

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2018**

THE FIGURES HAVE NOT BEEN AUDITED

**CONSOLIDATED STATEMENT OF INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
Revenue	20,513	33,631	20,513	33,631
Cost of sales	<u>(16,120)</u>	<u>(34,090)</u>	<u>(16,120)</u>	<u>(34,090)</u>
Gross profit/(loss)	4,393	(459)	4,393	(459)
Other income	190	12,464	190	12,464
Interest income	4,996	11,901	4,996	11,901
- income / profit on placement on deposits	<u>144</u>	<u>248</u>	<u>144</u>	<u>248</u>
- unwinding of discounting on long term trade receivables and discounting on trade payables	<u>512</u>	<u>7,153</u>	<u>512</u>	<u>7,153</u>
- accretion of interest on long term receivables	<u>4,340</u>	<u>4,500</u>	<u>4,340</u>	<u>4,500</u>
Diminution in carrying value of long term receivables	-	(4,153)	-	(4,153)
Unrealised foreign exchange loss, net	(4,517)	(1,370)	(4,517)	(1,370)
Administrative expenses	(3,074)	(7,244)	(3,074)	(7,244)
Operating expenses	(216)	(311)	(216)	(311)
Depreciation	(103)	(148)	(103)	(148)
Finance costs	(3,715)	(3,275)	(3,715)	(3,275)
- finance cost on borrowings	<u>(3,229)</u>	<u>(2,434)</u>	<u>(3,229)</u>	<u>(2,434)</u>
- discounting of trade receivables and unwinding of discounting on trade payables	<u>(486)</u>	<u>(841)</u>	<u>(486)</u>	<u>(841)</u>
Share of results of associates	(631)	(235)	(631)	(235)
<b>(Loss)/profit before zakat and taxation</b>	<u>(2,677)</u>	<u>7,170</u>	<u>(2,677)</u>	<u>7,170</u>
Tax expense	(665)	(44)	(665)	(44)
<b>Net (loss)/profit for the period</b>	<u>(3,342)</u>	<u>7,126</u>	<u>(3,342)</u>	<u>7,126</u>
<b>(Loss)/profit for the period</b>				
<b>Attributable to:</b>				
Equity holders of the parent	(3,342)	7,127	(3,342)	7,127
Non-controlling interests	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>
	<u>(3,342)</u>	<u>7,126</u>	<u>(3,342)</u>	<u>7,126</u>
Basic (losses)/earnings per share attributable to equity holders of the Company (sen)	<u>(0.40)</u>	<u>0.84</u>	<u>(0.40)</u>	<u>0.84</u>
Diluted (losses)/earnings per share attributable to equity holders of the Company (sen)	<u>(0.40)</u>	<u>0.84</u>	<u>(0.40)</u>	<u>0.84</u>

The Consolidated Statement of Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/03/2018 RM'000	Quarter ended 31/03/2017 RM'000	Period ended 31/03/2018 RM'000	Period ended 31/03/2017 RM'000
	<b>Net (loss)/profit for the period</b>	<u>(3,342)</u>	<u>7,126</u>	<u>(3,342)</u>
<b>Other comprehensive income :</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	<u>5,994</u>	<u>889</u>	<u>5,994</u>	<u>889</u>
<b>Total items that may be reclassified subsequently to the profit or loss</b>	<u>5,994</u>	<u>889</u>	<u>5,994</u>	<u>889</u>
<b>Total comprehensive income for the period</b>	<u>2,652</u>	<u>8,015</u>	<u>2,652</u>	<u>8,015</u>
<b>Total comprehensive income for the period</b>				
Attributable to:				
Equity holders of the parent	<u>2,633</u>	<u>8,015</u>	<u>2,633</u>	<u>8,015</u>
Non-controlling interests	<u>19</u>	<u>-</u>	<u>19</u>	<u>-</u>
	<u>2,652</u>	<u>8,015</u>	<u>2,652</u>	<u>8,015</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited As at 31/03/2018 RM'000	Audited As at 31/12/2017 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,971	7,113
Investment properties	4,562	4,598
Investments in associates	2,874	3,332
Receivables, deposits and prepayments	700,902	690,333
Deposits, cash and bank balances (restricted)	5,044	4,574
	<u>720,353</u>	<u>709,950</u>
<b>CURRENT ASSETS</b>		
Inventories	8,555	8,555
Receivables, deposits and prepayments	70,879	77,900
Tax recoverable	2,420	2,420
Deposits pledged as security (restricted)	255	4,202
Deposits, cash and bank balances (non-restricted)	3,720	5,232
	<u>85,829</u>	<u>98,309</u>
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables	212,109	224,744
Borrowings	153,906	139,593
Current tax liabilities	4,170	3,448
	<u>370,185</u>	<u>367,785</u>
<b>NET CURRENT LIABILITIES</b>	<u>(284,356)</u>	<u>(269,476)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>435,997</u>	<u>440,474</u>
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		
Share capital	84,489	84,489
Reserves	(12,571)	(15,204)
	<u>71,918</u>	<u>69,285</u>
Non-controlling interests	(308)	(327)
<b>TOTAL EQUITY</b>	<u>71,610</u>	<u>68,958</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	361,223	368,350
Deferred tax liabilities	3,164	3,166
	<u>364,387</u>	<u>371,516</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>	<u>435,997</u>	<u>440,474</u>
Net assets per share (RM)	<u>0.09</u>	<u>0.08</u>

The Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

**ZELAN BERHAD**  
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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
<b>Three months to 31 March 2018</b>									
Balance as at 1 January 2018	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958
Loss for the period	-	-	-	-	-	(3,342)	(3,342)	-	(3,342)
Other comprehensive income:									
Currency translation reserve	-	-	5,975	-	-	-	5,975	19	5,994
Total comprehensive income for the period	-	-	5,975	-	-	(3,342)	2,633	19	2,652
Balance as at 31 March 2018	84,489	14,082	17,317	35,457	4,254	(83,681)	71,918	(308)	71,610
<b>Three months to 31 March 2017</b>									
Balance as at 1 January 2017	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818
Profit/(loss) for the period	-	-	-	-	-	7,127	7,127	(1)	7,126
Other comprehensive income/(loss):									
Currency translation difference	-	-	888	-	-	-	888	1	889
Total comprehensive income for the period	-	-	888	-	-	7,127	8,015	-	8,015
Balance as at 31 March 2017	84,489	14,082	864	35,457	4,254	859	140,005	(172)	139,833

\* 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 2017.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year to date 31/03/2018 RM'000	Year to date 31/03/2017 RM'000
<b>OPERATING ACTIVITIES</b>		
Net (loss)/profit for the period attributable to equity holders of the Company	(3,342)	7,127
Adjustments for:		
Tax expense	665	44
Depreciation of property, plant and equipment	103	148
Depreciation of investment properties	36	36
Gain on disposal of property, plant and equipment	-	(366)
Diminution in carrying value of long term receivables	-	4,153
Interest income	(4,996)	(11,901)
Finance costs	3,715	3,275
Net unrealised loss on foreign exchange	4,517	1,370
Non-controlling interests	-	(1)
Share of results of associates	631	235
	<u>1,329</u>	<u>4,120</u>
Changes in working capital :		
Receivables	1,304	(4,364)
Payables	(10,687)	(2,228)
Cash used in operations	(8,054)	(2,472)
Tax paid	(29)	(413)
<b>Net cash flows used in operating activities</b>	<u>(8,083)</u>	<u>(2,885)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(1)
Proceeds from disposals of property, plant and machinery	-	552
Interest received from deposits and investments	144	248
<b>Net cash flows generated from investing activities</b>	<u>144</u>	<u>799</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	(2,209)	(14,584)
Proceeds from borrowings	5,515	13,500
Repayments of hire purchase creditors	(61)	(329)
Interest paid	(234)	(268)
Upliftment of deposits pledged as security	3,477	7,931
<b>Net cash flows generated from financing activities</b>	<u>6,488</u>	<u>6,250</u>
Net movement in cash and cash equivalents	(1,451)	4,164
Cash and cash equivalents at the beginning of the period	5,232	3,624
Currency translation differences	(61)	(1,838)
<b>Cash and cash equivalents at the end of the period</b>	<u>3,720</u>	<u>5,950</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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**1. Basis of Preparation**

The condensed interim financial information is unaudited and has been prepared in accordance with the applicable disclosure requirements of the Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed interim financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the condensed 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 2017.

The accounting policies and methods of computation adopted for the condensed interim financial information are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017 except for the adoption of the following standards and amendments to existing standards with effect from 1 January 2018:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
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

The initial application of the accounting standards, amendments or interpretations above does not have any material impact to the financial results of the Group for the current period and prior periods, other than as disclosed below:-

a) **MFRS 9: Financial Instruments**

The Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. During the current financial quarter, there is no requirement for any change in the classification of financial assets nor any significant impact on the statement of financial position on fair value measurement of the financial assets and impairment on trade receivables.

b) **MFRS 15: Revenue from Contracts with Customers**

Change in accounting policies

(i) Revenue from construction contracts

A construction contract is specifically negotiated for the construction of an asset or a combination of assets with multiple deliverables which include a significant integration service and are therefore recognised as a single performance obligation. Revenue is recognised progressively based on the percentage of completion determined by the stage of completion method, which is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

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

b) MFRS 15: Revenue from Contracts with Customers (continued)

Change in accounting policies (continued)

(ii) Revenue from concession arrangement

Under the Concession Agreement, the Group is engaged to construct the facilities and infrastructure and provide asset management services, which are separate performance obligations. The fair value of the revenues, which are based on fixed amounts under the agreement have been allocated based on relative stand-alone selling price of the considerations for each separate performance obligations. The Group recognised construction revenue over time as the project which is being constructed has no alternative use and the Group has an enforceable right to the payment for the performance which is completed to date. The revenue from asset management services is recognised over the tenure of the concession period.

(iii) Contract asset and contract liability

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over cumulative billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

There is no significant impact to the financial results of the Group arising from the adoption of MFRS 15.

**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 2019. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretation.

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatment
Amendments to MFRS 128	Long-term Interest, in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to MFRSs	2015 - 2017 Cycle

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

Effective from financial year beginning on or after 1 January 2020

Amendments to MFRS 3, MFRS 101,  
MFRS 108 , MFRS 134, MFRS 137 and  
MFRS 138

Amendments to References to the Conceptual Framework  
MFRS Standards

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 RM29.3 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 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 RM43.1 million) and performance bond of AED51.5 million (approximately RM54.2 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 RM475.7 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 dated 3 October 2016, whereby the project owner's counterclaim against ZHSB is AED591.0 million (approximately RM621.6 million) for the costs and losses in which include repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

ZHSB submitted and revised the claim sum against the project owner from AED452.3 million (approximately RM475.7 million) to AED555.9 million (approximately RM584.6 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 from AED591.0 million (approximately RM621.6 million) to the sum of AED654.3 million (approximately RM688.1 million).

On 1 March 2018, ZHSB has submitted its Statement of Reply and Defence to Counterclaim to the ICC. Thereafter, pursuant to the Tribunal's decision on Disclosure of Documents relating to the request for documents by ZHSB and project owner on 8 March 2018, both parties have proceeded to disclose the requested documents to each other on 7 May 2018.

In accordance with the arbitration procedural timeline, on 15 May 2018, ZHSB and project owner have exchanged the identities of parties' respective expert consultants whereby the project owner has provided the identities of its engineering expert consultant and quantum expert consultant while ZHSB has provided the identities of its Civil and Structural expert consultant and Quantity Surveying expert consultant.

The Group recorded a total receivable balance of AED184.9 million (approximately RM194.4 million) due from the project owner as at 31 March 2018, 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 RM97.3 million) in January 2016. Based on the advice obtained from the claim consultant and 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 fully recover 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.

In the event the judgement in the arbitration is not in favour of the Group, the exposure of the Group to the profit or loss, on a worst case scenario, is the total receivable balance due from the project owner and the claims by the project owner against the Group as awarded by the tribunal at the arbitration.

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

The auditors' report on the Group's financial statements for the financial year ended 31 December 2017 contained a paragraph on material uncertainty related to going concern, as follows:

*"We draw attention to Note 2 in the financial statements, which indicates that the Group and the Company incurred a net loss after taxation of RM74.3 million and RM2.2 million respectively for the financial year ended 31 December 2017 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM269.5 million and RM47.4 million respectively. These events and conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter."*

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**2. Auditors' Report on Preceding Annual Financial Statements (continued)**

The Directors of the Company are of the opinion that the preparation of the financial statements of the Group for the period ended 31 March 2018 on a going concern basis remain appropriate given the following measures being taken and would be taken by the Group to address the material uncertainty related to going concern:

- Monitor and manage the progress of its existing construction projects which are expected to be completed within the projected timeline;
- Negotiate and defer payments to related companies of the Group for certain projects;
- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects;
- Actively pursue tax refunds from the Indonesian tax authorities on a completed project;
- Dispose of certain properties and inventories of the Group; and
- Engaged a financial institution to issue a debt instrument which will be used to repay an existing credit facility and for working capital purposes.

The Group also continues to bid for new projects. There has been no material development on the above measures being taken and would be taken by the Group since the date of our last announcement on 30 April 2018.

Based on the above, the Directors are of the view that the Group and the Company would be able to meet their liabilities and obligations as and when they fall due.

**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 March 2018 is as follows:

	<b>Engineering and Construction RM '000</b>	<b>Property and Development RM '000</b>	<b>Asset Facilities Management RM '000</b>	<b>Investment RM '000</b>	<b>Total RM '000</b>
<b>Revenue</b>					
Segment revenue	20,240	192	165	163	20,760
Less: Inter-segment sales	-	-	(165)	(82)	(247)
	<u>20,240</u>	<u>192</u>	<u>-</u>	<u>81</u>	<u>20,513</u>
<b>Results</b>					
Segment profit/(loss)	2,694	92	(50)	(1,067)	1,669
Finance costs	(3,570)	-	-	(145)	(3,715)
Share of results of associates	(631)	-	-	-	(631)
(Loss)/profit before zakat and taxation	(1,507)	92	(50)	(1,212)	(2,677)
Tax expense	(665)	-	-	-	(665)
Net (loss)/profit after zakat and taxation	<u>(2,172)</u>	<u>92</u>	<u>(50)</u>	<u>(1,212)</u>	<u>(3,342)</u>
<b>Attributable to:</b>					
Equity holders of the parent	(2,172)	92	(50)	(1,212)	(3,342)
Non-controlling interests	-	-	-	-	-
	<u>(2,172)</u>	<u>92</u>	<u>(50)</u>	<u>(1,212)</u>	<u>(3,342)</u>

The Group's revenue comprise the following:

	<b>Quarter ended 31/3/2018 RM'000</b>
Revenue from contracts with customers	20,321
Rental income	192
	<u>20,513</u>

Disaggregation of the Group's revenue from contracts with customers is as follows:

	<b>Engineering and Construction RM'000</b>	<b>Investment RM'000</b>	<b>Total RM'000</b>
Construction contracts	20,240	-	20,240
Car park income	-	81	81
	<u>20,240</u>	<u>81</u>	<u>20,321</u>

The Group's revenue from contracts with customers are all derived from within Malaysia and are recognised over time.

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**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 except for the Members Voluntary Liquidation of MMC Zelan Sdn Bhd ("MMCZ") on 16 January 2018, a joint venture company between the Group and MMC Corporation Berhad. MMCZ had not commenced any operations since its incorporation.

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

As at 31 March 2018, the Company has given guarantees amounting to RM18,454,000 (1Q FY2017: RM 40,364,000) 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 corresponding quarter last year**

	<b>Quarter ended 31/03/2018 RM '000</b>	<b>Quarter ended 31/03/2017 RM '000</b>	<b>Variance RM '000</b>
<b><u>Revenue</u></b>			
Engineering and Construction	20,240	33,357	(13,117)
Property and Development	192	193	(1)
Investment	81	81	-
<b>Total</b>	<b>20,513</b>	<b>33,631</b>	<b>(13,118)</b>
<b><u>Profit/(Loss) After Zakat and Taxation</u></b>			
Engineering and Construction	(2,172)	8,402	(10,574)
Property and Development	92	92	-
Asset Facilities Management	(50)	(197)	147
Investment	(1,212)	(1,171)	(41)
<b>Total</b>	<b>(3,342)</b>	<b>7,126</b>	<b>(10,468)</b>

The Group's revenue of RM20.5 million for the first quarter ended 31 March 2018 was lower than RM33.6 million registered in the same quarter of FY2017 by RM13.1 million or 39.0%. The lower revenue in the current quarter is attributable to lower contributions from Engineering and Construction business segment due to completion of major phases of Drawbridge project and the completion of Bukit Bintang City Centre project.

The Group reported a loss after zakat and taxation ("LAZT") of RM3.3 million in the current quarter under review compared to a profit after zakat and taxation ("PAZT") of RM7.1 million in the corresponding quarter of FY2017, which is mainly attributable to higher unrealised foreign exchange loss from oversea subsidiaries of RM4.5 million (1Q FY2017: RM1.4 million) and lower finance income from the unwinding of discounting on long term trade receivables of RM0.5 million (1Q FY2017: RM7.2 million). In the corresponding quarter last year, there was a refund of late payment interest on revised tax assessment from a completed Indonesian project of RM11.6 million.

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

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

	Quarter ended 31/03/2018 RM '000	Quarter ended 31/12/2017 RM '000	Variance Variance RM '000
<b><u>Revenue</u></b>			
Engineering and Construction	20,240	16,947	3,293
Property and Development	192	200	(8)
Investment	81	81	-
<b>Total</b>	<b>20,513</b>	<b>17,228</b>	<b>3,285</b>
<b><u>Profit/(Loss) After Zakat and Taxation</u></b>			
Engineering and Construction	(2,172)	(67,239)	65,067
Property and Development	92	(209)	301
Asset Facilities Management	(50)	(89)	39
Investment	(1,212)	1,720	(2,932)
<b>Total</b>	<b>(3,342)</b>	<b>(65,817)</b>	<b>62,475</b>

In the current quarter ended 31 March 2018, the Group reported higher revenue by RM3.3 million or 19.1% compared to the immediate preceding quarter. The LAZT in the current quarter of RM3.3million is lower by RM62.5 million or 94.9% from the LAZT of RM65.8 million in the preceding quarter.

The lower LAZT is mainly due to a gross profit of RM4.3 million in the current quarter. (4Q FY2017: gross loss of RM6.5 million). In 4Q FY2017, there was a diminution in carrying value of the long term receivables amounting to RM39.1 million and the net finance cost from unwinding of discounting on trade payables of RM5.8 million.

**13. Current year prospects**

Notwithstanding an industry outlook which is forecasted to remain challenging in 2018, the Group is taking proactive steps to build up its order book. In addition, revenue from the asset management services from the International Islamic University Malaysia, Gambang project, is expected to be realised in the second half of the year which will enhance profitability of the Group from this year onwards. The Group will continue to manage the business with diligence and remain cautious of its future prospects.

**14. 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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**15. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Three	Three
	quarter	corresponding	months to	months to
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax - current	666	45	666	45
Deferred tax	(1)	(1)	(1)	(1)
Tax expense	<u>665</u>	<u>44</u>	<u>665</u>	<u>44</u>

The tax expense for the quarter was attributable to the taxable profit earned by a subsidiary company.

**16. Status of Corporate Proposals Announced**

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

**17. Borrowings**

Details of the Group's borrowings as at 31 March 2018 are as follows:

As at 31.03.2018						
	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
<b>Secured</b>						
Term loan	85,954	90,398	-	-	85,954	90,398
Islamic financing	-	49,842	-	360,979	-	410,821
Revolving credit	-	13,500	-	-	-	13,500
<b>Unsecured</b>						
Hire purchase	-	166	-	244	-	410
	<u>85,954</u>	<u>153,906</u>	<u>-</u>	<u>361,223</u>	<u>85,954</u>	<u>515,129</u>
^ Exchange rate: AED1 = RM1.0517						
As at 31.03.2017						
	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
<b>Secured</b>						
Term loan	15,250	18,364	61,531	74,096	76,781	92,460
Islamic financing	-	14,933	-	358,457	-	373,390
Revolving credit	-	13,500	-	-	-	13,500
<b>Unsecured</b>						
Hire purchase	-	262	-	418	-	680
	<u>15,250</u>	<u>47,059</u>	<u>61,531</u>	<u>432,971</u>	<u>76,781</u>	<u>480,030</u>
^ Exchange rate: AED1 = RM1.2042						

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

There was no change in the material litigations, including the status of pending material litigations in respect of the Group since the last annual reporting date as at 31 December 2017, save for the following:

- (i) In relation to the project in Abu Dhabi, as disclosed in Note 29(b) page 120 of the Audited Financial Statements, and as announced on 17 April 2018, the Company's subsidiary received from the International Chamber of Commerce ("ICC") on 16 April 2018, a Request for Arbitration from the subcontractor claimant claiming for a sum of AED15.2 million (approximately RM16.0 million) against the subsidiary. The subsidiary is required to file its Answer to the Request for Arbitration and to respond to the claimant proposal on the appointment of sole arbitrator within 30 days from the receipt of the said Request i.e. on or before 16 May 2018. On 14 May 2018, the subsidiary's solicitors informed the ICC that they have been instructed to represent the subsidiary in the proceedings and requested an additional period of one month to submit its answer. ICC Secretariat accordingly allowed the request for an extension of time until 14 June 2018 for the subsidiary to file its Answer.

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/03/2018	Quarter ended 31/03/2017	Three months to 31/03/2018	Three months to 31/03/2017
(Loss)/earnings attributable to equity holders of the parent (RM'000)	(3,342)	7,127	(3,342)	7,127
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>(0.40)</b>	<b>0.84</b>	<b>(0.40)</b>	<b>0.84</b>
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
<b>Diluted (loss)/earnings per share (sen)</b>	<b>(0.40)</b>	<b>0.84</b>	<b>(0.40)</b>	<b>0.84</b>

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**20. 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 25 May 2018.

**By order of the Board**

**Noor Raniz bin Haji Mat Nor**  
**Ellis Suryanti Binti Jasmi**  
**Secretaries**

**Kuala Lumpur**  
**25 May 2018**