-	-	24,973	24,973
Deposits and bank balances	-	65,413	128,895	194,308
<b>Total financial assets</b>	<b>-</b>	<b>65,413</b>	<b>527,896</b>	<b>593,309</b>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Group 2010</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial liabilities</b>				
Trade payables	-	-	44,680	44,680
Other payables	-	-	138,679	138,679
Bank borrowings and hire purchase payables	387,845	6,727	-	394,572
Amount due to directors	-	-	14,690	14,690
Amount due to customers on construction contracts	-	-	109,479	109,479
Employees' service benefits	-	-	12,622	12,622
Total financial liabilities	<u>387,845</u>	<u>6,727</u>	<u>320,150</u>	<u>714,722</u>
<b>Net financial assets/ (liabilities)</b>	<u>(387,845)</u>	<u>58,686</u>	<u>207,746</u>	<u>(121,413)</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Company 2011</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial assets</b>				
Amount due from subsidiaries	-	-	59,698	59,698
Other receivables and deposits	-	-	1,631	1,631
Investment securities	-	-	151,483	151,483
Deposits and bank balances	-	70,876	2,581	73,457
<b>Total financial assets</b>	<b>-</b>	<b>70,876</b>	<b>215,393</b>	<b>286,269</b>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Company 2011</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	315	315
Bank borrowings and hire purchase payables	9,239	342	-	9,581
Amount due to directors	-	-	10,722	10,722
Amount due to subsidiaries	-	-	259	259
<b>Total financial liabilities</b>	<b>9,239</b>	<b>342</b>	<b>11,296</b>	<b>20,877</b>
<b>Net financial assets/ (liabilities)</b>	<b>(9,239)</b>	<b>70,534</b>	<b>204,097</b>	<b>265,392</b>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Company 2010</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial assets</b>				
Amount due from subsidiaries	-	-	15,936	15,936
Other receivables and deposits	-	-	372	372
Deposits and bank balances	-	2,505	444	2,949
Total financial assets	-	2,505	16,752	19,257

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Company 2010</b>	<b>Floating interest rate RM'000</b>	<b>Fixed interest rate RM'000</b>	<b>Non interest bearing RM'000</b>	<b>Total  RM'000</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	341	341
Bank borrowings and hire purchase payables	10,491	-	-	10,491
Amount due to directors	-	-	13,716	13,716
Amount due to subsidiaries	-	-	12,585	12,585
Total financial liabilities	<u>10,491</u>	<u>-</u>	<u>26,642</u>	<u>37,133</u>
<b>Net financial assets/ (liabilities)</b>	<u>(10,491)</u>	<u>2,505</u>	<u>(9,890)</u>	<u>(17,876)</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(c) Foreign currency risk**

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United Arab Emirates Dirham (AED), Qatari Riyal (QR), Indian Rupees (INR) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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 income statement (due to the fair value of currency sensitive monetary assets and liabilities). The effect of decrease in the currency rates is expected to be equal and opposite to the effect of the increases shown below.

	<b>Balance</b>	<b>Increase in</b>	<b>Effect on</b>	<b>Effect on</b>
		<b>currency</b>	<b>profit</b>	<b>equity</b>
	<b>RM'000</b>	<b>rate</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2011</b>				
AED	332,191	5.00%	4,586	16,610
QR	51,608	5.00%	1,875	2,580
INR	12,369	5.00%	174	618
SGD	16,695	5.00%	747	835
SAR	777	5.00%	(3)	39
<b>2010</b>				
AED	236,612	5.00%	4,911	11,831
QR	33,979	5.00%	328	1,699
INR	(4,067)	5.00%	(256)	(203)
SGD	12,075	5.00%	350	604



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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(c) Foreign currency risk (cont'd.)**

The exchange rates used for conversion are as follows:-

<b>Malaysian Ringgit to:</b>		<b>2011</b>	<b>2010</b>
United Arab Emirates Dirhams	(AED)	1.1582	1.1932
Qatari Riyal	(QR)	1.1484	1.1832
Indian Rupees	(INR)	17.1894	14.7942
Singapore Dollars	(SGD)	0.4096	0.4194
Saudi Riyal	(SAR)	1.1826	-

All the net unhedged financial assets and financial liabilities of the Group are denominated in their respective functional currencies.

**(d) Liquidity risk**

The Group manages 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 maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The table below details the expected contractual cash flow by maturity of financial liabilities held at 31 December:

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**30. Financial instruments (cont'd.)**

**(d) Liquidity risk (cont'd.)**

<b>Group 2011</b>	<b>On Demand RM'000</b>	<b>0 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>					
Trade payables	-	84,044	-	-	84,044
Other payables	-	83,277	83,276	-	166,553
Bank borrowings and hire purchase payables	-	146,706	146,706	13,072	306,484
Amount due to directors	11,472	-	-	-	11,472
Amount due to customers on construction contracts	-	48,091	48,090	-	96,181
Employees' service benefits	-	-	-	15,786	15,786
	<u>11,472</u>	<u>362,118</u>	<u>278,072</u>	<u>28,858</u>	<u>680,520</u>
<b>Group 2010</b>					
<b>Financial liabilities</b>					
Trade payables	-	44,680	-	-	44,680
Other payables	-	68,949	68,948	782	138,679
Bank borrowings and hire purchase payables	-	190,380	190,379	13,813	394,572
Amount due to directors	14,690	-	-	-	14,690
Amount due to customers on construction contracts	-	54,740	54,739	-	109,479
Employees' service benefits	-	-	-	12,622	12,622
	<u>14,690</u>	<u>358,749</u>	<u>314,066</u>	<u>27,217</u>	<u>714,722</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(d) Liquidity risk (cont'd.)**

	<b>On Demand RM'000</b>	<b>0 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>Company 2011</b>					
<b>Financial liabilities</b>					
Trade and other payables	-	315	-	-	315
Bank borrowings and hire purchase payables	-	648	648	8,285	9,581
Amount due to subsidiaries	259	-	-	-	259
Amount due to directors	10,722	-	-	-	10,722
	<u>10,981</u>	<u>963</u>	<u>648</u>	<u>8,285</u>	<u>20,877</u>
<b>Company 2010</b>					
<b>Financial liabilities</b>					
Trade and other payables	-	341	-	-	341
Bank borrowings and hire purchase payables	-	626	626	9,239	10,491
Amount due to subsidiaries	12,585	-	-	-	12,585
Amount due to directors	13,716	-	-	-	13,716
	<u>26,301</u>	<u>967</u>	<u>626</u>	<u>9,239</u>	<u>37,133</u>

**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(e) Credit risk**

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. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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 and 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.

The Group seeks to maintain strict control over its outstanding trade contract receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade contract receivables relate to a large number of diversified customers, there is no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

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 minimise this by dealing with counterparties with good credit ratings.

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 does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except for the Company's exposure to the amounts due from subsidiaries and investment securities as disclosed in Notes 18 and 19, respectively.

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**30. Financial instruments (cont'd.)**

**(e) Credit risk (cont'd.)**

The profile of the Group's receivables, deposit and bank balances, investment securities and revenue at the reporting date are as follows:

	<b>Receivables</b>	<b>Deposit and bank balances</b>	<b>Investment securities</b>	<b>Revenue</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2011</b>				
Qatar	297,942	20,269	-	468,361
UAE	281,879	92,488	-	424,353
Malaysia	50,964	81,540	151,483	59,813
India	56,761	3,353	-	81,175
Saudi	17	846	-	-
Singapore	-	154	-	-
	<u>687,563</u>	<u>198,650</u>	<u>151,483</u>	<u>1,033,702</u>
<b>2010</b>				
Qatar	85,053	18,333	-	266,350
UAE	279,612	165,181	-	371,608
Malaysia	17,631	8,575	-	71,488
India	16,703	2,219	-	35,480
Singapore	2	-	-	-
	<u>399,001</u>	<u>194,308</u>	<u>-</u>	<u>744,926</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(e) Credit risk (cont'd.)**

The profile of the Company's credit risk at the reporting date is as follows:

	<b>Receivables</b>	<b>Deposit and bank balances</b>	<b>Investment securities</b>	<b>Amount due from subsidiaries</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2011</b>				
Qatar	-	-	-	-
UAE	-	-	-	19,418
Malaysia	1,631	73,457	151,483	17,901
India	-	-	-	9
Saudi	-	-	-	43
Singapore	-	-	-	22,327
	<u>1,631</u>	<u>73,457</u>	<u>151,483</u>	<u>59,698</u>
<b>2010</b>				
Qatar	-	-	-	-
UAE	-	-	-	15,924
Malaysia	372	2,949	-	-
India	-	-	-	-
Singapore	-	-	-	12
	<u>372</u>	<u>2,949</u>	<u>-</u>	<u>15,936</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(f) Categories of financial instruments**

Financial instruments of the Group and Company are categorised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
<b>Loans and receivables</b>				
Amount due from customers on construction contracts	290,944	93,146	-	-
Trade contract receivables	360,234	280,882	-	-
Other receivables	36,385	24,973	1,631	372
Amount due from subsidiaries	-	-	59,698	15,936
Cash and bank balances	198,650	194,308	73,457	2,949
	<u>886,213</u>	<u>593,309</u>	<u>134,786</u>	<u>19,257</u>
<b>Available for sale</b>				
Investment securities	151,483	-	151,483	-
Investment in subsidiaries	-	-	734,593	370,178
	<u>151,483</u>	<u>-</u>	<u>886,076</u>	<u>370,178</u>

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**Notes to the financial statements - 31 December 2011**

**30. Financial instruments (cont'd.)**

**(f) Categories of financial instruments (cont'd.)**

Financial instruments of the Group and Company are categorised as follows (cont'd.):

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial liabilities</u></b>				
<b>At amortised cost</b>				
Hire purchase payables	5,090	6,727	342	-
Bank borrowings	301,394	387,845	9,239	10,491
Other payables	166,553	138,679	277	142
Trade payables	84,044	44,680	38	199
Amount due to directors	11,472	14,690	10,722	13,716
Amount due to subsidiaries	-	-	259	12,585
Amount due to customers on construction contract	96,181	109,479	-	-
Employees' service benefits	15,786	12,622	-	-
	<u>680,520</u>	<u>714,722</u>	<u>20,877</u>	<u>37,133</u>



**Notes to the financial statements - 31 December 2011**

**31. Fair values of financial instruments**

**(a) Financial instruments measured at fair values**

Financial instruments comprise financial assets, financial liabilities and also derivatives. The Group has an established framework and policies which provides guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

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 judgment 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.

**Notes to the financial statements - 31 December 2011**

**31. Fair values of financial instruments (cont'd.)**

**(a) Financial instruments measured at fair values (cont'd.)**

**Determination of fair value**

Amendments to FRS 7 Financial Instruments: Disclosures issued in March 2010 requires an entity to classify its financial instruments measured at fair value according to the following hierarchy:

**(i) Level 1: Quoted Prices**

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

**(ii) Level 2: Valuation techniques using observable inputs**

Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter (OTC) derivatives, corporate and other government bonds and less liquid equities.

**(iii) Level 3: Valuation techniques using significant unobservable inputs**

Refers to financial instruments where the fair value is measured using significant unobservable market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Group's and the Company's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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**Notes to the financial statements - 31 December 2011**

**31. Fair values of financial instruments (cont'd.)**

**(a) Financial instruments measured at fair values (cont'd.)**

The following table shows the Group's and the Company's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy.

**Fair value disclosures based on 3-Level hierarchy**

Classification of financial instruments measured at fair values using the following fair value hierarchies:

	Valuation technique using			Total RM'000
	Quoted market price Level 1 RM'000	Market observable inputs Level 2 RM'000	Non market observable inputs Level 3 RM'000	
<b>Group</b>				
<b>As at 31 December 2011</b>				
Financial assets measured at fair value:				
Investment securities	151,483	-	-	151,483
	<u>151,483</u>	<u>-</u>	<u>-</u>	<u>151,483</u>
<b>Company</b>				
<b>As at 31 December 2011</b>				
Financial assets measured at fair value:				
Investment in subsidiaries	-	-	734,593	734,593
Investment securities	151,583	-	-	151,583
	<u>151,583</u>	<u>-</u>	<u>734,593</u>	<u>886,176</u>

**Notes to the financial statements - 31 December 2011**

**31. Fair values of financial assets and financial liabilities (cont'd.)**

**(a) Financial instruments measured at fair values (cont'd.)**

**Level 3: Valuation techniques using significant unobservable inputs**

The valuation techniques used for the financial instruments that are not determined by reference to quoted prices (Level 1), are described below.

***Investment in subsidiaries***

The fair value of the Company's investment in subsidiaries has been determined using a valuation technique based on price earnings multiples not supported by observable market prices or data. The valuation requires management to make assumptions on companies operating with similar industry or size. If the discount rate used in the valuation technique increased or decreased by 1% and 0.5% respectively from management's estimates, the total assets will be increased by RM1,470,000 (2010: RM740,000) using more favourable assumptions, and will be decreased by RM735,000 (2010: RM370,000) using less favourable assumptions.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	<b>2011 RM'000</b>
At 1 January	370,178
Gains/(losses) recognised in other comprehensive income statement	363,601
Additional investment during the year	814
At 31 December	<u>734,593</u>
Total gains/(losses) recognised in other comprehensive income statement for financial instruments measured at fair value at the end of the reporting period	<u>363,601</u>

**Notes to the financial statements - 31 December 2011**

**31. Fair values of financial assets and financial liabilities (cont'd.)**

**(b) Financial instruments not measured at fair values**

Financial instruments of the Group and the Company which are not measured at fair values are Loans and Receivables and Financial Liabilities at amortised cost, as disclosed in Note 30(f).

The carrying amounts of the Group's and the Company's financial assets and financial liabilities which are not carried at fair values are reasonable approximation of their respective fair values, due to either their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**32. Capital management**

The primary objective of the Group and the Company's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholder value.

The Group and the Company manages its capital structure and makes 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 years ended 31 December 2011 and 31 December 2010.

The Group and the Company monitors capital through the amount of shareholders' funds. The Group and the Company believes that the level of shareholders' funds as at the reporting date is sufficient to support the Group's and the Company's existing and expected level of business operations.

**Notes to the financial statements - 31 December 2011**

**33. Segment information**

For management purposes, the Group is organised into business units based on each respective company and has reportable operating segments based on demographic of the subsidiaries.

Included are the subsidiaries in the following segments:

- a) Middle East - Eversendai LLC, Eversendai Qatar, Eversendai FZE, Eversendai Abu Dhabi, EVSC and Eversendai Saudi
- b) Malaysia - Shineversendai and Eversendai Corporation Berhad
- c) India - Eversendai India
- d) Others - Eversendai Singapore

Management monitors the operating results of its business units separately for the purpose of making decisions about 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.

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**33. Segment information (cont'd.)**

2011	Middle East	India	Malaysia	Others	Total	Adjustments and Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External	892,714	81,175	59,813	-	1,033,702		1,033,702
Internal	267,701	14,858	27,667	14,060	324,286	(324,286)	-
Total revenue	<u>1,160,415</u>	<u>96,033</u>	<u>87,480</u>	<u>14,060</u>	<u>1,357,988</u>	-	<u>1,033,702</u>
Interest income	453	70	1,252	-	1,775	-	1,775
Dividend income	-	-	2,493	-	2,493	-	2,493
Gain on disposal of property, plant and equipment	132	-	30	-	162	-	162
Gain / (loss) on foreign currency translation	1,411	(2,378)	(611)	878	(700)	-	(700)
Write back of overprovision for trade payables	389	-	-	-	389	-	389
Depreciation	(19,907)	(1,428)	(2,038)	-	(23,373)	-	(23,373)
Management fees	(2,077)	-	-	-	(2,077)	-	(2,077)
Taxation	(4,484)	(99)	114	-	(4,469)	-	(4,469)

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Notes to the financial statements - 31 December 2011

**33. Segment information (cont'd.)**

<b>2011</b>	<b>Middle East</b>	<b>India</b>	<b>Malaysia</b>	<b>Others</b>	<b>Total</b>	<b>Adjustments and Elimination</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment profit or loss	129,159	3,482	12,612	14,933	160,186	(28,637)	131,549
Property, plant & equipment	144,928	19,152	47,677	-	211,757	-	211,757
Other assets	999,586	75,600	723,688	39,028	1,837,902	(631,450)	1,206,452
Segment liabilities	(759,939)	(82,383)	(81,423)	(22,334)	(946,079)	255,594	(690,485)



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**33. Segment information (cont'd.)**

2010	Middle East	India	Malaysia	Others	Total	Adjustments and Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External	673,513	25,549	81,418	-	780,480	(35,554)	744,926
Internal	195,544	5,268	5,867	-	206,679	(206,679)	-
Total revenue	<u>869,057</u>	<u>30,817</u>	<u>87,285</u>	-	<u>987,159</u>		<u>744,926</u>
Interest income	527	32	198	-	757	-	757
Dividend income	-	-	-	9,832	9,832	(9,832)	-
Gain / loss on disposal of property, plant and equipment	31	191	40	-	262	-	262
Gain / loss on foreign currency translation	(1,811)	(148)	(1,963)	(548)	(4,470)	-	(4,470)
Write back of impairment loss on receivables and bad debts recovered	1,758	-	32	-	1,790	-	1,790
Write back of overprovision for trade payables	-	-	1,027	-	1,027	-	1,027
Depreciation	(17,998)	(569)	(1,531)	-	(20,098)	-	(20,098)
Management fees	(2,183)	-	-	-	(2,183)	-	(2,183)
Taxation	(1,571)	(5)	(756)	-	(2,332)	-	(2,332)

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**33. Segment information (cont'd.)**

<b>2010</b>	<b>Middle East</b>	<b>India</b>	<b>Malaysia</b>	<b>Others</b>	<b>Total</b>	<b>Adjustments and Elimination</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment profit or loss	128,685	(4,250)	1,636	7,004	133,075	(9,554)	123,521
Property, plant & equipment	143,254	3,783	37,014	-	184,051	-	184,051
Other assets	908,835	17,183	427,911	9,611	1,363,540	(508,493)	855,047
Segment liabilities	(781,500)	(23,991)	(62,822)	(17)	(868,330)	147,170	(721,160)

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**34. Supplementary information**

**Realised and unrealised profit/(losses)**

Bursa Securities had on 25 March 2010 and 20 December 2010, issued directives requiring corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised in quarterly reports and annual audited financial statements.

The breakdown of retained profits of the Group as at the reporting date into realised and unrealised profits are as follows:

	<b>31.12.2011 RM'000</b>
Total profits/(losses) of the Company and its subsidiaries:-	
- Realised	496,068
- Unrealised	3,077
Less:	
- Consolidation adjustments	<u>(63,378)</u>
Total Group profits as per consolidated accounts	<u><b>435,767</b></u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirement as stipulated in the directive of Bursa Securities and should not be applied for any other purpose.