

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2016**

**THE FIGURES HAVE NOT BEEN AUDITED**

**CONSOLIDATED STATEMENT OF INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2016 RM'000	Quarter ended 31/12/2015 RM'000	Year ended 31/12/2016 RM'000	Year ended 31/12/2015 RM'000
<b>Continuing operations</b>				
Revenue	64,696	115,845	222,373	412,970
Cost of sales	<u>(87,591)</u>	<u>(107,999)</u>	<u>(227,165)</u>	<u>(376,757)</u>
Gross (loss)/profit	(22,895)	7,846	(4,792)	36,213
Other income	261	333	1,140	1,246
- Income/profit on placement on deposits	407	850	1,342	1,025
- Unwinding of discounting on trade receivables and discounting on trade payables	7,957	4,557	25,062	22,515
- Accretion of interest on long term receivables	-	-	-	22,557
Total interest income	8,364	5,407	26,404	46,097
Diminution in carrying value on long term receivables	(25,910)	(9,730)	(62,897)	(50,033)
Unrealised foreign exchange gain/(loss), net	8,016	(257)	5,707	17,195
Reversal of impairment charge on property, plant and equipment	-	834	790	1,506
Administrative expenses				
-other administrative expenses	(3,721)	(11,007)	(18,289)	(24,025)
-provision for arbitration expenses	-	-	-	(10,287)
-professional fees	-	-	(386)	(7,700)
Operating expenses				
-other operating expenses	(754)	(1,647)	(4,472)	(3,622)
-write back of late payment interest on revised tax assessment	-	-	-	20,218
-(provision)/write back of penalty on revised tax assessment	-	-	(326)	5,738
-write back/(provision) for impairment on receivables	60	(4,643)	4,202	(4,643)
-write back/(provision) for loss on disposal of investment	-	1,710	-	(1,324)
Depreciation	(213)	(312)	(861)	(861)
- Finance cost on borrowings	(2,542)	(270)	(11,718)	(793)
-Unwinding of discounting on trade payables and discounting on trade receivables	(69)	(207)	(458)	(1,437)
Total finance costs	(2,611)	(477)	(12,176)	(2,230)
Share of results of associates	(941)	(784)	(1,698)	(1,729)
<b>Net (loss)/profit before zakat and taxation</b>	<b>(40,344)</b>	<b>(12,727)</b>	<b>(67,654)</b>	<b>21,759</b>
Tax credit/(expense)	2,027	(5,802)	(578)	8,760
<b>Net (loss)/profit after zakat and taxation</b>	<b>(38,317)</b>	<b>(18,529)</b>	<b>(68,232)</b>	<b>30,519</b>
<b>Other comprehensive loss:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	(5,384)	(1,264)	(5,718)	(1,881)
<b>Total items that may be reclassified subsequently to the profit or loss</b>	<b>(5,384)</b>	<b>(1,264)</b>	<b>(5,718)</b>	<b>(1,881)</b>
<b>Total comprehensive (loss)/income for the period/year</b>	<b>(43,701)</b>	<b>(19,793)</b>	<b>(73,950)</b>	<b>28,638</b>
<b>(Loss)/profit for the period/year</b>				
<b>Attributable to:</b>				
Equity holders of the parent	(38,332)	(18,532)	(68,251)	30,487
Non-controlling interests	15	3	19	32
	<u>(38,317)</u>	<u>(18,529)</u>	<u>(68,232)</u>	<u>30,519</u>
<b>Total comprehensive (loss)/income for the period/year</b>				
<b>Attributable to:</b>				
Equity holders of the parent	(43,709)	(19,779)	(73,974)	28,623
Non-controlling interests	8	(14)	24	15
	<u>(43,701)</u>	<u>(19,793)</u>	<u>(73,950)</u>	<u>28,638</u>
Basic (losses)/earnings per share attributable to equity holders of the Company (sen)	(4.54)	(2.19)	(8.08)	3.61
Diluted (losses)/earnings per share attributable to equity holders of the Company (sen)	(4.54)	(2.16)	(8.08)	3.42

**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 31/12/2016 RM'000	Audited As at 31/12/2015 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8,088	8,756
Investment properties	4,740	4,882
Receivables, deposits and prepayments	686,083	565,251
Deposits, cash and bank balances (restricted)	8,329	4,099
	<u>707,240</u>	<u>582,988</u>
<b>CURRENT ASSETS</b>		
Inventories	8,965	8,965
Receivables, deposits and prepayments	145,900	146,112
Tax recoverable	1,538	15,938
Deposits pledged as security (restricted)	11,919	19,219
Deposits, cash and bank balances (non-restricted)	4,169	47,289
	<u>172,491</u>	<u>237,523</u>
Assets of disposal subsidiary classified as held for sale	-	2,671
	<u>172,491</u>	<u>240,194</u>
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables	265,927	261,282
Borrowings	44,130	26,604
Current tax liabilities	-	3,569
	<u>310,057</u>	<u>291,455</u>
Liabilities of disposal subsidiary classified as held for sale	-	1,671
	<u>310,057</u>	<u>293,126</u>
<b>NET CURRENT LIABILITIES</b>	<b>(137,566)</b>	<b>(52,932)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>569,674</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	46,885	120,859
	<u>131,374</u>	<u>205,348</u>
Non-controlling interests	(163)	(187)
<b>TOTAL EQUITY</b>	<b><u>131,211</u></b>	<b><u>205,161</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Investments in associates	3,833	2,135
Borrowings	431,596	319,721
Deferred tax liabilities	3,034	3,039
	<u>438,463</u>	<u>324,895</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<b><u>569,674</u></b>	<b><u>530,056</u></b>
Net assets per share (RM)	<u>0.16</u>	<u>0.24</u>

The Consolidated Statement of Financial Position 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>Twelve months to 31 December 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	
Net loss for the year	-	-	-	-	-	(68,251)	(68,251)	19	(68,232)	
<u>Other comprehensive income:</u>										
Currency translation difference	-	-	(5,723)	-	-	-	(5,723)	5	(5,718)	
Total comprehensive (loss)/income for the financial year	-	-	(5,723)	-	-	(68,251)	(73,974)	24	(73,950)	
Balance as at 31 December 2016	84,489	14,082	(12)	35,457	4,254	(6,896)	131,374	(163)	131,211	
<b>Twelve months to 31 December 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	
Net profit for the year	-	-	-	-	-	30,487	30,487	32	30,519	
<u>Other comprehensive loss:</u>										
Currency translation difference	-	-	(1,864)	-	-	-	(1,864)	(17)	(1,881)	
Total comprehensive (loss)/income for the financial year	-	-	(1,864)	-	-	30,487	28,623	15	28,638	
Balance as at 31 December 2015	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161	

\* 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**

	Year ended 31/12/2016 RM'000	Year ended 31/12/2015 RM'000
<b>OPERATING ACTIVITIES</b>		
Net (loss)/profit for the year attributable to equity holders of the Company	(68,251)	30,487
Adjustments for:		
Tax expense/(credit)	578	(8,760)
Depreciation of property, plant and equipment	1,191	2,058
Depreciation of investment properties	142	142
(Write back)/provision for impairment on receivables	(4,202)	4,643
(Gain)/loss on disposal of property, plant and equipment	(5)	7
Write off of property, plant and equipment	-	1,449
Reversal of impairment charge on property, plant and equipment	(790)	(1,506)
Diminution in carrying value on long term receivables	62,897	50,033
Interest income	(26,404)	(46,097)
Finance costs	12,176	2,230
Net unrealised foreign exchange gain	(5,707)	(17,195)
Non-controlling interests	19	32
Share of results of associates	1,698	1,729
	<u>(26,658)</u>	<u>19,252</u>
Changes in working capital:		
Receivables	(153,922)	(239,817)
Payables	27,446	107,729
Cash flows used in operations	(153,134)	(112,836)
Tax credit/(paid)	11,134	(6,298)
<b>Net cash flows used in operating activities</b>	<u>(142,000)</u>	<u>(119,134)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(525)	(334)
Proceeds from disposal of property, plant and equipment	8	7
Proceeds from disposal of other investments	1,000	-
Interest received from deposits and investments	1,342	1,025
<b>Net cash flows generated from investing activities</b>	<u>1,825</u>	<u>698</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	(138,109)	(20,694)
Proceeds from borrowings	234,037	123,672
Repayments of hire purchase creditors	(555)	(550)
Interest paid	(1,069)	(793)
Upliftment of deposits pledged as security	3,070	5,418
<b>Net cash flows generated from financing activities</b>	<u>97,374</u>	<u>107,053</u>
Net movement in cash and cash equivalents	(42,801)	(11,383)
Cash and cash equivalents at the beginning of the year	47,289	43,634
Currency translation differences	(319)	15,038
<b>Cash and cash equivalents at the end of the year</b>	<u>4,169</u>	<u>47,289</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"):

Amendments to MFRS 11	Joint arrangements - accounting for Acquisitions of Interest 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 MFRS138	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)

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

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

Project in Abu Dhabi

In respect of the 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 employment following the defaults by the project owner, which failed to pay an amount of AED27.6 million (approximately RM33.7 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 bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM50.1 million) and performance bond of AED51.5 million (approximately RM62.9 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, ZHSB received a letter from the ICC accepting ZHSB'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 ZHSB.

Accordingly, ZHSB is claiming from the project owner the total sum of AED452.3 million (approximately RM552.4 million) as the loss and damage and payments it 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 Request for Arbitration, whereby the project owner's counterclaim against ZHSB is AED591.0 million (approximately RM721.8 million) for repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue. On 24 October 2016, the project owner submitted its Further Revised Answer to the ICC and on 3 November 2016, ZHSB submitted its Reply to Further Revised Answer to the ICC.

The Group recorded a total receivable balance of AED207.7 million (approximately RM253.7 million) due from the project owner as at 31 December 2016, comprising the certified claims, retention sum 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 RM112.9 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.

In making this assessment, the Directors have considered ZHSB'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 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 which may take more than two years.

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

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. However, on 2 February 2017, ZHSB and the project owner have signed a Confidentiality and Arbitration Proceedings Stay Agreement ("CA") whereby both parties have agreed to, inter alia, stay the arbitration proceedings for a period of 4 months pending settlement negotiations ("the Stay Period"). However, the Stay Period may automatically lapse prior to the expiry of 4 months if certain milestones in the CA are not achieved or agreed upon between ZHSB and the project owner by the stipulated dates stated in the CA. ZHSB shall have one (1) calendar month from the end of the Stay Period to serve its Statement of Claim to the ICC tribunal.

ZHSB 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 RM112.9 million) into a secured term loan amounting to AED88.0 million (approximately RM107.5 million) in February 2016 which allows ZHSB 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 to meet working capital requirements, repayment of borrowings and negotiated settlement with sub-contractors. The Group will also continue to implement strategies to control costs. 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 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 31 December 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	66,403	195	165	163	66,926
Less: Inter-segment sales	(1,983)	-	(165)	(82)	(2,230)
	<b>64,420</b>	<b>195</b>	<b>-</b>	<b>81</b>	<b>64,696</b>
<b>Results</b>					
Segment (loss)/profit	(22,388)	63	(56)	(533)	(22,914)
Finance costs	(16,202)	-	-	(287)	(16,489)
Share of results of associates	(941)	-	-	-	(941)
(Loss)/profit before zakat and taxation	(39,531)	63	(56)	(820)	(40,344)
Tax credit/(expense)	2,051	(24)	-	-	2,027
Net (loss)/profit after zakat and taxation	<b>(37,480)</b>	<b>39</b>	<b>(56)</b>	<b>(820)</b>	<b>(38,317)</b>
<b>Attributable to:</b>					
Equity holders of the parent	(37,495)	39	(56)	(820)	(38,332)
Non-controlling interests	15	-	-	-	15
	<b>(37,480)</b>	<b>39</b>	<b>(56)</b>	<b>(820)</b>	<b>(38,317)</b>

**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 except for the Confidentiality and Arbitration Proceedings Stay Agreement entered into by ZHSB and the project owner on 2 February 2017, as discussed in the basis of preparation.

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

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

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

As at 31 December 2016, the Company has given guarantees amounting to RM58,590,000 (2015: RM 51,642,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects.

**12. Profit Forecast or Profit Guarantee**

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



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**13. Review of Performance**

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

	31/12/2016	30/09/2016	Variance
	RM '000	RM '000	RM '000
<b><u>Revenue</u></b>			
Engineering and Construction	64,420	39,516	24,904
Property and Development	195	196	(1)
Investment	81	81	-
<b>Total</b>	<b>64,696</b>	<b>39,793</b>	<b>24,903</b>
<b><u>(Loss)/Profit After Zakat and Taxation</u></b>			
Engineering and Construction	(37,480)	2,375	(39,855)
Property and Development	39	23	16
Asset Facilities Management	(56)	(273)	217
Investment	(820)	(1,844)	1,024
<b>Total</b>	<b>(38,317)</b>	<b>281</b>	<b>(38,598)</b>

For the current quarter under review, the Group recorded higher revenue of RM64.7 million as compared to RM39.8 million registered in the immediate preceding quarter. The higher revenue generated in the current quarter by RM24.9 million was attributed to Engineering and Construction business segment from the local projects mainly Material Off Loading Facilities ("MOLF") Jetty project of RM27.6 million due to approved Variation Order.

The Group recorded Loss After Zakat and Taxation ("LAZT") of RM38.3 million for the current quarter as compared to the Profit After Zakat and Taxation ("PAZT") of RM0.3 million in the immediate preceding quarter. The negative variance of RM38.6 million was mainly attributable to provision of rectification of defect works amounting to RM16.4 million and dimunition in the carrying value of long term receivables by RM25.9 million, due to the deferment in the timing of expected recovery of the balances.

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

	Quarter ended 31/12/2016	Quarter ended 31/12/2015	Variance	Twelve months to 31/12/2016	Twelve months to 31/12/2015	Variance
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b><u>Revenue</u></b>						
Engineering and Construction	64,420	115,566	(51,146)	221,253	411,833	(190,580)
Property and Development	195	199	(4)	796	800	(4)
Investment	81	80	1	324	337	(13)
<b>Total</b>	<b>64,696</b>	<b>115,845</b>	<b>(51,149)</b>	<b>222,373</b>	<b>412,970</b>	<b>(190,597)</b>
<b><u>(Loss)/Profit After Zakat and Taxation</u></b>						
Engineering and Construction	(37,480)	(18,216)	(19,264)	(61,349)	39,259	(100,608)
Property and Development	39	(166)	205	328	301	27
Asset Facility Management	(56)	-	(56)	(771)	-	(771)
Investment	(820)	(147)	(673)	(6,440)	(9,041)	2,601
<b>Total</b>	<b>(38,317)</b>	<b>(18,529)</b>	<b>(19,788)</b>	<b>(68,232)</b>	<b>30,519</b>	<b>(98,751)</b>

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

Group revenue for the current quarter under review of RM64.7 million was lower than RM115.8 million posted in the same quarter of FY2015 by RM51.1 million or 44.2%. Lower revenue generated was mainly due to lower contribution from Engineering and Construction business segment from the local projects (Q4 FY2015: RM115.6 million).

Consequently, the Group recorded higher LAZT of RM38.3 million (Q4 FY2015: RM18.5 million) was attributable to provision of rectification of defect works of RM16.4 million and diminution in carrying value of long term receivables of RM25.9 million due to the deferment in the timing of expected recovery of the balances.

For the current financial year under review, the Group recorded total revenue of RM222.4 million, a decrease of RM190.6 million or 46.2% as compared to the RM413.0 million recorded in the corresponding year. The Engineering and Construction business segment contributed lower revenue principally due to the completion of IIUM project in financial year 2015 and the absence of revenue contribution from UAE project due to termination of the contract in October 2015.

The Group posted LAZT of RM68.2 million for the current financial year, as opposed to a PAZT of RM30.5 million in the corresponding financial year. The Engineering and Construction business segment contributed a higher LAZT to the Group amounting to RM61.3 million as compared to PAZT of RM39.3 million reported in the financial year 2015 mainly due to the following:

- a. gross loss of RM5.7 million (2015: gross profit of RM35.3 million) mainly due to the provision of rectification of defect works of RM16.4 million;
- b. diminution of interest on the long-term receivables from IIUM project of RM22.8 million (2015: RM18.4 million accretion of interest);
- c. net discounting cash flows from receivables and payables of RM24.6 million (2015: RM21.1 million); and
- d. interest on borrowings of RM10.6 million (2015:RM Nil)

**14. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/12/2016 RM '000	Preceding year corresponding quarter 31/12/2015 RM '000	Twelve months to 31/12/2016 RM '000	Twelve months to 31/12/2015 RM '000
Malaysian income tax - current	(2,736)	5,314	534	11,143
Malaysian income tax - group tax relief	-	-	-	(3,057)
Overseas income tax	710	494	49	(16,789)
	(2,026)	5,808	583	(8,703)
Deferred tax	(1)	(6)	(5)	(57)
Tax (credit)/expense	(2,027)	5,802	578	(8,760)

The effective tax rate for the current quarter was lower than the statutory tax rate of 24% as most of the companies in the Group were in a loss position.

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**15. Borrowings**

Details of Group's borrowings as at 31 December 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	18,808	-	18,808	76,064	-	76,064
Islamic financing	24,895	-	24,895	354,949	-	354,949
Hire purchase	-	427	427	-	583	583
	43,703	427	44,130	431,013	583	431,596

Included in the term loan of the Group as at 31 December 2016 is a RM94.9 million loan which is denominated in United Arab Emirates Dirhams ("AED").

**16. Loss Per Share**

The basic loss per share and the diluted (loss)/earnings per share for the financial period/year 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 losses per share for the financial period/year were calculated based on the Group's 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).

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/12/2016	Quarter ended 31/12/2015	Twelve months to 31/12/2016	Twelve months to 31/12/2015
(Loss)/earnings attributable to equity holders of the parent (RM'000)	(38,332)	(18,532)	(68,251)	30,487
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
<b>Basic (loss)/earnings per share (sen)</b>	<b>(4.54)</b>	<b>(2.19)</b>	<b>(8.08)</b>	<b>3.61</b>
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	844,895	859,155	844,895	892,484
<b>Diluted (loss)/earnings per share (sen)</b>	<b>(4.54)</b>	<b>(2.16)</b>	<b>(8.08)</b>	<b>3.42</b>

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

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

	31/12/2016 RM'000	31/12/2015 RM'000
(Accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(922,716)	(858,298)
- Unrealised	5,707	17,195
	<u>(917,009)</u>	<u>(841,103)</u>
(Accumulated losses)/retained earnings of : the associates:		
- Realised	(8,334)	(7,678)
- Unrealised	2,159	3,197
	<u>(6,175)</u>	<u>(4,481)</u>
Consolidation adjustments	916,288	906,939
Total (accumulated losses)/retained earnings as per consolidated accounts	<u>(6,896)</u>	<u>61,355</u>

**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 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 in Kingdom of Saudi Arabia ("KSA") 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 in KSA amended the judgment accordingly and maintained the order that the subsidiary to pay an amount of SAR5.4 million (approximately RM6.5 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 in United Arab Emirates ("UAE"). 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. On 26 January 2017, the Cassation Court dismissed the Branch's appeal, hence the Court of Appeal's judgment of increasing the monetary award to AED7.2 million (approximately RM8.8 million) is maintained.

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**19. Changes in Material/Significant Litigation (continued)**

- (iii) In relation to the project in Abu Dhabi, as disclosed in Note 19(iv) and Note 31(iii) 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 project owner for the other disputes arising out of the project with the total amount of the claims revised to AED452.3 million (approximately RM552.4 million). On 6 October 2016, ZHSB received a letter from ICC stating that it has received the project owner's Answer to ZHSB's Request for Arbitration mentioned above, whereby the project owner counterclaims against ZHSB with a sum of AED591.0 million (approximately RM721.8 million). On 24 October 2016, the project owner submitted its Further Revised Answer to the ICC and on 3 November 2016, ZHSB submitted its Reply to Further Revised Answer to the ICC.

On 2 February 2017, ZHSB and the project owner have signed a Confidentiality and Arbitration Proceedings Stay Agreement ('CA') whereby they have agreed to, inter alia, stay the arbitration proceedings for a period of 4 months pending settlement negotiations ("the Stay Period"). However, the Stay Period may automatically lapse prior to the expiry of four (4) months if certain milestones in the CA are not achieved or agreed upon between ZHSB and the project owner by the stipulated dates in the CA. ZHSB shall have one (1) calendar month from the end of the Stay Period to serve its Statement of Claim in the arbitration.

- (iv) In relation to the project in Abu Dhabi, ZHSB on 24 November 2016 received from the ICC a Request for Arbitration dated 6 November 2016 from Hitachi Limited ("Hitachi") which is a nominated sub-contractor for the Meena Plaza project. Hitachi claims against ZHSB for the sum of AED16.2 million (approximately RM19.8 million).

On 24 January 2017, ZHSB has submitted its Answer to Request for Arbitration ("Answer") to the ICC. In its Answer, ZHSB has, inter alia, raised a jurisdictional challenge that Hitachi has not satisfied the contractual procedures and pre-conditions to commence the arbitration proceedings.

- (v) In relation to the Materials Off Loading Facility Project ('MOLF'), Zelan Construction Sdn Bhd ("ZCSB") received the Writ of Summons and Statement of Claim both dated 8 December 2016 from Macon Charter B.V ("MCBV") solicitors claiming for, the sum of EURO1.9 million (equivalent to RM8.8 million).

On 13 February 2017, ZCSB has filed its Defence & Counterclaim. In its Counterclaim, ZCSB claims against MCBV.

The case has been fixed for trial on the 13 June 2017 to 16 June 2017.

On 5 January 2017, by consent of MCBV, ZCSB has withdrawn its claim against MCBV vide Kuala Lumpur Sessions Court civil suit no. WA B52NcVC 508-11/2016 on the condition that ZCSB's claims against MCBV in the said Sessions Court suit will be brought and/or claimed against MCBV by way of Defence and Counterclaim in MCBV's High Court suit above.

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**19. Changes in Material/Significant Litigation (continued)**

(vi) 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"), on 28 November 2016, ZHSB, Sumitomo Corporation and Sumi-Power Malaysia Sdn Bhd ("Claimant") received Notice of Arbitration dated 23 November 2016 from Messrs Lee Hishamuddin Allen & Gledhill representing the Claimant. In the said Notice of Arbitration, the Claimant is claiming against the Respondents for, inter alia:

- (a) The sum of RM782.0 million;
- (b) An indemnity from the Respondents against any and all losses incurred and to be incurred by the Claimant including but not limited to any claims or causes of action brought or threatened against the Claimant by any third party arising out of and/or in relation to the breaches, default, negligence, errors and/or omissions on the Respondents' and/or their agent(s)' part;
- (c) General damages;
- (d) Interest;
- (e) Costs; and
- (f) Such further or other relief as the Arbitral Tribunal deems fit.

Pursuant to the Sumitomo - Zelan Consortium Agreement dated 1 April 2003 between Sumitomo Corporation and ZHSB ("Consortium Agreement"), it was agreed between the consortium parties, inter alia, that:

- (a) ZHSB's scope of work is confined to the "Complete civil work for the Project" only, whereas Sumitomo Corporation's scope of work shall be "All necessary Work for the execution and completion of the Project excluding the complete civil work for the Project";
- (b) The consortium parties shall be jointly and severally liable to the owner of the Project for the performance of the contract. With respect to one another, each consortium party shall be solely responsible and fully liable for its own scope, including quality, cost overrun, delay in performance and warranty matters; and
- (c) If a claim is made by the owner of the Project or third parties against a consortium party who is not responsible, the consortium party responsible shall indemnify the other consortium party against whom the claim was made.

On 2 February 2017, ZHSB's solicitor has written to Messrs Lee Hishamuddin Allen & Gledhill requesting for the Claimant's consent to discontinue the arbitration proceedings against ZHSB. On 14 February 2017, Messrs Lee Hishamuddin Allen & Gledhill replied stating that the Claimant is prepared to consider ZHSB's said request subject to a joint written undertaking from ZHSB, Sumitomo Corporation and Sumi Power-Malaysia Sdn Bhd that the Claimant's interest and rights are not prejudiced by such exclusion and a joint proposal on how this can be assured.

**20. Prospects for the next Financial Year**

The Group expects the International Islamic University Malaysia Foundation Center project to be completed by May 2017 and will be expecting the revenue from Availability Charges and Asset Management Services beginning from third quarter 2017. In addition, earnings of the Group is expected to improve based on the contribution from Sungai Besi-Ulu Kelang Highway project in 2017.

The Group will continue to take positive steps to improve the Group's performance through continuous assessment of internal and external risks, implementation of strategies to control costs and to remain focus in achieving long-term sustainable growth while delivering value for shareholders.

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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 20 February 2017.

**By order of the Board**

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

**Kuala Lumpur**  
**20 February 2017**