

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

THIRD QUARTER ENDED 30 SEPTEMBER 2015

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

Dated 30 November 2015

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

Date: 30 November 2015

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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(Incorporated in Malaysia)

Financial Year ending 31 December 2015

Summary of Key Financial Information for the Third Quarter ended 30 September 2015

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
1 Revenue	471,477	241,033	1,299,483	694,298
2 Profit before tax	19,052	3,955	55,437	23,025
3 Profit for the periods	17,207	2,866	51,755	19,997
4 Profit attributable to equity holders of the Company	14,581	2,908	48,078	21,199
5 Basic earnings per share (sen)	1.88	0.38	6.21	2.74
6 Proposed/declared dividend per share (sen)	-	-	-	1.00
			As at 30.9.2015 (RM) (Unaudited)	As at 31.12.2014 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.49	1.18

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2015

	Note	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
		30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue		471,477	241,033	1,299,483	694,298
Cost of sales		(413,567)	(217,117)	(1,138,693)	(612,731)
Gross profit		57,910	23,916	160,790	81,567
Interest income		(13)	76	544	391
Dividend income		89	1,526	1,431	3,995
Other income		18,061	11,258	29,452	25,288
Operating and administrative expense		(44,154)	(25,708)	(113,357)	(77,217)
Operating profit		31,893	11,068	78,860	34,024
Finance costs		(8,210)	(6,173)	(22,377)	(17,373)
Share of associates' results		-	(1)	-	126
Net gain on financial assets at fair value through profit or loss		(4,631)	(939)	(1,046)	6,248
Profit before tax	8	19,052	3,955	55,437	23,025
Income tax expense	9	(1,845)	(1,089)	(3,682)	(3,028)
Profit for the period		17,207	2,866	51,755	19,997
Other comprehensive income/(expense) :					
- Fair value adjustment of investment securities		80	(107)	153	(159)
- Foreign currency translation		145,847	10,208	204,285	(7,271)
Other comprehensive income/(expense) for the period:		145,927	10,101	204,438	(7,430)
Total comprehensive income for the period		163,134	12,967	256,193	12,567

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2015 (Cont'd)

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Note				
Profit/(loss) for the period attributable to:				
- Equity holders of the Company	14,581	2,908	48,078	21,199
- Non-controlling interests	2,626	(42)	3,677	(1,202)
	17,207	2,866	51,755	19,997
Total comprehensive income/(expense) attributable to:				
- Equity holders of the Company	158,926	12,970	250,510	13,819
- Non-controlling interests	4,208	(3)	5,683	(1,252)
	163,134	12,967	256,193	12,567
Earnings per share attributable to equity holders of the Company				
- Basic/diluted (sen)	10	1.88	0.38	6.21
				2.74

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014, and the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statement of Financial Position as at 30 September 2015

	Note	30.9.2015 RM'000 (Unaudited)	31.12.2014 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	638,478	449,421
Goodwill	12	12,088	12,088
Derivatives financial assets	15	10,311	15,838
Investment in securities	15	91,071	87,847
Investment properties under construction		42,431	-
Deferred tax assets		675	508
Total non-current assets		795,054	565,702
Current assets			
Inventories	13	241,182	148,543
Amount due from customers on construction contracts		857,011	394,831
Trade contract receivables		601,299	466,142
Other receivables and deposits		104,502	77,655
Tax recoverable		341	136
Investment in securities	15	706	94,630
Deposit and bank balances	14	187,088	242,702
Total current assets		1,992,129	1,424,639
Total assets		2,787,183	1,990,341
Equity and liabilities			
Current liabilities			
Trade payables		214,065	151,230
Other payables		298,868	193,242
Amount due to customers on construction contracts		167,571	124,899
Amount due to directors		1,957	1,508
Hire purchase payables	17	838	3,098
Borrowings	17	559,631	248,077
Provision for taxation		31,433	25,436
Total current liabilities		1,274,363	747,490

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Condensed Consolidated Statement of Financial Position as at 30 September 2015 (Cont'd)

	Note	30.9.2015 RM'000 (Unaudited)	31.12.2014 RM'000 (Audited)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	8,066	6,275
Borrowings	17	291,125	288,795
Employees' service benefits		52,504	34,806
Deferred tax liabilities		3,056	2,999
Total non-current liabilities		354,751	332,875
Total liabilities		1,629,114	1,080,365
Net assets		1,158,069	909,976
Equity attributable to equity holders of the Company			
Share capital	16	387,000	387,000
Share premium	16	191,515	191,515
Treasury shares	16	(91)	(91)
Capital reserve		307	307
Foreign currency translation reserve		240,237	35,952
Fair value adjustment reserve		(275)	(428)
Retained earnings	29	333,779	295,375
		1,152,472	909,630
Non-controlling interests		5,597	346
Total equity		1,158,069	909,976
Total equity and liabilities		2,787,183	1,990,341

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014, and the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2015

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable				→ Distributable					
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
At 1.1.2014	387,000	191,515	(2)	307	1,418	(454)	265,710	845,494	1,374	846,868
Purchase of treasury shares	-	-	(89)	-	-	-	-	(89)	-	(89)
NCI arising from increase in stake in subsidiaries	-	-	-	-	-	-	-	-	(448)	(448)
Profit for the period	-	-	-	-	-	-	21,199	21,199	(1,202)	19,997
Other comprehensive income/(expense)	-	-	-	-	(7,270)	(159)	-	(7,429)	(51)	(7,480)
Total comprehensive income/(expense)	-	-	-	-	(7,270)	(159)	21,199	13,770	(1,253)	12,517
Dividend	-	-	-	-	-	-	(7,739)	(7,739)	-	(7,739)
At 30.9.2014	387,000	191,515	(91)	307	(5,852)	(613)	279,170	851,436	(327)	851,109

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2015 (Cont'd)

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable				→ Distributable					
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
At 1.1.2015	387,000	191,515	(91)	307	35,952	(428)	295,375	909,630	346	909,976
Profit for the period	-	-	-	-	-	-	48,078	48,078	3,677	51,755
Other comprehensive income/(expense)	-	-	-	-	204,285	153	-	204,438	1,574	206,012
Total comprehensive income/(expense)	-	-	-	-	204,285	153	48,078	252,516	5,251	257,767
Dividend	-	-	-	-	-	-	(9,674)	(9,674)	-	(9,674)
At 30.9.2015	387,000	191,515	(91)	307	240,237	(275)	333,779	1,152,472	5,597	1,158,069

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 2014, and the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2015

	Cumulative Quarter 9 months ended	
	30.9.2015 RM'000	30.9.2014 RM'000
Operating activities		
Profit before taxation	55,437	23,025
Adjustments for:		
Depreciation of property, plant and equipment	22,518	22,533
Provision for employees' service benefits	9,365	5,272
Gain on disposal of property, plant and equipment	(189)	(281)
Property, plant and equipment written off	-	5
Loss/(Gain) on financial assets at fair value through profit or loss	1,046	(6,224)
Write back of impairment losses on receivables	-	(17,998)
Gain on disposal of investment in associate	-	(45)
Share of results of associate companies	-	(126)
Interest income	(544)	(391)
Dividend income from investment in securities	(1,431)	(3,995)
Unrealised foreign exchange (gains)/loss	(18,563)	207
Interest expense	22,377	17,373
	90,016	39,355
Operating profit before working capital changes		
Working capital changes:		
Net changes in current assets	(557,584)	(40,326)
Net changes in current liabilities	60,188	117,850
Cash (used in)/generated from operations	(407,380)	116,879
Employees' service benefits paid	(2,658)	(2,445)
Taxes paid	(3,766)	(3,471)
Interest expense paid	(22,377)	(17,373)
Net cash flows (used in)/generated from operating activities	(436,181)	93,590
Investing activities		
Purchase of property, plant and equipment	(126,435)	(44,133)
Proceeds from disposal of property, plant and equipment	262	602
Net changes in investment in securities	96,765	(42,862)
Acquisition of a subsidiary, net of cash paid	-	(1,331)
Proceeds from partial disposal of investment in an associate	-	454
Upliftment of structured deposit	-	24,000
(Withdrawal)/Uplift deposits with financial institutions	(5,050)	3,420
Interest received	544	391
Dividend received	-	3,995
Net cash flows used in investing activities	(33,914)	(55,464)

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(Cont'd)**

	Cumulative Quarter 9 months ended	
	30.9.2015	30.9.2014
	RM'000	RM'000
Financing activities		
Subscription of treasury shares	-	(89)
Drawdown/(repayment) of bank borrowings	310,302	(39,058)
Dividends paid	-	(11,032)
(Repayment)/drawdown of hire purchase payables	(469)	295
Acquisition of non-controlling interest	-	(448)
Advance of amount due to directors	449	4,997
Net cash flows generated from/(used in) financing activities	310,282	(45,335)
Net decrease in cash and cash equivalents	(159,813)	(7,209)
Effect of changes in foreign exchange rate	95,567	(6,842)
Cash and cash equivalents at beginning of period	206,364	141,841
Cash and cash equivalents at end of period	142,118	127,790
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	187,088	173,502
Less: Bank overdrafts	(3,582)	(11,444)
Less: Deposits with financial institutions	(41,388)	(34,268)
	142,118	127,790

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014, and the accompanying explanatory notes to these interim financial statements.

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2015

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

1. Corporate Information

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

These unaudited condensed consolidated interim financial statements and the accompanying explanatory notes were approved by the Board of Directors of the Company on 30 November 2015.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 September 2015 have been prepared in accordance with MFRS 134, Interim Financial Reporting and Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia. These unaudited condensed consolidated interim financial statements also comply with International Accounting Standard (IAS) 34 issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The accompanying explanatory notes provide explanations to events and transactions that are significant to the understanding of the changes in the financial position and performance of ECB and its subsidiaries (“the Group”) since the year ended 31 December 2014.

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 2014 except for the adoption of the following with effect from 1 January 2015:

<u>Description</u>	<u>Effective date</u>
- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
- Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
- Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

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4. Changes in Estimates

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

5. Changes in Composition of the Group

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

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6. Segment Information

	Structural Steel & Plant Construction				Oil & Gas	Total	A & E *	Group
	Middle-East	India	Malaysia	Others				
	RM'000	RM'000	RM'000	RM'000				
9 months ended 30.9.2015								
Revenue								
- External	650,463	119,400	236,509	59	293,052	1,299,483	-	1,299,483
- Internal	195,732	988	15,543	-	2,945	215,208	(215,208)	-
Total revenue	846,195	120,388	252,052	59	295,997	1,514,691	(215,208)	1,299,483
Profit before tax	29,291	(6,422)	6,458	3,440	22,670	55,437	-	55,437
9 months ended 30.9.2014								
Revenue								
- External	399,112	70,735	185,895	-	38,556	694,298	-	694,298
- Internal	108,225	3,931	-	14,714	-	126,870	(126,870)	-
Total revenue	507,337	74,666	185,895	14,714	38,556	821,168	(126,870)	694,298
Profit before tax	28,010	(3,492)	12,834	6,972	(6,246)	38,078	(15,053)	23,025

* Consolidation adjustment & eliminations

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6. Segment Information (Cont'd)

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute a lion share of the Group's revenue (50.1%) and pre-tax profit of RM29.3 million in the current financial period-to-date.

The operations in Malaysia had contributed 18.2% to the Group's revenue. Its revenue rose from RM185.9 million to RM236.5 million mainly from Tanjung Bin 4 coal-fired power plant contract, PKT Logistics Warehouse project and Reliance BKC DAICEC project.

The revenue from operations in India has also increased to RM119.4 million with a contribution of 9.2% of the Group revenue, mainly contributed by the progressive completion of projects, ie Reliance J3 project, Atmosphere Sky Bridge, Reliance BKC DAICEC project and Worli project.

The oil and gas business has expanded further and contributed to 22.5% of the Group's revenue, as compared to corresponding period in 2014 of 5.6%. The increase is mainly contributed by the fruitful new ventures in oil and gas sector via Eversendai Offshore RMC FZE and Eversendai Oil & Gas (M) Sdn Bhd in Middle East and Malaysia, respectively. Its profit has also increased from a loss of RM6.2 million in previous corresponding period to a profit of RM22.7 million for the current period.

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 Before Tax

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

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Interest income	(13)	76	544	391
Dividend income from investment in securities	89	1,526	1,431	3,995
Sales of scrap	957	1,279	5,235	7,116
Interest expense	(8,210)	(6,173)	(22,377)	(17,373)
Depreciation of property, plant and equipment	(6,761)	(7,264)	(22,518)	(22,533)
Write back of impairment losses on receivables	-	7,862	-	17,998
Gain on disposal of property, plant and equipment	149	77	189	281
Gain on disposal of quoted investment in associates	-	-	-	45
Unrealised foreign exchange gain/(loss)	13,468	1,990	18,563	(207)
Net (loss)/ gain on financial assets at fair value through profit or loss	(4,631)	(963)	(1,046)	6,224
Employee benefits expense	(3,186)	(1,784)	(9,365)	(5,272)

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9. Income Tax Expense

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Current income tax:				
Malaysian income tax	534	949	2,013	2,884
Foreign income tax	1,311	140	1,669	144
	1,845	1,089	3,682	3,028
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	-	-
Total income tax expense	1,845	1,089	3,682	3,028
Profit before taxation	19,052	3,955	55,437	23,025
Effective tax rate	10%	28%	7%	13%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's effective tax rate for the current period ended 30 September 2015 of 7% was lower than the 25% statutory tax rate in Malaysian due mainly to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in many of the jurisdictions are not subject to income tax.

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10. Earnings per Share
Basic/diluted

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

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit for the period (RM'000)	14,581	2,908	48,078	21,199
Number of ordinary shares in issue ('000)	773,899	773,899	773,899	773,899
Basic earnings per share (sen)	1.88	0.38	6.21	2.74

11. Property, Plant and Equipment

During the current cumulative 9 months period under review, the Group disposed-off assets with carrying value of RM73,000 (2014: RM321,000), resulting in a gain of RM189,000 (2014: RM281,000), recognized and included in other income in the statement of comprehensive income.

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

12. Intangible Assets

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

- a) Budgeted gross margin
The basis used to determine the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increase for expected efficiency improvements and after considering current economic conditions.
- b) Discount rate
The discount rates used are pre-tax and reflect the weighted average cost of capital of the Group.

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12. Intangible Assets (Cont'd)

c) Growth rate

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

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As at 30 September 2015, the Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

13. Inventories

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

Certain inventories of the Group are pledged against bank borrowings.

14. Cash and Cash Equivalents

Cash and cash equivalents comprised the following amounts:

	30.9.2015	31.12.2014
	RM'000	RM'000
	(Unaudited)	(Audited)
Cash and bank balances	143,649	156,726
Deposits with financial institutions	43,439	85,976
Total cash and bank balances	187,088	242,702
Less:		
Bank overdrafts	(3,582)	-
Deposits pledged with financial institutions	(41,388)	(36,338)
Total cash and cash equivalents	142,118	206,364

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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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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	Total RM'000
At 30.9.15		
Non-current asset		
Derivative financial asset	10,311	10,311
Investment in securities	91,071	91,071
Current asset		
Investment in securities	706	706
Total	102,088	102,088
At 31.12.14		
Non-current asset		
Derivative financial asset	15,838	15,838
Investment in securities	87,847	87,847
Current asset		
Investment in securities	94,630	94,630
Total	198,315	198,315

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

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

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16. Share Capital, Share Premium and Treasury Shares

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

17. Group Borrowings and Debt Securities

	30.9.2015 RM'000 (Unaudited)	31.12.2014 RM'000 (Audited)
Current:		
Hire purchase	838	3,098
Bank borrowings	559,631	248,077
Total current	560,469	251,175
Non-current:		
Hire purchase	8,066	6,275
Bank borrowings	41,125	38,795
Islamic medium-term notes	250,000	250,000
Total non-current	299,191	295,070
Total group borrowings and debt securities	859,660	546,245

Included in the Group's borrowings as at 30 September 2015 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.9.2015 '000	Equivalents in value of Malaysian currency 30.9.2015 RM'000
United Arab Emirates Dirham	309,880	376,570
Qatari Riyal	110,073	134,910
Indian Rupees	1,184,441	79,839

18. Dividends Paid

A final tax exempt (single-tier) dividend of RM1.25 per share on 773,899,000 ordinary shares (excluded treasury share of 101,000 shares) of RM0.50 each, amounting to total dividend payable of RM9,673,738 for the preceding financial year ended 31 December 2014, has been approved by the shareholders of the Company during the Annual General Meeting held on 29 June 2015. The Company paid the said dividend on 24 July 2015 and accounted the appropriation of earnings in the statement of changes in equity during the previous quarter ended 30 June 2015.

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19. Commitments and Contingencies

a) Capital expenditure commitments

	30.9.2015	30.9.2014
	RM'000	RM'000
Contracted but not provided for:		
Factory building & labour accommodation	33,563	48,537
Plant and machinery	-	22,701
Computer systems and others	510	1,876
	<u>34,073</u>	<u>73,114</u>
Approved but not contracted for:		
Plant and machinery	-	2,838
	<u>-</u>	<u>2,838</u>

b) Operating lease commitments

	30.9.2015	30.9.2014
	RM'000	RM'000
Within one year	24,482	20,076
After one year but not more than five years	70,693	52,173
More than five years	231,723	169,882
	<u>326,898</u>	<u>242,131</u>

c) Contingencies

The Group does not have any pending litigation except as disclosed in Note 27 of this interim financial report.

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19. Commitments and Contingencies (Cont'd)

c) Contingencies (Cont'd)

Corporate guarantees

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

	30.9.2015	30.9.2014
	RM'000	RM'000
Eversendai Engineering LLC	3,359,792	2,022,558
Eversendai Offshore RMC FZE	479,208	142,446
Eversendai Engineering Qatar WLL	975,928	623,040
Eversendai Construction Private Limited	288,027	180,327
Shineversendai Engineering (M) Sdn Bhd	301,187	260,118
	5,404,142	3,228,489

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	
	9 months ended	
	30.9.2015	30.9.2014
	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	796	772
Provision of services for engineering and fabrication by a subsidiary to a company where the Company deemed related to one of the director by virtue of his direct interest in the ultimate holding Company of the Group	243,681	21

21. Events After the Reporting Period

There were no material events subsequent to the end of the current quarter under review that have not been reflected in this interim financial report.

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

During the third quarter under review, the Group has secured the following key contracts worth RM239.9 million:

- i) A contract for supply, fabrication, painting and erection of structural steel works for the Statue of Unity in Gujarat, India
- ii) A design, fabrication, supply, installation, testing, commissioning of structural steel roof and maintenance contract for a Theme Park in Doha, Qatar;
- iii) Two contracts for supply, fabrication and delivery of structural steel for Petronas Rapid Package 3 & 5 projects;

which together with the following contracts win in the first and second quarter, has added total contract worth of approximately RM1.4 billion to the order book of the Group in the current cumulative 9 months period under review:

- i) A structural steel fabrication and erection contract for the Nas Arena contract in Dubai;
- ii) A structural steel fabrication contract for the construction of Dhirubhai Ambani International Convention and Exhibition Centre (DAICEC) in Mumbai, India;
- iii) A contract for the construction of the 12 Waves, in Batu Kawan, Penang, Malaysia;
- iv) A structural steel fabrication and erection contract for the Al Wahda Arches and Visitors Centre in Doha, Qatar;
- v) 2 structural steel fabrication and erection contracts in Kingdom of Saudi Arabia.
- vi) A contract for the erection package of the Dhirubhai Ambani International Convention and Exhibition Centre in India;
- vii) A general construction contract for a high-end, luxury residential project, located on a one acre land in Worli, India;
- viii) A connection design, fabrication, metal decking, supply, erection and fireproofing of steel works contract for a Theme Park in Abu Dhabi;
- ix) A contract for the fabrication of skid shoes at Gas Treatment Platform in Abu Dhabi;
- x) A turnkey supply, fabrication, painting, delivery and erection of structural steel contract for a rubber manufacturing plant;
- xi) An engineering, procurement, construction and commissioning of structural steel works for the Pengerang Co-Generation Plant at the Rapid Complex in Pengerang, Johor;

The Group recorded total revenue of RM1,299.5 million in the first 9 months of the year, which when compared to last year's RM694.3 million, was higher by 87.2%.

Out of the total revenue of RM1,299.5 million, 70.0% was contributed by the businesses in the Middle-East region (including the Commonwealth of Independent States), 20.8% by operations in Malaysia and the remaining 9.2% by projects in India.

Profit before tax for the third quarter and cumulative 9 month periods were RM19.1 mil and RM55.4 mil, as compared to last year's RM4.0 mil and RM23.0 mil, which was mainly due to higher value of contract executions.

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

The Group's profit before tax of RM19.1 million during the third quarter, which when compared to the preceding quarter's RM15.2 million, was higher by 25.7%. This was mainly due to higher margins from execution of projects in the current quarter.

24. Prospects of the Group

During the current financial period ended 30 September 2015, the Group has secured approximately RM1.4 billion new contracts. As at 30 September 2015, the Group's order book stood at approximately RM1.8 billion. Approximately 75.3% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, while the remaining will be executed by the operations in Malaysia (15.4%) and India (9.3%).

On top of sustaining inflows of contracts from its established core businesses in the steel engineering, fabrication and erection for the building construction industry, the Group's extension and expansion of its core strengths into the related segments in the oil and gas industry which started in the middle of year 2013, have been successful with the procurement of contracts for the construction of both onshore and offshore oil & gas processing plant, production supporting facilities and equipment.

Barring unforeseen circumstances, and notwithstanding the gestation period of new businesses in the oil & gas industry, the Board is confident that the Group's prospects remain positive based on the long term underlying fundamentals.

25. Profit Forecast or Profit Guarantee

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

26. Corporate Proposals

There is no corporate proposal announced but not completed as at 30 November 2015, 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 23 Nov 2015, being a date no earlier than seven days from the date of this interim financial report, a supplier known as Linsun Engineering Sdn Bhd had on 14 November 2014, served a Writ of Summons against the company's subsidiary, Shineversendai Engineering (M) Sdn Bhd for certain supply of manpower for scaffolding erection and dismantling works at the Project known as Manjung 4 Power Plant for an alleged claim of RM8,222,465 plus interest which is disputed by the company. The company is of the view that it has a very good defence against the alleged claim.

The Court has allowed the company's application to amend the Statement of Defence with costs of RM5,000 awarded to the plaintiff.

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27. Changes in Material Litigation (Cont'd)

The new trial dates for this matter are fixed on 4th-6th April 2016 and 18th-20th April 2016. The Court has fixed the next Case Management date on 8th December 2015.

28. Dividend Payable

No interim dividend has been declared for the current third quarter and 9 months period ended 30 September 2015.

29. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as at 30 September 2015 and 31 December 2014 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia dated 25 March 2010 and 20 December 2010, and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30.9.2015	31.12.2014
	RM'000	RM'000
	(Unaudited)	(Audited)
Total retained profits of the Group as reported under MFRS		
- Realised	694,106	660,229
- Unrealised	(15,342)	(23,548)
	<u>678,764</u>	<u>636,681</u>
Less: Consolidation adjustments	(344,985)	(341,306)
Total retained profits of the Group as per consolidated financial statements	<u>333,779</u>	<u>295,375</u>

30. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2014 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
30 November 2015