

EVERSENDAI

EVERSENDAI CORPORATION BERHAD

(Company No. 614060-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

FIRST QUARTER ENDED 31 MARCH 2016

(Figures are not audited unless otherwise specified)

(In Ringgit Malaysia)

Dated 28 May 2016

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

Date: 28 May 2016

**INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

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Financial Year ending 31 December 2016

Summary of Key Financial Information for the First Quarter ended 31 March 2016

	First Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
1 Revenue	440,725	402,777	440,725	402,777
2 (Loss)/profit before tax	(46,740)	21,180	(46,740)	21,180
3 (Loss)/profit for the periods	(49,037)	20,233	(49,037)	20,233
4 (Loss)/profit attributable to equity holders of the Company	(50,425)	19,396	(50,425)	19,396
5 Basic (loss)/earnings per share (sen)	(6.52)	2.51	(6.52)	2.51
6 Proposed/declared dividend per share (sen)	-	-	-	-
			As at 31.3.2016 (RM)	As at 31.12.2015 (RM) (Audited)
7 Net assets per share attributable to the equity holders of the Company			1.28	1.45

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Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2016

	Note	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue		440,725	402,777	440,725	402,777
Cost of sales		(364,353)	(340,213)	(364,353)	(340,213)
Gross profit		76,372	62,564	76,372	62,564
Interest income		94	296	94	296
Dividend income		11	890	11	890
Other income		3,308	8,261	3,308	8,261
Operating and administrative expense		(55,040)	(36,957)	(55,040)	(36,957)
Operating profit		24,745	35,054	24,745	35,054
Finance costs		(8,858)	(7,498)	(8,858)	(7,498)
Net loss on financial assets at fair value through profit or loss		(62,627)	(6,376)	(62,627)	(6,376)
(Loss)/profit before tax	8	(46,740)	21,180	(46,740)	21,180
Income tax expense	9	(2,297)	(947)	(2,297)	(947)
(Loss)/profit for the period		(49,037)	20,233	(49,037)	20,233
Other comprehensive (expense)/income :					
Items that may be reclassified subsequently to profit or loss					
- Fair value adjustment of investment securities		5	(17)	5	(17)
- Foreign currency translation		(84,268)	42,626	(84,268)	42,626
Other comprehensive (expense)/income for the period:		(84,263)	42,609	(84,263)	42,609
Total comprehensive (expense)/income for the period		(133,300)	62,842	(133,300)	62,842

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**Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31 March 2016
(Cont'd)**

	Note	First Quarter 3-month ended		Cumulative Quarter 12-month ended	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
(Loss)/profit for the period attributable to:					
- Equity holders of the Company		(50,425)	19,396	(50,425)	19,396
- Non-controlling interests		1,388	837	1,388	837
		<u>(49,037)</u>	<u>20,233</u>	<u>(49,037)</u>	<u>20,233</u>
Total comprehensive (expense)/income attributable to:					
- Equity holders of the Company		(133,592)	60,970	(133,592)	60,970
- Non-controlling interests		292	1,872	292	1,872
		<u>(133,300)</u>	<u>62,842</u>	<u>(133,300)</u>	<u>62,842</u>
(Loss)/Earnings per share attributable to equity holders of the Company					
- Basic/diluted (sen)	10	(6.52)	2.51	(6.52)	2.51

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 31 March 2016

	Note	31.3.2016 RM'000	31.12.2015 RM'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	616,224	649,176
Goodwill	12	12,088	12,088
Derivatives financial assets	15	1,053	8,278
Investment in securities	15	38,041	84,622
Deferred tax assets		1,895	2,574
Total non-current assets		669,301	756,738
Current assets			
Inventories	13	128,820	168,534
Amount due from customers under construction contracts		836,387	849,435
Trade receivables		602,247	636,293
Other receivables, refundable deposits and prepaid expenses		123,439	125,509
Investment in securities		23	8,548
Tax recoverable	15	1,534	1,419
Cash and bank balances	14	131,927	134,818
Total current assets		1,824,377	1,924,556
Total assets		2,493,678	2,681,294
Equity and liabilities			
Current liabilities			
Trade payables		221,387	238,636
Other payables and accrued expenses		293,448	346,185
Amount due to customers under construction contracts		93,743	63,753
Amount due to directors		6,005	2,357
Hire purchase payables	17	1,843	2,899
Borrowings	17	500,728	500,767
Tax liabilities		31,212	33,698
Total current liabilities		1,148,366	1,188,295

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Condensed Consolidated Statement of Financial Position as at 31 March 2016 (Cont'd)

	Note	31.3.2016 RM'000	31.12.2015 RM'000 (Audited)
Equity and liabilities (cont'd)			
Non-current liabilities			
Hire purchase payables	17	7,875	6,422
Borrowings	17	287,474	299,705
Employees' service benefits		49,625	52,138
Deferred tax liabilities		4,629	4,629
Total non-current liabilities		349,603	362,894
Total liabilities		1,497,969	1,551,189
Net assets		995,709	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		118,197	202,465
Fair value adjustment reserve		30	25
Retained earnings	29	290,641	341,066
Equity attributable to equity holders of the Company		987,599	1,122,287
Non-controlling interests		8,110	7,818
Total equity		995,709	1,130,105
Total equity and liabilities		2,493,678	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 First Quarter ended 31 March 2016

	← Attributable to equity holders of the Company →							Distributable	Non-controlling interests RM'000	Total equity RM'000
	Non-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		
At 1.1.2015	387,000	191,515	(91)	307	35,952	(428)	295,375	909,630	346	909,976
Profit for the period	-	-	-	-	-	-	19,396	19,396	837	20,233
Other comprehensive income/(expense)	-	-	-	-	42,626	(17)	-	42,609	1,046	43,655
Total comprehensive income/(expense)	-	-	-	-	42,626	(17)	19,396	62,005	1,883	63,888
At 31.3.2015	387,000	191,515	(91)	307	78,578	(445)	314,771	971,635	2,229	973,864

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Condensed Consolidated Statement of Changes in Equity for the First Quarter ended 31 March 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
(Loss)/profit for the period	-	-	-	-	-	-	(50,425)	(50,425)	1,388	(49,037)
Other comprehensive (loss)/income	-	-	-	-	(84,268)	5	-	(84,263)	(1,096)	(85,359)
Total comprehensive (loss)/income	-	-	-	-	(84,268)	5	(50,425)	(134,688)	292	(134,396)
Dividend	-	-	-	-	-	-	-	-	-	-
At 31.3.2016	387,000	191,515	(91)	307	118,197	30	290,641	987,599	8,110	995,709

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 First Quarter ended 31 March 2016

	Cumulative Quarter 3 months ended	
	31.3.2016 RM'000	31.3.2015 RM'000
Operating activities		
(Loss)/profit before taxation	(46,740)	21,180
Adjustments for:		
Depreciation of property, plant and equipment	9,896	7,041
Provision for employees' service benefits	3,204	2,839
Gain on disposal of property, plant and equipment	(96)	(29)
Net loss on financial assets at fair value through profit or loss	62,627	6,376
Interest income	(94)	(296)
Dividend income from investment in securities	(11)	(890)
Allowances for doubtful debts written off	(588)	-
Unrealised foreign exchange loss/(gains)	10,659	(4,855)
Finance cost	8,858	7,498
	47,715	38,864
Operating profit before working capital changes		
Working capital changes:		
Net changes in current assets	(63,310)	(209,219)
Net changes in current liabilities	(100,479)	87,683
Cash used in from operations	(116,074)	(82,672)
Employees' service benefits paid	(809)	(1,012)
Taxes paid	(1,035)	(884)
Finance cost paid	(8,858)	(7,498)
Net cash flows used in from operating activities	(126,776)	(92,066)
Investing activities		
Purchase of property, plant and equipment	(20,002)	(27,444)
Proceeds from disposal of property, plant and equipment	143	30
Net changes in investment in securities	(5)	11,434
Increase in deposits pledge with financial institutions	3,761	1,765
Proceeds from disposal of unit trust fund	8,542	-
Purchase of quoted shares	(8,819)	-
Interest received	94	296
Net cash flows used in investing activities	(16,286)	(13,919)

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Condensed Consolidated Statement of Cash Flows for the First Quarter ended 31 March 2016 (Cont'd)

	Cumulative Quarter 12 months ended	
	31.3.2016	31.3.2015
	RM'000	RM'000
Financing activities		
(Repayment)/Drawdown of bank borrowings	(9,925)	30,101
Drawdown/(Repayment) of hire purchase payables	397	(1,169)
Amounts due to directors	3,648	152
Net cash (used in)/generated from financing activities	(5,880)	29,084
Net decrease in cash and cash equivalents	(148,942)	(76,901)
Effect of changes in foreign exchange rate	152,159	30,287
Cash and cash equivalents at beginning of period	99,956	206,364
Cash and cash equivalents at end of period	103,173	159,750
Cash and cash equivalents at end of period comprised of:		
Cash and bank balances	131,927	197,177
Less: Bank overdrafts	(1,956)	(2,854)
Less: Deposits with financial institutions	(26,798)	(34,573)
	103,173	159,750

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 First Quarter ended 31 March 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 28 May 2016.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the financial period ended 31 March 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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MFRS 14	Regulatory Deferral Accounts
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
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

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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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 additional shares in Technics Oil & Gas Limited (“TOGL”)

On 29 February 2016 and 1 March 2016, the Company purchased additional shares in TOGL from the market with total value of RM8,819,193. Accordingly, the percentage of equity holding in TOGL has increased from 19.62% to 29.87% as of 1 March 2016. On 1 April 2016, the Company representatives were appointed to the Board of Directors of TOGL. Consequently, TOGL became an associated company of the Group.

(ii) 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 shareholders’ 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 (equivalent to RM3,549,000) 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				
3 months ended 31.3.2016								
Revenue								
- External	236,670	45,649	43,067	-	115,339	440,725	-	440,725
- Internal	103,244	425	690	-	44	104,403	(104,403)	-
Total revenue	339,914	46,074	43,757	-	115,383	545,128	(104,403)	440,725
(Loss)/profit before tax	17,071	6,025	654	(77,341)	3,896	(49,695)	2,955	(46,740)
3 months ended 31.3.2015								
Revenue								
- External	187,727	67,143	88,837	49	59,021	402,777	-	402,777
- Internal	73,100	2,331	-	-	-	75,431	(75,431)	-
Total revenue	260,827	69,474	88,837	49	59,021	478,208	(75,431)	402,777
Profit before tax	10,837	9,152	6,809	(7,788)	7,170	26,180	(5,000)	21,180

* 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 53.7% and pre-tax profit of RM17.1 million in the current financial period-to-date.

The operations in Malaysia had contributed 9.8% to the Group's revenue. Its revenue decreased from RM88.8 million to RM43.1 million mainly due to completion of Tanjung Bin 4 coal-fired power plant contract and Reliance BKC DAICEC fabrication contracts.

The revenue from operations in India decreased to RM45.6 million with a contribution of 10.3% 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 has expanded further and contributed to 26.2% of the Group's revenue, as compared to corresponding period in 2015 of 14.7%. 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 had decreased from RM7.1 million in previous corresponding period to RM3.9 million for the current period due to increase in operating expenditure in current quarter ended 31 March 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 charging/(crediting):

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Interest income	(94)	(296)	(94)	(296)
Dividend income from investment in securities	(11)	(890)	(11)	(890)
Sales of scrap	(2,146)	(2,971)	(2,146)	(2,971)
Finance cost	8,858	7,498	8,858	7,498
Depreciation of property, plant and equipment	9,896	7,041	9,896	7,041
Gain on disposal of property, plant and equipment	(96)	(29)	(96)	(29)
Unrealised foreign exchange loss/(gain)	10,659	(4,855)	10,659	(4,855)
Net loss on financial assets at fair value through profit or loss	62,627	6,376	62,627	6,376
Provision for employee's service benefits expenses	3,204	2,839	3,204	2,839
Allowances for doubtful debts written off	(588)	-	(588)	-

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9. Income Tax Expense

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Current income tax:				
Malaysian income tax	1,153	694	1,153	694
Foreign income tax	1,144	264	1,144	264
	<u>2,297</u>	<u>958</u>	<u>2,297</u>	<u>958</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	-	(11)	-	(11)
Total income tax expense	<u>2,297</u>	<u>947</u>	<u>2,297</u>	<u>947</u>
(Loss)/profit before taxation	(46,740)	21,180	(46,740)	21,180
Effective tax rate	(4.9%)	4.5%	(4.9%)	4.5%

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 31 March 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.

	First Quarter 3-month ended		Cumulative Quarter 3-month ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
(Loss)/profit for the period (RM'000)	(50,425)	19,396	(50,425)	19,396
Number of ordinary shares in issue ('000)	773,899	773,899	773,899	773,899
Basic (loss)/earnings per share (sen)	(6.52)	2.51	(6.52)	2.51

11. Property, Plant and Equipment

During the current quarter period under review, the Group disposed-off assets with carrying value of RM47,000 (2015: RM1,000), resulting in a gain of RM96,000 (2015: RM29,000), 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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- 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 31 March 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:

	31.3.2016	31.12.2015
	RM'000	RM'000
		(Audited)
Cash and bank balances	101,851	102,234
Deposits with financial institutions	30,076	32,584
Total cash and bank balances	131,927	134,818
Less:		
Bank overdrafts	(1,956)	(4,303)
Deposits pledged with financial institutions	(26,798)	(30,559)
Total cash and cash equivalents	103,173	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 31.3.2016	
Non-current assets	
Derivative financial asset	1,053
Investment in securities	38,041
Current asset	
Investment in securities	23
Total	39,117
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.

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16. Issued Capital, Share Premium and Treasury Shares

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

17. Group Borrowings and Debt Securities

	31.3.2016 RM'000	31.12.2015 RM'000 (Audited)
Current:		
Hire purchase	1,843	2,899
Bank overdraft	1,956	4,303
Bills payable	428,987	424,118
Term loans	69,785	72,346
Total current	502,571	503,666
Non-current:		
Hire purchase	7,875	6,422
Term loans	37,474	49,705
Islamic medium-term notes	250,000	250,000
Total non-current	295,349	306,127
Total group borrowings and debt securities	797,920	809,793

Included in the Group's borrowings as of 31 March 2016 are bank borrowings denominated in foreign currencies as follows:

	Value in foreign currency 31.3.2016 '000	Equivalents in value of Malaysian currency 31.3.2016 RM'000
United Arab Emirates Dirham	373,831	397,989
Qatari Riyal	58,398	62,719
Indian Rupees	1,082,242	63,948

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18. Dividends Paid

No payment of dividends by the Company during the current quarter under review.

19. Commitments and Contingencies

a) Capital expenditure commitments

	31.3.2016	31.3.2015
	RM'000	RM'000
Contracted but not provided for:		
Factory building & labour accommodation	18,529	17,979
Computer systems and others	452	182
	18,981	18,161
Approved but not contracted for:		
Factory building & labour accommodation	-	30,314

b) Operating lease commitments

	31.3.2016	31.3.2015
	RM'000	RM'000
Within one year	23,554	17,849
After one year but not more than five years	58,637	55,860
More than five years	213,187	186,994
	295,378	260,703

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:

	31.3.2016	31.3.2015
	RM'000	RM'000
Eversendai Engineering LLC	2,915,780	2,460,452
Eversendai Offshore RMC FZE	494,347	398,484
Eversendai Engineering Qatar WLL	855,182	688,862
Eversendai Construction Private Limited	252,486	200,739
Eversendai Energia Sdn Bhd (formerly known as Shineversendai Engineering (M) Sdn Bhd)	248,071	260,118
	4,765,866	4,008,655

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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 3 months ended	
	31.3.2016 RM'000	31.3.2015 RM'000
Transactions with certain directors and key management personnel of the Group:		
Rental of staff accommodation and office building from a director	294	256
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	101,094	53,426

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, except as disclosed in Note 5 to the 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 first quarter under review, the Group has secured the following key contracts worth RM706.9 million:

- i) Doha shopping mall;
- ii) 1x600MW Power Plant Project in Thailand;
- iii) Sumer Trinity Vertical Mumbai-Civil Core & Shell Work;
- iv) Shopping mall in Abu Dhabi;
- v) Steel work for Merdeka PNB118 in KL; and
- vi) Dubai Eye.

The Group recorded total revenue of RM440.7 million in the first quarter, which when compared to last year's RM402.8 million, was higher by 9.4%.

Out of the total revenue of RM440.7 million, 53.7% was contributed by the businesses in the Middle-East region (including the Commonwealth of Independent States), 9.8% by operations in Malaysia, 10.3% by operations in India, and the remaining 26.2% from the oil and gas segment.

Impact on fair value of financial assets and unrealised foreign exchange loss has resulted the loss of RM46.7 million in the first quarter as compared to last year's profit of RM21.2 million.

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

The Group's loss before tax of RM46.7 million during the first quarter ended, which when compared to the preceding quarter's profits of RM21.2 million was mainly due to higher loss resulting from fair value of financial assets and unrealised foreign exchange loss.

24. Prospects of the Group

During the current financial period ended 31 March 2016, the Group has secured approximately RM706.9 million new contracts. As at 31 March 2016, the Group's order book stood at approximately RM2.2 billion. Approximately 47.2% of the order book came from the Group's traditional stronghold in the Middle East region and the Commonwealth of Independent States, 24.6% from Malaysia, 12.2% from India and the remaining 16.0% are from the Oil & Gas segment.

The Group's extension and expansion of its core strengths into the related segments in the oil and gas industry both onshore and offshore oil & gas processing plant, production supporting facilities and equipment from 2013, have been growing.

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24. Prospects of the Group (Cont'd)

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 21 May 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) 1 August - 8 August 2016;
- b) 15 August - 18 August 2016; and
- c) 5 September - 7 September 2016.

(ii) Berger International Sdn. Bhd. against Eversendai Energia Sdn Bhd

On 18 December 2015, Eversendai Energia received a signed and sealed Writ of Summons and statement of claim dated 10 December 2015 from Berger International Sdn. Bhd. ("the plaintiff") claiming for a total sum of RM791,834 for the supply and delivery of paint materials for the PCSB-Sabah Oil & Gas Terminal project from August 2011 until October 2012, 5% interest per annum on the judgement amount (calculated from the judgement date until the date of full settlement) and other incidental costs.

Eversendai Energia has entered against the plaintiff for judgement in default of defence at Shah Alam Sessions Court on 5 February 2016 for failure to reply to its counter claim for the amount of RM1,000,000.

During the case management on 28 March 2016, the High Court has allowed Eversendai Energia's application to transfer the above matter to the Construction Court and have also provided a sealed order of the transfer.

The next case management for this matter is fixed on 6 June 2016.

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27. Changes in Material Litigation (cont'd)

(iii) 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.

The case management for this matter is fixed on 27 June 2016.

28. Dividend Payable

At the thirteenth Annual General Meeting, a final single-tier dividend of 0.50 sen per share on 773,899,000 ordinary shares of RM0.50 each (treasury shares excluded), in respect of the financial year ended 31 December 2015 amounting to RM3,869,495 has been approved by the shareholders. The current quarter ended 31 March 2016 do not reflect this approved dividend. The aforementioned approved dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

29. Realised and Unrealised Profits or Losses

The breakdown of the retained profits of the Group as of 31 March 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.

	31.3.2016	31.12.2015
	RM'000	RM'000
		(Audited)
Total retained earnings of the Group as reported under MFRS		
- Realised	601,833	649,707
- Unrealised	35,349	38,850
	<u>637,182</u>	<u>688,557</u>
Less: Consolidation adjustments	(346,541)	(347,491)
Total retained earnings of the Group as per consolidated financial statements	<u>290,641</u>	<u>341,066</u>

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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 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

28 May 2016