ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE FIGURES HAVE NOT BEEN AUDITED

CONSOLIDATED STATEMENT OF INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2018 RM'000	Quarter ended 31/12/2017 RM'000	Year ended 31/12/2018 RM'000	Year ended 31/12/2017 RM'000
Revenue	**11,713**	17,228	**85,056**	70,911
Cost of sales	**(12,612)**	(23,742)	**(84,736)**	(72,125)
Gross (loss)/profit	**(899)**	(6,514)	**320**	(1,214)
Other income	**6,157**	(102)	**8,015**	12,802
Interest income	4,597	5,831	**2,676**	36,762
- income/profit on placement on deposits	***75***	*184*	***582***	*864*
- unwinding of discounting on long term trade receivables and discounting on trade payables	***4,522***	*5,647*	***2,094***	*35,898*
Reversal of diminution/(diminution) of long term receivables	**26,297**	(39,187)	**26,297**	(54,055)
Unrealised foreign exchange (loss)/gain, net	**(766)**	(5,442)	**1,403**	(13,232)
Administrative expenses	**(5,862)**	(3,720)	**(16,068)**	(18,547)
Operating expenses	**(5,312)**	(636)	**(6,535)**	(1,909)
Write back/(provision) for impairment of receivables	**1,202**	(3,578)	**1,202**	(3,578)
Depreciation	**(92)**	(125)	**(398)**	(557)
Finance costs	**(32,274)**	(12,096)	**(37,452)**	(26,726)
- finance cost on borrowings	***(32,134)***	*(721)*	***(36,003)***	*(12,511)*
- discounting of trade receivables and unwinding of discounting on trade payables	***(140)***	*(11,375)*	***(1,449)***	*(14,215)*
Share of results of associates	**14,373**	(329)	**13,166**	(1,139)
Profit/(loss) before zakat and taxation	**7,421**	(65,898)	**(7,374)**	(71,393)
Tax (expense)/credit	**(2,842)**	81	**(3,083)**	(2,865)
Net Profit/(loss) for the period /year	**4,579**	(65,817)	**(10,457)**	(74,258)
Profit/(loss) for the period /year				
Attributable to:				
Equity holders of the parent	**4,590**	(65,650)	**(10,446)**	(74,071)
Non-controlling interests	**(11)**	(167)	**(11)**	(187)
	4,579	(65,817)	**(10,457)**	(74,258)
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	0.54	(7.77)	**(1.24)**	(8.77)
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	0.54	(7.77)	**(1.24)**	(8.77)

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

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2018 RM'000	Quarter ended 31/12/2017 RM'000	**Year ended 31/12/2018** RM'000	Year ended 31/12/2017 RM'000
Net profit/(loss) for the period/year	**4,579**	(65,817)	**(10,457)**	(74,258)
Other comprehensive income/(loss) :				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference from translation of foreign operations	**(1,109)**	6,103	**(1,142)**	11,398
Total items that may be reclassified subsequently to the profit or loss	**(1,109)**	6,103	**(1,142)**	11,398
Total comprehensive income/(loss) for the period/year	**3,470**	(59,714)	**(11,599)**	(62,860)
Total comprehensive income/(loss) for the period/year				
Attributable to:				
Equity holders of the parent	**3,492**	(59,568)	**(11,599)**	(62,705)
Non-controlling interests	**(22)**	(146)	**-**	(155)
	3,470	(59,714)	**(11,599)**	(62,860)

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

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2018 RM'000	Audited As at 31/12/2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	6,631	7,113
Investment properties	4,456	4,598
Investments in associates	4,889	3,332
Receivables, deposits and prepayments	708,327	690,333
Deposits, cash and bank balances (restricted)	1,392	4,574
	725,695	709,950
CURRENT ASSETS		
Inventories	8,329	8,555
Receivables, deposits and prepayments	87,498	77,900
Tax recoverable	1,160	2,420
Deposits pledged as security (restricted)	0	4,202
Deposits, cash and bank balances (non-restricted)	3,977	5,232
	100,964	98,309
LESS: CURRENT LIABILITIES		
Trade and other payables	224,032	224,744
Borrowings	184,277	139,593
Current tax liabilities	2,067	3,448
	410,376	367,785
NET CURRENT LIABILITIES	(309,412)	(269,476)
TOTAL ASSETS LESS CURRENT LIABILITIES	416,283	440,474
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	84,489	84,489
Reserves	(26,803)	(15,204)
	57,686	69,285
Non-controlling interests	(327)	(327)
TOTAL EQUITY	57,359	68,958
NON-CURRENT LIABILITIES		
Borrowings	355,763	368,350
Deferred tax liabilities	3,161	3,166
	358,924	371,516
TOTAL EQUITY AND NON-CURRENT LIABILITIES	416,283	440,474
Net assets per share (RM)	0.07	0.08

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
(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 RM'000**	**Sub - total RM'000**	**Non-controlling interests RM'000**	**Total Equity RM'000**
Twelve months to 31 December 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 year	-	-	-	-	-	(10,446)	(10,446)	(11)	(10,457)
Other comprehensive (loss)/income:									
Currency translation reserve	-	-	(1,153)	-	-	-	(1,153)	11	(1,142)
Total comprehensive (loss)/income for the year	-	-	(1,153)	-	-	(10,446)	(11,599)	-	(11,599)
Balance as at 31 December 2018	84,489	14,082	10,189	35,457	4,254	(90,785)	57,686	(327)	57,359
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
Profit/(loss) for the year	-	-	-	-	-	(74,071)	(74,071)	(187)	(74,258)
Other comprehensive income:									
Currency translation difference	-	-	11,366	-	-	-	11,366	32	11,398
Total comprehensive income for the year	-	-	11,366	-	-	(74,071)	(62,705)	(155)	(62,860)
Balance as at 31 December 2017	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958

* 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.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31/12/2018 RM'000	Year Ended 31/12/2017 RM'000
OPERATING ACTIVITIES		
Net loss for the period attributable to equity holders of the Company	**(10,446)**	(74,071)
Adjustments for:		
Tax expense	**3,083**	2,865
Depreciation of property, plant and equipment	**482**	813
Depreciation of investment properties	**142**	142
Gain on disposal of property, plant and equipment	**-**	(368)
Provsion for impairment of receivables	**-**	74
Impairment of associates	**2,344**	-
(Reversal of diminution)/diminution in carrying value of long term receivables	**(26,297)**	54,055
Write back/(provision for impairment) of amount due from an associate	**(1,202)**	3,578
Write back of provision of receivables	**-**	(340)
Impairment loss of inventories	**226**	410
Interest income	**(2,676)**	(36,762)
Finance costs	**37,452**	26,726
Net unrealised (gain)/loss on foreign exchange	**(1,403)**	13,232
Non-controlling interests	**(11)**	(187)
Share of results of associates	**(13,166)**	1,139
	(11,472)	(8,694)
Changes in working capital :		
Receivables	**(1,814)**	36,005
Payables	**4,934**	(31,498)
Cash used in operations	**(8,352)**	(4,187)
Tax refund/(paid)	**2,752**	(2,039)
Net cash flows used in operating activities	**(5,600)**	(6,226)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**-**	(29)
Proceeds from disposals of property, plant and equipment	**-**	554
Repayment of advances from/(advances to) associates	**3,049**	(386)
Repayment of advances from/(advances to) related companies	**27**	(23)
Interest received from deposits and investments	**582**	864
Net cash flows generated from investing activities	**3,658**	980
FINANCING ACTIVITIES		
Repayments of borrowings	**(11,044)**	(32,730)
Proceeds from borrowings	**5,579**	29,254
Repayments of hire purchase creditors	**(185)**	(500)
Interest paid	**(535)**	(655)
Advances received from related companies	**352**	314
Upliftment of deposits pledged as security	**7,384**	11,471
Net cash flows generated from financing activities	**1,551**	7,154
Net movement in cash and cash equivalents	**(391)**	1,908
Cash and cash equivalents at the beginning of the financial year	**5,232**	3,624
Currency translation differences	**(864)**	(300)
Cash and cash equivalents at the end of the financial year	**3,977**	5,232

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

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

<u>Change in accounting policies</u>

(i) <u>Revenue from construction contracts</u>

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.

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

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 dated 1 April 2008 and any Supplementary thereto ("Contract"). This was due to 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 RM58.0 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 claimed from the project owner the total sum of AED452.3 million (approximately RM509.3 million), being the loss and damage and payments ZHSB was 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 was AED591.0 million (approximately RM665.5 million) for the costs and losses which included repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

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 finalised and executed the Terms of Reference and submitted the same to the Tribunal. The Procedural Timetable was also agreed upon and approved by the Tribunal, and hence the hearing dates for the arbitration proceedings were fixed on 6 to 16 January 2019.

On 9 November 2017, the project owner 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 RM736.7 million).

On 1 March 2018, ZHSB 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 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 exchanged the identities of the parties' respective expert consultants in May 2018. On 31 May 2018, the project owner submitted its Statement of Rejoinder and its Reply to Defence to Counterclaim. On 1 August 2018 and 25 October 2018, both ZHSB and the project owner exchanged its factual Witness Statements in support of the pleadings and its respective responsive factual Witness Statement. The experts appointed by ZHSB and the project owner submitted their joint reports on 1 November 2018 and 6 November 2018 respectively. On 16 November 2018, the experts submitted their individual reports and on 27 November 2018 the expert submitted their expert report in response.

All procedural timetable had been complied by ZHSB and the project owner and accordingly on 6 January 2019 until 16 January 2019, the evidentiary hearings were held in Abu Dhabi, UAE and at the conclusion/end of the hearings, the Tribunal directed ZHSB and the project owner to submit their respective closing submissions and costs submissions on 25 February 2019 and written reply submissions to be filed on 18 March 2019, for their deliberation. Subject to the provision of United Arab Emirates laws, ZHSB is of the opinion that it has reasonable prospect of success in its case against the Project Owner.

The Group recorded a total receivable balance of AED184.9 million (approximately RM208.2 million) due from the project owner as at 31 December 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 drawndown 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 claims which ZHSB had suffered as a result of the termination, and therefore, had proceeded 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.

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."

The Directors of the Company are of the opinion that the preparation of the financial statements of the Group for the financial year ended 31 December 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 in order to minimise the exposure to potential Liquidated Ascertained Damages if any;
- 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 balance of tax refunds from the Indonesian tax authorities on a completed project;
- Dispose of certain properties and inventories of the Group; and
- Negotiate with the banks to restructure the timing and repayment of monthly instalments payable by the Group.

Subsequent to the financial year end, the Group has successfully negotiated with a bank to restructure the loan taken for the International Islamic University Malaysia, Gambang ("IIUM") project.

The Group had secured prospective buyers for the disposal of six units of office lots at Wisma Zelan. These transactions are expected to be completed in Quarter 2 FY2019.

The Group expects to recognise proceeds from the IIUM project under the provisions of the Concession Agreement. The issuance of Certificate of Acceptance ("COA") which will be effective from 1 December 2018 is now pending Government's approval.The proceeds from this project will improve the Group's cash flow position.

The Group continues to actively bid for new projects and had taken measurements on cost cutting exercises to reduce any unnecessary overhead.

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

3. Seasonal or Cyclical Factors

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

4. Unusual Items

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

5. Changes in Estimates of Amount Reported Previously

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

6. Debt and Equity Securities

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

7. Dividend

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

8. Segmental Reporting

Segment analysis for the current financial quarter to 31 December 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	11,376	189	165	148	11,878
Less:Inter-segment sales	-	-	(165)	-	(165)
	11,376	189	-	148	11,713
Results					
Segment profit	24,637	207	13	465	25,322
Finance costs	(32,272)	-	-	(2)	(32,274)
Share of results of associates	14,373	-	-	-	14,373
Profit/(loss) before zakat and taxation	6,738	207	13	463	7,421
Tax expense	(2,777)	(33)	-	(32)	(2,842)
Net profit after zakat and taxation	3,961	174	13	431	4,579
Attributable to:					
Equity holders of the parent	3,972	174	13	431	4,590
Non-controlling interests	(11)	-	-	-	(11)
	3,961	174	13	431	4,579

The Group's revenue comprise the following:

	Quarter ended 31/12/2018 RM'000	Quarter ended 31/12/2017 RM'000
Revenue from contracts with customers	11,376	16,947
Rental income	337	281
	11,713	17,228

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.

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 2018, the Company had given guarantees amounting to RM18,505,000 (4Q FY2017: RM20,132,000) 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 and financial year end

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	12 Months Ended	12 Months Ended	Changes
	31/12/2018 RM '000	31/12/2017 RM '000	Value RM '000	31/12/2018 RM '000	31/12/2017 RM '000	Value RM '000
Revenue	11,713	17,228	(5,515)	85,056	70,911	14,145
Operating (loss)/profit	26,088	(48,031)	74,119	15,509	(30,296)	45,805
Net unrealised foreign exchange (loss)/gain	(766)	(5,442)	4,676	1,403	(13,232)	14,635
Share of results of associates	14,373	(329)	14,702	13,166	(1,139)	14,305
Profit/(loss) before interest, zakat and taxation	39,695	(53,802)	93,497	30,078	(44,667)	74,745
Profit/(loss) before zakat and taxation	7,421	(65,898)	73,319	(7,374)	(71,393)	64,019
Profit/(loss) after zakat and taxation	4,579	(65,817)	70,396	(10,457)	(74,258)	63,801
Profit/(loss) attributable to ordinary equity holders of the parent	4,590	(65,650)	70,240	(10,446)	(74,071)	63,625

The Group's revenue of RM11.7 million for the current quarter ended 31 December 2018 was lower than RM17.2 million registered in the same quarter of FY2017 by RM5.5 million or 32.0%. The lower revenue in the current quarter is attributable to lower 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 lower revenue from Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") Package CB2 project.

12. Review of Performance (continued)

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

The Group reported a higher profit after zakat and taxation ("PAZT") of RM4.6 million in the current quarter under review compared to a loss after zakat and taxation ("LAZT") of RM65.8 million in the corresponding quarter of FY2017. This is mainly attributable to higher share of profit from an associated company of RM14.4 million (4Q FY2017: loss of RM0.3 million), and reversal of diminution in the carrying value of long term receivables of RM26.3 million (4Q FY2017: diminution of carrying value of long term receivables of RM39.2 million).

For the current financial year end, the Group recorded total revenue of RM85.0 million, an increase of RM14.1 million or 19.9% as compared to the RM70.9 million last year. The Engineering and Construction business segment contributed higher revenue from the on-going SUKE Package CB2 project and Drawbridge project.

The Group posted a LAZT of RM10.5 million for the current financial year end, as opposed to a LAZT of RM74.3 million reported in the last financial year end. This is mainly attributable of:

a) Reversal of diminution of long term receivables of RM26.3 million (2017: diminution in the carrying value of long term receivables of RM54.1 million);
b) Unrealised foreign exchange gain from oversea subsidiaries of RM1.4 million (2017: loss of RM13.2 million); and
c) Share of results of associates of RM13.2 million (2017:loss of RM1.1 million),

which is offset by:

a) Finance cost incurred of RM37.5 million (2017: RM27.7 million); and
b) Lower interest income of RM2.7 million (2017: RM36.8 million).

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

	Quarter ended	Quarter ended	Variance
	31/12/2018	30/09/2018	Variance
	RM '000	RM '000	RM '000
Revenue			
Engineering and Construction	11,376	18,128	(6,752)
Property and Development	189	195	(6)
Investment	148	147	1
Total	**11,713**	**18,470**	**(6,757)**
Profit/(loss) After Zakat and Taxation			
Engineering and Construction	3,961	(4,709)	8,670
Property and Development	174	57	117
Asset Facilities Management	13	(17)	30
Investment	431	(866)	1,297
Total	**4,579**	**(5,535)**	**10,114**

In the current quarter ended 31 December 2018, the Group reported lower revenue by RM6.8 million or 36.6% compared to the immediate preceding quarter. The PAZT in the current quarter of RM4.6 million has increased by RM10.1 million or 182.7% as compared to the LAZT of RM5.5 million in the immediate preceding quarter.

The higher PAZT is mainly due to the Group's share of profit from an associated company of RM14.4 million and a reversal of diminution of long term receivables.

13. Prospects

The Group's revenue for the current financial year ending 31 December 2019 will be principally derived from the balance of the order book of two local projects, the Drawbridge project and SUKE project as well as the revenue from the concession income from the IIUM project under the provisions of the Concession Agreement. The issuance of Certificate of Acceptance for this project which will be effective from 1 December 2018, is now pending Government's approval.The income from the IIUM project which will commence in the first half of 2019 will enable the Group to have a stable income stream for the tenure of the concession.

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 31/12/2018 RM '000	Preceding year corresponding quarter 31/12/2017 RM '000	12 months ended 31/12/2018 RM '000	12 months ended 31/12/2017 RM '000
Malaysian income tax - current	2,843	(80)	3,088	2,862
	2,843	(80)	3,088	2,862
Deferred tax	(1)	(1)	(5)	3
Tax expense/(credit)	2,842	(81)	3,083	2,865

The effective tax rate for the current quarter and current financial year under review is higher than the statutory tax rate due to the under provision of tax in prior period/year and non-recognition of deferred tax assets arising from tax losses of the Group's subsidiaries which are loss-making.

16. Status of Corporate Proposals Announced

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

17. Borrowings

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

	As at 31.12.2018					
	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	85,775	96,583	-	-	85,775	96,583
Islamic financing	-	78,636	-	355,595	-	434,231
Revolving credit	-	8,935	-		-	8,935
Unsecured						
Hire purchase	-	123	-	168	-	291
	85,775	184,277	-	355,763	85,775	540,040
^ Exchange rate: AED1 = RM1.1260						

	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	86,860	95,711	-	-	86,860	95,711
Islamic financing	-	35,424	-	368,060	-	403,484
Revolving credit	-	8,273	-	-	-	8,273
Unsecured						
Hire purchase	-	185	-	290	-	475
	86,860	139,593	-	368,350	86,860	507,943
^ Exchange rate: AED1 = RM1.1019						

18. Changes in Material 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.

18. Changes in Material 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 RM4.5 million), interest, cost and other reliefs deem fit. Zelan submitted its Response to the Notice of Arbitration on 12 November 2018. On 1 February 2019, DEC submitted its Statement of Claim. Accordingly, Zelan submitted its Statement of Defence on 15 February 2019 and on 22 February 2019, DEC submitted its Statement of Reply. The parties are now complying to the procedural timetable for the arbitration proceedings.

(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. Earnings/(Loss) Per Share

The basic earnings/(loss) per share and the diluted earnings/(loss) per share for the financial period/year 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/year.

The diluted earnings/(loss) per share for the financial period/year 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).

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share calculated below as the warrant options were anti-dilutive.

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

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/12/2018	Quarter ended 31/12/2017	Year ended 31/12/2018	Year ended 31/12/2017
Earnings/(loss) attributable to equity holders of the parent (RM'000)	4,590	(65,650)	(10,446)	(74,071)
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic earnings/(loss) per share (sen)	**0.54**	**(7.77)**	**(1.24)**	**(8.77)**
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 earnings/(loss) per share (sen)	**0.54**	**(7.77)**	**(1.24)**	**(8.77)**

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 28 February 2019.

By order of the Board

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

Kuala Lumpur
28 February 2019