

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

THIRD QUARTER ENDED 30 SEPTEMBER 2014

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

Dated 28 November 2014

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

Financial Year ending 31 December 2014

Summary of Key Financial Information for the Third Quarter ended 30 September 2014

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
1 Revenue	241,033	236,105	694,298	726,793
2 Profit before tax	3,955	675	23,025	43,060
3 Profit for the periods	2,866	232	19,997	41,933
4 Profit attributable to equity holders of the Company	2,908	1,369	21,199	41,520
	RM'sen	RM'sen	RM'sen	RM'sen
5 Basic earnings per share	0.38	0.18	2.74	5.36
6 Proposed/declared dividend per share	-	-	1	2
			As at 30.09.2014 RM (Unaudited)	As at 31.12.2013 RM (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.10	1.09

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2014

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue	241,033	236,105	694,298	726,793
Cost of sales	(217,117)	(206,724)	(612,731)	(617,498)
Gross profit	23,916	29,381	81,567	109,295
Interest income	76	471	391	1,833
Dividend income	1,526	1,492	3,995	4,046
Other income	11,258	2,889	25,288	7,805
Operating and administrative expense	(25,708)	(22,129)	(77,217)	(59,067)
Operating profit	11,068	12,104	34,024	63,912
Finance costs	(6,173)	(5,923)	(17,373)	(15,251)
Share of associates' results	(1)	(5,506)	126	(5,601)
Net gain on financial assets at fair value through profit or loss	(939)	-	6,248	-
Profit before tax	3,955	675	23,025	43,060
Income tax expense	(1,089)	(443)	(3,028)	(1,127)
Profit for the period	2,866	232	19,997	41,933
Other comprehensive income/(expense):				
- Fair value adjustment of investment securities	(107)	166	(159)	(373)
- Foreign currency translation	10,208	9,368	(7,271)	34,071
Other comprehensive income/(expense) for the period	10,101	9,534	(7,430)	33,698
Total comprehensive income for the period	12,967	9,766	12,567	75,631

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Financial Year ending 31 December 2014**Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2014 (cont'd)**

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit/(loss) for the period attributable to:				
- Equity holders of the Company	2,908	1,369	21,199	41,520
- Non-controlling interests	(42)	(1,137)	(1,202)	413
	2,866	232	19,997	41,933
Total comprehensive income/(expense) attributable to:				
- Equity holders of the Company	12,970	10,697	13,819	74,456
- Non-controlling interests	(3)	(931)	(1,252)	1,175
	12,967	9,766	12,567	75,631
Earnings per share attributable to equity holders of the Company				
- Basic (sen)	10	0.38	2.74	5.36

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

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Condensed Consolidated Statement of Financial Position as at 30 September 2014

	Note	30.09.2014 RM'000 (Unaudited)	31.12.2013 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and machinery	11	383,080	362,352
Goodwill	12	12,088	10,757
Investment in associates		-	87,399
Other investments	15	105,521	12,181
Investment in structured deposit	15	-	24,000
Deferred tax assets		457	459
Total non-current assets		501,146	497,148
Current assets			
Inventories	13	136,498	133,262
Amount due from customers on construction contracts		406,221	364,531
Trade contract receivables		409,534	402,251
Other receivables and deposits		63,604	53,447
Tax recoverable		136	136
Investment securities	15	173,286	130,583
Deposit and bank balances	14	173,502	182,023
Total current assets		1,362,781	1,266,233
Total assets		1,863,927	1,763,381
Equity and Liabilities			
Current liabilities			
Trade payables		104,481	84,101
Other payables		221,132	213,568
Amount due to customers on construction contracts		140,489	46,283
Amount due to directors		6,164	1,167
Hire purchase payables		892	2,743
Borrowings	17	205,363	214,447
Provision for taxation		18,016	18,491
Dividend payables		-	3,293
Total current liabilities		696,537	584,093

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Condensed Consolidated Statement of Financial Position as at 30 September 2014 (cont'd)

		30.09.2014	31.12.2013
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
Non-current liabilities			
Hire purchase payables	17	8,535	6,389
Borrowings	17	273,212	294,236
Employees' service benefits		31,600	28,891
Deferred tax liabilities		2,934	2,904
Total non-current liabilities		316,281	332,420
Total liabilities		1,012,818	916,513
Net assets		851,109	846,868
Equity attributable to equity holders of the Company			
Share capital	16	387,000	387,000
Share premium		191,515	191,515
Treasury shares		(91)	(2)
Capital reserve		307	307
Foreign currency translation reserve		(5,852)	1,418
Fair value adjustment reserve		(613)	(454)
Retained earnings	29	279,170	265,710
		851,436	845,494
Non-controlling interests		(327)	1,374
Total equity		851,109	846,868
Total equity and liabilities		1,863,927	1,763,381

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

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2014

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable reserves →				Distributable reserve					
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
At 01.01.2013	387,000	191,515	-	307	(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	-	-	-	-	-	-	-	-	1,048	1,048
Profit for the period	-	-	-	-	-	-	41,520	41,520	-	41,520
Other comprehensive income/(expense)	-	-	-	-	34,071	(373)	-	33,698	1,175	34,873
Total comprehensive income/(expense)	-	-	-	-	34,071	(373)	41,520	75,218	1,175	76,393
Dividend	-	-	-	-	-	-	(15,480)	(15,480)	-	(15,480)
At 30.09.2013	387,000	191,515	(2)	307	(10,172)	(246)	274,594	842,996	8,047	851,043

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2014 (cont'd)

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable reserves				→ Distributable reserve					
	Share capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
At 01.01.2014	387,000	191,515	(2)	307	1,418	(454)	265,710	845,494	1,374	846,868
Purchase of treasury shares	-	-	(89)	-	-	-	-	(89)	-	(89)
NCI arising from increase in stake in subsidiaries	-	-	-	-	-	-	-	-	(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 30.09.2014	387,000	191,515	(91)	307	(5,852)	(613)	279,170	851,436	(327)	851,109

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

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Financial Year ending 31 December 2014
Condensed Consolidated Statement of Cash Flows for the Cumulative Quarter ended 30 September 2014

	Cumulative Quarter 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Operating activities		
Profit before taxation	23,025	43,060
Adjustments for:		
Depreciation of property, plant and equipment	22,533	21,401
Provision for employees' service benefits	5,272	4,815
Gain on disposal of property, plant and equipment	(281)	(54)
Fair value adjustment on investment securities	-	1,284
Property, plant and equipment written off	5	172
Fair value gain on quoted investment	(2,632)	-
Fair value gain on derivative financial asset	(3,592)	-
Write back of impairment losses on receivables	(17,998)	(1,889)
Gain on disposal of investment in associate	(45)	-
Share of results of associate companies	(126)	5,601
Interest income	(391)	(1,833)
Dividend income from investment securities	(3,995)	(4,046)
Unrealised foreign exchange loss	207	4,178
Interest expense	17,373	15,251
Operating profit before working capital changes	39,355	87,940
Working capital changes:		
Net changes in current assets	(40,326)	(31,431)
Net changes in current liabilities	117,850	(10,274)
Cash generated from operations	116,879	46,235
Employees' service benefits paid	(2,445)	(2,194)
Taxes paid	(3,471)	(1,591)
Interest expense paid	(17,373)	(15,251)
Net cash generated from operating activities	93,590	27,199
Investing activities		
Purchase of property, plant and equipment	(44,133)	(96,219)
Proceeds from disposal of property, plant and equipment	602	655
Non-controlling interest arising from incorporation of subsidiaries	-	1,048
Net changes in investment securities	(42,862)	(43,093)
Acquisition of a subsidiary, net of cash paid	(1,331)	-
Disposal of investment in associate	454	-
Investment in associate	-	(119,186)
Upliftment of structured deposit	24,000	-
Decrease in deposits pledged with financial institutions	3,420	47
Interest received	391	1,833
Dividend received	3,995	4,046
Net cash used in investing activities	(55,464)	(250,869)

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

	Cumulative Quarter 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Financing activities		
Drawdown/(repayment) of bank borrowings and bond	(39,058)	211,318
Drawdown of hire purchase payables	295	3,678
Acquisition of non-controlling interest	(448)	-
Dividends paid	(11,032)	(15,480)
Increase/(decrease) in amount due to a director	4,997	(144)
Purchase of treasury shares	(89)	(2)
Net cash (used in)/generated from financing activities	(45,335)	199,370
Net decrease in cash and cash equivalents	(7,209)	(24,300)
Effect of changes in foreign exchange rate	(6,842)	33,067
Cash and cash equivalents at beginning of period	141,841	106,829
Cash and cash equivalents at end of period	127,790	115,596
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	173,502	152,805
Less: Bank overdrafts	(11,444)	(678)
Less: Deposits with financial institutions	(34,268)	(36,531)
	127,790	115,596

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

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Explanatory Notes to the Interim Financial Report for the Third Quarter ended 30 September 2014

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

1. Corporate information

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

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

2. Basis of preparation

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

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

3. Significant accounting policies

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

<u>Description</u>	<u>Effective date</u>
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities.	1 January 2014
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities.	1 January 2014
- Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets.	1 January 2014
- IC Interpretation 21: Levies	1 January 2014
- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
- Annual improvements to MFRSs 2010-2012 Cycle	1 July 2014

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3. Significant accounting policies (cont'd)

<u>Description</u>	<u>Effective date</u>
- Annual improvements to MFRSs 2011-2013 Cycle	1 July 2014
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced.
- MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced.
- MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139.	To be announced.

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

4. Changes in estimates

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

5. Changes in composition of the group

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

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

On 7 July 2014, the Company announced that it has incorporated a 100% owned subsidiary, Eversendai Engineering LLC ("EEL"), in the Republic of Azerbaijan. EEL has an authorised and issued share capital of AZN100,000 (approximately RM410,000) comprising 100,000 shares with nominal value of AZN1 each and will be involved in the provision of engineering, procurement, fabrication and construction services.

On 14 July 2014, the Company announce that it has incorporated a 100% owned subsidiary, Eversendai Frontiers Pvt Ltd ("EFPL"), in the State of Maharashtra, India. EFPL has an issued capital of RS1,000,000 comprising 100,000 ordinary shares of RS10 each, and will be involved in the provision of engineering, procurement, fabrication and construction services.

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5. Changes in composition of the group (cont'd)

On 11 August 2014, TOGL has completed an exercise for the acquisition of 2 companies in which the purchase consideration was partly satisfied with TOGL's treasury shares and the issuance of new TOGL's shares. Upon the capitalisation of TOGL's treasury shares and issuance and listing of TOGL's new shares, the Company's equity interest in TOGL has decreased from 20.5% to 19.3%. This reduction in equity interest, coupled with the resignation of the Company's representative on the Board of Directors of TOGL on 21 July 2014, has resulted in the loss of the Company's influence over the significant business decision-making in TOGL and hence cessation of TOGL as an associated company of the Company in accordance to the provisions of MFRS 128.

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

6. Segment information

	Middle-East	India	Malaysia	Others	Total	A & E *	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended							
30.09.2014							
Revenue							
- External	436,558	70,735	187,005	-	694,298	-	694,298
- Internal	108,225	3,931	14,714	-	126,870	(126,870)	-
Total revenue	544,783	74,666	201,719	-	821,168	(126,870)	694,298
Profit before tax	22,687	(3,492)	20,080	(1,197)	38,078	(15,053)	23,025
9 months ended							
30.09.2013							
Revenue							
- External	478,604	79,693	168,496	-	726,793	-	726,793
- Internal	140,035	8,260	-	-	148,295	(148,295)	-
Total revenue	618,639	87,953	168,496	-	875,088	(148,295)	726,793
Profit before tax	39,248	(7,111)	5,969	2,789	40,895	2,165	43,060

* Consolidation adjustment & eliminations

The steel fabrication and erection for building and infrastructure construction businesses in the Middle-East region continued to contribute a lion share of the Group revenue (63%) and pre-tax profit of RM23.0 mil in the current financial year-to-date. However, when compared to last years', total revenue and pre-tax profit were lower by 9% and 42% due to lower volume of contract execution in the 1st and 2nd quarters, and cost incurred on the development of new businesses.

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6. Segment information (cont'd)

The operations in Malaysia, which is mainly steel fabrication and erection for construction of coal-fired power plant, saw its revenue rose from RM168.5 mil to RM187.0 mil and pre-tax profit drop from RM6.0 mil to RM5.4 mil (net of interco dividend) year-on-year. These were mainly contributed by the Tanjung Bin 4 coal-fired power plant contract while the Manjung 4 coal-fired plant project has reached the final stage of contract execution.

The revenue from operations in India decreased by 11% but pre-tax loss has reduced to RM3.5 mil against last year's RM7.1 mil due mainly to improvisation in cost control on contract execution.

Overall, total revenue and pre-tax profit in the current financial year-to-date were 4% and 47% lower when compared to last year.

7. Seasonality of operations

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

8. Profit before tax

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

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	76	471	391	1,833
Dividend income from securities	1,526	1,492	3,995	4,046
Sales of scrap	1,279	829	7,116	3,911
Interest expense	(6,173)	(5,923)	(17,373)	(15,251)
Depreciation of property, plant and equipment	(7,264)	(7,500)	(22,533)	(21,401)
Write back of impairment losses on receivables	7,862	-	17,998	-
Provision for or write-off of inventories	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	77	37	281	54
Gain/(loss) on disposal of quoted investment in associates	-	-	45	-

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8. Profit before tax (cont'd)

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Impairment of assets	-	-	-	-
Unrealised foreign exchange (loss)/gain	1,990	1,238	(207)	3,814
Net gain on financial assets at fair value through profit or loss	(963)	-	6,224	-
Inventories written off	-	-	-	-
Gain/(loss) on fair value changes in investment in structured deposits	-	(1,284)	-	(1,284)
Employee benefits expense	(1,784)	(1,706)	(5,272)	(4,877)
Property, plant and equipment written off	(5)	(9)	(5)	(172)
Exceptional items	-	-	-	-

9. Income tax expense

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	949	978	2,884	1,530
Foreign income tax	140	(535)	144	(403)
Total income tax expense	1,089	443	3,028	1,127
Profit before taxation	3,955	675	23,025	43,060
Effective tax rate	28%	66%	13%	3%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) on the estimated taxable profit for the period. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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9. Income tax expense (cont'd)

The Group's effective tax rate for the cumulative 9 months period's 13% was lower than the statutory tax rate of 25% in Malaysian is due mainly to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in many of the jurisdictions are not subject to income tax.

10. Earnings per share

Basic/diluted

Basic and diluted earnings per share for the current quarter and cumulative 9 months period under review are calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares issued (excluding treasury shares) during the financial period.

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Profit for the period (RM'000)	2,908	1,369	21,199	41,520
Number of ordinary shares in issue ('000)	773,899	773,999	773,899	773,999
Basic earnings per share (sen)	0.38	0.18	2.74	5.36

11. Property, plant and equipment

During the current cumulative 9 months period under review, Eversendai Offshore RMC FZE, a wholly owned subsidiary of the Company, has invested RM29.7 mil on the development-in-progress of its water-front fabrication yard at the Maritime City of Ras Al-Khaimah.

During the current cumulative 9 months period under review, the Group disposed-off assets with carrying value of RM321,000 (2013: RM601,000), resulting in a gain of RM281,000 (2013: RM54,000), 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.

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12. Intangible assets (cont'd)

- b) Discount rate
The discount rates used are pre-tax and reflect cost of borrowings of the subsidiaries.
- c) Growth rate
The growth rates are based on projects tendered and awarded and do not exceed the long-term average growth rate for the industries relevant to the cash-generating units.

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

13. Inventories

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

Certain inventories of the Group are pledged against bank borrowings.

14. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	30.09.2014	30.09.2013
	RM'000	RM'000
Cash and bank balances	139,234	102,015
Deposits with financial institutions	34,268	50,790
Total cash and bank balances	173,502	152,805
Less:		
Bank overdrafts	(11,444)	(678)
Deposits pledged with financial institutions	(34,268)	(36,531)
Total cash and cash equivalents	127,790	115,596

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.

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15. Fair value hierarchy (cont'd)

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

	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 30 September 2014			
Non-current asset			
Other Investments			
Derivative financial asset	15,773	-	15,773
Quoted Investment	89,748	-	89,748
Total other investments	105,521		105,521
Current asset			
Investment securities	173,286	-	173,286
Total	278,807	-	278,807
At 30 September 2013			
Current asset			
Investment in structured deposit	-	24,000	24,000
Investment securities	164,761	-	164,761
Total	164,761	24,000	188,761

Investment securities are investments in unit trust fund and quoted shares. On 29 January 2013, the investment in the quoted shares of TOGL of RM76,862,000 has been reclassified to investment in associated company. On 21 July 2014, upon cessation as an associated company, the book value of the investment in TOGL has been reclassified as investment securities. As at 30 September 2014, the fair value of all the investment securities are measured based on the market price.

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

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

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

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16. Share capital, share premium and treasury shares

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

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

Except as disclosed, there was no issue or repurchase or repayment of equity during the current quarter and cumulative 9 months period under review.

17. Group borrowings and debt securities

	30.09.2014	30.09.2013
	RM'000	RM'000
Current:		
Hire purchase	892	1,129
Bank borrowings	205,363	177,800
Total current	206,255	178,929
Non-current:		
Hire purchase	8,535	8,283
Bank borrowings	23,212	30,870
Islamic medium-term notes	250,000	250,000
Total non-current	281,747	289,153
Total group borrowings and debt securities	488,002	468,082

Included in the Group's borrowings as at 30 September 2014 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency	Equivalents in value of Malaysian currency
	30.09.2014	30.09.2014
	'000	RM'000
United Arab Emirates Dirham	69,419	61,937
Qatari Riyal	65,113	58,518
Indian Rupees	1,813,693	96,591

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18. Dividends paid

A final tax exempt (single-tier) dividend of RM0.01 per share on 773,899,000 ordinary shares (excluded treasury share of 101,000 shares) of RM0.50 each, amounting to total dividend payable of RM7,738,990 for the preceding financial year ended 31 December 2013, has been approved by the shareholders of the Company during the Annual General Meeting held on 19 June 2014. The Company paid the said dividend on 23 July 2014 and accounted the appropriation of earnings in the statement of changes in equity during the current quarter under review.

19. Commitments and contingencies

a) Capital expenditure commitments

	30.09.2014	30.09.2013
	RM'000	RM'000
Contracted but not provided for:		
Land	-	44,440
Factory building	48,537	6,587
Plant and machinery	22,701	-
Computer systems and others	1,876	1,473
	73,114	52,500
Approved by not contracted for:		
Factory building	-	30,300
Plant and machinery	2,838	18,718
	2,838	49,018

b) Operating lease commitments

	30.09.2014	30.09.2013
	RM'000	RM'000
Within one year	20,076	6,134
After one year but not more than five years	52,173	6,290
More than five years	169,882	106
	242,131	12,530

c) Contingencies

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

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19. Commitments and contingencies (cont'd)

Corporate guarantees

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

	30.09.2014	30.09.2013
	RM'000	RM'000
Eversendai Engineering LLC	2,022,558	2,127,856
Eversendai Offshore RMC FZE	142,446	-
Eversendai Engineering Qatar WLL	623,040	652,579
Eversendai Construction Private Limited	180,327	125,126
Shineversendai Engineering (M) Sdn Bhd	85,566	108,563
	3,053,937	3,014,124

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	
	30.09.2014	30.09.2013
	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental expense paid by the Group on properties owned by a director	772	424
Provision of services for engineering and fabrication by a subsidiary to Vahana Offshore Pte Ltd where a director and his daughter hold 50% direct equity interest each	21	-

21. Events after the reporting period

On 2 October 2014, the Company announced that its' wholly owned subsidiary, namely Eversendai Offshore RMC FZE, had started the fabrication of 2 units of self-propelled jack-up liftboats at its waterfront fabrication yard in the RAK Marine City of Ras Al-Khaimah, UAE. The liftboats are scheduled to be delivered to a customer in the second quarter of 2016.

Saved as disclosed above and in Note 5 to this Interim Financial Report, there were not 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 been awarded:

- a) A structural steel fabrication and erection contract for the renovation of the Khalifa Olympic Stadium in Qatar at a total contract value of approximately RM113.5 mil; and
- b) A maiden oil & gas construction contract in Malaysia for Petronas Carigali Sdn Bhd's Terengganu Gas Terminal Plant project at a total contract value of approximately RM72.2 mil (comprised of 2 packages: (i) steel structure fabrication and erection for building construction; and (ii) fabrication and erection of piping and mechanical equipment).

These new contracts, together with the following contracts secured in the first and second quarters, has added total contract worth of approximately RM1.1 bil to the order book of the Group in the current cumulative 9 months period under review:

- a) A structural steel fabrication and erection contract for the New Jet Propulsion Centre in Jeddah, the Kingdom of Saudi Arabia for a total contract value of approximately RM40.9 mil;
- b) A structural steel fabrication and erection contract for the Al Ain Mosque in Abu Dhabi, UAE for a total contract value of approximately RM27.1 mil;
- c) A structural steel fabrication and erection contract for the Dubai Frame in Dubai, UAE for a total contract value of approximately RM11.9 mil;
- d) A structural steel fabrication and erection contract for the Lusail Expressway Artscape in Doha, Qatar for a total contract value of approximately RM14.0 mil;
- e) A contract for construction of composite structure for the Kshitij building at Paramanadwadi, Mumbai at contract value of approximately RM57.4 mil;
- f) 2 contracts for the construction of 2 units of liftboat for USD90.0 mil each or total contract values of approximately RM588.0 mil;
- g) A structural steel fabrication and erection and mechanical works contract for the Gabbro Terminal expansion project in the Mesaieed State in Qatar for a total contract value of approximately RM77.9 mil;
- h) A structural steel fabrication and erection contract for the Skylight project of Mall of Qatar in Doha for a total contract value of approximately RM16.1 mil; and
- i) A structural steel fabrication contract for the J3 Project in Jamnagar, Gujerat, India for a total contract value of approximately RM57.5 mil.

The Group recorded total revenue of RM241.0 mil in the third quarter, which when compared to last year's RM236.1 mil, was higher by 2%. This brings the Group total revenue for the cumulative 9 months period to RM694.3 mil against last year's RM726.8 mil. The higher revenue in third quarter but overall lower for the cumulative 9 months period were due mainly to the commencement in execution of many contracts secured in the 1st and 2nd quarters of the current financial year, in the 3rd quarter.

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22. Review of group with comparison to last year's corresponding periods (cont'd)

Out of the total revenue of RM694.3 mil, 63% was contributed by the businesses in the Middle-East region (including the Commonwealth of Independent States), 27% by operations in Malaysia and the remaining 10% by projects in India.

Profit before tax for the third quarter of RM4.0 mil, when compared to last year's RM0.7 mil, was a result of higher quantity and value of contract-in-execution, and in the absence of downward revision in contracts' budgeted profits as made in last year.

For the cumulative 9 month periods, the current year's profit before tax of RM23.0 mil was lower against last year's RM43.1 mil, due mainly to costs incurred on the development of new businesses in which the Group is in progress to extend and expand its' core operation strengths into the liftboat construction, steel fabrication and plant construction segments of the oil & gas industry.

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

The Group's profit before tax of RM4.0 mil for the third quarter, which when compared to the second quarter's RM7.8, was lower by 49%. This was mainly due to the costs incurred on preparation for the execution of newly secured material contracts.

24. Prospects of the group

As at 30 September 2014, the Group's order book stood at approximately RM1.6 billion at the back of a tender book of RM10.2 billion. Approximately 75% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, while the remaining 15% and 10% will be executed by the operations in Malaysia and India, respectively.

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 and cumulative 9 months period under review.

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26. Corporate proposals

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

27. Changes in material litigation

During the current quarters under review and up to 21 November 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

No interim dividend has been declared for the current third quarter and 9 months period ended 30 September 2014.

29. Realised and unrealised profits or losses

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

	30.09.2014	31.12.2013
	RM'000	RM'000
	(Unaudited)	(Audited)
Total retained profits of the Group as reported under MFRS		
- Realised	595,269	587,456
- Unrealised	31,336	30,487
	<u>626,605</u>	<u>617,943</u>
Total share of retained earnings/(accumulated losses) from:-		
Associated companies:		
- Realised	(5,899)	(6,025)
Less: Consolidation adjustments	(341,536)	(346,208)
	<u>279,170</u>	<u>265,710</u>
Total retained profits of the Group as per consolidated financial statements	279,170	265,710

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30. Auditors' report on preceding annual financial statements

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

By order of the Board of Directors

Tan Sri Nathan a/l Elumalay

Executive Chairman and Group Managing Director

Eversendai Corporation Berhad

28 November 2014