

ZELAN BERHAD
(Company No. : 27676-V)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Revenue	18,470	8,557	73,343	53,683
Cost of sales	<u>(18,788)</u>	<u>(8,352)</u>	<u>(72,124)</u>	<u>(48,383)</u>
Gross (loss)/profit	(318)	205	1,219	5,300
Other income	1,480	265	1,858	12,904
Interest income	939	7,469	6,640	30,931
- income/profit on placement on deposits	<u>166</u>	<u>220</u>	<u>507</u>	<u>680</u>
- unwinding of discounting on long term trade receivables and discounting on trade payables	<u>773</u>	<u>7,249</u>	<u>6,133</u>	<u>30,251</u>
Diminution in carrying value of long term receivables	(4,326)	(2,906)	(8,561)	(14,868)
Unrealised foreign exchange gain/(loss), net	2,354	(2,548)	2,169	(7,790)
Administrative expenses	(4,006)	(3,693)	(10,206)	(14,827)
Operating expenses	(787)	(714)	(1,223)	(1,273)
Depreciation	(98)	(138)	(306)	(432)
Finance costs	(265)	(7,870)	(5,178)	(14,630)
- finance cost on borrowings	<u>(81)</u>	<u>(6,979)</u>	<u>(3,869)</u>	<u>(11,790)</u>
- discounting of trade receivables and unwinding of discounting on trade payables	<u>(184)</u>	<u>(891)</u>	<u>(1,309)</u>	<u>(2,840)</u>
Share of results of associates	(273)	(327)	(1,207)	(810)
Loss before zakat and taxation	<u>(5,300)</u>	<u>(10,257)</u>	<u>(14,795)</u>	<u>(5,495)</u>
Tax (expense)/credit	(235)	149	(241)	(2,946)
Net loss for the period	<u>(5,535)</u>	<u>(10,108)</u>	<u>(15,036)</u>	<u>(8,441)</u>
Loss for the period				
Attributable to:				
Equity holders of the parent	(5,535)	(10,099)	(15,036)	(8,421)
Non-controlling interests	<u>0</u>	<u>(9)</u>	<u>0</u>	<u>(20)</u>
	<u>(5,535)</u>	<u>(10,108)</u>	<u>(15,036)</u>	<u>(8,441)</u>
Basic loss per share attributable to equity holders of the Company (sen)	<u>(0.66)</u>	<u>(1.20)</u>	<u>(1.78)</u>	<u>(1.00)</u>
Basic loss per share attributable to equity holders of the Company (sen)	<u>(0.66)</u>	<u>(1.20)</u>	<u>(1.78)</u>	<u>(1.00)</u>

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Net loss for the period	<u>(5,535)</u>	<u>(10,108)</u>	<u>(15,036)</u>	<u>(8,441)</u>
Other comprehensive (loss)/income :				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	<u>(1,855)</u>	<u>1,801</u>	<u>(33)</u>	<u>5,295</u>
Total items that may be reclassified subsequently to the profit or loss	<u>(1,855)</u>	<u>1,801</u>	<u>(33)</u>	<u>5,295</u>
Total comprehensive loss for the period	<u>(7,390)</u>	<u>(8,307)</u>	<u>(15,069)</u>	<u>(3,146)</u>
Total comprehensive (loss)/income for the period				
Attributable to:				
Equity holders of the parent	<u>(7,393)</u>	<u>(8,303)</u>	<u>(15,091)</u>	<u>(3,137)</u>
Non-controlling interests	<u>3</u>	<u>(4)</u>	<u>22</u>	<u>(9)</u>
	<u>(7,390)</u>	<u>(8,307)</u>	<u>(15,069)</u>	<u>(3,146)</u>

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

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/09/2018 RM'000	Audited As at 31/12/2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	6,727	7,113
Investment properties	4,492	4,598
Investments in associates	2,866	3,332
Receivables, deposits and prepayments	718,766	690,333
Deposits, cash and bank balances (restricted)	1,392	4,574
	<u>734,243</u>	<u>709,950</u>
CURRENT ASSETS		
Inventories	8,555	8,555
Receivables, deposits and prepayments	72,835	77,900
Tax recoverable	2,420	2,420
Deposits pledged as security (restricted)	4,065	4,202
Deposits, cash and bank balances (non-restricted)	2,652	5,232
	<u>90,527</u>	<u>98,309</u>
LESS: CURRENT LIABILITIES		
Trade and other payables	225,779	224,744
Borrowings	170,434	139,593
Current tax liabilities	3,271	3,448
	<u>399,484</u>	<u>367,785</u>
NET CURRENT LIABILITIES	<u>(308,957)</u>	<u>(269,476)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>425,286</u>	<u>440,474</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	84,489	84,489
Reserves	(30,295)	(15,204)
	<u>54,194</u>	<u>69,285</u>
Non-controlling interests	(305)	(327)
TOTAL EQUITY	<u>53,889</u>	<u>68,958</u>
NON-CURRENT LIABILITIES		
Borrowings	368,235	368,350
Deferred tax liabilities	3,162	3,166
	<u>371,397</u>	<u>371,516</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u>425,286</u>	<u>440,474</u>
Net assets per share (RM)	<u>0.06</u>	<u>0.08</u>

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

ZELAN BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total Equity RM'000	
	Share Capital RM'000	Warrants Reserve # RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Accumulated Losses RM'000	Sub - total RM'000		Non-controlling interests RM'000
Nine months to 30 September 2018									
Balance as at 1 January 2018	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958
Loss for the period	-	-	-	-	-	(15,036)	(15,036)	-	(15,036)
Other comprehensive income: Currency translation reserve	-	-	(55)	-	-	-	(55)	22	(33)
Total comprehensive (loss)/income for the period	-	-	(55)	-	-	(15,036)	(15,091)	22	(15,069)
Balance as at 30 September 2018	84,489	14,082	11,287	35,457	4,254	(95,375)	54,194	(305)	53,889
Nine months to 30 September 2017									
Balance as at 1 January 2017	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818
Profit/(loss) for the period	-	-	-	-	-	(8,421)	(8,421)	(20)	(8,441)
Other comprehensive income: Currency translation difference	-	-	5,284	-	-	-	5,284	11	5,295
Total comprehensive income for the period	-	-	5,284	-	-	(8,421)	(3,137)	(9)	(3,146)
Balance as at 30 September 2017	84,489	14,082	5,260	35,457	4,254	(14,689)	128,853	(181)	128,672

* These reserves relate to net gain from disposals of investment in shares, issue of bonus shares by a subsidiary out of post-acquisition reserves and transfer of profits to a statutory reserve by certain overseas subsidiaries

This reserve relates to issuance of free detachable warrants.

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Year to date 30/09/2018 RM'000	Year to date 30/09/2017 RM'000
OPERATING ACTIVITIES		
Net loss for the period attributable to equity holders of the Company	(15,036)	(8,421)
Adjustments for:		
Tax expense	241	2,946
Depreciation of property, plant and equipment	200	326
Depreciation of investment properties	106	106
Gain on disposal of property, plant and equipment	-	(366)
Diminution in carrying value of long term receivables	8,561	14,868
Provision for impairment of receivables	-	74
Interest income	(6,640)	(30,931)
Finance costs	5,178	14,630
Net unrealised loss on foreign exchange	(2,169)	7,790
Non-controlling interests	-	(20)
Share of results of associates	1,207	810
	<u>(8,352)</u>	<u>1,812</u>
Changes in working capital :		
Receivables	(25,262)	22,876
Payables	27,289	(34,779)
Cash used in operations	(6,325)	(10,091)
Tax refund/(paid)	177	(2,081)
Net cash flows generated used in operating activities	<u>(6,148)</u>	<u>(12,172)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(1)
Proceeds from disposals of property, plant and equipment	-	552
Interest received from deposits and investments	341	680
Net cash flows generated from investing activities	<u>341</u>	<u>1,231</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(5,180)	(17,408)
Proceeds from borrowings	5,515	27,114
Repayments of hire purchase creditors	(143)	(465)
Interest paid	(469)	(741)
Upliftment of deposits pledged as security	3,319	9,537
Net cash flows generated from financing activities	<u>3,042</u>	<u>18,037</u>
Net movement in cash and cash equivalents	(2,765)	7,096
Cash and cash equivalents at the beginning of the period	5,232	3,624
Currency translation differences	185	(8,149)
Cash and cash equivalents at the end of the period	<u>2,652</u>	<u>2,571</u>

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

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1. Basis of Preparation

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

The condensed interim financial information should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the condensed interim financial information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

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

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

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

a) **MFRS 9: Financial Instruments**

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

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

Change in accounting policies

(i) Revenue from construction contracts

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

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1. Basis of Preparation (continued)

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

Change in accounting policies (continued)

(ii) Revenue from concession arrangement

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

(iii) Contract asset and contract liability

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

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

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

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

MFRS and amendments to MFRSs and IC Interpretations that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following new standards, amendments to MFRSs and IC Interpretation which are effective for the financial period beginning on or after 1 January 2019. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretation.

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

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1. Basis of Preparation (continued)

MFRS and amendments to MFRSs and IC Interpretations that are applicable to the Group but not yet effective (continued)

Effective from financial year beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Revised 2018)

Effective date yet to be determined

Amendments to MFRS 10

Consolidated Financial Statements

Amendments to MFRS128

Investments in Associates and Joint Ventures – sale or contribution of assets between an investor and its associate/joint ventures

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 RM31.1 million), being the certified amount of works done and materials at site owing by the project owner to ZHSB under certificates of payment in accordance with the provisions of the Contract and the project owner's continuous interference with the valuation and/or certification of ZHSB's progress claims.

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

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

On 17 December 2015, ZHSB was notified that the guarantor of the performance and rectification bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM46.2 million) and performance bond of AED51.5 million (approximately RM57.9 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 RM509.3 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 RM665.5 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.

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1. Basis of Preparation (continued)

ZHSB submitted and revised the claim sum against the project owner from AED452.3 million (approximately RM509.3 million) to AED555.9 million (approximately RM626.0 million) as contained in its Statement of Case submitted to the Arbitral Tribunal ("Tribunal") of ICC on 11 July 2017. 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 proceedings have been fixed on 6 to 17 January 2019.

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 RM665.5 million) to the sum of AED654.3 million (approximately RM736.8 million).

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

In accordance with the arbitration procedural timeline, ZHSB and the project owner have exchanged the identities of parties' respective expert consultants in May 2018. On 31 May 2018, the project owner has submitted its Statement of Rejoinder and its Reply to Defence to Counterclaim. On 1 August 2018, both ZHSB and the project owner have exchanged its factual Witness Statements in support of the pleadings.

The Group recorded a total receivable balance of AED184.9 million (approximately RM208.2 million) due from the project owner as at 30 September 2018, comprising the certified claims, retention sum and amount due from the project owner for the work performed up to the termination date, as well as the rectification bond and performance bond drawdown by the project owner of AED92.5 million (approximately RM104.2 million) in January 2016. Based on the advice obtained from the claim consultant and external solicitors, the Directors are of the view that ZHSB has valid contractual basis to recover the outstanding receivable balance from the project owner through the arbitration process.

In making this assessment, the Directors have considered ZHSB's entitlement to the claims on amounts incurred for work done and materials supplied pursuant to the Contract, interest and other costs and loss of opportunity of profit which ZHSB had suffered as a result of the termination. ZHSB will proceed with the arbitration process to fully recover the outstanding amounts under the provision of the Contract. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables which takes into consideration the expected period of the arbitration process and the subsequent recovery.

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

2. Auditors' Report on Preceding Annual Financial Statements

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

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

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

The Directors of the Company are of the opinion that the preparation of the financial statements of the Group for the period ended 30 September 2018 on a going concern basis remain appropriate given the following measures being taken and would be taken by the Group to address the material uncertainty related to going concern:

- Monitor and manage the progress of its existing construction projects which are expected to be completed within the projected timeline;
- Negotiate and defer payments to related companies of the Group for certain projects;
- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects;
- Actively pursue tax refunds from the Indonesian tax authorities on a completed project;
- Dispose of certain properties and inventories of the Group;
- Negotiate with Bank Pembangunan Malaysia Berhad to further reduce the current profit rate and some discounts to the compounding profit for the loan taken for International Islamic University Malaysia, Gambang project; and
- Negotiate with HSBC, Middle East to restructure the timing and monthly instalments payable by the Group.

The Group had secured prospective buyers for the disposal of four units of office lots at Wisma Zelan. These transactions are expected to be completed in Quarter 1 FY2019.

The Group expects to recognise revenue for the Availability Charges ("AC") and Asset Management Services ("AMS") from the International Islamic University Malaysia ("IIUM") project under the provisions of the Concession Agreement commencing from December 2018. The proceeds from the AC and AMS will improve the Group's cash flow position.

The Group continues to pursue various loans and banking facilities and is actively bidding for new projects.

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

3. Seasonal or Cyclical Factors

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

4. Unusual Items

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

5. Changes in Estimates of Amount Reported Previously

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

6. Debt and Equity Securities

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

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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 30 September 2018 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	18,128	195	165	202	18,690
Less: Inter-segment sales	-	-	(165)	(55)	(220)
	18,128	195	-	147	18,470
Results					
Segment (loss)/profit	(4,024)	58	(17)	(779)	(4,762)
Finance costs	(206)	-	-	(59)	(265)
Share of results of associates	(273)	-	-	-	(273)
(Loss)/profit before zakat and taxation	(4,503)	58	(17)	(838)	(5,300)
Tax expense	(206)	(1)	-	(28)	(235)
Net (loss)/profit after zakat and taxation	(4,709)	57	(17)	(866)	(5,535)
Attributable to:					
Equity holders of the parent	(4,709)	57	(17)	(866)	(5,535)
Non-controlling interests	-	-	-	-	-
	(4,709)	57	(17)	(866)	(5,535)

The Group's revenue comprise the following:

	Quarter ended 30/9/2018 RM'000	Quarter ended 30/9/2017 RM'000
Revenue from contracts with customers	18,128	8,274
Rental income	342	283
	18,470	8,557

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

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.

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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.

11. Changes in Contingent Liabilities or Contingent Assets

As at 30 September 2018, the Company has given guarantees amounting to RM18,487,000 (3Q FY2017: RM 20,296,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects.

12. Review of Performance

(i) Financial review for the current quarter and corresponding quarter last year

	Individual Quarter			Cumulative Quarter		
	Current Year	Preceding Year	Changes	Current Period	Preceding Year	Changes
	Quarter	Corresponding Quarter		To- date	Corresponding Period	
	30/09/2018	30/09/2017	Value	30/09/2018	30/09/2017	Value
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	18,470	8,557	9,913	73,343	53,683	19,660
Operating (loss)/profit	(7,116)	488	(7,604)	(10,579)	17,735	(28,314)
Net unrealised foreign exchange gain/(loss)	2,354	(2,548)	4,902	2,169	(7,790)	9,959
Share of results of associates	(273)	(327)	54	(1,207)	(810)	(397)
(Loss)/profit before interest, zakat and taxation	(5,035)	(2,387)	(2,648)	(9,617)	9,135	(18,752)
Loss before zakat and taxation	(5,300)	(10,257)	4,957	(14,795)	(5,495)	(9,300)
Loss after zakat and taxation	(5,535)	(10,108)	4,573	(15,036)	(8,441)	(6,595)

The Group's revenue of RM18.5 million for the current quarter ended 30 September 2018 was higher than RM8.6 million registered in the same quarter of FY2017 by RM9.9 million or 115.1%. The higher revenue in the current quarter is attributable to higher contributions from the Engineering and Construction business segment due to completion of major phases of the construction of the Drawbridge connecting Muara North and Muara South in Kuala Terengganu City Centre for the ECERDC ("Drawbridge") project and revenue from Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") Package CB2 project.

The Group reported a lower loss after zakat and taxation ("LAZT") of RM5.5 million in the current quarter under review compared to a LAZT of RM10.1 million in the corresponding quarter of FY2017. This is mainly attributable to the lower finance cost of RM0.3 million (3Q FY2017: RM7.9 million) and unrealised foreign exchange gain from oversea subsidiaries of RM2.3 million (3Q FY2017: loss of RM2.5 million) in the current quarter. These are offset by a higher diminution in the carrying value of long term receivables amounting to RM4.3 million (3Q FY2017: RM2.9 million) and lower interest income from the unwinding of discounting on long term trade receivables and discounting on trade payables of RM0.8 million (3Q FY2017: RM7.2 million).

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12. Review of Performance (continued)

(ii) Financial review for the financial period to date and corresponding financial period last year

For the current financial period under review, the Group recorded total revenue of RM73.3 million, an increase of RM19.6 million or 36.5% as compared to the RM53.7 million recorded in the corresponding period last year. The Engineering and Construction business segment contributed higher revenue from the on-going Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") Package CB2 project and Drawbridge project.

The Group posted a higher LAZT of RM15.0 million for the current financial period, as opposed to a LAZT of RM8.4 million reported in the corresponding financial period, mainly attributable by a lower gross profit of RM1.2 million (2017: RM5.3 million), lower interest income of RM6.6 million (2017: RM30.9 million) and lower other income of RM1.9 million (2017: RM12.9 million being refund of interest compensation on corporate taxation from Indonesia Operations). These are offset by a lower diminution in the carrying value of long term receivables amounting to RM8.5 million (2017:RM14.9 million), unrealised foreign exchange gain from oversea subsidiaries of RM2.2 million (2017: loss of RM7.8 million) and lower finance cost of RM5.2 million (2017:RM14.6 million).

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

	Quarter ended 30/09/2018 RM '000	Quarter ended 30/06/2018 RM '000	Variance Variance RM '000
<u>Revenue</u>			
Engineering and Construction	18,128	34,023	(15,895)
Property and Development	195	190	5
Investment	147	147	-
Total	18,470	34,360	(15,890)
<u>(Loss)/Profit After Zakat and Taxation</u>			
Engineering and Construction	(4,709)	(5,055)	346
Property and Development	57	(39)	96
Asset Facilities Management	(17)	(5)	(12)
Investment	(866)	(1,060)	194
Total	(5,535)	(6,159)	624

In the current quarter ended 30 September 2018, the Group reported lower revenue by RM15.9 million or 46.2% compared to the immediate preceding quarter. The LAZT in the current quarter of RM5.5 million has reduced by RM0.6 million or 10.1% as compared to the LAZT of RM6.2 million in the immediate preceding quarter.

The lower LAZT is mainly due to a lower gross loss of RM0.3 million (2Q FY2017: RM2.9 million) which is offset by lower unrealised foreign exchange gain from overseas subsidiaries of RM2.3 million (2Q FY2017: RM4.3 million).

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13. Current year prospects

The Group expects to recognise the concession income from the International Islamic University Malaysia ("IIUM") project under the provisions of the Concession Agreement commencing from December 2018 which will enhance the Group's future prospects.

At the same time, the Group is also actively participating in tenders and will continue to manage the business with diligence. The Group is expected to make a loss for the current year ending 31 December 2018.

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 30/09/2018 RM '000	Preceding year corresponding quarter 30/09/2017 RM '000	Nine months to 30/09/2018 RM '000	Nine months to 30/09/2017 RM '000
Malaysian income tax - current	236	(146)	245	85
Foreign income tax - current	-	(9)	-	2,857
	<u>236</u>	<u>(155)</u>	<u>245</u>	<u>2,942</u>
Deferred tax	(1)	6	(4)	4
Tax expense/(credit)	<u>235</u>	<u>(149)</u>	<u>241</u>	<u>2,946</u>

The effective tax rate credit for the current quarter and current financial period under review is lower than the statutory tax rate due to the losses generated by the subsidiaries during the period for which no deferred tax assets have been recognised.

The tax credit for the corresponding quarter last year was attributable to the overprovision in the prior quarters.

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 30 September 2018 are as follows:

As at 30.09.2018						
	Short term borrowings		Long term borrowings		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
	AED '000	RM '000	AED '000	RM '000	AED '000	RM '000
Secured						
Term loan	85,746	96,558	-	-	85,746	96,558
Islamic financing	-	60,236	-	368,042	-	428,278
Revolving credit	-	13,500	-	-	-	13,500
Unsecured						
Hire purchase	-	140	-	193	-	333
	85,746	170,434	-	368,235	85,746	538,669
^ Exchange rate: AED1 = RM1.1261						
As at 30.09.2017						
	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	16,150	18,564	58,131	66,822	74,281	85,386
Islamic financing	-	19,143	-	373,076	-	392,219
Revolving credit	-	13,500	-	-	-	13,500
Overdraft	-	8,655	-	-	-	8,655
Unsecured						
Hire purchase	-	211	-	333	-	544
	16,150	60,073	58,131	440,231	74,281	500,304
^ Exchange rate: AED1 = RM1.1495						

18. Changes in Material/Significant Litigation

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

- (i) In relation to the project in Abu Dhabi, as disclosed in Note 29(b) page 120 of the Audited Financial Statements, and as announced on 17 April 2018, the Company's subsidiary received from International Court of Arbitration of the International Chamber of Commerce ("ICC") on 16 April 2018, a Request for Arbitration from the subcontractor claiming for a sum of AED15.2 million (approximately RM17.1 million) against the subsidiary. Both the subsidiary and the subcontractor have agreed on the appointment of a sole arbitrator. Subsequently on 14 June 2018, ICC appointed the sole arbitrator and the subsidiary filed its Answer to the Request for Arbitration. On 1 August 2018, the subcontractor and the subsidiary submitted the agreed Terms of Reference to the ICC. 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 8 to 11 April 2019.

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18. Changes in Material/Significant Litigation (Continued)

- (ii) In relation to the project in Indonesia, as announced on 5 October 2018, the Company's subsidiary Zelan Holdings (M) Sdn Bhd ("ZHSB") received from the Dongfang Electric Corporation ("DEC") a Notice of Arbitration dated 4 October 2018 in respect of disputes and differences arising from the Settlement Agreement dated 30 June 2014, between DEC and ZHSB in relation to the Supplies, Supervision for Erection, Testing and Commissioning Services Power Plant Commissioning, and Boiler, Turbine, Generator Performance Tests for the 2 x (300-400MW) Coal-Fired Steam Power Plant located at Rembang, Central Java. DEC is claiming the balance outstanding of USD1.1 million (approximately RM5.0 million), interest, cost and other reliefs deem fit. Zelan submitted its Response to the Notice of Arbitration on 12 November 2018.
- (iii) In relation to the project in Malaysia, as announced on 23 November 2018, the Company's subsidiary Zelan Construction Sdn Bhd ("ZCSB") was informed by its solicitors that on 22 November 2018 the Arbitral Tribunal had issued its award after the full trial of the matter wherein the Arbitral Tribunal ordered as follows:-
- a) It is declared that ZCSB had terminated the contracts;
 - b) ZCSB is to pay the Claimant the sum of RM2.7 million including GST of 6% thereon;
 - c) ZCSB is to pay interest at the rate of 5% per annum on the sum of RM2.7 million from 30 June 2016 until full payment;
 - d) ZCSB to pay 90% of the costs to be assessed to the Claimant; and
 - e) ZCSB's counterclaim is dismissed without costs.

The decision in relation to the assessment of costs in respect of item (d) above will be given after written submission by the respective parties.

19. Loss Per Share

The basic loss per share and the diluted loss per share for the financial period 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 period.

The diluted loss per share for the financial period 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).

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19. Loss Per Share (Continued)

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30/09/2018	Quarter ended 30/09/2017	Nine months to 30/09/2018	Nine months to 30/09/2017
Loss attributable to equity holders of the parent (RM'000)	(5,535)	(10,099)	(15,036)	(8,421)
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic loss per share (sen)	(0.66)	(1.20)	(1.78)	(1.00)
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)	(0.66)	(1.20)	(1.78)	(1.00)

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 30 November 2018.

By order of the Board

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

Kuala Lumpur
30 November 2018