

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2013

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 27 February 2014

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

**Summary of Key Financial Information for the
Fourth Quarter and Financial Year ended 31 December 2013**

	Fourth Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Unaudited)	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
1 Revenue	238,257	274,339	965,050	1,021,253
2 Profit/(loss) before tax	(3,062)	46,079	39,998	136,952
3 Profit/(loss) for the periods	(10,913)	33,835	31,022	121,496
4 Profit/(loss) attributable to equity holders of the Company	(10,533)	32,108	30,988	115,362
5 Basic earnings/(loss) per share (sen)	(1.36)	4.15	4.00	14.90
6 Proposed/declared dividend per share (sen)	1	2	1	4
		As at 31.12.2013 (RM) (Unaudited)		As at 31.12.2012 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company		1.09		1.01

EVERSENDI CORPORATION BERHAD (614060-A)
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**Condensed Consolidated Statements of Comprehensive Income
for the Fourth Quarter and Financial Year ended 31 December 2013**

	Note	Fourth Quarter 3-month ended		Cumulative Quarter 12-month ended	
		31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Unaudited)	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Revenue		238,257	274,339	965,050	1,021,253
Cost of sales		(209,032)	(196,785)	(826,530)	(815,565)
Gross profit		29,225	77,554	138,520	205,688
Interest income		691	590	2,524	3,236
Dividend income		1,278	780	5,324	3,620
Other income/(expense)		17,025	(11,274)	26,114	18,796
Operating and administrative expense		(25,917)	(18,921)	(84,984)	(76,546)
Operating profit		22,302	48,729	87,498	154,794
Finance costs		(5,032)	(3,934)	(20,283)	(19,126)
Share of associates' results		(503)	-	(6,104)	-
Impairment loss on investment in associate		(26,156)	-	(26,156)	-
Fair value gain on derivative financial asset		6,327	1,284	5,043	1,284
Profit/(loss) before tax	8	(3,062)	46,079	39,998	136,952
Income tax expense	9	(7,851)	(12,244)	(8,976)	(15,456)
Profit/(loss) for the periods		(10,913)	33,835	31,022	121,496
Other comprehensive income/(expense):					
- Fair value adjustment of investment securities		(208)	(103)	(581)	473
- Foreign currency translation		11,607	(8,589)	45,677	(26,078)
Total comprehensive income		486	25,143	76,118	95,891

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**Condensed Consolidated Statements of Comprehensive Income
for the Fourth Quarter and Financial Year ended 31 December 2013 (Cont'd)**

	Note	Fourth Quarter 3-month ended		Cumulative Quarter 12-month ended	
		31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Unaudited)	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Profit/(loss) attributable to:					
- Equity holders of the Company		(10,533)	32,108	30,988	115,362
- Non-controlling interests		(380)	1,727	34	6,134
		(10,913)	33,835	31,022	121,496
Total comprehensive income/(expense) attributable to:					
- Equity holders of the Company		862	23,552	75,319	90,359
- Non-controlling interests		(376)	1,591	799	5,532
		486	25,143	76,118	95,891
Basic/diluted earnings/(loss) per share attributable to equity holders of the Company	10	(1.36)	4.15	4.00	14.90

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDI CORPORATION BERHAD (614060-A)
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**Condensed Consolidated Statements of Financial Position
as at 31 December 2013**

	Note	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Assets			
Non-current assets			
Goodwill	12	10,757	9,920
Investment in associates		87,320	-
Investment in structured deposit	15	24,000	25,284
Property, plant and machinery	11	362,352	217,791
Deferred tax assets		346	304
Derivative financial asset	15	12,181	-
Total non-current assets		496,956	253,299
Current assets			
Inventories	13	133,261	185,839
Amount due from customers on construction contracts		381,387	307,062
Trade contract receivables		387,669	419,785
Other receivables and deposits		52,996	48,964
Tax recoverable		58	96
Investment securities	15	130,583	122,041
Deposit and bank balances	14	182,023	145,001
Total current assets		1,267,977	1,228,788
Total assets		1,764,933	1,482,087
Equity and Liabilities			
Current liabilities			
Trade payables		83,950	110,492
Other payables		215,117	200,677
Amount due to customers on construction contracts		46,283	83,683
Amount due to directors		1,167	172
Hire purchase payables		2,750	2,142
Borrowings	17	230,392	216,439
Provision for taxation		18,851	13,684
Dividend payables		3,293	5,934
Total current liabilities		601,803	633,223

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**Condensed Consolidated Statements of Financial Position
as at 31 December 2013**

		31.12.2013	31.12.2012
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
Non-current liabilities			
Hire purchase payables	17	6,170	3,592
Borrowings	17	278,298	31,829
Employees' service benefits		28,891	20,742
Deferred tax liabilities		4,534	3,617
Total non-current liabilities		317,893	59,780
Total liabilities		919,696	693,003
Net assets			
Equity attributable to equity holders of the Company			
Share capital	16	387,000	387,000
Foreign currency translation reserve		1,435	(44,243)
Capital reserve		307	307
Share premium		191,515	191,515
Fair value adjustment reserve		(454)	127
Treasury shares		(2)	-
Retained earnings	30	264,062	248,554
		843,863	783,260
Non-controlling interests		1,374	5,824
Total equity		845,237	789,084
Total equity and liabilities		1,764,933	1,482,087

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012, and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Statements of Changes in Equity
for the Financial Year ended 31 December 2013**

	← Attributable to equity holders of the Company →							Distributable	Non-controlling interests	Total equity
	← Non-distributable reserves			→						
	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Total	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 01.01.2012, (under FRS)	387,000	307	191,515	(18,540)	(275,985)	(346)	435,767	719,718	8,006	727,724
Prior year adjustments *	-	-	-	(227)	-	-	(3,370)	(3,597)	4,468	871
Effects of transition to MFRS **	-	-	-	-	275,985	-	(275,985)	-	-	-
At 01.01.2012 (under MFRS)	387,000	307	191,515	(18,767)	-	(346)	156,412	716,121	12,474	728,595
Profit for the year	-	-	-	-	-	-	115,362	115,362	-	115,362
Other comprehensive income/(expense)	-	-	-	(25,476)	-	473	-	(25,003)	5,532	(19,471)
Total comprehensive income/(expense)	-	-	-	(25,476)	-	473	115,362	90,359	5,532	95,891
Dividends	-	-	-	-	-	-	(23,220)	(23,220)	(12,182)	(35,402)
At 31.12.2012 (Audited)	387,000	307	191,515	(44,243)	-	127	248,554	783,260	5,824	789,084

* The prior adjustments are in relation to income tax and share of profits to non-controlling interest in prior years. The adjustments have been applied retrospectively and adjusted accordingly.

** Upon adoption of MFRS, the Company has elected to use the fair value of the investments in subsidiaries as of the transition date as the deemed costs of investments. Accordingly, at the date of transition to MFRS, the balance in the revaluation reserve has been taken to retained earnings in the opening consolidated statement of changes in equity as at 1 January 2011.

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**Condensed Consolidated Statements of Changes in Equity
for the Financial Year ended 31 December 2013**

	← Attributable to equity holders of the Company →						Distributable	Total	Non-controlling interests	Total equity
	Non-distributable reserves									
	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Treasury shares	Fair value adjustment reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 01.01.2013	387,000	307	191,515	(44,243)	-	127	248,554	783,260	5,824	789,084
Purchase of treasury shares	-	-	-	-	(2)	-	-	(2)	-	(2)
Non-controlling interests on incorporation of subsidiaries	-	-	-	-	-	-	-	-	1,103	1,103
Profit for the year	-	-	-	-	-	-	30,988	30,988	799	31,787
Other comprehensive income/(expense)	-	-	-	45,678	-	(581)	-	45,097	-	45,097
Total comprehensive income/(expense) for the year	-	-	-	45,678	-	(581)	39,988	76,085	799	76,884
Dividends	-	-	-	-	-	-	(15,480)	(15,480)	(6,352)	(21,832)
At 31.12.2013 (Unaudited)	387,000	307	191,515	1,435	(2)	(454)	264,062	843,863	1,374	845,237

These condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDI CORPORATION BERHAD (614060-A)
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**Consolidated Statements of Cash Flows
for the Financial Year ended 31 December 2013**

	Cumulative Quarter 12 months ended	
	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Operating activities		
Profit before taxation	39,998	136,952
Adjustments for:		
Depreciation of property, plant and equipment	26,097	26,179
Provision for employees' service benefits	8,499	8,191
Gain on disposal of property, plant and equipment	(51)	(704)
Property, plant and equipment written off	681	28
Loss/(gain) on fair value adjustment of investment securities	1,284	(1,284)
Write back of impairment losses on receivables	(13,194)	(9,786)
Share of results of associate companies	5,601	-
Interest income	(2,524)	(3,236)
Dividend income from investment securities	(5,324)	(3,620)
Write back of overprovision for trade payables	-	(115)
Unrealised foreign exchange losses	6,984	(5,922)
Impairment loss on investment in associate	26,156	-
Interest expense	20,283	19,126
Operating profit before working capital changes	114,490	165,809
Working capital changes:		
Net changes in current assets	292	(94,386)
Net changes in current liabilities	(49,399)	46,714
Cash generated from operations	65,383	118,137
Employees' service benefits paid	(2,702)	(2,174)
Taxes paid	(3,980)	(5,352)
Interest expense paid	(20,283)	(19,126)
Net cash generated from operating activities	38,418	91,485
Investing activities		
Purchase of property, plant and equipment	(160,578)	(42,635)
Proceeds from disposal of property, plant and equipment	681	865
Non-controlling interest arising from incorporation of subsidiaries	1,103	-
Net changes in investment securities	(21,304)	29,442
Investment in associate	(119,077)	-
Investment in structured deposit	1,284	(25,284)
(Increase)/decrease in deposits pledged with financial institutions	(1,110)	15,520
Interest received	2,524	3,236
Dividend received	5,324	3,620
Net cash used in investing activities	(291,153)	(15,236)

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Consolidated Statements of Cash Flows for the Financial Year ended 31 December 2013

	Cumulative Quarter 12 months ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
	(Unaudited)	(Audited)
Financing activities		
Drawdown/(repayment) of bank borrowings and bond	259,522	(47,574)
Dividends paid	(18,540)	(29,466)
Drawdown of hire purchase payables	3,186	645
Increase/(decrease) in amount due to a director	995	(11,300)
Purchase of treasury shares	(2)	-
Net cash generated from/(used in) financing activities	245,161	(87,695)
Net decrease in cash and cash equivalents	(7,574)	(11,446)
Effect of changes in foreign exchange rate	42,586	(21,131)
Cash and cash equivalents at beginning of year	106,829	139,406
Cash and cash equivalents at end of year	141,841	106,829
Cash and cash equivalents at end of year comprised of:		
Cash and bank balances	182,023	145,001
Less: Bank overdrafts	(2,494)	(1,594)
Less: Deposits with financial institutions	(37,688)	(36,578)
	141,841	106,829

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012, and the accompanying explanatory notes to these interim financial statements.

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Explanatory Notes Pursuant to MFRS 134 for the Financial Year ended 31 December 2013

1. Corporate Information

Eversendai Corporation Berhad (“ECB” or “the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) since 1 July 2011.

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 27 February 2014.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial year ended 31 December 2013 have been prepared in accordance with the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting, and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia. These unaudited condensed consolidated interim financial statements also comply with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting issued by the International Accounting Standards Board.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of Eversendai Corporation Berhad and its subsidiaries (“the Group”) since the year ended 31 December 2012.

3. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual statements for the financial year ended 31 December 2012 except for the adoption of the following with effect from 1 January 2013:

- Amendments to MFRS 101, Presentation of items of Other Comprehensive Income.
- Amendments to MFRS 7, Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities.
- MFRS 10, Consolidated Financial Statements.
- MFRS 11, Joint Arrangements.
- MFRS 12, Disclosure of Interests in Other Entities.
- Amendments to MFRS 10, MFRS 11, MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance.
- MFRS 13, Fair Value Measurement.
- MFRS 119, Employee Benefits.
- MFRS 127, Separate Financial Statements.
- MFRS 127, Consolidated and Separate Financial Statements.
- MFRS 128, Investments in Associates and Joint Ventures.
- Annual Improvements 2009-2011 Cycle.

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

4. Changes in Estimates

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

5. Changes in Composition of the Group

During the current quarters under review, ECB has:

- a) on 29 January 2013 completed the acquisition of additional 21,193,000 shares in Technics Oil & Gas Limited ("TOG") for a total cash consideration of SGD22,265,759, which when combined with the prior shareholding of 23,923,000, represents an equity interest of 20.1%. Accordingly, the results of TOG have been equity accounted for in the Group's financial consolidation effective 1 February 2013.

TOG is incorporated in Singapore with limited liability, and listed on the Singapore Exchange Securities Trading Limited. It is a leading full service integrator of compression systems and process modules for the global oil and gas industry;

- b) on 5 March 2013 incorporated Eversendai Technics Pte Ltd ("ETP") in Singapore. ETP has authorised share capital of 1,000,000 ordinary shares and an initial paid up share capital of SGD1,000,000 in which 700,000 was subscribed by ECB and 300,000 by TOG, both at subscription price of SGD1 per share;
- c) on 15 March 2013 divested 510,000 ordinary shares of RM1 each or 51% equity interest in the previously wholly owned Vahana Construction Sdn Bhd ("VCM") for total cash consideration of RM510,000. Subsequent to the divestment, VCM was reclassified as an associate and accordingly has been equity accounted for in the financial consolidation of the Group. The principal business activities of VCM is civil engineering and contracting services;
- d) on 10 April 2013 incorporated Eversendai Technics Sdn Bhd ("ETM"). ETM has authorised share capital of 5,000,000 ordinary shares of RM1 each, and an initial paid up share capital of 10 ordinary shares in which 7 shares were subscribed by ECB and the balance 3 shares by TOG. On 5 June 2013, ECB and TOG have subscribed for additional new shares of 699,993 and 299,997 respectively in ETM;
- e) on 19 April 2013 incorporated a wholly owned subsidiary, namely ECB Properties Sdn Bhd ("ECP"). ECP has authorised share capital of 5,000,000 ordinary shares of RM1 each and issued and paid up capital of RM100,000. The principal business activities of EPSB are to carry on the business of real property and development.
- f) on 18 October 2013 subscribed for 84,000 new ordinary shares of RM1 each, representing an equity interest of 60% in Perisai Kuasa Sdn Bhd ("PKM"), for a total cash consideration of RM84,000. The principal business activities of PKM are the provision of engineering, procurement, construction and commissioning services to the oil and gas industry.

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In addition, ETM had on 21 May 2013 incorporated a wholly owned subsidiary, namely Eversendai Technics RMC FZE (“ETR”) in Ras Al-Khaimah of the United Arab Emirates. The principal business activities of ETRF are the engineering, procurement, construction and commissioning of equipment, structural building and platform for the oil and gas industry.

The above investment activities will pave the way for the expansion plan of the Group into the oil and gas, property development and investment, and civil construction industry.

Except as disclosed above there were no other material changes in the composition of the Group.

6. Segment Information

	Middle- East	India	Malaysia	Others	Total	Adjustments & elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial year ended 31.12.2013							
Revenue							
- External	647,355	107,178	210,517	-	965,050	-	965,050
- Internal	193,687	11,069	13,145	13,380	231,281	(231,281)	-
Total revenue	841,042	118,247	223,662	13,380	1,196,331	(231,281)	965,050
Gross profit	115,449	(381)	36,596	13,380	165,044	(26,524)	138,520
- Interest income							2,524
- Dividend income							5,324
- Other income						(1,036)	31,157
- Other expenses							(84,984)
- Finance costs							(20,283)
- Share of results of associates							(6,104)
- Impairment loss on investment in associate							(26,156)
Profit before tax							39,998
Income tax expense							(8,976)
Profit for the year							31,022

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	Middle- East RM'000	India RM'000	Malaysia RM'000	Others RM'000	Total RM'000	Adjustments & elimination RM'000	Group RM'000
Financial year ended 31.12.2012							
Revenue							
- External	707,063	146,860	167,330	-	1,021,253	-	1,021,253
- Internal	208,273	11,443	20,770	26,024	266,510	(266,510)	-
Total revenue	915,336	158,303	188,100	26,024	1,287,763	(266,510)	1,021,253
Gross profit	184,141	13,530	28,666	26,024	252,361	(46,673)	205,688
- Interest income							3,236
- Dividend income							3,620
- Other income						(1,134)	20,080
- Other expenses							(76,546)
- Finance costs							(19,126)
Profit before tax							136,952
Income tax expense							(15,456)
Profit for the year							121,496

7. Seasonality of Operations

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

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8. Profit/(loss) Before Tax

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

	Fourth Quarter 3-month ended		Cumulative Quarter 12-month ended	
	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Unaudited)	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Interest income	691	590	2,524	3,236
Dividend income from investment securities	1,278	780	5,324	3,620
Gain/(loss) from fair value adjustment of investment securities	6,327	1,284	5,043	1,284
Sales of scrap	3,071	5,292	6,982	13,286
Gain/(loss) on disposal of property, plant and equipment	(2)	225	52	704
Write back of impairment losses on receivables	13,194	9,786	13,194	9,786
Write back on overprovision for trade payables	-	-	-	115
Unrealised foreign exchange gain/(loss)	2,806	(2,536)	6,984	(5,922)
Interest expense	(5,032)	(3,934)	(20,283)	(19,126)
Depreciation of property, plant and equipment	(4,696)	(6,641)	(26,097)	(26,179)
Property, plant and equipment written off	(164)	-	(681)	(28)
Rental of premises and operating leases	(4,897)	(4,528)	(21,974)	(16,835)
Management fees	(2,142)	(2,094)	(2,142)	(2,094)

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9. Income Tax Expense

	Fourth Quarter 3-month ended		Cumulative Quarter 12-month ended	
	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Unaudited)	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Current income tax:				
Malaysian income tax	1,425	150	2,953	716
Foreign income tax	5,335	10,532	4,932	13,178
(Over)/under provision in previous years	-	(628)	-	(628)
	<u>6,760</u>	<u>10,054</u>	<u>7,885</u>	<u>13,266</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	2,345	1,105	2,345	1,105
Under/(over) provision in previous years	(1,254)	1,085	(1,254)	1,085
	<u>1,091</u>	<u>2,190</u>	<u>1,091</u>	<u>2,190</u>
Total income tax expense	<u>7,851</u>	<u>12,244</u>	<u>8,976</u>	<u>15,456</u>
Profit/(loss) before taxation	(3,062)	46,079	39,998	136,952
Effective tax rate	NM	27%	22%	11%

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

The Group's effective tax rate for the financial year ended 31 December 2013 of 22% was lower than the 25% statutory tax rate in Malaysian is due mainly to significant profits of the Group were generated in a country in which business profit is not subject to income tax.

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10. Earnings per Share

The earnings per share for the current quarters under review are calculated by dividing the net profit attributable to equity holders of the Company by the number of ordinary shares outstanding as at the end of the quarters, excluding treasury shares.

During and at the end of the current quarters under review, the Company does not have any outstanding financial instruments that are convertible into the ordinary shares in the Company.

The following reflect the profit and share data used in the computation of earnings per share:

	Fourth Quarter 3-month ended		Cumulative Quarter 12-month ended	
	31.12.2013 (Unaudited)	31.12.2012 (Unaudited)	31.12.2013 (Unaudited)	31.12.2012 (Audited)
Profit/(loss) for the period attributable to equity holders of the Company (RM'000)	(10,533)	32,108	30,988	115,362
Number of ordinary shares in issue, excluding treasury shares ('000)	773,999	774,000	773,999	774,000
Basic earnings/(loss) per share (sen)	(1.36)	4.15	4.00	14.90

11. Property, plant and equipment

During the first quarter, the Group disposed-off assets with carrying value of RM630,000 (2013: RM70,000), resulting in a gain of RM52,000 (2013: RM479,000), recognized and included in other income in the statement of comprehensive income.

On 6 September 2013, the Company announced that its wholly owned subsidiary, namely ECB Properties Sdn Bhd had acquired a piece of freehold agricultural vacant land measuring approximately 2.1 million square feet at Bandar Kundang in the State of Selangor of Malaysia for a total cash consideration of RM48.9 million.

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

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12. Intangible Assets

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

- a) Budgeted gross margin
The basis used to determine the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increase for expected efficiency improvements and after considering current economic conditions.
- b) Discount rate
The discount rates used are pre-tax and reflect cost of borrowings of the subsidiaries.
- c) Growth rate
The growth rates are based on projects tendered and awarded and do not exceed the long-term average growth rate for the industries relevant to the cash-generating units.

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As at 31 December 2013, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

13. Inventories

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

The inventories of the group are pledged against certain bank borrowings.

14. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	31.12.2013	31.12.2012
	RM'000	RM'000
	(Unaudited)	(Audited)
Cash and bank balances	129,592	80,020
Deposits with financial institutions	52,431	64,981
Total cash and bank balances	182,023	145,001
Less:		
Bank overdrafts	(2,494)	(1,594)
Deposits pledged with financial institutions	(37,688)	(36,578)
Total cash and cash equivalents	141,841	106,829

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15. Fair value hierarchy

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

- Level 1 : Quoted prices (unadjusted) in active markets for the financial instruments or identical assets or liabilities.
- Level 2 : Inputs that are based on observable market data, either directly or indirectly.
- Level 3 : Inputs that are not based on observable market data.

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

	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 31 December 2013			
Non-current asset			
Derivative financial asset	12,181	-	12,181
Investment in structured deposit	-	24,000	24,000
Current asset			
Investment securities	130,583	-	130,583
Total	142,764	24,000	166,764
At 31 December 2012			
Current asset			
Investment in structured deposit	-	25,284	25,284
Investment securities	122,041	-	122,041
Total	122,041	25,284	147,325

On 29 January 2013, investment securities amounted to RM76,862,000 has been reclassified to investment in an associate.

During the fourth quarter under review, the Group subscribed for 18,046,400 quoted warrant in an associate for a total cash consideration of RM5.8 mil. As at 31 December 2013, the fair value of the quoted warrants which was based on the quoted market price, was RM12.2 mil. The fair value gain arising thereon was accounted for in the Profit and Loss.

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

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16. Share Capital, Share Premium and Treasury Shares

During the third quarter ended 31 September 2013, the Company repurchased 1,000 or its issued ordinary shares from the open market at RM1.46 per share. The total consideration paid for the repurchase including transaction costs was RM1,502 and this was financed wholly by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Except as disclosed, there was no issue or repurchase or repayment of equity during the current quarters under review.

17. Group Borrowings and Debt Securities

	31.12.2013	31.12.2012
	RM'000	RM'000
	(Unaudited)	(Audited)
Current:		
Hire purchase	2,750	2,142
Bank borrowings	230,392	216,439
Total current	233,142	218,581
Non-current:		
Hire purchase	6,170	3,592
Bank borrowings	28,298	31,829
Islamic medium-term notes	250,000	-
Total non-current	284,468	35,421
Total group borrowings and debt securities	517,610	254,002

Included in the Group's borrowings as at 31 December 2013 are bank borrowings denominated in foreign currencies as follows:

	Value in	Equivalents in
	foreign	value of
	currency	Malaysian
	31.12.2013	currency
	'000	31.12.2013
		RM'000
United Arab Emirates Dirham	129,126	115,777
Qatari Riyal	73,253	66,251
Indian Rupees	1,185,152	63,107

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18. Dividends Paid

At the Annual General Meeting of the Company on 19 June 2013, a final single-tier tax-exempt dividend in respect of the financial year ended 31 December 2012, of 2 sen per share on 774,000,000 ordinary shares of RM0.50 each or amounted to total dividend value of RM15,480,000, has been approved by the shareholders. The dividends were paid on 23 July 2013 to Depositors whose names appeared in the record of Depositors on July 2013 and Depositors whose shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia. This appropriation of earnings has been accounted for in the financial statements for the third quarter ended 31 September 2013.

19. Commitments and Contingencies

a) Capital expenditure commitments

	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Contracted but not provided for:		
Land	456	26,090
Factory building	2,510	5,855
Plant and machinery	-	7,453
Computer systems and others	1,456	2,736
	4,422	42,134
Approved by not contracted for:		
Factory building	31,000	2,390
Plant and machinery	18,700	-
	49,700	2,390

b) Operating lease commitments

	31.12.2013 RM'000 (Unaudited)	31.12.2012 RM'000 (Audited)
Within one year	16,857	4,473
After one year but not more than five years	37,541	6,678
More than five years	195,446	394
	249,844	11,545

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c) Contingencies

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

Corporate guarantees

The Company has provided corporate guarantees for banking facilities to the following subsidiaries as at 31 December 2013:-

	RM'000
Eversendai Engineering LLC	2,172,310
Eversendai Engineering Qatar WLL	665,918
Eversendai Construction Private Limited	129,818
Shineversendai Engineering (M) Sdn Bhd	99,834
	<hr/>
	3,067,880

20. Related Party Transactions

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

	Cumulative quarter 12 months ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
	(Unaudited)	(Audited)
Transactions with certain directors and key management personnel of the Group:		
Personal guarantee provided by a director	578,994	1,198,759
Personal guarantee provided by a director and a key management of the Company	5,325	5,439
Rental of staff accommodation and office building from a director	641	109
Rental of office from person connected to a key management personnel	-	17
Transaction with a foreign partner of the Group:		
Lease of staff accommodation	1,348	1,213

21. Events After the Reporting Period

There were not material events subsequent to the end of the current quarters under review that have not been reflected in this interim financial report.

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Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A of the Main Market Listing Requirements of Bursa Malaysia**22. Review of Group with Comparison to Last Year's Corresponding Periods**

The Group registered total revenue of RM238.3 mil and RM965.1 mil respectively during the current fourth quarter and financial year ended 31 December 2013, were lower when compared to last year's corresponding periods, due mainly to major projects on hand are near completion while new major projects are at their initial stage of execution.

The proportions of revenue contribution from the Group business segments were 67% (Middle-East and the Commonwealth of Independent States), 22% (Malaysia) and 11% (India), and the list of major on-going projects are:

- a) The Capital Market Authority Tower in Saudi Arabia;
- b) The King Abdul Aziz International Airport Railway Station in Saudi Arabia;
- c) The King Abdullah Petroleum Studies & Research Centre in Saudi Arabia;
- d) The Qatar National Museum;
- e) The Qatar Foundation Research & Development Complex;
- f) The Abu Dhabi National Oil Company Head Quarter;
- g) The Abu Dhabi International Airport;
- h) The Crescent City project in Azerbaijan;
- i) The Manjung 4 coal fired power plant in Malaysia;
- j) The Tanjung Bin 4 coal fired power plant in Malaysia; and
- k) The Worli Mixed Use Development project in India.

The lower revenues, coupled with the downward revision in the budgeted profits of some projects in India and Qatar, the share of losses in associates, the impairment loss on investment in associate, and the start-up costs for the diversification of the Group into new business ventures of steel fabrication and petrochemical plant construction for the oil and gas industry, have resulted in a loss before tax for the fourth quarter of RM3.1 mil and a lower profit before tax of RM40.0 mil for the current financial year when compared to last year.

23. Material Change in Profit Before Taxation in Current Quarter as Compared to Preceding Quarter

The loss before tax for the fourth quarter ended 31 December 2013 of RM3.1 mil, when compared to the profit before tax of RM0.7 mil registered in the preceding quarter ended 30 September 2013 due mainly to the impairment loss on the investment in associate which was cushioned by higher profits derived from operations in the Middle East, and a fair value gain of RM6.3 mil on derivative financial assets.

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24. Prospects of the Group

During the current financial year ended 31 December 2013, the Group has secured approximately RM669 mil in new contracts. These new contracts included the RM327 mil Abu Dhabi International Airport project in the United Arab Emirates and the RM88 mil Crescent City project in Azerbaijan. As at 31 December 2013, the Group's order book stood at approximately RM1.1 billion.

The Board foresees that the ever-increasing competition in the industrial segments in which the Group operates will continue to pose challenges to the financial performance of the Group in future. Nevertheless, the management is taking positive measures to enhance the financial performance of the Group by expanding and extending the Group's core strength in steel fabrication for building construction and power plant, into the structural fabrication and petrochemical plant segments in oil and gas industry.

In addition, the order book of the Group that made up of high number of projects and large client base that spread across many countries in a few geographical regions help to minimise the business risks in foreseeable future.

25. Profit Forecast or Profit Guarantee

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

26. Corporate Proposals

The entire enlarged issued and paid up share capital of the Company of RM387,000,000 comprising 774,000,000 ordinary shares of RM0.50 each was listed on the Main Market of Bursa Malaysia on 1 July 2011. Status of the utilisation of RM273.2 million raised from the initial public offering is as follow:

Purpose	Utilisation		Intended timeframe for utilisation	Deviation RM'mil	Explanations
	Proposed utilisation RM'mil	Actual utilisation RM'mil			
Capital expenditure	126.0	126.0	24 months	-	-
Business expansion	80.0	80.0	24 months	-	-
Working capital	58.4	60.7	12 months	(2.3)	Excess from unutilised portion of listing expenses
Listing expenses	8.8	6.5	1 month	2.3	Excess used for working capital
	273.2	273.2		-	

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Except as disclosed, there is no other corporate proposal announced but not completed as at 20 February 2014, being a date not earlier than seven days from the date of issuance of this interim financial report.

27. Changes in Material Litigation

During the current quarters under review and up to 20 February 2014, being a date no earlier than seven days from the date of this interim financial report, there was no material litigation against the Group.

28. Dividend Payable

The Board of Directors has proposed a final tax exempt (single-tier) dividend of RM0.01 per share on 773,999,000 ordinary shares (excluded treasury share of 1,000) of RM0.50 each, amounting to total dividend payable of RM7,739,990 for the current financial year ended 31 December 2013. Such dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company, will be accounted for in the statement of changes in equity as an appropriation of retained earnings in the financial year ended 31 December 2014.

29. Derivatives Financial Assets

During the fourth quarter under review, the Group subscribed for 18,046,400 quoted warrant in an associate for a total cash consideration of RM5.8 mil. The quoted warrants are convertible into the ordinary shares of the associate in December 2016 on the day after the third anniversary from the date of issuance.

As at 31 December 2013, the fair value of the quoted warrants which was based on the quoted market price, was RM12.2 mil. The fair value gain arising thereon was accounted for in the Profit and Loss.

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30. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as at 31 December 2013 and 31 December 2012 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia dated 25 March 2010 and 20 December 2010, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	31.12.2013	31.12.2012
	RM'000	RM'000
	(Unaudited)	(Audited)
Total retained profits of the Group as reported under MFRS		
- Realised	630,769	650,862
- Unrealised	(20,501)	10,229
	<u>610,268</u>	<u>661,091</u>
Less: Consolidation adjustments	(346,206)	(412,537)
	<u>264,062</u>	<u>248,554</u>
Total retained profits of the Group as per consolidated financial statements	264,062	248,554

31. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

By order of the Board of Directors

Tan Sri Nathan a/l Elumalay

Executive Chairman and Group Managing Director

Eversendai Corporation Berhad

27 February 2014