

**ZELAN BERHAD**  
(Company No. : 27676-V)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2016**

THE FIGURES HAVE NOT BEEN AUDITED

**CONSOLIDATED STATEMENT OF INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/06/2016 RM'000	Quarter ended 30/06/2015 RM'000	Period ended 30/06/2016 RM'000	Period ended 30/06/2015 RM'000
<b>Continuing operations</b>				
Revenue	56,493	115,079	117,884	203,091
Cost of sales	(49,914)	(103,116)	(102,872)	(182,111)
Gross profit	<u>6,579</u>	<u>11,963</u>	<u>15,012</u>	<u>20,980</u>
Other income	396	556	648	803
- Income/profit on placement on deposits	206	63	734	161
- Unwinding of discounting on trade receivables and discounting on trade payables	5,909	7,553	10,681	10,525
- (Diminution)/accretion of interest on long term receivables	(3,572)	7,369	(7,160)	14,073
Total interest income	2,543	14,985	4,255	24,759
Unrealised foreign exchange gain/(loss), net	3,672	1,457	(6,212)	5,237
Administrative expenses	(4,652)	(5,072)	(9,299)	(9,032)
Operating expenses	(844)	(271)	(2,289)	(580)
Write back/(provision) for impairment of receivables	4,161	(2)	4,160	(19)
Depreciation	(206)	(182)	(443)	(364)
- Finance cost on borrowings	(2,533)	(137)	(6,747)	(217)
- Discounting of long term trade receivables and unwinding of discounting on trade payables	69	(10,479)	(25,992)	(14,392)
Total finance costs	(2,464)	(10,616)	(32,739)	(14,609)
Share of results of associates	(281)	(97)	(481)	(318)
<b>Net profit/(loss) before zakat and taxation</b>	<u>8,904</u>	<u>12,721</u>	<u>(27,388)</u>	<u>26,857</u>
Tax expense	(1,527)	(2,567)	(2,808)	(1,271)
<b>Net profit/(loss) for the period</b>	<u>7,377</u>	<u>10,154</u>	<u>(30,196)</u>	<u>25,586</u>
<b>Other comprehensive (loss)/income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	(3,501)	240	1,669	1,174
<b>Total items that may be reclassified subsequently to the profit or loss</b>	<u>(3,501)</u>	<u>240</u>	<u>1,669</u>	<u>1,174</u>
<b>Total comprehensive income/(loss) for the period</b>	<u>3,876</u>	<u>10,394</u>	<u>(28,527)</u>	<u>26,760</u>
<b>Profit/(loss) for the period</b>				
<b>Attributable to:</b>				
Equity holders of the parent	7,384	10,145	(30,189)	25,574
Non-controlling interests	(7)	9	(7)	12
	<u>7,377</u>	<u>10,154</u>	<u>(30,196)</u>	<u>25,586</u>
<b>Total comprehensive income/(loss) for the period</b>				
<b>Attributable to:</b>				
Equity holders of the parent	3,875	10,385	(28,538)	26,748
Non-controlling interests	1	9	11	12
	<u>3,876</u>	<u>10,394</u>	<u>(28,527)</u>	<u>26,760</u>
Basic earnings / (losses) per share attributable to equity holders of the Company (sen)	<u>0.87</u>	<u>1.20</u>	<u>(3.57)</u>	<u>3.03</u>
Diluted earnings / (losses) per share attributable to equity holders of the Company (sen)	<u>0.87</u>	<u>1.11</u>	<u>(3.57)</u>	<u>2.79</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015

**ZELAN BERHAD**  
(Company No. : 27676-V)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 30/06/2016 RM'000	Audited As at 31/12/2015 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8,195	8,756
Investment properties	4,811	4,882
Receivables, deposits and prepayments	654,656	565,251
Deposits, cash and bank balances (restricted)	<u>5,472</u>	<u>4,099</u>
	<u>673,134</u>	<u>582,988</u>
<b>CURRENT ASSETS</b>		
Inventories	8,965	8,965
Receivables, deposits and prepayments	138,890	146,112
Tax recoverable	15,068	15,938
Deposits pledged as security (restricted)	11,346	19,219
Deposits, cash and bank balances (non-restricted)	<u>14,265</u>	<u>47,289</u>
	<u>188,534</u>	<u>237,523</u>
Assets of disposal subsidiary classified as held for sale	-	2,671
	<u>188,534</u>	<u>240,194</u>
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables	208,488	261,282
Borrowings	50,853	26,604
Current tax liabilities	<u>5,319</u>	<u>3,569</u>
	<u>264,660</u>	<u>291,455</u>
Liabilities of disposal subsidiary classified as held for sale	-	1,671
	<u>264,660</u>	<u>293,126</u>
<b>NET CURRENT LIABILITIES</b>	<b>(76,126)</b>	<b>(52,932)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>597,008</u></b>	<b><u>530,056</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	84,489	84,489
Reserves	<u>92,321</u>	<u>120,859</u>
	<u>176,810</u>	<u>205,348</u>
Non-controlling interests	<u>(176)</u>	<u>(187)</u>
<b>TOTAL EQUITY</b>	<b><u>176,634</u></b>	<b><u>205,161</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Investments in associates	2,616	2,135
Borrowings	414,721	319,721
Deferred tax liabilities	<u>3,037</u>	<u>3,039</u>
	<u>420,374</u>	<u>324,895</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<b><u>597,008</u></b>	<b><u>530,056</u></b>
Net assets per share (RM)	<u>0.21</u>	<u>0.24</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015

**ZELAN BERHAD**  
(Company No. : 27676-V)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the parent							Sub - total RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Warrants Reserve # RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Retained Earnings RM'000				
<b>Six months to 30 June 2016</b>										
Balance as at 1 January 2016	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161	
Loss for the period	-	-	-	-	-	(30,189)	(30,189)	(7)	(30,196)	
<u>Other comprehensive income:</u>										
Currency translation difference	-	-	1,651	-	-	-	1,651	18	1,669	
Total comprehensive income/(loss) for the period	-	-	1,651	-	-	(30,189)	(28,538)	11	(28,527)	
Balance as at 30 June 2016	84,489	14,082	7,362	35,457	4,254	31,166	176,810	(176)	176,634	
<b>Six months to 30 June 2015</b>										
Balance as at 1 January 2015	84,489	14,082	7,575	35,457	4,254	30,868	176,725	(202)	176,523	
Profit for the period	-	-	-	-	-	25,574	25,574	12	25,586	
<u>Other comprehensive income:</u>										
Currency translation difference	-	-	1,174	-	-	-	1,174	-	1,174	
Total comprehensive income for the period	-	-	1,174	-	-	25,574	26,748	12	26,760	
Balance as at 30 June 2015	84,489	14,082	8,749	35,457	4,254	56,442	203,473	(190)	203,283	

\* 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 2015.**

**ZELAN BERHAD**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current year to date 30/06/2016 RM'000	Current year to date 30/6/2015 RM'000
<b>OPERATING ACTIVITIES</b>		
Net (loss)/profit for the period attributable to equity holders of the Company	(30,189)	25,574
Adjustments for:		
Tax expense	2,808	1,271
Depreciation of property, plant and equipment	621	1,115
Depreciation of investment properties	71	71
(Write back)/provision for impairment of receivables	(4,160)	19
Gain on disposal of property, plant and equipment	(7)	(190)
Interest income	(4,255)	(24,759)
Finance costs	32,739	14,609
Net unrealised foreign exchange gain/(loss)	6,212	(5,237)
Non-controlling interests	(7)	12
Share of results of associates	481	318
	<u>4,314</u>	<u>12,803</u>
Changes in working capital:		
Receivables	(100,493)	(134,591)
Payables	(36,016)	23,695
	<u>(132,195)</u>	<u>(98,093)</u>
Cash flows used in operations	(132,195)	(98,093)
Tax paid	(1,051)	(3,435)
<b>Net cash flows used in operating activities</b>	<u>(133,246)</u>	<u>(101,528)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(68)	(149)
Proceeds from disposal of property, plant and equipment	7	298
Proceeds from disposal of other investments	1,000	-
Interest received from deposits and investments	734	161
<b>Net cash flows generated from investing activities</b>	<u>1,673</u>	<u>310</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	(118,646)	(7,170)
Proceeds from borrowings	221,489	82,266
Repayments of hire purchase creditors	(272)	(312)
Interest paid	(6,747)	(217)
Upliftment of deposits pledged as security	6,500	1,885
<b>Net cash flows generated from financing activities</b>	<u>102,324</u>	<u>76,452</u>
Net movement in cash and cash equivalents	(29,249)	(24,766)
Cash and cash equivalents at the beginning of the period	47,289	43,634
Currency translation differences	(3,775)	6,344
<b>Cash and cash equivalents at the end of the period</b>	<u>14,265</u>	<u>25,212</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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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 2015. 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 2015.

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 2015 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

The adoption of the following amendments to the existing standards do not have any significant impact to the interim financial information of the Group.

Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations (effective from 1 January 2016)
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities – Applying the Consolidation Exception (effective from 1 January 2016)
Amendments to MFRS 127	Equity Method in Separate Financial Statements (effective from 1 January 2016)
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure initiative (effective from 1 January 2016)
Amendments to MFRS116 and MFRS13	Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
Annual Improvements to MFRSs	2012-2014 Cycle (effective from 1 January 2016)

**MFRS and amendments to standards that are applicable to the Group but not yet effective**

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

Amendments to MFRS 9	Financial Instruments (effective from 1 January 2018)
Amendments to MFRS15	Revenue from Contracts with Customers (effective from 1 January 2018)
MFRS 16	Leases (effective from 1 January 2019)

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**1. Basis of Preparation (continued)**

Project in Abu Dhabi

In respect of the Group's project in Abu Dhabi, United Arab Emirates ("UAE"), the Group issued a notice of termination to the project owner in Abu Dhabi, UAE on 17 September 2015 to terminate the Group's employment following the defaults by the project owner, which failed to pay an amount of AED27.6 million (approximately RM32.3 million), being the certified amounts of works done and materials at site owing by the project owner to the Group 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 the Group's progress claims.

The Directors are of the view that the Group 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, the Group 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, the Group has engaged quantum expert, consultant quantity surveyor and structural engineering expert to substantiate its claim against the project owner.

On 17 December 2015, the Group was notified that the guarantor of the performance bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM47.9 million) and performance bond of AED51.5 million (approximately RM60.2 million) respectively. On 3 January 2016, the guarantor of the performance bonds released the full amount of the rectification bond and performance bond to the project owner.

On 18 August 2016, the Group received a letter from the ICC accepting the Group's 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 Zelan Holdings (M) Sdn Bhd ("ZHSB").

Accordingly, ZHSB is claiming from the project owner the total sum of AED452.7 million (RM528.9 million) as the loss and damage and payments it is entitled to recover from the project owner by consequence of ZHSB's termination of the Contract due to the default of the project owner.

The Group recorded a total receivable balances of AED207.7 million (approximately RM228.0 million) due from the project owner as at 30 June 2016, comprising the certified claims and amounts 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 RM108.1million) in January 2016. Based on the advice from the claim consultant and the external solicitors, the Directors are of the view that the Group has valid contractual basis to recover the outstanding receivable balances from the project owner.

In making this assessment, the Directors have considered the Group's entitlement to 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 the Group had suffered as a result of the termination. The Group 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 which may take more than two years in arriving at the carrying value of the receivables.

The recovery of the outstanding balance from the project owner will be dependent on the outcome of the arbitration process, which commenced in December 2015.

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**1. Basis of Preparation (continued)**

The Group has also successfully restructured the rectification bond and performance bond drawdown in January 2016 by the project owner in Abu Dhabi of AED92.5 million (approximately RM108.1 million) into a secured term loan amounting to AED88.0 million (approximately RM102.9 million) in February 2016 which allows the Group to make progressive principal and interest repayments over a period up to January 2019.

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 and obtain tax refunds from the Indonesian tax authorities as awarded by the Supreme Court of Indonesia to meet working capital requirements and repay borrowings. The Directors believe that the Group will be able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. Thus, the Directors believe no material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

**2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Group's financial statements for the financial year ended 31 December 2015 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.

**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.

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**8. Segmental Reporting**

Segment analysis for the current financial quarter to 30 June 2016 is as follows:

	<b>Engineering and Construction</b>	<b>Property and Development</b>	<b>Asset Facilities Management</b>	<b>Investment</b>	<b>Total</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>					
Segment revenue	48,052	204	165	162	48,583
Less: Inter-segment sales	8,156	-	(165)	(81)	7,910
	<u>56,208</u>	<u>204</u>	<u>-</u>	<u>81</u>	<u>56,493</u>
<b>Results</b>					
Segment profit/(loss)	13,715	72	(216)	(1,922)	11,649
Finance costs	(2,135)	-	-	(329)	(2,464)
Share of results of associates	(281)	-	-	-	(281)
Profit/(loss) before zakat and taxation	11,299	72	(216)	(2,251)	8,904
Tax expense	(1,459)	(3)	(39)	(26)	(1,527)
Net profit/(loss) for the period	<u>9,840</u>	<u>69</u>	<u>(255)</u>	<u>(2,277)</u>	<u>7,377</u>
<b>Attributable to:</b>					
Equity holders of the parent	9,847	69	(255)	(2,277)	7,384
Non-controlling interests	(7)	-	-	-	(7)
	<u>9,840</u>	<u>69</u>	<u>(255)</u>	<u>(2,277)</u>	<u>7,377</u>

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

On 4 August 2016, the Group announced that Zelan – Hasrat Sedaya Consortium (“ZHSC”) (an unincorporated consortium comprising Zelan Construction Sdn Bhd, a wholly-owned subsidiary of Zelan Berhad, and Hasrat Sedaya Sdn Bhd), received a Letter of Acceptance (“LOA”) from Turnpike Synergy Sdn Bhd, for the tender submitted by ZHSC for Projek Penswastaaan Lebuhraya Bertingkat Sungai Besi – Ulu Kelang Package SUKE - CB2 – Construction and Completion of Mainline and Other Associated Works from CH. 15000 to CH.16700 (“Works”). The Works cover along Jalan Taman Putra for approximately 1.7 km.

The Contract Sum is RM257.6 million. The contract duration is 30 months and Date for Possession of Site is 29 August 2016.

**10. Changes in Composition of the Group**

There was no change in the composition of the Group during the current financial quarter, except that:

The Group had on 30 December 2015, entered into a Share Sale Agreement to dispose its entire 95% equity interest in Terminal Bersepadu Gombak (M) Sdn Bhd for a sale consideration of RM1.0 million. The disposal was completed on 15 April 2016.

**11. Changes in Contingent Liabilities or Contingent Assets**

There was no change in contingent liabilities or contingent assets since the last quarter.



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**12. Profit Forecast or Profit Guarantee**

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

**13. Review of Performance**

**(i) Comparison between the current quarter and the immediate preceding quarter**

	<b>30/06/2016</b>	<b>31/03/2016</b>	
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b><u>Revenue</u></b>			
Engineering and Construction	56,208	61,109	(4,901)
Property and Development	204	201	3
Investment	81	81	-
<b>Total</b>	<b>56,493</b>	<b>61,391</b>	<b>(4,898)</b>
<b><u>Profit/(Loss) After Zakat and Taxation</u></b>			
Engineering and Construction	9,840	(36,086)	45,926
Property and Development	69	199	(130)
Asset Facilities Management	(255)	(187)	(68)
Investment	(2,277)	(1,499)	(778)
<b>Total</b>	<b>7,377</b>	<b>(37,573)</b>	<b>44,950</b>

For the current quarter under review, the Group recorded lower revenue from Engineering and Construction segment of RM56.2 million as compared to a revenue of RM61.1 million in the immediate preceding quarter.

Revenue for both quarters were contributed by the local projects and the lower revenue from Drawbridge project of RM12.3 million (31.03.2016: RM19.1 million) was mitigated by higher revenue from BBCC project amounting to RM4.2 million (31.03.2016: Nil).

The Group recorded Profit After Zakat and Taxation ("PAZT") of RM7.4 million for the current quarter as compared to the Loss After Zakat and Taxation ("LAZT") of RM37.6 million in the immediate preceding quarter. The positive variance of RM44.9 million was mainly due to the following:

- a) lower discounting of long term trade receivables and unwinding of discounting on trade payables of RM0.1 million as compared to RM26.1 million in the immediate preceding quarter;
- b) unrealised foreign exchange gain of RM3.7 million as compared to a loss of RM9.9 million in immediate preceding quarter; and
- c) write back of provision for impairment of receivables of RM4.2 million in the current quarter.

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**13. Review of Performance (continued)**

**(ii) Comparison between the current quarter/period ended and corresponding quarter last year /period ended**

	Quarter ended 30/06/2016 RM '000	Quarter ended 30/06/2015 RM '000	Variance RM '000	Six months to 30/06/2016 RM '000	Six months to 30/06/2015 RM '000	Variance RM '000
<b>Revenue</b>						
Engineering and Construction	56,208	114,784	(58,576)	117,317	202,518	(85,201)
Property and Development	204	207	(3)	405	397	8
Investment	81	88	(7)	162	176	(14)
<b>Total</b>	<b>56,493</b>	<b>115,079</b>	<b>(58,586)</b>	<b>117,884</b>	<b>203,091</b>	<b>(85,207)</b>
<b>Profit/(loss) After Zakat and Taxation</b>						
Engineering and Construction	9,840	12,030	(2,190)	(26,246)	29,136	(55,382)
Property and Development	69	215	(146)	268	270	(2)
Asset Facility Management	(255)	-	(255)	(442)	-	(442)
Investment	(2,277)	(2,091)	(186)	(3,776)	(3,820)	44
<b>Total</b>	<b>7,377</b>	<b>10,154</b>	<b>(2,777)</b>	<b>(30,196)</b>	<b>25,586</b>	<b>(55,782)</b>

For the current quarter under review, the Group's revenue from Engineering and Construction segment was RM56.2 million as compared to the revenue of RM114.8 million in the corresponding quarter last year, lower by RM58.6 million or 51.0%. This was mainly due to lower revenue from local projects of RM56.2 million (30.06.2015: RM89.1 million) and no revenue contribution from Meena project in Abu Dhabi for the current quarter (30.06.2016:RM25.7 million).

The revenue recorded from Property and Development segment from rental income of office premises and car park bays for the quarter was slightly lower as compared to the corresponding quarter last year.

The Group recorded PAZT of RM7.4 million for the current quarter which is lower than the PAZT of RM10.2 million in the corresponding quarter last year mainly due to the following:

- a) lower gross profit by RM6.6 million as a flowthrough from lower revenue; and
- b) lower net finance income by RM4.3 million mitigated by higher foreign exchange gain of RM2.2 million and write back of provision for impairment of receivables of RM4.2 million.

For the current period under review, the Group's revenue from Engineering and Construction segment of RM117.3 million as compared to a revenue of RM202.5 million in the corresponding period last year, lower by RM85.2 million or 42.1%. Lower revenue from local projects of RM117.3 million (30.06.2015:RM152.9 million) was due to the nearing completion of International Islamic University Malaysia Foundation Center ("IIUM") project. In addition there was no revenue from Meena project in Abu Dhabi as compared to the revenue of RM49.6 million for the period ended 30.06.2015.

The variance of RM55.8 million between the Group's current period LAZT of RM30.2 million as compared to PAZT of RM25.6 million in the corresponding period last year was mainly due to:

- a) lower gross profit of RM15.0 million (30.06.2015: RM21.0 million);
- b) diminution of long term receivables on the IIUM project of RM7.2 million (30.06.2015:accretion of interest of RM14.1 million);
- c) higher finance costs of RM26.0 million (30.06.2015: RM14.4 million);
- d) higher income tax of RM2.8 million (30.06.2015: RM1.3 million); and
- e) unrealised forex loss of RM6.2 million as compared to unrealised forex gain of RM5.2 million in corresponding quarter last year.

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**14. Taxation**

	Individual Quarter		Cumulative Quarter		
	Current year quarter 30/06/2016 RM '000	Preceding year corresponding quarter 30/06/2015 RM '000	Six months to 30/06/2016 RM '000	Six months to 30/06/2015 RM '000	
Malaysian income tax - current	1,527	2,569	2,895	4,379	
Malaysian income tax - group tax relief	-	-	-	(3,057)	
Overseas income tax	1	-	(85)	-	
	<u>1,528</u>	<u>2,569</u>	<u>2,810</u>	<u>1,322</u>	
Deferred tax	(1)	(2)	(2)	(51)	
Tax expense	<u>1,527</u>	<u>2,567</u>	<u>2,808</u>	<u>1,271</u>	

The Malaysian income tax effective tax rate for the Group for the current quarter was lower than the applicable statutory rates mainly due to certain companies within the Group which were loss making and certain income which was capital in nature and not subject to tax.

**15. Borrowings**

Details of Group's borrowings as at 30 June 2016 are as follows:

	Short term borrowings			Long term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Term loan	22,724	-	22,724	76,104	-	76,104
Islamic financing	27,624	-	27,624	338,237	-	338,237
Hire purchase	-	505	505	-	380	380
	<u>50,348</u>	<u>505</u>	<u>50,853</u>	<u>414,341</u>	<u>380</u>	<u>414,721</u>

**16. Earnings/(Loss) Per Share**

The basic earnings/(loss) per share and the diluted earnings/(loss) per share for the financial period were calculated based on the Group's profit/(loss) 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 earnings/(losses) per share for the financial period were calculated based on the Group's profit/(loss) 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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**16. Earnings/(Loss) Per Share (continued)**

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30/06/2016	Quarter ended 30/06/2015	Six months to 30/06/2016	Six months to 30/06/2015
Profit/(loss) attributable to equity holders of the parent (RM'000)	7,384	10,145	(30,189)	25,574
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
<b>Basic earnings/(loss) per share (sen)</b>	<b>0.87</b>	<b>1.20</b>	<b>(3.57)</b>	<b>3.03</b>
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	844,895	914,242	844,895	915,830
<b>Diluted earnings/(loss) per share (sen)</b>	<b>0.87</b>	<b>1.11</b>	<b>(3.57)</b>	<b>2.79</b>

The diluted earnings per share is the same as basic earnings per share calculated above as the warrant options are anti-dilutive.

**17. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements**

The following analysis of realised and unrealised retained earnings/(accumulated losses) at 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 the Bursa Malaysia.

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

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
(Accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(873,073)	(858,298)
- Unrealised	(6,212)	17,195
	<u>(879,285)</u>	<u>(841,103)</u>
(Accumulated losses)/retained earnings of: the associates:		
- Realised	(7,820)	(7,678)
- Unrealised	2,858	3,197
	<u>(4,962)</u>	<u>(4,481)</u>
Consolidation adjustments	915,413	906,939
Total retained earnings as per consolidated accounts	<u>31,166</u>	<u>61,355</u>

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**18. Status of Corporate Proposals Announced**

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

**19. Changes in Material/Significant Litigation**

There was no change in material litigation, including the status of pending material litigations (if any) in respect of the Group since the last annual reporting date as at 31 December 2015, save for the following:

- (i) In relation to the matter stated in Note 33(a) of the Audited Financial Statements, on 6 April 2016, the subsidiary received a judgment issued by the Administrative Court of Appeal to return the case to the Court of First Instance to amend the judgment *in-absentia* to judgment in presence of the subsidiary. On 7 July 2016, the Court of First Instance amended the judgment accordingly and maintained the order that the subsidiary to pay an amount of SAR5.35 million (approximately RM6.1 million) to the supplier.
- (ii) 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 judgment at the Cassation Court. On 23 June 2016, the Cassation Court allowed the Branch's application to stay or stop the subcontractor from executing the said judgment pending the Cassation Court's final decision. No hearing date has been fixed by the Cassation Court for the appeal.
- (iii) In relation to the project in Abu Dhabi, as disclosed in Note 19(iv) and Note 31 of the Audited Financial Statements, on 11 December 2015, ZHSB has submitted its request for arbitration to the International Court of Arbitration of the International Chamber of Commerce ("ICC") in relation to two of the disputes. On 18 August 2016, ZHSB received a letter from the ICC accepting ZHSB's request for arbitration against the Employer for the other disputes arising out of the project with the total amount of the claims revised to AED452.7 million (approximately RM528.9 million).

**20. Current Year Prospects**

With the recently awarded contract of RM257.6 million for the Sungai Besi - Ulu Kelang Package SUKE-CB2 – Construction and Completion of Mainline and Other Associated Works, the Group expects to improve earnings from operations for the second half of financial year ending 31 December 2016. The Group also expects to receive the revenue on the Asset Management Services and Availability Charges from the International Islamic University Malaysia Foundation Center in Gampang, beginning the fourth quarter of 2016. In addition, the Company has taken positive steps to improve the Group's performance through continuous assessment of internal and external risks, implementation of strategies to control costs and timely completion of the current on-going projects.

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**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 22 August 2016.

**By order of the Board**

**Noor Raniz bin Haji Mat Nor**  
**Nur Haliza binti Mat Piah**  
**Secretaries**

**Kuala Lumpur**  
**22 August 2016**