ZELAN BERHAD
(Company No. : 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended 31/12/2017 RM'000	Quarter ended 31/12/2016 RM'000	Changes %	Year ended 31/12/2017 RM'000	Year ended 31/12/2016 RM'000	Changes %
Revenue	17,387	65,113	-73.3%	71,070	222,790	-68.1%
Cost of sales	(18,443)	(88,400)	79.1%	(66,826)	(227,974)	70.7%
Gross profit/(loss)	(1,056)	(23,287)	-95.5%	4,244	(5,184)	-181.9%
Other income	238	2,570	-90.7%	13,142	3,449	>100%
- income/profit on placement on deposits	184	396		864	1,331	
- unwinding of discounting on long term trade receivables and discounting on trade payables	4,727	6,750		26,047	23,855	
- accretion of interest on long term receivables	-	-		8,931	13,370	
Total interest income	4,911	7,146	-31.3%	35,842	38,556	-7.0%
Diminution in carrying value of long term receivables	(43,398)	(23,676)	-83.3%	(58,266)	(47,853)	-21.8%
Unrealised foreign exchange (loss)/gain, net	(5,675)	7,990	>100%	(13,465)	5,681	>-100%
Administrative expenses	(3,722)	(2,573)	-44.7%	(18,549)	(17,527)	-5.8%
Operating expenses	(745)	(1,226)	39.2%	(1,944)	(4,480)	-56.6%
(Provision)/write back for impairment of receivables	(3,578)	(1,766)	-102.6%	(3,652)	2,376	>-100%
Depreciation	(125)	(213)	41.3%	(557)	(861)	-35.3%
- finance cost on borrowings	(623)	(2,541)		(12,413)	(11,717)	
- unwinding of discounting on long term trade payables and discounting on trade receivables	(5,241)	(1,229)		(8,081)	(27,798)	
Total finance costs	(5,864)	(3,770)	-55.5%	(20,494)	(39,515)	48.1%
Share of results of associates	(329)	(941)	65.0%	(1,139)	(1,698)	32.9%
Loss before zakat and taxation	(59,343)	(39,746)	-49.3%	(64,838)	(67,056)	3.3%
Tax credit/(expense)	228	2,049	88.9%	(2,718)	(556)	>-100%
Net loss for the period/year	(59,115)	(37,697)	-56.8%	(67,556)	(67,612)	0.1%
Loss for the period/year Attributable to:						
Equity holders of the parent	(59,098)	(37,704)	-56.7%	(67,519)	(67,623)	0.2%
Non-controlling interests	(17)	7	>-100%	(37)	11	>-100%
	(59,115)	(37,697)	-56.8%	(67,556)	(67,612)	0.1%
Basic (losses)/ earnings per share attributable to equity holders of the Company (sen)	(6.99)	(4.46)	-56.8%	(7.99)	(8.00)	0.1%
Diluted (losses)/earnings per share attributable to equity holders of the Company (sen)	(6.99)	(4.46)	-56.8%	(7.99)	(8.00)	0.1%

The Consolidated Statement of Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended 31/12/2017 RM'000	Quarter ended 31/12/2016 RM'000	*Changes %*	Year ended 31/12/2017 RM'000	Year ended 31/12/2016 RM'000	*Changes %*
Net loss for the year	**(59,115)**	(37,697)	***-56.8%***	**(67,556)**	(67,612)	*0.1%*
Other comprehensive income/(loss):						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference from translation of foreign operations	**7,800**	(7,400)	*>100%*	**11,294**	(5,731)	*>100%*
Total items that may be reclassified subsequently to the profit or loss	**7,800**	(7,400)	*>100%*	**11,294**	(5,731)	*>100%*
Total comprehensive loss for the year	**(51,315)**	(44,816)	***-14.5%***	**(56,262)**	(73,343)	***23.3%***
Total comprehensive loss for the year						
Attributable to:						
Equity holders of the parent	**(51,304)**	(44,820)	***-14.5%***	**(56,246)**	(73,358)	***23.3%***
Non-controlling interests	**(11)**	4	*>-100%*	**(16)**	15	*>-100%*
	(51,315)	(44,816)	***-14.5%***	**(56,262)**	(73,343)	***23.3%***

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2017 RM'000	Audited As at 31/12/2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,113	8,088
Investment properties	4,598	4,740
Investments in associates	3,332	3,332
Receivables, deposits and prepayments	677,676	681,213
Deposits,cash and bank balances (restricted)	8,524	10,195
	701,243	707,568
CURRENT ASSETS		
Inventories	8,555	8,965
Receivables, deposits and prepayments	92,051	144,085
Tax recoverable	1,970	387
Deposits pledged as security (restricted)	384	10,052
Deposits, cash and bank balances (non-restricted)	5,070	3,624
	108,030	167,113
LESS: CURRENT LIABILITIES		
Trade and other payables	235,668	263,974
Current tax liabilities	2,855	-
Borrowings	123,686	42,001
	362,209	305,975
NET CURRENT LIABILITIES	(254,179)	(138,862)
TOTAL ASSETS LESS CURRENT LIABILITIES	447,064	568,706
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	84,489	84,489
Reserves	(8,745)	47,501
	75,744	131,990
Non-controlling interests	(188)	(172)
TOTAL EQUITY	75,556	131,818
NON-CURRENT LIABILITIES		
Borrowings	368,350	433,725
Deferred tax liabilities	3,158	3,163
	371,508	436,888
TOTAL EQUITY AND NON-CURRENT LIABILITIES	447,064	568,706
Net assets per share (RM)	0.09	0.16

The Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	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	Total Equity RM'000
Twelve months to 31 December 2017									
Balance as at 1 January 2017	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818
Loss for the financial year	-	-	-	-	-	(67,519)	(67,519)	(37)	(67,556)
Other comprehensive income:									
Currency translation reserve	-	-	11,273	-	-	-	11,273	21	11,294
Total comprehensive income /(loss) for the financial year	-	-	11,273	-	-	(67,519)	(56,246)	(16)	(56,262)
Balance as at 31 December 2017	84,489	14,082	11,249	35,457	4,254	(73,787)	75,744	(188)	75,556
Twelve months to 31 December 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/(profit) for the financial year	-	-	-	-	-	(67,623)	(67,623)	11	(67,612)
Other comprehensive (loss)/income:									
Currency translation difference	-	-	(5,735)	-	-	-	(5,735)	4	(5,731)
Total comprehensive (loss)/income for the financial year	-	-	(5,735)	-	-	(67,623)	(73,358)	15	(73,343)
Balance as at 31 December 2016	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818

* 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 2016.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31/12/2017 RM'000	Year ended 31/12/2016 RM'000
OPERATING ACTIVITIES		
Net loss for the financial year attributable to equity holders of the Company	**(67,519)**	(67,623)
Adjustments for :		
Tax expense	**2,718**	556
Depreciation of property, plant and equipment	**813**	1,192
Depreciation of investment properties	**142**	142
Property, plant and equipment written off	**-**	1
Write back of penalty on revised tax estimate	**-**	(234)
Gain on disposal of property, plant and equipment	**(366)**	(5)
Impairment loss on property, plant and equipment	**-**	(790)
Impairment loss on inventories	**410**	-
Provision/(write back) of receivables	**3,652**	(4,202)
Diminution in carrying value of long term receivables	**58,266**	47,853
Finance income	**(35,842)**	(38,556)
Finance costs	**20,494**	39,515
Net unrealised loss on foreign exchange	**13,465**	(5,681)
Non-controlling interests	**(37)**	11
Share of results of associates	**1,139**	1,698
	(2,665)	(26,123)
Changes in working capital :		
Receivables	**93,550**	30,263
Payables	**(95,819)**	(50,295)
Cash generated from/(used in) operations	**(4,934)**	(46,155)
Tax paid	**(1,755)**	9,506
Net cash generated from/(used in) operating activities	**(6,689)**	(36,649)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(28)**	(525)
Proceeds from disposal of property, plant and equipment	**552**	862
Proceeds from disposal of other investments	**-**	1,000
Interest received from deposits and investments	**864**	1,331
Net cash generated from investing activities	**1,388**	2,668
FINANCING ACTIVITIES		
Repayments of borrowings	**(32,730)**	(34,907)
Proceeds from borrowings	**29,254**	24,200
Repayments of hire purchase creditors	**(533)**	(556)
Interest paid	**(621)**	(1,068)
Upliftment of deposits pledged as security	**11,339**	3,071
Net cash generated from /(used in) financing activities	**6,709**	(9,260)
Net movement in cash and cash equivalents	**1,408**	(43,241)
Cash and cash equivalents at the beginning of the financial year	**3,624**	47,289
Currency translation differences	**38**	(424)
Cash and cash equivalents at the end of the financial year	**5,070**	3,624

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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 2016. 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 2016.

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 2016 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

The adoption of the following amendments to MFRS that came into effect on 1 January 2017 did not have any significant impact on the unaudited condensed financial statements upon their initial applications.

Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements to MFRSs	2014-2016 Cycle

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 2018. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretations.

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 140	Clarification on 'Change in Use' - Assets Transferred to, or from Investment Properties

1. Basis of Preparation (continued)

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 RM30.4 million), being the certified amount of works done and materials at site owing by the project owner to ZHSB under certificates of payment in accordance with the provisions of the Contract and the project owner's continuous interference with the valuation and/or certification of ZHSB's progress claims.

The Directors are of the view that ZHSB has rightfully and validly terminated its employment under the Contract with the project owner. As provided under the Contract with the project owner, the termination took effect on 1 October 2015, being 14 days after the issuance of the notice of termination.

On 11 December 2015, ZHSB had submitted its request for arbitration to the International Court of Arbitration of the International Chamber of Commerce ("ICC") in relation to the disputes. For the purpose of the arbitration, ZHSB has engaged quantum expert, consultant quantity surveyor and structural engineering expert to substantiate its claim against the project owner.

On 17 December 2015, ZHSB was notified that the guarantor of the performance and rectification bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM45.2 million) and performance bond of AED51.5 million (approximately RM56.7 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 RM498.9 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 RM651.2 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 RM498.9 million) to AED555.9 million (approximately RM612.5 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.

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 RM651.2 million) to the sum of AED654.3 million (approximately RM720.9 million).

On 13 November 2017, ZHSB announced that it will be filing its Statement of Reply and Defence to Counterclaim submitted by the project owner.

The Group recorded a total receivable balance of AED184.9 million (approximately RM203.8 million) due from the project owner as at 31 December 2017, 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 drawndown by the project owner of AED92.5 million (approximately RM101.9 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.

The Directors are of the view that the Group will be able to generate sufficient cash inflows within the next twelve months from the reporting date from both existing and new contracts to meet working capital requirements, repayment of borrowings and negotiated settlement with sub-contractors. The Group will continue to deliver on its strategy to aggressively control its costs and ensure sustainability of the business. The Directors believe that the Group will be able to realise their assets and discharge their liabilities in the normal course of business.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2016 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.

8. Segmental Reporting

Segment analysis for the current financial quarter to 31 December 2017 is as follows:

	Engineering and Construction RM '000	Property and Development RM '000	Concession & Asset Facilities Management RM '000	Investment RM '000	Total RM '000
Revenue					
Segment revenue	16,284	200	165	163	16,812
Add/(less):Inter-segment sales	822	-	(165)	(82)	575
	17,106	200	-	81	17,387
Results					
Segment (loss)/profit	(59,888)	(142)	(88)	1,727	(58,391)
Finance costs	(623)	-	-	-	(623)
Share of results of associates	(329)	-	-	-	(329)
(Loss)/profit before zakat and taxation	(60,840)	(142)	(88)	1,727	(59,343)
Tax credit/(expense)	302	(65)	-	(9)	228
Net (loss)/profit after zakat and taxation	(60,538)	(207)	(88)	1,718	(59,115)
Attributable to:					
Equity holders of the parent	(60,521)	(207)	(88)	1,718	(59,098)
Non-controlling interests	(17)	-	-	-	(17)
	(60,538)	(207)	(88)	1,718	(59,115)

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 on 16 January 2018, the Group announced that MMC Zelan Sdn Bhd ("MMCZ") had passed a special resolution to wind-up MMCZ vide members voluntary liquidation. There was no material impact to the Group's financial statements as at 31 December 2017.

10. Changes in Composition of the Group

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

11. Changes in Contingent Liabilities or Contingent Assets

As at 31 December 2017, the Company has given guarantees amounting to RM20,132,000 (4Q FY2016: RM55,954,000) 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 financial year end

	Current Year Quarter 31/12/2017 RM '000	Preceding Year Corresponding Quarter 31/12/2016 RM '000	Changes Value RM '000	Changes Variance %	12 Months Ended 31/12/2017 RM '000	12 Months Ended 31/12/2016 RM '000	Changes Value RM '000	Changes Variance %
Revenue	17,387	65,113	(47,726)	-73.3%	71,070	222,790	(151,720)	-68.1%
Operating (loss)/profit	(47,475)	(43,025)	(4,450)	10.3%	(29,740)	(31,524)	1,784	>-100%
Net foreign exchange (loss)/gain	(5,675)	7,990	(13,665)	>-100%	(13,465)	5,681	(19,146)	>-100%
Share of results of associates	(329)	(941)	612	-65.0%	(1,139)	(1,698)	559	-32.9%
Loss before interest, zakat and taxation	(53,479)	(35,976)	(17,503)	48.7%	(44,344)	(27,541)	(16,803)	61.0%
Loss before zakat and taxation	(59,343)	(39,746)	(19,597)	49.3%	(64,838)	(67,056)	2,218	3.3%
Loss after zakat and taxation	(59,115)	(37,697)	(21,418)	56.8%	(67,556)	(67,612)	56	0.1%
Loss attributable to ordinary equity holders of the parent	(59,098)	(37,704)	(21,394)	56.7%	(67,519)	(67,623)	104	0.2%

The Group recorded a revenue of RM17.4 million for the current quarter ended 31 December 2017 compared to RM65.1 million recorded in the corresponding quarter of the previous year. The decline in revenue by RM47.7 million or 73.3% was mainly due to completion of major phases of Drawbridge project, completion of Bukit Bintang City Centre project and Material Off-Loading Facility Jetty project.

The Group recorded loss after zakat and taxation ("LAZT") of RM59.1 million in the current quarter under review compared to LAZT of RM37.7 million in the corresponding quarter of FY2016 mainly attributable to a gross loss of RM1.1 million (4Q FY2016: RM23.3 million), diminution in carrying value of the long-term receivables from International Islamic University Foundation Centre ("IIUM") project and Meena Plaza project of RM43.4 million (4Q FY2016: RM 23.7 million) and higher unrealised foreign exchange loss of RM5.7 million from oversea subsidiaries (4Q FY2016: unrealised foreign exchange gain of RM8.0 million).

12. Review of Performance (continued)

(i) Financial review for the current quarter and financial year end (continued)

For the current financial year ended, the Group recorded a total revenue of RM71.1 million, a decrease of RM151.7 million or 68.1% as compared to the RM222.8 million recorded in the corresponding year. The Engineering and Construction business segment contributed lower revenue principally due to the completion of three main projects, namely Bukit Bintang City Centre project, Material Off-Loading Facility Jetty and IIUM projects and completion of the major phases of the Drawbridge project. However, this decline was mitigated by a new project namely Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") Package CB2 which was secured in August 2016.

The Group posted lower LAZT of RM67.5 million for the current financial year as compared to RM67.6 million reported in the corresponding financial year. The lower LAZT of the Group was mainly contributed by the following:

a. Other income from the interest compensation on the refund of corporate taxation from Indonesia Operation amounting to RM11.6 million;
b. Higher net diminution in carrying value of the long term receivables from Meena Plaza project and IIUM project amounting to RM58.3 million (4Q FY2016: RM47.8 million);
c. Net finance income from unwinding of discounting on long term trade receivables and discounting on trade payables of RM18.0 million (4Q FY2016: net of expenses RM3.9 million); and
d. Lower operating expenses of RM1.9 million (4Q FY2016: RM4.5 million).

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/12/2017	30/09/2017	Value	Variance
	RM '000	RM '000	RM '000	%
Revenue	17,387	8,557	8,830	>100%
Operating (loss)/profit	(47,475)	488	(47,963)	>-100%
Net foreign exchange loss	(5,675)	(2,548)	(3,127)	>-100%
Share of results of associates	(329)	(327)	(2)	-0.6%
Loss before interest, zakat and taxation	(53,479)	(2,387)	(51,092)	>100%
Loss before zakat and taxation	(59,343)	(10,257)	(49,086)	>-100%
Loss after zakat and taxation	(59,115)	(10,108)	(49,007)	>-100%
Loss attributable to ordinary equity holders of the parent	(59,098)	(10,099)	(48,999)	485.2%

12. Review of Performance (continued)

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

Higher LAZT recorded of RM59.1 million for the current quarter compared to the LAZT of RM10.1 million in the immediate preceding quarter, mainly attributable to the higher operating loss registered amounting to RM47.5 million (3Q FY2017: operating profit of RM0.5 million) as a result of diminution in carrying value of long-term receivables of RM43.4 million (3Q FY2017: RM2.9 million) and higher unrealised foreign exchange loss of RM5.7 million (3Q FY2017: RM2.5 million).

13. Prospects for the next Financial Year

The Group's revenue for the next financial year will be principally derived from the balance of the order book of the local projects and the revenue on the Asset Management Services and Availability Charges from the IIUM project, which will commence in the first half of 2018. The Group is also pursuing to secure prospects on construction contracts whilst continuously implementing strategies to control costs. The Board 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.

15. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/12/2017 RM '000	Preceding year corresponding quarter 31/12/2016 RM '000	Twelve months to 31/12/2017 RM '000	Twelve months to 31/12/2016 RM '000
Malaysian income tax - current	(203)	(2,092)	(118)	1,170
Foreign income tax - current	(26)	42	2,831	(619)
	(229)	(2,050)	2,713	551
Deferred tax	1	1	5	5
Tax (credit)/expense	(228)	(2,049)	2,718	556

The tax credit for the current quarter was attributable to overprovision of taxation in the prior quarters.

The Group's effective tax rate for the financial year was higher than the statutory tax rate of 24% mainly due to foreign tax expense from the Indonesia Operation.

16. Status of Corporate Proposals Announced

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

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17. Borrowings

Details of the Group's borrowings as at 31 December 2017 are as follows:

	As at 31.12.2017					
	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
Secured						
Term loan	72,481	79,867	-	-	72,481	79,867
Islamic financing	-	35,425	-	368,060	-	403,485
Revolving credit	-	8,208	-	-	-	8,208
Unsecured						
Hire purchase	-	186	-	290	-	476
	72,481	123,686	-	368,350	72,481	492,036
^ Exchange rate: AED1 = RM1.1019						

	As at 31.12.2016					
	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
Secured						
Term loan	13,600	16,610	64,081	78,262	77,681	94,872
Islamic financing	-	11,395	-	354,950	-	366,345
Revolving credit	-	13,500	-	-	-	13,500
Unsecured						
Hire purchase	-	496	-	513	-	1,009
	13,600	42,001	64,081	433,725	77,681	475,726
^ Exchange rate: AED1 = RM1.2213						

18. 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 2016, save for the following:

(i) In relation to Note 31(b) of the Audited Financial Statements, on 1 June 2016, the Branch filed an appeal against the Court of Appeal's judgement at the Cassation Court in United Arab Emirates ("UAE"). On 23 June 2016, the Cassation Court allowed the Branch's application to stop the subcontractor from executing the said judgement pending the Cassation Court's final decision. On 26 January 2017, the Cassation Court dismissed the Branch's appeal, hence the Court of Appeal's judgement of increasing the monetary award to AED7.2 million (approximately RM7.9 million) is maintained.

(ii) In relation to the project in Abu Dhabi, as disclosed in Note 18(v) and Note 31(a) of the Audited Financial Statements, on 17 May 2017 the project owner has notified the subsidiary and the arbitrators on the upliftment of the stay with immediate effect. As the stay has been uplifted, the arbitration proceedings recommenced and the subsidiary has filed its Statement of Case in 3Q 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.

18. Changes in Material/Significant Litigation (continued)

(iii) In relation to the project in Abu Dhabi, as disclosed in Note 31(c) of the Audited Financial Statements, and as announced on 21 August 2017, on 18 August 2017, the subsidiary as the Respondent in the arbitration has received the Arbitral Tribunal's Final Award dated 15 August 2017 in favour of the subsidiary from the Secretariat of the International Court of Arbitration ("Court"), International Chamber of Commerce ("ICC") whereby the Arbitral Tribunal, inter alia: (a) declares that it has no jurisdiction to determine the substantive dispute in the arbitration since the claims as filed by the subcontractor in the present arbitration are premature and (b) orders the subcontractor to bear 100% of the fees and expenses of the Arbitral Tribunal and ICC's administrative expenses fixed by the Court at USD0.15 million (approximately RM0.61 million) and (c) orders that the subcontractor to reimburse the subsidiary the amount of USD0.02 million (approximately RM0.08 million) which represents the partial payment made by the subsidiary of its share of the advance on costs; and (d) orders the subcontractor to reimburse the subsidiary all the legal fees and disbursements of which the subsidiary has incurred, which amounted to RM0.2 million.

(iv) In relation to the Materials Off Loading Facility Jetty Project ("MOLF") as disclosed in Note 31(d) of the Audited Financial Statements, the subsidiary's application for security for costs against the subcontractor has been dismissed with costs. On 2 June 2017, the subcontractor has obtained summary judgement against the subsidiary for the sum of €1.8 million (approximately RM8.7 million) together with interest at the rate of 5% per annum from the commencement date of the civil action until full realisation ("Judgement Sum"). The subsidiary's counterclaim was dismissed with costs.

The subsidiary has made payment and settled the Judgement Sum of €1.8 million (approximately RM8.7 million) via instalment on 21 June 2017 payment for €0.9 million (approximately RM4.4 million), 22 November 2017 payment for €0.6 million (approximately RM2.9 million) and 5 December 2017 payment for €0.3 million (approximately RM1.4 million).

(v) In relation to the EPCC Tanjung Bin power in Johor consisting of 3 x 700MW coal-fired power plants and related facilities ("Project"), as disclosed in Note 31(b) of the Audited Financial Statements, and as announced on 7 August 2017, the Claimant (Tanjung Bin Power Sdn Bhd) the Respondents (namely Sumitomo Corporation, Zelan Holdings (M) Sdn Bhd ("ZHSB") and Sumi-Power Malaysia Sdn Bhd) and 3 other parties namely IHI Corporation, ISHI Power Sdn Bhd and IHI Power System Malaysia Sdn Bhd, have executed a Compromise Agreement whereby, inter alia, ZHSB will be released and discharged from all liabilities whatsoever and the Claimant shall irrevocably withdraw the arbitration proceedings against ZHSB. On 22 August 2017, the Claimant has confirmed the discontinuance of the arbitration proceedings.

19. **Loss Per Share**

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

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

19. Loss Per Share (continued)

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/12/2017	Quarter ended 31/12/2016	Twelve months to 31/12/2017	Twelve months to 31/12/2016
Loss attributable to equity holders of the parent (RM'000)	(59,098)	(37,704)	(67,519)	(67,623)
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic loss per share (sen)	**(6.99)**	**(4.46)**	**(7.99)**	**(8.00)**
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
Diluted loss per share (sen)	**(6.99)**	**(4.46)**	**(7.99)**	**(8.00)**

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 19 February 2018.

By order of the Board

Noor Raniz bin Haji Mat Nor
Ellis Suryanti Binti Jasmi
Secretaries

Kuala Lumpur
19 February 2018