

ZELAN BERHAD
(Company No. : 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|--------------|
| | Quarter ended | Quarter ended | Changes % | Period ended | Period ended | Changes % |
| | 30/09/2017 RM'000 | 30/09/2016 RM'000 | | 30/09/2017 RM'000 | 30/09/2016 RM'000 | |
| Revenue | 8,557 | 39,793 | -78.5% | 53,683 | 157,677 | -66.0% |
| Cost of sales | <u>(8,352)</u> | <u>(36,702)</u> | 77.2% | <u>(48,383)</u> | <u>(139,574)</u> | 65.3% |
| Gross profit | 205 | 3,091 | -93.4% | 5,300 | 18,103 | -70.7% |
| Other income | 265 | 231 | 14.7% | 12,904 | 879 | >100% |
| - income/profit on placement on deposits | 220 | 201 | | 680 | 935 | |
| - unwinding of discounting on long term trade receivables and discounting on trade payables | 6,978 | 6,424 | | 21,320 | 17,105 | |
| - accretion of interest on long term receivables | 271 | 4,484 | | 8,931 | 13,370 | |
| Total interest income | 7,469 | 11,109 | -32.8% | 30,931 | 31,410 | -1.5% |
| Diminution in carrying value of long term receivables | (2,906) | (8,131) | 64.3% | (14,868) | (24,177) | 38.5% |
| Unrealised foreign exchange (loss)/gain, net | (2,548) | 3,903 | >-100% | (7,790) | (2,309) | >-100% |
| Administrative expenses | (3,693) | (5,655) | 34.7% | (14,827) | (14,954) | 0.8% |
| Operating expenses | (640) | (965) | 33.7% | (1,199) | (3,254) | -63.2% |
| (Provision)/write back for impairment of receivables | (74) | (18) | >-100% | (74) | 4,142 | >-100% |
| Depreciation | (138) | (205) | 32.7% | (432) | (648) | -33.3% |
| - finance cost on borrowings | (6,979) | (2,429) | | (11,790) | (9,176) | |
| - unwinding of discounting on long term trade payables and discounting on trade receivables | (891) | (577) | | (2,840) | (26,569) | |
| Total finance costs | (7,870) | (3,006) | >-100% | (14,630) | (35,745) | 59.1% |
| Share of results of associates | (327) | (276) | -18.5% | (810) | (757) | -7.0% |
| (Loss)/profit before zakat and taxation | (10,257) | 78 | >-100% | (5,495) | (27,310) | 79.9% |
| Tax credit/(expense) | 149 | 203 | 26.6% | (2,946) | (2,605) | -13.1% |
| Net (loss)/profit for the period | (10,108) | 281 | >-100% | (8,441) | (29,915) | 71.8% |
| (Loss)/profit for the period | | | | | | |
| Attributable to: | | | | | | |
| Equity holders of the parent | (10,099) | 270 | >-100% | (8,421) | (29,919) | 71.9% |
| Non-controlling interests | (9) | 11 | 181.8% | (20) | 4 | >-100% |
| | <u>(10,108)</u> | <u>281</u> | >-100% | <u>(8,441)</u> | <u>(29,915)</u> | 71.8% |
| Basic (losses)/ earnings per share attributable to equity holders of the Company (sen) | <u>(1.20)</u> | <u>0.03</u> | >-100% | <u>(1.00)</u> | <u>(3.54)</u> | 71.8% |
| Diluted (losses)/earnings per share attributable to equity holders of the Company (sen) | <u>(1.20)</u> | <u>0.03</u> | >-100% | <u>(1.00)</u> | <u>(3.54)</u> | 71.8% |

The Consolidated Statement of Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|--|---------------------------------------|---------------------------------------|------------------|--------------------------------------|--------------------------------------|------------------|
| | Quarter ended 30/09/2017 RM'000 | Quarter ended 30/09/2016 RM'000 | Changes % | Period ended 30/09/2017 RM'000 | Period ended 30/09/2016 RM'000 | Changes % |
| Net (loss)/profit for the period | (10,108) | 281 | >-100% | (8,441) | (29,915) | 71.8% |
| Other comprehensive income/(loss): | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange difference from translation of foreign operations | 1,801 | (2,003) | >100% | 5,295 | (334) | >-100% |
| Total items that may be reclassified subsequently to the profit or loss | 1,801 | (2,003) | >100% | 5,295 | (334) | >-100% |
| Total comprehensive (loss)/income for the period | (8,307) | (1,722) | >-100% | (3,146) | (30,249) | 89.6% |
| Total comprehensive (loss)/income for the period | | | | | | |
| Attributable to: | | | | | | |
| Equity holders of the parent | (8,303) | (1,727) | >-100% | (3,137) | (30,265) | 89.6% |
| Non-controlling interests | (4) | 5 | >-100% | (9) | 16 | >-100% |
| | (8,307) | (1,722) | >-100% | (3,146) | (30,249) | 89.6% |

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited As at 30/09/2017 RM'000 | Audited As at 31/12/2016 RM'000 |
|---|--|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 7,265 | 8,088 |
| Investment properties | 4,633 | 4,740 |
| Investments in associates | 3,332 | 3,332 |
| Receivables, deposits and prepayments | 716,015 | 681,213 |
| Deposits, cash and bank balances (restricted) | <u>10,549</u> | <u>10,195</u> |
| | <u>741,794</u> | <u>707,568</u> |
| CURRENT ASSETS | | |
| Inventories | 8,965 | 8,965 |
| Receivables, deposits and prepayments | 116,006 | 144,085 |
| Tax recoverable | 2,420 | 387 |
| Deposits pledged as security (restricted) | 161 | 10,052 |
| Deposits, cash and bank balances (non-restricted) | <u>2,571</u> | <u>3,624</u> |
| | <u>130,123</u> | <u>167,113</u> |
| LESS: CURRENT LIABILITIES | | |
| Trade and other payables | 237,048 | 263,974 |
| Current tax liabilities | 2,734 | - |
| Borrowings | <u>60,073</u> | <u>42,001</u> |
| | <u>299,855</u> | <u>305,975</u> |
| NET CURRENT LIABILITIES | (169,732) | (138,862) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>572,062</u> | <u>568,706</u> |
| EQUITY AND LIABILITIES | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | |
| Share capital | 84,489 | 84,489 |
| Reserves | <u>44,364</u> | <u>47,501</u> |
| | <u>128,853</u> | <u>131,990</u> |
| Non-controlling interests | <u>(181)</u> | <u>(172)</u> |
| TOTAL EQUITY | <u>128,672</u> | <u>131,818</u> |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 440,231 | 433,725 |
| Deferred tax liabilities | <u>3,159</u> | <u>3,163</u> |
| | <u>443,390</u> | <u>436,888</u> |
| TOTAL EQUITY AND NON-CURRENT LIABILITIES | <u>572,062</u> | <u>568,706</u> |
| Net assets per share (RM) | <u>0.15</u> | <u>0.16</u> |

The Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | Total Equity RM'000 | |
|---|--|---------------------------------|------------------------------------|--------------------------------|--------------------------------|--|--------------------------|---------------------------|--|
| | Share Capital RM'000 | Warrants Reserve # RM'000 | Translation Reserve * RM'000 | Capital Reserve * RM'000 | General Reserve * RM'000 | (Accumulated losses)/Retained Earnings RM'000 | Sub - total RM'000 | | Non-controlling interests RM'000 |
| Nine months to 30 September 2017 | | | | | | | | | |
| Balance as at 1 January 2017 | 84,489 | 14,082 | (24) | 35,457 | 4,254 | (6,268) | 131,990 | (172) | 131,818 |
| Loss for the period | - | - | - | - | - | (8,421) | (8,421) | (20) | (8,441) |
| Other comprehensive income: | | | | | | | | | |
| Currency translation reserve | - | - | 5,284 | - | - | - | 5,284 | 11 | 5,295 |
| Total comprehensive income/(loss) for the period | - | - | 5,284 | - | - | (8,421) | (3,137) | (9) | (3,146) |
| Balance as at 30 September 2017 | 84,489 | 14,082 | 5,260 | 35,457 | 4,254 | (14,689) | 128,853 | (181) | 128,672 |
| Balance as at 1 January 2016 | | | | | | | | | |
| Balance as at 1 January 2016 | 84,489 | 14,082 | 5,711 | 35,457 | 4,254 | 61,355 | 205,348 | (187) | 205,161 |
| Loss/(profit) for the period | - | - | - | - | - | (29,919) | (29,919) | 4 | (29,915) |
| Other comprehensive (loss)/income: | | | | | | | | | |
| Currency translation difference | - | - | (346) | - | - | - | (346) | 12 | (334) |
| Total comprehensive (loss)/income for the period | - | - | (346) | - | - | (29,919) | (30,265) | 16 | (30,249) |
| Balance as at 30 September 2016 | 84,489 | 14,082 | 5,365 | 35,457 | 4,254 | 31,436 | 175,083 | (171) | 174,912 |

* These reserves relate to net gain from disposals of investment in shares, issue of bonus shares by a subsidiary out of post-acquisition reserves and transfer of profits to a statutory reserve by certain overseas subsidiaries

This reserve relates to issuance of free detachable warrants

The Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Current period to date 30/09/2017 RM'000 | Current period to date 30/9/2016 RM'000 |
|---|---|--|
| OPERATING ACTIVITIES | | |
| Net loss for the period attributable to equity holders of the Company | (8,421) | (29,919) |
| Adjustments for : | | |
| Tax expense | 2,946 | 2,605 |
| Depreciation of property, plant and equipment | 635 | 907 |
| Depreciation of investment properties | 106 | 106 |
| Gain on disposal of property, plant and equipment | (366) | (5) |
| Impairment loss on property plant and equipment | - | (779) |
| Provision/(write back) for impairment of receivables | 74 | (4,142) |
| Diminution in carrying value of long term receivables | 14,868 | 24,177 |
| Finance income | (30,931) | (31,410) |
| Finance costs | 14,630 | 35,745 |
| Net unrealised loss on foreign exchange | 7,790 | 2,309 |
| Non-controlling interests | (20) | 4 |
| Share of results of associates | 810 | 757 |
| | 2,121 | 355 |
| Changes in working capital : | | |
| Receivables | 22,876 | (112,917) |
| Payables | (35,088) | (49,253) |
| Cash generated from/(used in) operations | (10,091) | (161,815) |
| Tax paid | (2,081) | (2,638) |
| Net cash used in operating activities | (12,172) | (164,453) |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1) | (71) |
| Proceeds from disposal of property, plant and machinery | 552 | 8 |
| Proceeds from disposal of other investments | - | 1,000 |
| Interest received from deposits and investments | 680 | 935 |
| Net cash generated from investing activities | 1,231 | 1,872 |
| FINANCING ACTIVITIES | | |
| Repayments of borrowings | (17,408) | (117,680) |
| Proceeds from borrowings | 27,114 | 234,410 |
| Repayments of hire purchase creditors | (465) | (410) |
| Interest paid | (741) | (810) |
| Upliftment of deposits pledged as security | 9,537 | 6,571 |
| Net cash generated from financing activities | 18,037 | 122,081 |
| Net movement in cash and cash equivalents | 7,096 | (40,500) |
| Cash and cash equivalents at the beginning of the period | 3,624 | 47,289 |
| Currency translation differences | (8,149) | (2,845) |
| Cash and cash equivalents at the end of the period | 2,571 | 3,944 |

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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1. Basis of Preparation

The interim financial information is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted for the interim financial information are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2016 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

The adoption of the following amendments to MFRS that came into effect on 1 January 2017 did not have any significant impact on the unaudited condensed financial statements upon their initial applications.

| | |
|------------------------------|---|
| Amendments to MFRS 107 | Statement of Cash Flows - Disclosure Initiative |
| Amendments to MFRS 112 | Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses |
| Annual improvements to MFRSs | 2014-2016 Cycle |

MFRS and amendments to MFRSs and IC Interpretations that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following new standards, amendments to MFRSs and IC Interpretation which are effective for the financial period beginning on or after 1 January 2017. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretations.

| | |
|------------------------|--|
| MFRS 9 | Financial Instruments |
| MFRS 15 | Revenue from Contracts with Customers |
| MFRS 16 | Leases |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRS 140 | Classification on 'Change in Use' – Assets Transferred to, or from Investment Properties |

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1. Basis of Preparation (continued)

Project in Abu Dhabi

In respect of Zelan Holdings (M) Sdn Bhd's ("ZHSB") Meena Plaza project in Abu Dhabi, United Arab Emirates ("UAE"), ZHSB issued a notice of termination to the project owner on 17 September 2015 to terminate ZHSB's Contract Agreement ("Contract") dated 1 April 2008, following the defaults by the project owner, which failed to pay an amount of AED27.6 million (approximately RM31.7 million), being the certified amount of works done and materials at site owing by the project owner to ZHSB under certificates of payment in accordance with the provisions of the Contract and the project owner's continuous interference with the valuation and/or certification of ZHSB's progress claims.

The Directors are of the view that ZHSB has rightfully and validly terminated its employment under the Contract with the project owner. As provided under the Contract with the project owner, the termination took effect on 1 October 2015, being 14 days after the issuance of the notice of termination.

On 11 December 2015, ZHSB had submitted its request for arbitration to the International Court of Arbitration of the International Chamber of Commerce ("ICC") in relation to the disputes. For the purpose of the arbitration, ZHSB has engaged quantum expert, consultant quantity surveyor and structural engineering expert to substantiate its claim against the project owner.

On 17 December 2015, ZHSB was notified that the guarantor of the performance and rectification bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM47.1 million) and performance bond of AED51.5 million (approximately RM59.2 million) respectively. On 3 January 2016, the guarantor of the performance and rectification bonds released the full amount of the rectification bond and performance bond to the project owner.

On 18 August 2016, ZHSB received a letter from the ICC accepting ZHSB's Revised Request for Arbitration against the project owner in relation to the breaches and defaults of the project owner under the Contract between the project owner and ZHSB.

Accordingly, ZHSB is claiming from the project owner the total sum of AED452.3 million (approximately RM519.9 million) as the loss and damage and payments ZHSB is entitled to recover from the project owner as a result of ZHSB's termination of the Contract due to the default of the project owner.

On 6 October 2016, ZHSB received a letter from the ICC, stating that it had received the project owner's Answer to ZHSB's Revised Request for Arbitration, whereby the project owner's counterclaim against ZHSB is AED591.0 million (approximately RM679.3 million) for repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

The project owner and ZHSB had signed the Confidentiality and Arbitration Proceedings Stay Agreement dated 2 February 2017 ("CA"). The arbitration proceedings was suspended/stayed for a period of 4 months from the date of the CA to enable both parties to negotiate/reach settlement. On 17 May 2017, the project owner has uplifted the stay with immediate effect and has indicated to the arbitrators that they wish to proceed with the arbitration.

As the stay has been uplifted, the arbitration proceedings re-commenced and ZHSB submitted its Statement of Case. ZHSB revised the amount of its claim against the project owner to AED555.9 million (approximately RM639.0 million) as contained in its Statement of Case submitted to the Arbitral Tribunal of ICC in 3Q of FY2017. The parties have finalised and executed the Terms of Reference and submitted the same to the Tribunal. The Procedural Timetable has also been agreed upon and approved by the Tribunal, and hence the hearing dates for the arbitration have been fixed on 6 to 17 January 2019.

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1. Basis of Preparation (continued)

On 9 November 2017, the project owner has submitted the Statement of Defence and Counterclaim and revised its counterclaim against ZHSB to the sum of AED654.3 million (approximately RM752.1 million) from AED591.0 million (approximately RM679.5 million).

The Group recorded a total receivable balance of AED217.2 million (approximately RM249.6 million) due from the project owner as at 30 September 2017, comprising the certified claims, retention sum and amount due from the project owner for the work performed up to the termination date, as well as the rectification bond and performance bond drawdown by the project owner of AED92.5 million (approximately RM106.3 million) in January 2016. Based on the advice from the claim consultant and the external solicitors, the Directors are of the view that ZHSB has valid contractual basis to recover the outstanding receivable balance from the project owner through the arbitration process.

In making this assessment, the Directors have considered ZHSB's entitlement to the claims on amounts incurred for work done and materials supplied pursuant to the Contract, interest and other costs and loss of opportunity of profit which ZHSB had suffered as a result of the termination. ZHSB will proceed with the arbitration process to recover fully the outstanding amounts under the provision of the Contract. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables which takes into consideration the expected period of the arbitration process and the subsequent recovery.

The Directors are of the view that the Group will be able to generate sufficient cash inflows within the next twelve months from the reporting date from both existing and new contracts to meet working capital requirements, repayment of borrowings and negotiated settlement with sub-contractors. The Group will continue to deliver on its strategy to aggressively rebase its costs and ensure sustainability of the business. The Directors believe that the Group will be able to realise their assets and discharge their liabilities in the normal course of business.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2016 was not qualified.

3. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

4. Unusual Items

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the current financial quarter because of their nature, size or incidence.

5. Changes in Estimates of Amount Reported Previously

There was no change in estimates of amounts reported in the prior financial year that has a material effect in the current financial quarter.

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6. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

7. Dividend

For the current financial quarter, no dividend had been declared. For the preceding year's corresponding quarter, no dividend was declared.

8. Segmental Reporting

Segment analysis for the current financial quarter to 30 September 2017 is as follows:

| | Engineering and Construction RM '000 | Property and Development RM '000 | Concession & Asset Facilities Management RM '000 | Investment RM '000 | Total RM '000 |
|---|---|---|---|-------------------------------|--------------------------|
| Revenue | | | | | |
| Segment revenue | 8,274 | 202 | 165 | 163 | 8,804 |
| Less: Inter-segment sales | - | - | (165) | (82) | (247) |
| | <u>8,274</u> | <u>202</u> | <u>-</u> | <u>81</u> | <u>8,557</u> |
| Results | | | | | |
| Segment (loss)/profit | (1,325) | 89 | 175 | (999) | (2,060) |
| Finance costs | (3,182) | - | (4,422) | (266) | (7,870) |
| Share of results of associates | (327) | - | - | - | (327) |
| (Loss)/profit before zakat and taxation | (4,834) | 89 | (4,247) | (1,265) | (10,257) |
| Tax credit/(expense) | 207 | (16) | - | (42) | 149 |
| Net (loss)/profit after zakat and taxation | <u>(4,627)</u> | <u>73</u> | <u>(4,247)</u> | <u>(1,307)</u> | <u>(10,108)</u> |
| Attributable to: | | | | | |
| Equity holders of the parent | (4,618) | 73 | (4,247) | (1,307) | (10,099) |
| Non-controlling interests | (9) | - | - | - | (9) |
| | <u>(4,627)</u> | <u>73</u> | <u>(4,247)</u> | <u>(1,307)</u> | <u>(10,108)</u> |

9. Material Events Subsequent to the End of the Reporting Period

There was no material event subsequent to the end of the current financial quarter.

10. Changes in Composition of the Group

There was no change in the composition of the Group during the current financial quarter.

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11. Changes in Contingent Liabilities or Contingent Assets

As at 30 September 2017, the Company has given guarantees amounting to RM20,296,000 (3Q FY2016: RM46,581,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects.

12. Review of Performance

(i) Financial review for the current quarter and financial year to date

| | Individual Quarter | | | | Cumulative Quarter | | | |
|---|--------------------|-----------------------|----------|----------|--------------------|----------------------|-----------|----------|
| | Current Year | Preceding Year | Changes | | Current Year | Preceding Year | Changes | |
| | Quarter | Corresponding Quarter | Value | Variance | To- date | Corresponding Period | Value | Variance |
| | 30/09/2017 | 30/09/2016 | RM '000 | % | 30/09/2017 | 30/09/2016 | RM '000 | % |
| | RM '000 | RM '000 | RM '000 | % | RM '000 | RM '000 | RM '000 | % |
| Revenue | 8,557 | 39,793 | (31,236) | -78.5% | 53,683 | 157,677 | (103,994) | -66.0% |
| Operating profit/(loss) | 488 | (543) | 1,031 | >100% | 17,735 | 11,501 | 6,234 | 54.2% |
| Net foreign exchange (loss)/gain | (2,548) | 3,903 | (6,451) | >-100% | (7,790) | (2,309) | (5,481) | >-100% |
| Share of results of associates | (327) | (276) | (51) | -18.5% | (810) | (757) | (53) | -7.0% |
| (Loss)/profit before interest, zakat and taxation | (2,387) | 3,084 | (5,471) | >-100% | 9,135 | 8,435 | 700 | 8.3% |
| (Loss)/profit before zakat and taxation | (10,257) | 78 | (10,335) | >-100% | (5,495) | (27,310) | 21,815 | 79.9% |
| (Loss)/profit after zakat and taxation | (10,108) | 281 | (10,389) | >-100% | (8,441) | (29,915) | 21,474 | 71.8% |
| (Loss)/profit attributable to ordinary equity holders of the parent | (10,099) | 270 | (10,369) | >-100% | (8,421) | (29,919) | 21,498 | 71.9% |

The Group's revenue of RM8.6 million for the current quarter ended 30 September 2017 compared to RM39.8 million recorded in the corresponding quarter of the previous period. The decline in revenue by RM31.2 million or 78.5% was mainly due to completion of major phases of Drawbridge project and the completion of Bukit Bintang City Centre project.

The Group recorded loss after zakat and taxation ("LAZT") of RM10.1 million in the current quarter under review compared to profit after zakat and taxation ("PAZT") of RM0.3 million in the corresponding quarter of FY2016 mainly attributable to higher unrealised foreign exchange loss of RM2.5 million from oversea subsidiaries (3Q FY2016: unrealised foreign exchange gain of RM3.9 million), lower accretion of interest on long term receivables of RM0.3 million (3Q FY2016: RM4.5 million) and higher finance cost of RM7.9 million (3Q FY2016: RM3.0 million) due to amortisation of capitalised interest for International Islamic University Foundation Centre ("IIUM") project.

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12. Review of Performance (continued)

(i) Financial review for the current quarter and financial year to date (continued)

For the current financial period to-date, the Group recorded a total revenue of RM53.7 million, a decrease of RM104.0 million or 66.0% as compared to the RM157.7 million recorded in the corresponding period. The Engineering and Construction business segment contributed lower revenue principally due to the completion two main projects, namely Material Off-Loading Facility Jetty and construction of International Islamic University Foundation Center projects and completion of major phases of Drawbridge project. However, this decline was mitigated by a new project namely Sungai Besi-Ulu Kelang Elevated Expressway ("SUKÉ") Package CB2 which was secured in August 2016.

The Group posted lower LAZT of RM8.4 million for the current financial period as compared to RM29.9 million reported in the corresponding financial period. The lower LAZT of the Group was mainly contributed by the following:

- a. Other income from the interest compensation on the refund of corporate taxation from Indonesia Operation amounting to RM12.9 million;
- b. Lower in net diminution in carrying value of the long term receivables from Meena Plaza project and International Islamic University Foundation Center projects amounting to RM14.9 million (3Q FY2016: RM24.2 million);
- c. Net of income from unwinding of discounting on long term trade receivables and discounting on trade payables of RM18.5 million (3Q FY2016: net of expenses RM9.5 million); and
- d. Lower operating expenses of RM1.2 million (3Q FY2016: RM3.3 million).

(ii) Financial review for current quarter compared with immediate preceding quarter

| | Current Quarter | Immediate Preceding Quarter | Changes | |
|--|--------------------|-----------------------------------|---------|----------|
| | 30/09/2017 | 30/06/2017 | Value | Variance |
| | RM '000 | RM '000 | RM '000 | % |
| Revenue | 8,557 | 11,495 | (2,938) | -25.6% |
| Operating profit | 488 | 5,115 | (4,627) | -90.5% |
| Net foreign exchange loss | (2,548) | (3,790) | 1,242 | 32.8% |
| Share of results of associates | (327) | (248) | (79) | -31.9% |
| (Loss)/profit before interest, zakat and taxation | <u>(2,387)</u> | <u>1,077</u> | (3,464) | >-100% |
| Loss before zakat and taxation | (10,257) | (2,408) | (7,849) | >-100% |
| Loss after zakat and taxation | (10,108) | (5,459) | (4,649) | 85.2% |
| Loss attributable to ordinary equity holders of the parent | (10,099) | (5,449) | (4,650) | 85.3% |

Higher LAZT recorded of RM10.1 million for the current quarter compared to the LAZT of RM5.5 million in the immediate preceding quarter is mainly attributable to the lower operating profit registered amounting to RM0.6 million as a result of lower accretion of interest recognised from service concession, diminution in carrying value of long-term receivables and amortisation of capitalised interest from IIUM project.

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13. Current year prospects

The industry outlook is expected to remain competitive. The Board is of the view that the financial performance and prospects of the Group for the remaining financial year remains challenging. As a result, the Board will continue to manage the business with diligence and remain cautious of its financial performance.

14. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued in a public document for the current financial quarter.

15. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|--------------------------------|--------------------|----------------|--------------------|-------------|
| | Current year | Preceding year | Nine months | Nine months |
| | quarter | corresponding | to | to |
| | 30/09/2017 | quarter | 30/09/2017 | 30/09/2016 |
| | RM '000 | 30/09/2016 | RM '000 | RM '000 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Malaysian income tax - current | (146) | 375 | 85 | 3,270 |
| Foreign income tax - current | (9) | (576) | 2,857 | (661) |
| | (155) | (201) | 2,942 | 2,609 |
| Deferred tax | 6 | (2) | 4 | (4) |
| Tax (credit)/expense | (149) | (203) | 2,946 | 2,605 |

The tax credit for the current quarter was attributable to overprovision in the prior quarters.

The Group's effective tax rate for the financial period was higher than the statutory tax rate of 24% mainly due to foreign tax expense from the Indonesia operation.

16. Status of Corporate Proposals Announced

There is no outstanding corporate proposal announced up to the date of this announcement.

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17. Borrowings

Details of the Group's borrowings as at 30 September 2017 are as follows:

| | For the period ended 30.09.2017 | | | | | |
|----------------------------------|---------------------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | Short term borrowings | | Long term borrowings | | Total borrowings | |
| | Foreign denomination | RM denomination | Foreign denomination | RM denomination | Foreign denomination | RM denomination |
| | AED '000 | RM '000 | AED '000 | RM '000 | AED '000 | RM '000 |
| Secured | | | | | | |
| Term loan | 16,150 | 18,564 | 58,131 | 66,822 | 74,281 | 85,386 |
| Islamic financing | - | 19,143 | - | 373,076 | - | 392,219 |
| Revolving credit | - | 13,500 | - | - | - | 13,500 |
| Overdraft | - | 8,655 | - | - | - | 8,655 |
| Unsecured | | | | | | |
| Hire purchase | - | 211 | - | 333 | - | 544 |
| | 16,150 | 60,073 | 58,131 | 440,231 | 74,281 | 500,304 |
| ^ Exchange rate: AED1 = RM1.1495 | | | | | | |
| | For the period ended 30.09.2016 | | | | | |
| | Short term borrowings | | Long term borrowings | | Total borrowings | |
| | Foreign denomination | RM denomination | Foreign denomination | RM denomination | Foreign denomination | RM denomination |
| | AED '000 | RM '000 | AED '000 | RM '000 | AED '000 | RM '000 |
| Secured | | | | | | |
| Term loan | 18,300 | 20,604 | 69,942 | 78,748 | 88,242 | 99,352 |
| Islamic financing | - | 17,563 | - | 341,751 | - | 359,314 |
| Revolving credit | - | 13,500 | - | - | - | 13,500 |
| Unsecured | | | | | | |
| Hire purchase | - | 430 | - | 317 | - | 747 |
| | 18,300 | 52,097 | 69,942 | 420,816 | 88,242 | 472,913 |

^ Exchange rate: AED1 = RM1.1259

18. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements

The following analysis of realised and unrealised (accumulated losses)/retained earnings of the Group is prepared in accordance with Guidance on Special Matter No.1.Determination of Realised and Unrealised Profits in the Context of Disclosures pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Malaysia.

The disclosure of realised and unrealised (accumulated losses)/retained earnings below is solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

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18. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements (continued)

| | As at 30/09/2017 RM'000 | As at 31/12/2016 RM'000 |
|---|-------------------------------|-------------------------------|
| (Accumulated losses)/retained earnings of the Company and its subsidiaries: | | |
| - Realised | (905,371) | (868,815) |
| - Unrealised | (7,790) | 5,681 |
| | <u>(913,161)</u> | <u>(863,134)</u> |
| (Accumulated losses)/retained earnings of the associates: | | |
| - Realised | (9,839) | (8,338) |
| - Unrealised | 2,850 | 2,159 |
| | <u>(6,989)</u> | <u>(6,179)</u> |
| Consolidation adjustments | 905,461 | 863,045 |
| Total accumulated losses as per consolidated accounts | <u>(14,689)</u> | <u>(6,268)</u> |

19. Changes in Material/Significant Litigation

There was no change in material litigation, including the status of pending material litigations in respect of the Group since the last annual reporting date as at 31 December 2016, save for the following:

- (i) In relation to Note 33(b) of the Audited Financial Statements, on 1 June 2016, the Branch filed an appeal against the Court of Appeal's judgement at the Cassation Court in United Arab Emirates ("UAE"). On 23 June 2016, the Cassation Court allowed the Branch's application to stop the subcontractor from executing the said judgement pending the Cassation Court's final decision. On 26 January 2017, the Cassation Court dismissed the Branch's appeal, hence the Court of Appeal's judgement of increasing the monetary award to AED7.2 million (approximately RM8.3 million) is maintained.
- (ii) In relation to the project in Abu Dhabi, as disclosed in Note 18(v) and Note 31(a) of the Audited Financial Statements, on 17 May 2017 the project owner has notified the subsidiary and the arbitrators on the upliftment of the stay with immediate effect. As the stay has been uplifted, the arbitration proceedings recommenced and the subsidiary has filed its Statement of Case in 3Q FY2017. The parties have finalised and executed the Terms of Reference and submitted the same to the Tribunal. The Procedural Timetable has also been agreed upon and approved by the Tribunal, and hence the hearing dates for the arbitration have been fixed on 6 to 17 January 2019.

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19. Changes in Material/Significant Litigation (continued)

- (iii) In relation to the project in Abu Dhabi, as disclosed in Note 31(c) of the Audited Financial Statements, and as announced on 21 August 2017, on 18 August 2017, the subsidiary as the Respondent in the arbitration has received the Arbitral Tribunal's Final Award dated 15 August 2017 in favour of the subsidiary from the Secretariat of the International Court of Arbitration ("Court"), International Chamber of Commerce ("ICC") whereby the Arbitral Tribunal, inter alia: (a) declares that it has no jurisdiction to determine the substantive dispute in the arbitration since the claims as filed by the subcontractor in the present arbitration are premature and (b) orders the subcontractor to bear 100% of the fees and expenses of the Arbitral Tribunal and ICC's administrative expenses fixed by the Court at USD0.15 million (approximately RM0.63 million) and (c) orders that the subcontractor to reimburse the subsidiary the amount of USD0.02 million (approximately RM0.08 million) which represents the partial payment made by the subsidiary of its share of the advance on costs; and (d) orders the subcontractor to reimburse the subsidiary all the legal fees and disbursements of which the subsidiary has incurred, which amounted to RM0.2 million.
- (iv) In relation to the Materials Off Loading Facility Jetty Project ("MOLF") as disclosed in Note 31(d) of the Audited Financial Statements, the subsidiary's application for security for costs against the subcontractor has been dismissed with costs. On 2 June 2017, the subcontractor has obtained summary judgement against the subsidiary for the sum of €1.8 million (approximately RM8.9 million) together with interest at the rate of 5% per annum from the commencement date of the civil action until full realisation. The subsidiary's counterclaim was dismissed with costs.

As at 22 November 2017 the subsidiary made a partial settlement of €1.5 million (approximately RM7.4 million) and the balance of €0.3 million (approximately RM1.5 million) will be paid in due course.

- (v) In relation to the EPCC Tanjung Bin power plant power station in Johor consisting of 3 x 700MW coal-fired power plants and related facilities ("Project"), as disclosed in Note 31(b) of the Audited Financial Statements, and as announced on 7 August 2017, the Claimant (Tanjung Bin Power Sdn Bhd) the Respondents (namely Sumitomo Corporation, Zelan Holdings (M) Sdn Bhd ("ZHSB") and Sumi-Power Malaysia Sdn Bhd) and 3 other parties namely IHI Corporation, ISHI Power Sdn Bhd and IHI Power System Malaysia Sdn Bhd, have executed a Compromise Agreement whereby, inter alia, ZHSB will be released and discharged from all liabilities whatsoever and the Claimant shall irrevocably withdraw the arbitration proceedings against ZHSB. On 22 August 2017, the Claimant has confirmed the discontinuance of the arbitration proceedings.

20. (Loss)/Earnings Per Share

The basic (loss)/earnings per share and the diluted (loss)/earnings per share for the financial period were calculated based on the Group's (loss)/profit attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares in issue during the financial period.

The diluted (loss)/earnings per share for the financial period were calculated based on the Group's (loss)/profit attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares in issue, adjusted to assume the conversion of all dilutive potential ordinary shares (e.g. warrants).

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20. (Loss)/Earnings Per Share (continued)

The diluted (loss)/earnings per share is the same as basic earnings per share calculated below as the warrant options are anti-dilutive.

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | Quarter ended 30/09/2017 | Quarter ended 30/09/2016 | Nine months to 30/09/2017 | Nine months to 30/09/2016 |
| (Loss)/earnings attributable to equity holders of the parent (RM'000) | (10,099) | 270 | (8,421) | (29,919) |
| Weighted average number of ordinary shares in issue ('000) | 844,895 | 844,895 | 844,895 | 844,895 |
| Basic (loss)/earnings per share (sen) | (1.20) | 0.03 | (1.00) | (3.54) |
| Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000) | 844,895 | 844,895 | 844,895 | 844,895 |
| Diluted (loss)/earnings per share (sen) | (1.20) | 0.03 | (1.00) | (3.54) |

21. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 November 2017.

By order of the Board

Noor Raniz bin Haji Mat Nor
Ellis Suryanti Binti Jasmi
Secretaries

Kuala Lumpur
24 November 2017