

ZELAN BERHAD
(Company No. : 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2016

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2016 RM'000	Quarter ended 30/09/2015 RM'000	Period ended 30/09/2016 RM'000	Period ended 30/09/2015 RM'000
Continuing operations				
Revenue	39,793	94,034	157,677	297,125
Cost of sales	(36,702)	(86,647)	(139,574)	(268,758)
Gross profit	3,091	7,387	18,103	28,367
Other income	231	298	879	912
- Income/profit on placement on deposits	201	14	935	175
- Unwinding of discounting on trade receivables and discounting on trade payables	6,424	7,433	17,105	17,958
- Diminution/accretion of interest on long term receivables	(3,647)	8,484	(10,807)	22,557
Total interest income	2,978	15,931	7,233	40,690
Unrealised foreign exchange gain/(loss), net	3,903	12,215	(2,309)	17,452
Impairment gain on property, plant and equipment	(3)	484	779	673
Administrative expenses				
-other administrative expenses	(5,314)	(3,985)	(14,613)	(13,017)
-provision for arbitration expenses	-	(10,287)	-	(10,287)
-professional fees	(341)	(7,700)	(341)	(7,700)
Operating expenses				
-other operating expenses	(1,196)	(1,359)	(4,267)	(1,958)
-write back of tax penalty	234	25,955	234	25,955
-(provision)/write back for impairment on receivables	(18)	-	4,142	-
-provision for loss on disposal of investment	-	(3,051)	-	(3,051)
Depreciation	(205)	(185)	(648)	(549)
- Finance cost on borrowings	(2,429)	(306)	(9,176)	(523)
- Discounting of long term trade receivables and unwinding of discounting on trade payables	(577)	(27,141)	(26,569)	(41,533)
Total finance costs	(3,006)	(27,447)	(35,745)	(42,056)
Share of results of associates	(276)	(627)	(757)	(945)
Net profit/(loss) before zakat and taxation	78	7,629	(27,310)	34,486
Tax credit/(expense)	203	15,833	(2,605)	14,562
Net profit/(loss) for the period	281	23,462	(29,915)	49,048
Other comprehensive loss:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	(2,003)	(1,791)	(334)	(617)
Total items that may be reclassified subsequently to the profit or loss	(2,003)	(1,791)	(334)	(617)
Total comprehensive (loss)/income for the period	(1,722)	21,671	(30,249)	48,431
Profit/(loss) for the period				
Attributable to:				
Equity holders of the parent	270	23,445	(29,919)	49,019
Non-controlling interests	11	17	4	29
	281	23,462	(29,915)	49,048
Total comprehensive (loss)/income for the period				
Attributable to:				
Equity holders of the parent	(1,727)	21,665	(30,265)	48,413
Non-controlling interests	5	6	16	18
	(1,722)	21,671	(30,249)	48,431
Basic earnings/(losses) per share attributable to equity holders of the Company (sen)	0.03	2.77	(3.54)	5.80
Diluted earnings/(losses) per share attributable to equity holders of the Company (sen)	0.03	2.70	(3.54)	5.44

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/09/2016 RM'000	Audited As at 31/12/2015 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,912	8,756
Investment properties	4,776	4,882
Receivables, deposits and prepayments	660,884	565,251
Deposits, cash and bank balances (restricted)	5,506	4,099
	<u>679,078</u>	<u>582,988</u>
CURRENT ASSETS		
Inventories	8,965	8,965
Receivables, deposits and prepayments	148,046	146,112
Tax recoverable	17,267	15,938
Deposits pledged as security (restricted)	11,241	19,219
Deposits, cash and bank balances (non-restricted)	3,944	47,289
	<u>189,463</u>	<u>237,523</u>
Assets of disposal subsidiary classified as held for sale	-	2,671
	<u>189,463</u>	<u>240,194</u>
LESS: CURRENT LIABILITIES		
Trade and other payables	210,493	261,282
Borrowings	52,097	26,604
Current tax liabilities	4,295	3,569
	<u>266,885</u>	<u>291,455</u>
Liabilities of disposal subsidiary classified as held for sale	-	1,671
	<u>266,885</u>	<u>293,126</u>
NET CURRENT LIABILITIES	(77,422)	(52,932)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>601,656</u>	<u>530,056</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	84,489	84,489
Reserves	90,594	120,859
	<u>175,083</u>	<u>205,348</u>
Non-controlling interests	(171)	(187)
TOTAL EQUITY	<u>174,912</u>	<u>205,161</u>
NON-CURRENT LIABILITIES		
Investments in associates	2,892	2,135
Borrowings	420,816	319,721
Deferred tax liabilities	3,036	3,039
	<u>426,744</u>	<u>324,895</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u>601,656</u>	<u>530,056</u>
Net assets per share (RM)	<u>0.21</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

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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				
Nine months to 30 September 2016										
Balance as at 1 January 2016	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161	
Loss for the period	-	-	-	-	-	(29,919)	(29,919)	4	(29,915)	
Other comprehensive income:										
Currency translation difference	-	-	(346)	-	-	-	(346)	12	(334)	
Total comprehensive (loss)/income for the period	-	-	(346)	-	-	(29,919)	(30,265)	16	(30,249)	
Balance as at 30 September 2016	84,489	14,082	5,365	35,457	4,254	31,436	175,083	(171)	174,912	
Nine months to 30 September 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 period	-	-	-	-	-	49,019	49,019	29	49,048	
Other comprehensive income:										
Currency translation difference	-	-	(606)	-	-	-	(606)	(11)	(617)	
Total comprehensive income for the period	-	-	(606)	-	-	49,019	48,413	18	48,431	
Balance as at 30 September 2015	84,489	14,082	6,969	35,457	4,254	79,887	225,138	(184)	224,954	

* 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.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year to date 30/09/2016 RM'000	Current year to date 30/9/2015 RM'000
OPERATING ACTIVITIES		
Net (loss)/profit for the period attributable to equity holders of the Company	(29,919)	49,019
Adjustments for:		
Tax expense/(credit)	2,605	(14,562)
Depreciation of property, plant and equipment	907	1,632
Depreciation of investment properties	106	106
Provision for loss on disposal of investments	-	3,051
Write back of provision for impairment on receivables	(4,142)	-
Gain on disposal of property, plant and equipment	(5)	(1)
Impairment gain on property, plant and equipment	(779)	(673)
Interest income	(7,233)	(40,690)
Finance costs	35,745	42,056
Net unrealised foreign exchange (gain)/loss	2,309	(17,452)
Non-controlling interests	4	29
Share of results of associates	757	945
	<u>355</u>	<u>23,460</u>
Changes in working capital:		
Receivables	(112,917)	(226,678)
Payables	(40,887)	58,254
Cash flows used in operations	(153,449)	(144,964)
Tax paid	(2,638)	(6,357)
Net cash flows used in operating activities	<u>(156,087)</u>	<u>(151,321)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(71)	(262)
Proceeds from disposal of property, plant and equipment	8	924
Proceeds from disposal of other investments	1,000	-
Interest received from deposits and investments	935	175
Net cash flows generated from investing activities	<u>1,872</u>	<u>837</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(117,680)	(7,170)
Proceeds from borrowings	234,410	108,914
Repayments of hire purchase creditors	(410)	(467)
Interest paid	(9,176)	(523)
Upliftment of deposits pledged as security	6,571	668
Net cash flows generated from financing activities	<u>113,715</u>	<u>101,422</u>
Net movement in cash and cash equivalents	(40,500)	(49,062)
Cash and cash equivalents at the beginning of the period	47,289	43,634
Currency translation differences	(2,845)	16,117
Cash and cash equivalents at the end of the period	<u>3,944</u>	<u>10,689</u>

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

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1. Basis of Preparation

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

The interim financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted for the interim financial information are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2015 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

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

Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations (effective from 1 January 2016)
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities – Applying the Consolidation Exception (effective from 1 January 2016)
Amendments to MFRS 127	Equity Method in Separate Financial Statements (effective from 1 January 2016)
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure initiative (effective from 1 January 2016)
Amendments to MFRS116 and 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)

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

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

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

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1. Basis of Preparation (continued)

Project in Abu Dhabi

In respect of the Zelan Holdings (M) Sdn Bhd's ("ZHSB") project in Abu Dhabi, United Arab Emirates ("UAE"), ZHSB issued a notice of termination to the project owner in Abu Dhabi, UAE 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 RM32.3 million), being the certified amounts 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 RM47.9 million) and performance bond of AED51.5 million (approximately RM60.2 million) respectively. On 3 January 2016, the guarantor of the performance bonds released the full amount of the rectification bond and performance bond to the project owner.

On 18 August 2016, 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 AED452.7 million (approximately RM528.9 million) as the loss and damage and payments it is entitled to recover from the project owner by consequence of ZHSB's termination of the Contract due to the default of the project owner.

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 counterclaim against ZHSB with a sum of AED591.0 million (approximately RM690.5 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 AED213.3 million (approximately RM240.2 million) due from the project owner as at 30 September 2016, comprising the certified claims and amounts due from the project owner for the work performed up to the termination date, as well as the rectification bond and performance bond drawdown by the project owner of AED92.5 million (approximately RM108.1million) in January 2016. Based on the advice from the claim consultant and the external solicitors, the Directors are of the view that 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 in arriving at the carrying value of the receivables.

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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.

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 RM108.1 million) into a secured term loan amounting to AED88.0 million (approximately RM102.9 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 and repay borrowings. The Directors believe that the Group will be able to realise their assets and discharge their liabilities in the normal course of business. Thus, the Directors believe no material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or Cyclical Factors

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

4. Unusual Items

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

5. Changes in Estimates of Amount Reported Previously

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

6. Debt and Equity Securities

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

7. Dividend

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

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8. Segmental Reporting

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

	Engineering and Construction RM '000	Property and Development RM '000	Asset Facilities Management RM '000	Investment RM '000	Total RM '000
Revenue					
Segment revenue	51,219	196	165	163	51,743
Less: Inter-segment sales	(11,703)	-	(165)	(82)	(11,950)
	<u>39,516</u>	<u>196</u>	<u>-</u>	<u>81</u>	<u>39,793</u>
Results					
Segment profit/(loss)	5,224	48	(273)	(1,639)	3,360
Finance costs	(2,801)	-	-	(205)	(3,006)
Share of results of associates	(276)	-	-	-	(276)
Profit/(loss) before zakat and taxation	2,147	48	(273)	(1,844)	78
Tax credit/(expense)	228	(25)	-	-	203
Net profit/(loss) for the period	<u>2,375</u>	<u>23</u>	<u>(273)</u>	<u>(1,844)</u>	<u>281</u>
Attributable to:					
Equity holders of the parent	2,364	23	(273)	(1,844)	270
Non-controlling interests	11	-	-	-	11
	<u>2,375</u>	<u>23</u>	<u>(273)</u>	<u>(1,844)</u>	<u>281</u>

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

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

10. Changes in Composition of the Group

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

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.

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13. Review of Performance

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

	30/09/2016	30/06/2016	Variance
	RM '000	RM '000	RM '000
<u>Revenue</u>			
Engineering and Construction	39,516	56,208	(16,692)
Property and Development	196	204	(8)
Investment	81	81	-
Total	39,793	56,493	(16,700)
<u>Profit After Zakat and Taxation</u>			
Engineering and Construction	2,375	9,840	(7,465)
Property and Development	23	69	(46)
Asset Facilities Management	(273)	(255)	(18)
Investment	(1,844)	(2,277)	433
Total	281	7,377	(7,096)

For the current quarter under review, the Group recorded lower revenue from Engineering and Construction segment of RM39.5 million as compared to a revenue of RM56.2 million in the immediate preceding quarter.

Revenue for both quarters were contributed by the local projects whereby higher revenue was recorded from BBCC project amounting to RM9.1 million (30.06.2016: RM4.2 million) and Drawbridge project of RM29.7 million (30.06.2016: RM12.3 million). Material Off Loading Facilities Jetty ("MOLF") project was completed in the preceding quarter and no significant contribution was recorded in this quarter (30.06.2016: RM36.3 million).

The Group recorded Profit After Zakat and Taxation ("PAZT") of RM0.3 million for the current quarter as compared to the PAZT of RM7.4 million in the immediate preceding quarter. The negative variance of RM7.1 million was mainly due to lower gross profit by RM3.5 million as a flowthrough from lower revenue. In comparison, there was a write back of impairment on receivables of RM4.1 million in the preceding quarter that resulted in higher PAZT.

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

	Quarter ended 30/09/2016	Quarter ended 30/09/2015	Variance RM '000	Nine months to 30/09/2016	Nine months to 30/09/2015	Variance RM '000
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<u>Revenue</u>						
Engineering and Construction	39,516	93,749	(54,233)	156,833	296,267	(139,434)
Property and Development	196	204	(8)	601	601	-
Investment	81	81	-	243	257	(14)
Total	39,793	94,034	(54,241)	157,677	297,125	(139,448)
<u>Profit/(Loss) After Zakat and Taxation</u>						
Engineering and Construction	2,375	28,339	(25,964)	(23,871)	57,475	(81,346)
Property and Development	23	197	(174)	291	467	(176)
Asset Facility Management	(273)	-	(273)	(715)	-	(715)
Investment	(1,844)	(5,074)	3,230	(5,620)	(8,894)	3,274
Total	281	23,462	(23,181)	(29,915)	49,048	(78,963)

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13. Review of Performance (continued)

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

For the current quarter under review, the Group's revenue from Engineering and Construction segment was RM39.5 million as compared to the revenue of RM93.7 million in the corresponding quarter last year, lower by RM54.2 million or 57.8%. This was mainly due to lower revenue from local projects of RM39.5 million (30.09.2015: RM74.3 million) and no revenue contribution from Meena project in Abu Dhabi for the current quarter (30.09.2015:RM19.4 million).

The Group recorded PAZT of RM0.3 million for the current quarter which is lower than the PAZT of RM23.5 million in the corresponding quarter last year mainly due to:

- a) lower gross profit by RM4.3 million as a flowthrough from lower revenue;
- b) lower net finance income by RM12.9 million and lower foreign exchange gain of RM3.9 million;

Additionally, in the previous year quarter there was a RM26.0 million write back on provision for late payment interest charge on tax in Indonesia and RM15.9 million tax refund on tax paid in Indonesia.

For the current period under review, the Group's revenue from Engineering and Construction segment of RM156.8 million as compared to a revenue of RM296.3 million in the corresponding period last year, was lower by RM139.5 million or 47.1%. Lower revenue from local projects of RM156.8 million (30.09.2015: RM227.2 million) was due to the nearing completion of International Islamic University Malaysia Foundation Center ("IIUM") project. In addition there was no revenue from Meena project in Abu Dhabi as compared to the revenue of RM69.0 million for the period ended 30.09.2015.

The negative variance of RM79.0 million between the Group's current period LAZT of RM29.9 million as compared to PAZT of RM49.0 million in the corresponding period ended 30.09.2015 was mainly due to:

- a) lower gross profit of RM18.1 million (30.09.2015: RM28.4 million);
- b) diminution of long term receivables on the IIUM project of RM10.8 million (30.09.2015: accretion of interest of RM22.6 million);
- c) lower finance costs of RM26.6 million (30.09.2015: RM41.5 million);
- d) higher income tax expense of RM2.6 million (30.09.2015: tax refund of RM14.6 million); and
- e) unrealised forex loss of RM2.3 million as compared to unrealised forex gain of RM17.5 million in corresponding quarter last year.

14. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/09/2016 RM '000	Preceding year corresponding quarter 30/09/2015 RM '000	Nine months to 30/09/2016 RM '000	Nine months to 30/09/2015 RM '000
Malaysian income tax - current	(375)	(1,450)	(3,270)	(5,829)
Malaysian income tax - group tax relief	-	-	-	3,057
Overseas income tax	576	17,283	661	17,283
	201	15,833	(2,609)	14,511
Deferred tax	2	-	4	51
Tax (credit)/expense	203	15,833	(2,605)	14,562

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14. Taxation (continued)

The Malaysian income tax effective tax rate for the Group for the current quarter was lower than the applicable statutory rates mainly due to certain income which were not taxable.

The overseas income tax for the current quarter and year to date is in respect of a reversal of provision for tax refund for a project in Indonesia and for the preceding year corresponding quarter and 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

Details of Group's borrowings as at 30 September 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	20,604	-	20,604	78,748	-	78,748
Islamic financing	31,063	-	31,063	341,751	-	341,751
Hire purchase	-	430	430	-	317	317
	51,667	430	52,097	420,499	317	420,816

Included in the term loan of the Group as at 30 September 2016 is RM99.3 million of loan which is denominated in United Arab Emirates Dirhams.

16. Earnings/(Loss) Per Share

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

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended	Quarter ended	Nine months to	Nine months to
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit/(loss) attributable to equity holders of the parent (RM'000)	270	23,445	(29,919)	49,019
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic earnings/(loss) per share (sen)	0.03	2.77	(3.54)	5.80
Weighted average number of ordinary shares in issue for purpose of computing diluted earnings per share ('000)	844,895	867,356	844,895	901,821
Diluted earnings/(loss) per share (sen)	0.03	2.70	(3.54)	5.44

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

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

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

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

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

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
(Accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(876,373)	(858,298)
- Unrealised	(2,309)	17,195
	(878,682)	(841,103)
(Accumulated losses)/retained earnings of : the associates:		
- Realised	(8,327)	(7,678)
- Unrealised	3,090	3,197
	(5,237)	(4,481)
Consolidation adjustments	915,355	906,939
Total retained earnings as per consolidated accounts	31,436	61,355

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 SAR5.35 million (approximately RM6.1 million) to the supplier.

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19. Changes in Material/Significant Litigation (continued)

- (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 25 October 2016, the Cassation Court heard the appeal and reserved their decision to 24 November 2016.

- (iii) In relation to the project in Abu Dhabi, as disclosed in Note 19(iv) and Note 31 of the Audited Financial Statements, on 11 December 2015, ZHSB has submitted its Request for Arbitration to the International Court of Arbitration of the International Chamber of Commerce ("ICC") in relation to two of the disputes. On 18 August 2016, ZHSB received a letter from the ICC accepting ZHSB's Request for Arbitration against the project owner for the other disputes arising out of the project with the total amount of the claims revised to AED452.7 million (approximately RM528.9 million). 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 Employer counterclaims against ZHSB with a sum of AED591.0 million (approximately RM690.5 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.

20. Current Year Prospects

The Group expects contribution from the Sungai Besi-Ulu Kelang highway project which the Group managed to secure in August 2016 from the fourth quarter of the year onwards. 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 timely completion of the current on-going projects.

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 16 November 2016.

By order of the Board

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

Kuala Lumpur
16 November 2016