

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

THIRD QUARTER ENDED 30 SEPTEMBER 2016

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 30 November 2016

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

Date: 30 November 2016

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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

Financial Year ending 31 December 2016

Summary of Key Financial Information for the Third Quarter ended 30 September 2016

	Third Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
1 Revenue	371,361	471,477	1,233,637	1,299,483
2 Profit/(loss) before tax	9,670	19,052	(55,828)	55,437
3 Profit/(loss) for the periods	9,342	17,207	(59,987)	51,755
4 Profit/(loss) attributable to equity holders of the Company	7,279	14,581	(64,428)	48,078
5 Basic earnings/(loss) per share (sen)	0.94	1.88	(8.33)	6.21
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 30.9.2016 (RM)	As at 31.12.2015 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.32	1.45

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2016

	Note	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	6	371,361	471,477	1,233,637	1,299,483
Cost of sales		(322,557)	(413,567)	(1,051,813)	(1,138,693)
Gross profit		48,804	57,910	181,824	160,790
Interest income		67	(13)	244	544
Dividend income		-	89	12	1,431
Other income		2,437	18,061	7,304	29,452
Operating and administrative expense		(30,318)	(44,154)	(112,731)	(113,357)
Operating profit		20,990	31,893	76,653	78,860
Finance costs		(11,320)	(8,210)	(30,761)	(22,377)
Net loss on financial assets at fair value through profit or loss		-	(4,631)	(101,720)	(1,046)
Profit/(loss) before tax	8	9,670	19,052	(55,828)	55,437
Income tax expense	9	(328)	(1,845)	(4,159)	(3,682)
Profit/(loss) for the period		9,342	17,207	(59,987)	51,755
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		-	80	5	153
- Foreign currency translation		30,918	145,847	(30,605)	204,285
Other comprehensive income/(expense) for the period:		30,918	145,927	(30,600)	204,438
Total comprehensive income/(expense) for the period		40,260	163,134	(90,587)	256,193

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Condensed Consolidated Statement of Comprehensive Income for the Third Quarter ended 30 September 2016 (Cont'd)

	Note	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Profit/(loss) for the period attributable to:					
- Equity holders of the Company		7,279	14,581	(64,428)	48,078
- Non-controlling interests		2,063	2,626	4,441	3,677
		9,342	17,207	(59,987)	51,755
Total comprehensive income/(expense) attributable to:					
- Equity holders of the Company		37,735	158,926	(94,715)	250,510
- Non-controlling interests		2,525	4,208	4,128	5,683
		40,260	163,134	(90,587)	256,193
Earnings/(loss) per share attributable to equity holders of the Company					
- Basic/diluted (sen)	10	0.94	1.88	(8.33)	6.21

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015, and the accompanying explanatory notes attached to these interim financial statements.

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Financial Year ending 31 December 2016
Condensed Consolidated Statement of Financial Position as at 30 September 2016

	Note	30.9.2016 RM'000	31.12.2015 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	660,316	649,176
Goodwill	12	13,780	12,088
Derivatives financial assets	15	-	8,278
Investment in securities	15	-	84,622
Deferred tax assets		1,929	2,574
Total non-current assets		676,025	756,738
Current assets			
Inventories	13	173,386	168,534
Amount due from customers under construction contracts		1,074,495	849,435
Trade receivables		578,288	636,293
Other receivables, refundable deposits and prepaid expenses		130,853	125,509
Investment in securities	15	23	8,548
Tax recoverable		1,564	1,419
Cash and bank balances	14	188,800	134,818
Total current assets		2,147,409	1,924,556
Total assets		2,823,434	2,681,294
Equity and liabilities			
Current liabilities			
Trade payables		261,750	238,636
Other payables and accrued expenses		478,935	346,185
Amount due to customers under construction contracts		102,135	63,753
Amount due to directors		13,890	2,357
Hire purchase payables	17	1,639	2,899
Borrowings	17	472,554	500,767
Tax liabilities		30,804	33,698
Total current liabilities		1,361,707	1,188,295

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Condensed Consolidated Statement of Financial Position as at 30 September 2016 (Cont'd)

	Note	30.9.2016 RM'000	31.12.2015 RM'000 (Audited)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	8,274	6,422
Borrowings	17	354,668	299,705
Employees' service benefits		58,144	52,138
Deferred tax liabilities		4,629	4,629
Total non-current liabilities		425,715	362,894
Total liabilities		1,787,422	1,551,189
Net assets		1,036,012	1,130,105
Capital and reserves			
Issued 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		171,860	202,465
Fair value adjustment reserve		30	25
Retained earnings	29	272,768	341,066
Equity attributable to equity holders of the Company		1,023,389	1,122,287
Non-controlling interests		12,623	7,818
Total equity		1,036,012	1,130,105
Total equity and liabilities		2,823,434	2,681,294

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015, 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 2016

	← Attributable to equity holders of the Company →						→			
	← Non-distributable			→			Distributable			
	Issued capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1.1.2015	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	-	-	-	-	204,285	153	48,078	252,516	5,251	257,767
Dividend	-	-	-	-	-	-	(9,674)	(9,674)	-	(9,674)
At 31.9.2015	387,000	191,515	(91)	307	240,237	(275)	333,779	1,152,472	5,597	1,158,069

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Condensed Consolidated Statement of Changes in Equity for the Third Quarter ended 30 September 2016 (Cont'd)

	← Attributable to equity holders of the Company →							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable				→ Distributable					
	Issued capital RM'000	Share premium RM'000	Treasury share RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value adjustment reserve RM'000	Retained earnings RM'000			
At 1.1.2016	387,000	191,515	(91)	307	202,465	25	341,066	1,122,287	7,818	1,130,105
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	677	677
(Loss)/profit for the period	-	-	-	-	-	-	(64,428)	(64,428)	4,441	(59,987)
Other comprehensive (loss)/income	-	-	-	-	(30,605)	5	-	(30,600)	(313)	(30,913)
Total comprehensive (loss)/income	-	-	-	-	(30,605)	5	(64,428)	(95,028)	4,128	(90,900)
Dividend	-	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
At 30.9.2016	387,000	191,515	(91)	307	171,860	30	272,768	1,023,389	12,623	1,036,012

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 2015, and the accompanying explanatory notes attached to these interim financial statements.

EVERSENDAI CORPORATION BERHAD (614060-A)

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2016

	Cumulative Quarter 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000
Operating activities		
(Loss)/profit before taxation	(55,828)	55,437
Adjustments for:		
Depreciation of property, plant and equipment	30,314	22,518
Provision for employees' service benefits	9,481	9,365
Gain on disposal of property, plant and equipment	(192)	(189)
Net loss on financial assets at fair value through profit or loss	101,720	1,046
Interest income	(244)	(544)
Dividend income from investment in securities	(12)	(1,431)
Allowance for doubtful debt	(578)	-
Unrealised foreign exchange loss/(gains)	5,610	(18,563)
Finance cost	30,761	22,377
Operating profit before working capital changes	121,032	90,016
Working capital changes:		
Net changes in current assets	(132,444)	(557,584)
Net changes in current liabilities	162,541	60,188
Cash generated from/(used in) operations	151,129	(407,380)
Employees' service benefits paid	(1,581)	(2,658)
Taxes paid	(3,106)	(3,766)
Net cash flows generated from/(used in) operating activities	146,442	(413,804)
Investing activities		
Purchase of property, plant and equipment	(54,141)	(126,435)
Proceeds from disposal of property, plant and equipment	1,433	262
Net changes in investment in securities	(5)	96,765
Increase/(decrease) in deposits pledge with financial institutions	3,518	(5,050)
Interest received	244	544
Proceed from disposal of investment securities	8,542	-
Purchase of investment securities	(8,819)	-
Net cash outflow arising from acquisition of a subsidiary	(3,172)	-
Net cash flows used in investing activities	(52,400)	(33,914)

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Condensed Consolidated Statement of Cash Flows for the Third Quarter ended 30 September 2016 (Cont'd)

	Cumulative Quarter 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000
Financing activities		
(Repayment)/drawdown of bank borrowings	(2,922)	310,302
Drawdown/(repayment) of hire purchase payables	592	(469)
Increase in amounts due to directors	4,289	449
Dividend paid	(3,870)	-
Finance cost paid	(30,761)	(22,377)
Net cash (used in)/ generated from financing activities	(32,672)	287,905
Net increase/(decrease) in cash and cash equivalents	61,370	(159,813)
Effect of changes in foreign exchange rate	(13,542)	95,567
Cash and cash equivalents at beginning of period	99,956	206,364
Cash and cash equivalents at end of period	147,784	142,118
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	188,800	187,088
Less: Bank overdrafts	(13,975)	(3,582)
Less: Deposits with financial institutions	(27,041)	(41,388)
	147,784	142,118

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015, 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 2016

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 2016.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 30 September 2016 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 2015. 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 2015.

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 2015.

3.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial period, the Group and the Company have adopted the new and revised Standards and Amendments issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to their operations and effective for annual periods beginning on or after 1 January 2016 as follows:

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3. Significant Accounting Policies (Cont'd)

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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plant
Amendments to MFRS 127	Equity Method in Separate Financial Statements

The adoption of these new and revised Standards and Amendments did not have any material impact on the amounts reported on the financial statements of the Group and of the Company in the current and previous financial years.

3.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these interim financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers ¹
MFRS 16	Leases ⁴
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to MFRS 107	Disclosure Initiative ³
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ³
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective date of the Amendments which was originally for annual periods beginning on or after 1 January 2016, have been deferred to a date to be announced by the MASB.

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided MFRS 15 is also applied.

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3. Significant Accounting Policies (Cont'd)

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

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9 and MFRS 15.

However, it is not practical to provide a reasonable estimate of the effect on MFRS 9 and MFRS 15 until the Group undertakes a detailed review.

4. Changes in Estimates

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

5. Changes in Composition of the Group

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

(i) Acquisition of Eversendai S-Con Engineering Co. Ltd (“S-Con”)

On 1 December 2015, Eversendai Construction (S) Pte. Ltd., (“Eversendai Singapore”) a subsidiary of the Company had entered into a shareholder’s agreement with Mr. Anuchart Suphannarat (“Anuchart”) who is the founder and owner of S-CON. Eversendai Singapore also entered into a conditional share subscription agreement with Anuchart and S-CON, to subscribe 70% of the total voting rights in S-CON for THB 30 million in cash.

On 1 April, 2016, the subscription of 70% of the voting rights in S-CON, now known as Eversendai S-CON Engineering Co. Ltd. (“ESECL”), by Eversendai Singapore has been duly completed. Consequently, ESECL became a subsidiary company of Eversendai Singapore.

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6. Segment Information

	Structural Steel & Construction				Oil & Gas	Total	A & E *	Group
	Middle-East and CIS	India	Malaysia	Others				
	RM'000	RM'000	RM'000	RM'000				
9 months ended 30.9.2016								
Revenue								
- External	705,509	108,688	147,095	7,605	264,740	1,233,637	-	1,233,637
- Internal	227,095	96	1,514	423	-	229,128	(229,128)	-
Total revenue	932,604	108,784	148,609	8,028	264,740	1,462,765	(229,128)	1,233,637
Profit/(loss) before tax	56,589	9,780	681	(107,427)	(2,921)	(43,298)	(12,530)	(55,828)
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/(loss) before tax	29,291	(6,422)	6,458	3,440	22,670	55,437	-	55,437

* 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 of 57.2% and pre-tax profit of RM56.6 million in the current financial period-to-date.

The operations in Malaysia had contributed 11.9% to the Group's revenue. Its revenue decreased from RM236.5 million to RM147.1 million mainly due to completed Tanjung Bin 4 coal-fired power plant contract and Reliance BKC DAICEC fabrication contracts in early 2016.

The revenue from operations in India decreased to RM108.7 million with a contribution of 8.8% of the Group revenue, mainly due to lower revenue from the Worli Mixed Use Development project and the commencement of newly secured contracts.

The oil and gas business contributed to 21.5% of the Group's revenue, as compared to corresponding period in 2015 of 22.6%. The losses of RM2.9 million in the current period due to increase in operating expenditure in current period ended 30 September 2016.

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. (Loss)/profit Before Tax

(Loss)/profit before tax is arrived after (crediting)/charging:

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Interest income	(67)	13	(244)	(544)
Dividend income from investment in securities	-	(89)	(12)	(1,431)
Sales of scrap	(1,816)	(957)	(4,981)	(5,235)
Finance cost	11,320	8,210	30,761	22,377
Depreciation of property, plant and equipment	10,901	6,761	30,314	22,518
Gain on disposal of property, plant and equipment	(52)	(149)	(192)	(189)
Unrealised foreign exchange (gain)/loss	(3,340)	(13,468)	5,610	(18,563)
Net loss/(gain) on financial assets at fair value through profit or loss	-	4,631	101,720	1,046
Provision for employee's service benefits expenses	3,088	3,186	9,481	9,365
Allowance for doubtful debt	-	-	578	-

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9. Income Tax Expense

	Third Quarter 3-month ended		Cumulative Quarter 9-month ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Current income tax:				
Malaysian income tax	(70)	534	826	2,013
Foreign income tax	398	1,311	2,714	1,669
	<u>328</u>	<u>1,845</u>	<u>3,540</u>	<u>3,682</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	-	619	-
Total income tax expense	<u>328</u>	<u>1,845</u>	<u>4,159</u>	<u>3,682</u>
Profit/(loss) before taxation	9,670	19,052	(55,828)	55,437
Effective tax rate	3.4%	9.7%	(7.4%)	6.6%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 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 year ended 30 September 2016 is lower than the 24% statutory tax rate in Malaysian mainly due to significant portion of the Group's pre-tax profit were generated in the Middle East region where business profits in these jurisdictions are not subject to income tax.

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10. (Loss)/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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Profit/(loss) for the period (RM'000)	7,279	14,581	(64,428)	48,078
Number of ordinary shares in issue ('000)	773,899	773,899	773,899	773,899
Basic earnings/(loss) per share (sen)	0.94	1.88	(8.33)	6.21

11. Property, Plant and Equipment

During the current cumulative 9 months period under review, the Group disposed-off assets with carrying value of RM1.2mil (2015: RM73,000), resulting in a gain of RM192,000 (2015: RM189,000), recognized and included in other income in the statement of comprehensive income.

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

12. Intangible Assets

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

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

Cash-generating units ("CGUs")	Growth Rate	Discount Rate Applied	Growth Rate	Discount Rate Applied
	2016	2016	2015	2015
Eversendai Engineering L.L.C. Dubai	1%	7%	1%	7%
Eversendai Energia Sdn. Bhd.	1%	8%	1%	8%
Eversendai Oil & Gas (M) Sdn. Bhd.	1%	8%	1%	8%
Eversendai Constructions (M) Sdn. Bhd.	1%	8%	1%	8%

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12. Intangible Assets (Cont'd)

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

The Group considers the relationship between its budgeted gross margins, discount rate, growth rate and the carrying value of the goodwill, amongst other factors when reviewing indicators of impairment. As of 30 September 2016, 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:

	30.9.2016	31.12.2015
	RM'000	RM'000
		(Audited)
Cash and bank balances	159,792	102,234
Deposits with financial institutions	29,008	32,584
Total cash and bank balances	188,800	134,818
Less:		
Bank overdrafts	(13,975)	(4,303)
Deposits pledged with financial institutions	(27,041)	(30,559)
Total cash and cash equivalents	147,784	99,956

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

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

	Level 1 RM'000
At 30.9.2016	
Non-current assets	
Derivative financial asset	-
Investment in securities	-
Current asset	
Investment in securities	23
Total	23
At 31.12.2015 (Audited)	
Non-current assets	
Derivative financial asset	8,278
Investment in securities	84,622
Current asset	
Investment in securities	8,548
Total	101,448

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.

16. Issued Capital, Share Premium and Treasury Shares

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

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17. Group Borrowings and Debt Securities

	30.9.2016 RM'000	31.12.2015 RM'000 (Audited)
Current:		
Hire purchase	1,639	2,899
Bank overdraft	13,975	4,303
Bills payable	417,380	424,118
Term loans	41,199	72,346
Total current	474,193	503,666
Non-current:		
Hire purchase	8,274	6,422
Term loans	104,668	49,705
Islamic medium-term notes	250,000	250,000
Total non-current	362,942	306,127
Total group borrowings and debt securities	837,135	809,793

Included in the Group's borrowings as of 30 September 2016 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 30.9.2016 '000	Equivalents in value of Malaysian currency 30.9.2016 RM'000
United Arab Emirates Dirham	430,893	485,158
Qatari Riyal	40,453	45,939
Indian Rupees	710,314	44,040
Thai Baht	48,763	5,818

18. Dividends Paid

A final single-tier dividend of 0.50 sen per share on 773,899,000 ordinary shares of RM0.50 each (treasury share excluded), in respect of the financial year ended 31 December 2015 amounting to RM3,869,495 has been approved by the shareholders during the Annual General Meeting held on 27 May 2016. The Company paid the said dividend on 14 July 2016 and accounted the appropriation of earnings in the statement of changes in equity during the current quarter ended 30 June 2016.

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19. Commitments and Contingencies

a) Capital expenditure commitments

	30.9.2016 RM'000	30.9.2015 RM'000
Contracted but not provided for:		
Factory building & labour accommodation	45,038	33,563
Computer systems and others	5,976	510
Office building	9,796	-
	60,810	34,073
Approved but not contracted for:		
Factory building & labour accommodation	-	-

b) Operating lease commitments

	30.9.2016 RM'000	30.9.2015 RM'000
Within one year	31,304	24,482
After one year but not more than five years	69,730	70,693
More than five years	236,601	231,723
	337,635	326,898

c) Contingencies

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

Corporate guarantees

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

	30.9.2016 RM'000	30.9.2015 RM'000
Eversendai Engineering LLC	3,420,474	3,359,792
Eversendai Offshore RMC FZE	579,113	479,208
Eversendai Engineering Qatar WLL	951,271	975,928
Eversendai Construction Private Limited	264,931	288,027
Eversendai Energia Sdn. Bhd. (formerly known as Shineversendai Engineering (M) Sdn. Bhd.)	245,583	301,187
	5,461,372	5,404,142

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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	
	30.9.2016	30.9.2015
	RM'000	RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of office premises from a director	862	796
Transactions with other related company:		
Provision of services for engineering and fabrication by a subsidiary to a company where the Company deemed related to one of the director by virtue of his direct interest in the ultimate holding Company of the Group	204,471	243,681

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 RM469.3 million:

- i) DLF IT Park, Chennai
- ii) The Royal Atlantis Resort & Residence
- iii) Rupa Renaissance - IT Building Structural Steel works
- iv) Jimah Erection work for Steam Turbine & Center Control Building
- v) State Courts at Havelock Square, Singapore
- vi) Al Wakrah -By Pass ITS Gantries

The Group recorded total revenue of RM1,233.6 million for the cumulative 9 months of the year, which when compared to last year's RM1,299.5 million, was lower by 5.1%. The reduction is due to commencement delay of several major projects in Malaysia and Middle East.

Out of the total revenue of RM1,233.6 million, 57.2% was contributed by the businesses in the Middle-East region, 11.9% by operations in Malaysia, 8.8% by operations in India, 21.5% from the oil and gas segment and the remaining 0.6% from operation in Thailand.

Impact on fair value of financial assets of RM101.7 million and unrealised foreign exchange loss of RM5.6 million has resulted the loss of RM60.0 million in the first 9 months of the year as compared to last year's profit of RM51.8 million.

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

The Group's recorded profit before tax of RM9.7 million during the current quarter, which when compared to the preceding quarter's loss of RM18.8 million was mainly due to higher loss resulting from fair value of financial assets in the preceding quarter.

24. Prospects of the Group

During the current financial period ended 30 September 2016, the Group has secured approximately RM1.8 billion new contracts. As at 30 September 2016, the Group's order book stood at approximately RM2.7 billion. Approximately 39.4% of the order book came from the Group's traditional stronghold in the Middle East region, 25.1% from South East Asia, 20.2% from India and the remaining 15.3% are from the Oil & Gas segment.

The Group is confident with the commencement of the several major projects in 2017, the performance of the Group will improve as compared to 2016.

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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 2016, being a date not earlier than seven days from the date of issuance of this interim financial report.

27. Changes in Material Litigation

(i) Linsun Engineering Sdn. Bhd. against Eversendai Energia Sdn. Bhd. (“Eversendai Energia”)

On 14 November 2014, a supplier known as Linsun Engineering Sdn. Bhd. (“the plaintiff”) has served a Writ of Summons against Eversendai Energia, 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 legal case had been transferred to Shah Alam High Court at the Construction Division and the judge has fixed the latest trial dates as follows:

- a) 14 November - 17 November 2016;
- b) 21 November - 22 November 2016; and
- c) 19 December – 21 December 2016.

(ii) Poratha Corporation Sdn. Bhd. against Eversendai Energia Sdn. Bhd.

On 21 April 2016, Eversendai Energia received a signed and sealed Writ of Summons and statement of claim dated 15 April 2016 from Poratha Corporation Sdn. Bhd. (“the plaintiff”) claiming for a total sum of RM7,448,220 for FGD ducting, miscellaneous piping works and firefighting piping works, 5% interest per annum on the judgement amount (calculated from the judgement date until the date of full settlement) and other incidental costs.

On 25 August 2016, our solicitors have informed the Court of our application to transfer the matter to the Construction Court.

On 29 August 2016, the High Court allowed our application to transfer the matter to the Construction Court.

The Court has also issued directions for Issues to be Tried, Agreed Facts, Common Bundle of documents and list of witnesses to be filed by 24th January 2017 and the next case management is fixed on 24th January 2017.

28. Dividend Payable

No interim dividend has been declared for the current third quarter and 9 months period ended 30 September 2016.

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29. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as of 30 September 2016 and 31 December 2015 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.

	30.9.2016	31.12.2015
	RM'000	RM'000
		(Audited)
Total retained earnings of the Group as reported under MFRS		
- Realised	597,089	649,707
- Unrealised	36,772	38,850
	<u>633,861</u>	<u>688,557</u>
Less: Consolidation adjustments	(361,093)	(347,491)
Total retained earnings of the Group as per consolidated financial statements	<u>272,768</u>	<u>341,066</u>

30. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2015 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 2016