

ZELAN BERHAD
(Company No: 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2015

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2015 RM'000	Quarter ended 31/12/2014 RM'000	Year ended 31/12/2015 RM'000	Year ended 31/12/2014 RM'000
Revenue	111,973	86,862	409,098	287,072
Cost of sales	<u>(109,114)</u>	<u>(77,825)</u>	<u>(377,872)</u>	<u>(243,883)</u>
Gross profit	2,859	9,037	31,226	43,189
Other income	333	701	1,246	3,290
Interest income	1,100	12,116	41,790	55,998
- income/profit on placement of deposits	785	189	960	1,573
- unwinding of discounting on trade receivables and discounting on trade payables	4,480	7,011	22,438	36,237
- accretion of interest on long term receivables	<u>(4,165)</u>	<u>4,916</u>	<u>18,392</u>	<u>18,188</u>
Gain on disposal of available-for-sale financial assets	-	-	-	8,201
Impairment gain/(loss) on property, plant and equipment	834	-	1,506	(2,050)
Unrealised foreign exchange (loss)/gain, net	<u>(601)</u>	4,694	<u>17,195</u>	1,396
Administrative expenses				
- other administrative expenses	<u>(6,765)</u>	(3,618)	<u>(19,782)</u>	(14,241)
-(provision)/reversal of arbitration expenses	-	39	<u>(10,631)</u>	2,614
- professional fees	<u>(4,608)</u>	(24)	<u>(12,308)</u>	(322)
Operating expenses				
- other operating expenses	<u>(3,197)</u>	(441)	<u>(4,111)</u>	(6,307)
- write back of/(provision for) tax penalty	<u>(298)</u>	-	<u>24,596</u>	(1,379)
- reversal of/(provision for) loss on disposal of investment	<u>1,710</u>	-	<u>(1,324)</u>	-
Depreciation	<u>(312)</u>	(217)	<u>(861)</u>	(1,620)
Finance costs	<u>(5,937)</u>	(8,371)	<u>(47,993)</u>	(27,607)
- finance cost on borrowings	<u>(270)</u>	(323)	<u>(793)</u>	(2,912)
- discounting of long term trade receivables and unwinding of discounting on trade payables	<u>(5,667)</u>	<u>(8,048)</u>	<u>(47,200)</u>	<u>(24,695)</u>
Share of results of associates	<u>(784)</u>	(468)	<u>(1,729)</u>	(684)
Profit/(loss) before zakat and taxation	<u>(15,666)</u>	13,448	<u>18,820</u>	60,478
Zakat expenses	-	(76)	-	(131)
Tax (expenses)/credit	<u>(2,863)</u>	(800)	<u>11,699</u>	(11,232)
Net profit/(loss) for the year	<u>(18,529)</u>	12,572	<u>30,519</u>	49,115
Profit/(loss) for the year				
Attributable to:				
Equity holders of the parent	<u>(18,532)</u>	12,572	<u>30,487</u>	49,132
Non-controlling interests	<u>3</u>	-	<u>32</u>	(17)
	<u>(18,529)</u>	12,572	<u>30,519</u>	49,115
Earnings/(loss) per share:				
Basic (loss)/earnings per share attributable to equity holders of the Company (sen)	<u>(2.19)</u>	1.49	<u>3.61</u>	5.98
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>(2.16)</u>	1.39	<u>3.42</u>	5.74

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2015 RM'000	Quarter ended 31/12/2014 RM000	Year ended 31/12/2015 RM'000	Year ended 31/12/2014 RM000
Net (loss)/profit for the period	(18,529)	12,572	30,519	49,115
Other comprehensive (loss)/income:				
<i>Items that may be reclassified subsequently to profit or loss :</i>				
Changes in the fair value of available-for-sale financial assets	-	-	-	(756)
Reversal of fair value on disposal of available-for-sale financial assets	-	-	-	(8,201)
Exchange difference from translation of foreign operations	(1,381)	(435)	(1,998)	175
Total items that may be reclassified subsequently to profit or loss	(1,381)	(435)	(1,998)	(8,782)
Total comprehensive income for the year	(19,910)	12,137	28,521	40,333
Total comprehensive income/(loss) for the year				
Attributable to:				
Equity holders of the parent	(19,908)	12,146	28,505	40,360
Non-controlling interests	(2)	(9)	16	(27)
	(19,910)	12,137	28,521	40,333

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2014.

ZELAN BERHAD
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at end of financial year 31/12/2015 RM'000	Audited As at preceding financial period ended 31/12/2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,756	10,538
Investment properties	4,882	5,024
Financial and other receivables	565,251	364,785
Deposits, cash and bank balances (restricted)	4,034	3,829
	<u>582,923</u>	<u>384,176</u>
Current assets		
Inventories	8,965	8,965
Financial and other receivables	151,768	121,841
Tax recoverable	16,994	-
Deposits, cash and bank balances (restricted)	19,218	24,907
Deposits, cash and bank balances (non-restricted)	47,290	43,634
	<u>244,235</u>	<u>199,347</u>
Assets of disposal subsidiary classified as held for sale	2,671	-
	<u>246,906</u>	<u>199,347</u>
TOTAL ASSETS	<u>829,829</u>	<u>583,523</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	84,489	84,489
Reserves	120,741	92,236
	<u>205,230</u>	<u>176,725</u>
Non-controlling interests	(186)	(202)
Total equity	<u>205,044</u>	<u>176,523</u>
Non-current liabilities		
Investments in associates	2,135	406
Borrowings	332,275	214,197
Deferred tax liabilities	3,040	3,096
	<u>337,450</u>	<u>217,699</u>
Current liabilities		
Trade and other payables	270,822	178,094
Borrowings	14,049	7,743
Current tax liabilities	793	3,464
Liabilities of disposal subsidiary classified as held for sale	1,671	-
	<u>287,335</u>	<u>189,301</u>
Total liabilities	<u>624,785</u>	<u>407,000</u>
TOTAL EQUITY AND LIABILITIES	<u>829,829</u>	<u>583,523</u>
Net assets per share (RM)	<u>0.24</u>	<u>0.21</u>

The Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2014.

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	Fair Value Reserve ^ RM'000	Retained Earnings/ (Accumulated Losses) RM'000		Sub Total RM'000	Non-controlling Interests RM'000
Twelve months to 31 December 2015										
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 year	-	-	-	-	-	-	30,487	30,487	32	30,519
<u>Other comprehensive loss:</u>	-	-	(1,982)	-	-	-	-	(1,982)	(16)	(1,998)
Currency translation reserve	-	-	(1,982)	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	(1,982)	-	-	-	30,487	28,505	16	28,521
Balance as at 31 December 2015	84,489	14,082	5,593	35,457	4,254	-	61,355	205,230	(186)	205,044
Twelve months to 31 December 2014										
Balance as at 1 January 2014	56,326	-	7,390	35,457	4,254	8,957	(18,264)	94,120	(175)	93,945
Profit/(loss) for the year	-	-	-	-	-	-	49,132	49,132	(17)	49,115
<u>Other comprehensive income/(loss):</u>	-	-	185	-	-	-	-	185	(10)	175
Currency translation difference	-	-	185	-	-	-	-	185	(10)	175
Available-for-sale financial assets:	-	-	-	-	-	(756)	-	(756)	-	(756)
- fair value loss	-	-	-	-	-	(756)	-	(756)	-	(756)
- reclassification adjustment included in profit or loss	-	-	-	-	-	(8,201)	-	(8,201)	-	(8,201)
Total comprehensive income/(loss) for the period	-	-	185	-	-	(8,957)	49,132	40,360	(27)	40,333
Rights issue with warrants	28,163	14,082	-	-	-	-	-	42,245	-	42,245
Balance as at 31 December 2014	84,489	14,082	7,575	35,457	4,254	-	30,868	176,725	(202)	176,523

* 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 an overseas subsidiary.

^ This reserve relates to changes in fair value of an available-for-sale financial assets.

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 period ended 31 December 2014.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31/12/2015 RM'000	Year ended 31/12/2014 RM'000
OPERATING ACTIVITIES		
Profit for the period attributable to equity holders of the Company	30,487	49,132
Adjustments for :		
Tax (credit)/expense	(11,699)	11,232
Zakat	-	131
Depreciation of property, plant and equipment	2,058	2,526
Depreciation of investment properties	142	142
Allowance for doubtful debts	64	32,962
Provision for loss on disposal of investment	1,324	-
Property, plant and equipment		
- written off	1,449	19
- impairment (gain)/ loss	(1,506)	2,050
- gain on disposals	(1,710)	(69)
Gain on disposal of available-for-sale financial assets	-	(8,201)
Interest income	(41,790)	(55,998)
Finance costs	47,993	27,607
Net unrealised foreign exchange gain	(17,195)	(1,396)
Dividend income	-	(206)
Non-controlling interests	32	(17)
Share of results of associates	1,729	684
	<u>11,378</u>	<u>60,598</u>
<i>Changes in working capital :</i>		
Inventories	-	115
Receivables	(236,827)	(74,786)
Payables	116,680	(76,061)
Cash flows used in operations	<u>(108,769)</u>	<u>(90,134)</u>
Zakat paid	-	(131)
Tax paid	(12,674)	(4,410)
Net cash flows used in operating activities	<u>(121,443)</u>	<u>(94,675)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(334)	(453)
Dividends received	-	206
Proceeds from disposal of property, plant and equipment	1,859	68
Proceeds from disposal of other investments	-	66,219
Income/profit on placements of deposits	960	1,573
Net cash flows generated from investing activities	<u>2,485</u>	<u>67,613</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(20,670)	(145,790)
Proceeds from borrowings	123,672	186,807
Proceeds from rights issue	-	42,245
Rights issue expenses	-	(1,746)
Repayments of hire purchase creditors	(621)	(489)
Interest paid	(793)	(2,912)
Release of/(Additional) deposits pledged as security	5,484	(14,310)
Net cash flows generated from financing activities	<u>107,072</u>	<u>63,805</u>
Net movement in cash and cash equivalents	(11,886)	36,743
Cash and cash equivalents at the beginning of the year	43,634	11,558
Currency translation differences	15,542	(4,667)
Cash and cash equivalents at the end of the year	<u>47,290</u>	<u>43,634</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial period ended 31 December 2014.

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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 period ended 31 December 2014. 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 period ended 31 December 2014.

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 period ended 31 December 2014 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

	Effective for the financial period beginning on or after
Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions	1 January 2015
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2015
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2015

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

The Group incurred a net profit after tax of RM30.5 million for the financial year ended 31 December 2015. At 31 December 2015, the current liabilities of the Group exceeded the current assets by RM40.4 million mainly due to the reclassification of the receivable balances of the Meena Project in Abu Dhabi to non-current assets arising from the termination of the Group's employment on the Meena Project as explained below.

Project in Abu Dhabi

In respect of the Group's project in Abu Dhabi, Zelan Holdings Sdn Bhd ("ZHSB") had on 17 September 2015 issued a notice to Meena Holdings LLC ("Employer") to terminate its employment under the provisions of the Contract ("Contract") based on the following defaults by the Employer:

- (1) the Employer's failure to pay ZHSB a total sum of AED27.6 million (RM32.2 million) being the certified amounts of works done and materials at site due and owing by the Employer to ZHSB under certificates of payment in accordance with the provisions of the Contract; and/or
- (2) the Employer's continuous interference with the valuation and/or certification of ZHSB's progress claims.

As provided under the Contract, the termination has taken effect on 1 October 2015, fourteen (14) days after the issuance of the abovementioned notice.

On 17 December 2015, the Group received notifications from HSBC Bank Middle East Limited ("Bank") informing ZHSB that the Bank has on 17 December 2015 received two (2) notices of demand from the Employer in respect of the following:

- (1) the Guarantee issued by the Bank on 28 August 2014 in favour of the Employer amounting to AED41.0 million (RM47.9 million) ("Rectification Bond"); and
- (2) the Guarantee issued by the Bank on 28 August 2014 in favour of the Employer amounting to AED51.5 million (RM60.2 million) ("Performance Bond").

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1. Basis of Preparation(continued)

Project in Abu Dhabi

Subsequently, on 3 January 2016, the Bank had released the full amount of the Performance Bond and Rectification Bond to the Employer. The outstanding amount of AED85.4 million (RM99.8 million) under the Guarantee Facility with the Bank has been restructured into a term loan facility with a 3 year tenure which will mature in January 2019.

The Group has to date, issued 8 Notices of Intention to Commence Arbitration ("Notice of Arbitration") on 17 September 2015, 14 October 2015, 10 December 2015 and 17 December 2015 respectively for disputes which have crystallised so far, including the Employer's failure to pay certified payments, rejection of extension of time application, wrongful deduction of certified value of work done, under-certification of progress claims, etc.

Further to the above, the Group has commenced arbitration against the Employer on two of the disputes at the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The Group intends to refer the other disputes to arbitration at ICC in accordance with the mechanism stipulated in the Contract.

Meanwhile, the Group has engaged a claim consultant to assess the Group's claims against the Employer arising from ZHSB's termination of the Contract. The Group had on 17 February 2016 submitted to the Employer the total claim amounting to AED452.8 million (RM529.3 million).

The Group has also obtained legal opinions from external solicitors in Abu Dhabi, UAE and Malaysia on ZHSB's entitlements against the Employer respectively. Based on the aforementioned claim consultant's report and supported by external legal opinions, the Group is of the view that it has valid contractual basis to recover the outstanding receivable balances from the Employer.

The Group recorded a total receivable balance of AED128.0 million (RM149.7 million) due from the Employer as at 31 December 2015, which excludes the amount of the Performance Bond and Rectification Bond drawdown by the Employer. The expected timing of the receipt of the outstanding balances has been considered in arriving at the carrying value of the receivable balances.

Cash flows of the Group

At 31 December 2015, the Group is in a net current liabilities position of RM40.4 million. The Group will receive the Availability Charges ("AC") and Asset Maintenance Charges ("AMS") cash flow from the International Islamic University Malaysia ("IIUM") project under the provisions of the Concession Agreement commencing from 2016. The excess cash flow from the AC and AMS together with the excess cash flow from other local projects and the tax refunds from the Indonesian tax authorities will be utilised to repay the Group's borrowings when due, meet the cash flow requirements of the projects in progress, working capital and loan covenant requirements for the next twelve months from the reporting date.

With the Group's various sources of cash flow as disclosed above, the Directors are of the view that the Group will have sufficient cash flows for the next twelve months from the end of the reporting period to meet the operating and financing cash flow requirements. Accordingly, the interim financial information of the Group is prepared on a going concern basis.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial period ended 31 December 2014 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, save for what has been disclosed under paragraph 13.

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5. Changes in Estimates of Amount Reported Previously

There was no change in estimates of amounts reported in the prior financial period 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.

8. Segmental Reporting

Segment analysis for the current financial quarter to 31 December 2015 is as follows:

	Engineering and Construction RM '000	Property and Development RM '000	Investment and Others RM '000	Total RM '000
Revenue				
Segment revenue	170,256	199	162	170,617
Less: Inter-segment sales	(58,562)	-	(82)	(58,644)
	111,694	199	80	111,973
Results				
Segment loss	(8,438)	(173)	(334)	(8,945)
Finance costs	(5,673)	-	(264)	(5,937)
Share of results of associates	(784)	-	-	(784)
Loss before taxation	(14,895)	(173)	(598)	(15,666)
Tax expense	(2,127)	(8)	(728)	(2,863)
Net loss for the period	(17,022)	(181)	(1,326)	(18,529)
Attributable to:				
Equity holders of the parent	(17,025)	(181)	(1,326)	(18,532)
Non-controlling interests	3	-	-	3
	(17,022)	(181)	(1,326)	(18,529)

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 following :

Project in Abu Dhabi

As disclosed in Note 1 above, the Employer has called on the Performance Bond and Rectification Bond on 17 December 2015 and the Bank had on 3 January 2016, released the full amount of the Performance Bond and Rectification Bond amounting to AED92.5 million (RM108.1 million) to the Employer. The outstanding amount of AED85.4 million (RM99.8 million) has been restructured into a term loan facility with a 3 year tenure maturing in January 2019.

The Group will claim back the full sum of AED92.5 million (RM108.1 million) from the Employer via an arbitration. The estimated arbitration period is 33 months and the receivables on the AED92.5 million (RM108.1 million) will be discounted based on the said period. This will result in a higher finance cost of approximately AED23.6 million (RM27.6 million) that will impact the result of the Group in the first quarter of financial year 2016.

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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 has not been completed as at the date of this announcement.

11. Changes in Contingent Liabilities or Contingent Assets

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

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

	Quarter ended 31/12/2015 RM '000	Quarter ended 30/09/2015 RM '000	Variance RM '000	Variance %
<u>Revenue</u>				
Engineering and Construction	111,694	93,749	17,945	19.1%
Property and Development	199	204	(5)	-
Investment and Others	80	81	(1)	-
Total	111,973	94,034	17,939	19.1%
<u>(Loss)/Profit After Zakat and Taxation</u>				
Engineering and Construction	(17,022)	28,339	(45,361)	>-100%
Property and Development	(181)	197	(378)	>-100%
Investment and Others	(1,326)	(5,074)	3,748	>-100%
Total	(18,529)	23,462	(41,991)	-179.0%

For the current quarter under review, the Group recorded revenue from Engineering and Construction segment of RM111.7 million as compared to a revenue of RM93.7 million in the immediate preceding quarter.

The revenue for both quarters were mainly contributed by the local projects of RM107.1 million (30.09.2015: RM74.3 million). The higher revenue in the current quarter was due to higher revenue from Material Off Loading Facilities Jetty ("MOLF") project amounting to RM93.0 million (30.09.2015: RM49.2 million) offset by lower revenue from Drawbridge project amounting to RM10.5 million (30.09.2015: RM19.1 million) and Meena Project in Abu Dhabi of RM4.6 million (30.09.2015: RM19.4 million).

The Group recorded Loss After Zakat and Taxation ("LAZT") of RM18.5 million for the current quarter as compared to the Profit After Zakat and Taxation ("PAZT") of RM23.5 million in the immediate preceding quarter mainly due to the flow through from lower gross profit, reversal of accretion of interest of RM4.2 million as a result of the forfeiture of cash flow from the International Islamic University Malaysia ("IIUM") project and higher administrative expenses of RM6.8 million. Comparatively, during the quarter ended 30.09.2015, there were positive contributions to PAZT from the tax refund from Indonesia of RM26.0 million, write back on provision for late payment interest charge on tax in Indonesia tax refund from India of RM1.8 million and unrealised foreign exchange gain of RM12.2 million.

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13. Review of Performance (continued)

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

	Quarter ended 31/12/2015 RM '000	Quarter ended 31/12/2014 RM '000	Variance RM '000	Variance %	Twelve months to 31/12/2015 RM '000	Twelve months to 31/12/2014 RM '000	Variance RM '000	Variance %
Revenue								
Engineering and Construction	111,694	86,391	25,303	29.3%	407,961	285,810	122,151	42.7%
Property and Development	199	383	(184)	-48.0%	800	940	(140)	-14.9%
Investment and Others	80	88	(8)	-9.1%	337	322	15	4.7%
Total	111,973	86,862	25,111	28.9%	409,098	287,072	122,026	42.5%
(Loss)/profit After Zakat and Taxation								
Engineering and Construction	(17,022)	14,233	(31,255)	>100%	40,453	47,124	(6,671)	>100%
Property and Development	(181)	33	(214)	>100%	286	138	148	>100%
Investment and Others	(1,326)	(1,694)	368	-21.7%	(10,220)	1,853	(12,073)	>-100%
Total	(18,529)	12,572	(31,101)	247.4%	30,519	49,115	(18,596)	-37.9%

For the current quarter under review, the Group's revenue from Engineering and Construction segment was RM111.7 million as compared to the revenue of RM86.4 million in the corresponding quarter last year, higher by RM25.3 million or 29.3%. This was mainly contributed by the revenue from local projects of RM107.1 million (31.12.2014: RM63.0 million) and the revenue from Meena project of RM4.6 million (31.12.2014: RM18.9 million).

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

The Group recorded LAZT of RM18.5 million for the current quarter which is lower than the PAZT of RM12.6 million in the corresponding quarter last year mainly due to the lower gross profit from local projects, reversal of accretion of interest of RM4.2 million as a result of the forfeiture in cashflow from the IIUM project, higher administrative expenses and professional fee by RM7.7 million and lower unrealised foreign exchange gain by RM5.3 million.

For the current year under review, the Group's revenue from Engineering and Construction segment of RM408.0 million as compared to a revenue of RM285.8 million in the corresponding year, higher by RM122.2 million or 42.7%. This was mainly contributed by local projects of RM334.3 million (31.12.2014: RM254.6 million) and the revenue from Meena project of RM73.6 million (31.12.2014: RM31.2 million).

The Group's current year PAZT of RM30.5 million was mainly due to lower gross profit of RM31.2 million (31.12.2014: RM43.2 million) and lower unwinding of the trade receivables by RM13.8 million, higher discounting on trade receivables on the Meena project by RM20.4 million and provision of arbitration cost on Meena project of RM10.6 million. This was mitigated by a write back on provision made on late payment interest charge on tax in Indonesia amounting to RM24.6 million (31.12.2014: RM5.9 million), unrealised foreign exchange gain of RM17.2 million (31.12.2014: RM1.4 million), reversal of provision for loss on disposal of investment of RM1.3 million, tax refund on tax paid in Indonesia of RM15.9 million and a tax refund of RM1.8 million from India.

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14. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Twelve	Twelve
	quarter	corresponding	months to	months to
	31/12/2015	quarter	31/12/2015	31/12/2014
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax - current	2,369	(1,388)	8,198	5,050
Malaysian income tax - group tax relief	-	-	(3,057)	-
Overseas income tax	499	2,189	(16,784)	5,761
	<u>2,868</u>	<u>801</u>	<u>(11,643)</u>	<u>10,811</u>
Deferred tax	(5)	(1)	(56)	421
Tax expense	<u>2,863</u>	<u>800</u>	<u>(11,699)</u>	<u>11,232</u>

The Malaysian income tax group relief of RM3.1 million was in relation to a refund by the Inland Revenue Board on the application for the Group relief in the quarter ended 31.03.2015.

The overseas income tax for the financial year to date is in respect of a write back of provision made on tax for a project in India and in respect of a refund of tax paid in Indonesia.

15. Borrowings and Debt Securities

Details of Group's borrowings as at 31 December 2015 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
Islamic financing	13,500	-	13,500	331,667	-	331,667
Hire purchase	-	549	549	-	608	608
	<u>13,500</u>	<u>549</u>	<u>14,049</u>	<u>331,667</u>	<u>608</u>	<u>332,275</u>

16. Earnings/(loss) Per Share

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

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16. Earnings/(loss) Per Share (continued)

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/12/2015	Quarter ended 31/12/2014	Twelve months to 31/12/2015	Twelve months to 31/12/2014
Profit/(loss) attributable to equity holders of the parent (RM'000)	(18,532)	12,572	30,487	49,132
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	821,426
Basic earnings/(loss) per share (sen)	(2.19)	1.49	3.61	5.98
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	859,155	905,350	892,484	856,373
Diluted earnings/(loss) per share (sen)	(2.16)	1.39	3.42	5.74

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 31/12/2015 RM'000	As at 31/12/2014 RM'000
(Accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(856,391)	(854,526)
- Unrealised	17,195	3,665
	<u>(839,196)</u>	<u>(850,861)</u>
(Accumulated losses)/retained earnings of : the associates:		
- Realised	(7,677)	(4,641)
- Unrealised	3,197	1,889
	<u>(4,480)</u>	<u>(2,752)</u>
Consolidation adjustments	905,031	884,481
Total retained earnings as per consolidated accounts	<u>61,355</u>	<u>30,868</u>

18. Status of Corporate Proposals Announced

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

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19. Changes in Material 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 2014, save for the following:-

- (i) In relation to the matter stated in Note 32(a) of the Audited Financial Statements, by a judgement dated 1 September 2015, the Board of Grievances in Kingdom of Saudi Arabia ordered the subsidiary to pay an amount of SAR5.35 million (RM6.1million) to the supplier. On 27 December 2015, the subsidiary has filed an appeal against the Board of Grievance's finding and pending the Appellate Court to fix a hearing date.
- (ii) In relation to Note 32(b) of the Audited Financial Statements, where the Court of Appeal in Abu Dhabi, on 16 June 2015 ordered the case to be returned to the technical experts committee appointed by the Court of First Instance previously to review the objections raised by the subcontractor against the said committee's earlier report and to submit a supplementary report. After hearing submissions from both parties, on 14 December 2015, the experts committee submitted a supplementary report to the Court of Appeal recommending that the compensation to the subcontractor for the termination of the contract by the Branch is to be revised from AED2.8 million (RM3.3 million) to AED3.5 million (RM4.1 million). The Court of Appeal has fixed 5 April 2016 to deliver its judgement.

20. Prospects for the next Financial Year

The Group's revenue for the next financial year will principally be from the balance of the order book of the local projects, the revenue from the Gombak Integrated Transport Terminal project which the Group recently secured and the revenue on the Asset Management Services and Availability Charges from the International Islamic University Malaysia Foundation Center in Gombang, which will commence operation in early 2016. The Group is also pursuing promising prospects on construction contracts which the Group is participating whilst continuously implementing strategies to control costs. Notwithstanding that, the Group's result for the first quarter of financial year 2016 will be impacted by the additional finance cost on the discounting of receivables on the Project in Abu Dhabi as disclosed in Note 9 above.

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 19 February 2016.

By order of the Board

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

Kuala Lumpur
19 February 2016