

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE FIGURES HAVE NOT BEEN AUDITED

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Quarter ended | Quarter ended | Year ended | Year ended |
| | 31/12/2019 RM'000 | 31/12/2018 RM'000 | 31/12/2019 RM'000 | 31/12/2018 RM'000 |
| Revenue | 16,676 | (820) | 80,765 | 72,523 |
| Cost of sales | (5,769) | (5,138) | (54,017) | (77,262) |
| Gross profit/(loss) | <u>10,907</u> | <u>(5,958)</u> | <u>26,748</u> | <u>(4,739)</u> |
| Other income | 49 | 6,469 | 4,950 | 8,327 |
| Interest income | 663 | 2,546 | 1,043 | 9,186 |
| - income/profit on placement on deposits | 8 | 75 | 23 | 582 |
| - unwinding of discounting on long term trade receivables and discounting on trade payables | 655 | 2,471 | 1,020 | 8,604 |
| Accretion in carrying value of long term receivables | 6,015 | 34,326 | 24,643 | 25,765 |
| Provision for impairment of contract assets | - | (12,465) | - | (12,465) |
| Unrealised foreign exchange (loss)/gain, net | (2,758) | (1,134) | (725) | 1,035 |
| Administrative expenses | (2,711) | (5,247) | (10,823) | (15,453) |
| Operating expenses | (1,025) | (5,587) | (1,994) | (6,810) |
| Write back of provision for impairment of amount due from an associate | 1,728 | 1,202 | 1,728 | 1,202 |
| Depreciation | (83) | (92) | (346) | (398) |
| Finance costs | (8,232) | (34,167) | (39,626) | (39,345) |
| - finance cost on borrowings | (7,828) | (32,200) | (38,377) | (36,069) |
| - discounting of trade receivables and unwinding of discounting on trade payables | (404) | (1,967) | (1,249) | (3,276) |
| Share of results of associates | (11) | 15,672 | (50) | 14,465 |
| Profit/(Loss) before zakat and taxation | <u>4,542</u> | <u>(4,435)</u> | <u>5,548</u> | <u>(19,230)</u> |
| Tax expense | (3,309) | (4,131) | (2,879) | (4,372) |
| Profit/(Loss) for the period/year | <u>1,233</u> | <u>(8,566)</u> | <u>2,669</u> | <u>(23,602)</u> |
| Profit/(loss) for the period/year | | | | |
| Attributable to: | | | | |
| Equity holders of the parent | 1,233 | (8,555) | 2,661 | (23,591) |
| Non-controlling interests | 0 | (11) | 8 | (11) |
| | <u>1,233</u> | <u>(8,566)</u> | <u>2,669</u> | <u>(23,602)</u> |
| Diluted earnings/(loss) per share attributable to equity holders of the Company (sen) | <u>0.15</u> | <u>(1.01)</u> | <u>0.31</u> | <u>(2.79)</u> |

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|---------------------------------------|---------------------------------------|
| | Quarter ended 30/12/2019 RM'000 | Quarter ended 31/12/2018 RM'000 | Year ended 30/12/2019 RM'000 | Year ended 31/12/2018 RM'000 |
| Net profit/(loss) for the period/year | 1,233 | (8,566) | 2,669 | (23,602) |
| Other comprehensive gain/(loss) : | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange difference from translation of foreign operations | 700 | (3,254) | 179 | (1,432) |
| Total items that may be reclassified subsequently to the profit or loss | 700 | (3,254) | 179 | (1,432) |
| Total comprehensive profit/(loss) for the period/year | 1,933 | (17,355) | 2,848 | (25,034) |
| Total comprehensive profit/(loss) for the period/year | | | | |
| Attributable to: | | | | |
| Equity holders of the parent | 1,933 | (17,336) | 2,848 | (25,034) |
| Non-controlling interests | - | (19) | - | - |
| | 1,933 | (17,355) | 2,848 | (25,034) |

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited | Audited |
|---|-------------------|------------------|
| | As at | As at |
| | 31/12/2019 | 31/12/2018 |
| | RM'000 | RM'000 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 2,555 | 2,663 |
| Investment properties | 8,178 | 8,420 |
| Investments in associates | 6,137 | 6,187 |
| Receivables, deposits and prepayments | 671,782 | 699,221 |
| Deferred tax assets | 887 | 898 |
| Deposits, cash and bank balances (restricted) | 14,461 | 1,124 |
| | <u>704,000</u> | <u>718,513</u> |
| CURRENT ASSETS | | |
| Inventories | 6,858 | 8,329 |
| Receivables, deposits and prepayments | 85,002 | 86,884 |
| Tax recoverable | 12 | 1,160 |
| Deposits (restricted) | 136 | 134 |
| Deposits, cash and bank balances (non-restricted) | 5,758 | 3,787 |
| | <u>97,766</u> | <u>100,294</u> |
| LESS: CURRENT LIABILITIES | | |
| Trade and other payables | 200,167 | 227,420 |
| Borrowings | 38,162 | 184,277 |
| Current tax liabilities | 3,876 | 4,277 |
| | <u>242,205</u> | <u>415,974</u> |
| NET CURRENT LIABILITIES | <u>(144,439)</u> | <u>(315,680)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>559,561</u> | <u>402,833</u> |
| EQUITY AND LIABILITIES | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | |
| Share capital | 84,495 | 84,489 |
| Reserves | (37,391) | (40,238) |
| | <u>47,104</u> | <u>44,251</u> |
| Non-controlling interests | (327) | (327) |
| TOTAL EQUITY | <u>46,777</u> | <u>43,924</u> |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 509,553 | 355,762 |
| Deferred tax liabilities | 3,231 | 3,147 |
| | <u>512,784</u> | <u>358,909</u> |
| TOTAL EQUITY AND NON-CURRENT LIABILITIES | <u>559,561</u> | <u>402,833</u> |
| Net assets per share (RM) | <u>0.06</u> | <u>0.05</u> |

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 2019 | | | | | | | | | |
| Balance as at 1 January 2019 | 84,489 | 14,082 | 9,899 | 35,457 | 4,254 | (103,930) | 44,251 | (327) | 43,924 |
| Profit for the financial year | - | - | - | - | - | 2,661 | 2,661 | 8 | 2,669 |
| <u>Other comprehensive income/(loss):</u> | | | | | | | | | |
| Currency translation reserve | - | - | 187 | - | - | - | 187 | (8) | 179 |
| Transfer of warrants reserve upon expiry of warrants to retained earnings | - | (14,081) | - | - | - | 14,081 | - | - | - |
| Issue of shares upon exercise of warrants | 6 | (1) | - | - | - | - | 5 | - | 5 |
| Total comprehensive income/(loss) for the financial year | 6 | (14,082) | 187 | - | - | 16,742 | 2,853 | - | 2,853 |
| Balance as at 31 December 2019 | 84,495 | - | 10,086 | 35,457 | 4,254 | (87,188) | 47,104 | (327) | 46,777 |
| 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 financial year | - | - | - | (1,994) | - | (23,591) | (23,591) | (11) | (23,602) |
| <u>Other comprehensive (loss)/income:</u> | | | | | | | | | |
| Currency translation difference | - | - | (1,443) | - | - | - | (1,443) | 11 | (1,432) |
| Total comprehensive (loss)/income for the year | - | - | (1,443) | (38,377) | - | (23,591) | (25,034) | - | (25,034) |
| Balance as at 31 December 2018 | 84,489 | 14,082 | 9,899 | (2,920) | 4,254 | (103,930) | 44,251 | (327) | 43,924 |

* 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 2018.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Financial Year Ended 31/12/2019 RM'000 | Financial Year Ended 31/12/2018 RM'000 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Net profit/(loss) for the year attributable to equity holders of the Company | 2,661 | (23,591) |
| Adjustments for: | | |
| Tax expense | 2,879 | 4,372 |
| Depreciation of property, plant and equipment | 346 | 401 |
| Depreciation of investment properties | 242 | 241 |
| Gain on disposal of property, plant & equipment | (151) | - |
| Loss on disposal of inventories | 32 | - |
| Accretion of interest in carrying value of long term receivables | (24,643) | (25,765) |
| Write back for impairment of amount due from an associate | (1,728) | (1,202) |
| Provision for impairment of contract assets | - | 12,465 |
| Provision for impairment of of investment in associates | - | 3,306 |
| Impairment loss of inventories | - | 226 |
| Interest income | (1,043) | (9,186) |
| Finance costs | 39,626 | 39,345 |
| Net unrealised (loss)/gain on foreign exchange | 725 | (1,035) |
| Non-controlling interests | 8 | (11) |
| Share of results of associates | 50 | (14,465) |
| | <u>19,004</u> | <u>(14,899)</u> |
| Changes in working capital : | | |
| Receivables | 56,585 | 2,480 |
| Payables | (78,750) | 8,271 |
| Cash used in operations | (3,161) | (4,148) |
| Tax paid | (611) | (194) |
| Net cash flows used in operating activities | <u>(3,772)</u> | <u>(4,342)</u> |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of inventories | 185 | - |
| Purchase of property, plant and equipment | (3) | (14) |
| Proceeds from disposals of property, plant and equipment | 151 | - |
| Interest received from deposits and investments | 23 | 583 |
| Net cash flows generated from investing activities | <u>356</u> | <u>569</u> |
| FINANCING ACTIVITIES | | |
| Repayments of borrowings | (21,738) | (11,044) |
| Proceeds from borrowings | 41,480 | 5,579 |
| Repayments of hire purchase creditors | (141) | (167) |
| Issuance of shares - exercise of warrants | 6 | - |
| Interest paid | (43) | (558) |
| (Additional)/Upliftment of deposits pledged as security | (13,339) | 7,518 |
| Net cash flows generated from financing activities | <u>6,225</u> | <u>1,328</u> |
| Net movement in cash and cash equivalents | 2,809 | (2,445) |
| Cash and cash equivalents at the beginning of the financial year | 3,787 | 5,232 |
| Currency translation differences | (838) | 1,000 |
| Cash and cash equivalents at the end of the financial year | <u>5,758</u> | <u>3,787</u> |

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

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”) , requirements of the Companies Act 2016 (“CA 2016”) 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 2018. 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 2018.

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 2018 except for the adoption of the following effective on or after from 1 January 2019:

| | |
|------------------------------|---|
| MFRS 16 | Leases |
| IC Interpretation 23 | Uncertainty over Income Tax Treatment |
| Amendments to MFRS 128 | Long-term Interests, in Associates and Joint Ventures |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Annual Improvements to MFRSs | 2015 - 2017 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 amendments to MFRSs which are effective on or after 1 January 2020. The Group did not early adopt these new amendments to the MFRSs.

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 |

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2018 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 RM23.6 million and RM106.8 million respectively for the financial year ended 31 December 2018 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM315.7 million and RM11.4 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 were of the opinion that the preparation of the financial statements of the Group for the 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 relating to its going concern:

- Negotiate with bankers on repayment schedules of banking facilities;
- Monitor and manage the progress of its existing construction 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; and
- The Group will continue to identify potential buyers for certain properties and inventories of the Group.

The Group had secured prospective buyers for the disposal of ten units of office lots at Wisma Zelan. One unit has been fully settled during FY2019. The balance of the transactions are expected to be settled in FY2020.

The Group has recognised proceeds from the International Islamic University Malaysia (“IIUM”) project under the provisions of the Concession Agreement since 23 May 2019 .The proceeds from this project have improved the Group's cash flow position.

The Group continues to actively bid for new projects and has taken measures on cost cutting 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.

ZELAN BERHAD
(Company No:27676-V)

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 has 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 2019 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 | 8,147 | 181 | 13,407 | 284 | 22,019 |
| Less: Inter-segment sales | | - | (5,343) | - | (5,343) |
| | 8,147 | 181 | 8,064 | 284 | 16,676 |
| Results | | | | | |
| Segment profit/(loss) | 5,891 | 173 | 5,283 | 1,438 | 12,785 |
| Finance costs | (1,172) | (1) | (7,016) | (43) | (8,232) |
| Share of results of associates | (11) | - | - | - | (11) |
| Profit/(loss) before zakat and taxation | 4,708 | 172 | (1,733) | 1,395 | 4,542 |
| Tax expense | (3,279) | (4) | - | (26) | (3,309) |
| Net profit/(loss) after zakat and taxation | 1,429 | 168 | (1,733) | 1,369 | 1,233 |
| Attributable to: | | | | | |
| Equity holders of the parent | 1,429 | 168 | (1,733) | 1,369 | 1,233 |
| Non-controlling interests | - | - | - | - | - |
| | 1,429 | 168 | (1,733) | 1,369 | 1,233 |

The Group's revenue comprise the following:

| | Quarter ended 31/12/2019 RM'000 | Quarter ended 31/12/2018 RM'000 |
|---------------------------------------|--|--|
| Revenue from contracts with customers | 16,211 | (1,360) |
| Rental income | 465 | 540 |
| | 16,676 | (820) |

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

ZELAN BERHAD
(Company No:27676-V)

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 2019, the Company had given guarantees amounting to RM13,647,000 (4Q FY2018: RM18,505,000) 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 | 12 Months Ended | Preceding Year | Changes |
| | Quarter | Corresponding Quarter | | 12 Months Ended | 12 Months Ended | |
| | 31/12/2019 | 31/12/2018 | Value | 31/12/2019 | 31/12/2018 | Value |
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | 16,676 | (820) | 17,496 | 80,765 | 72,523 | 8,242 |
| Operating profit/(loss) | 15,543 | 15,194 | 349 | 45,949 | 4,615 | 41,334 |
| Net foreign exchange (loss)/gain | (2,758) | (1,134) | (1,624) | (725) | 1,035 | (1,760) |
| Share of results of associates | (11) | 15,672 | (15,683) | (50) | 14,465 | (14,515) |
| Profit/(Loss) before interest, zakat and taxation | 12,774 | 29,732 | (16,958) | 45,174 | 20,115 | 25,059 |
| Profit/(loss) before zakat and taxation | 4,542 | (4,435) | 8,977 | 5,548 | (19,230) | 24,778 |
| Profit/(loss) after zakat and taxation | 1,233 | (8,566) | 9,799 | 2,669 | (23,602) | 26,271 |
| Profit/(loss) attributable to ordinary equity holders of the parent | 1,233 | (8,555) | 9,788 | 2,661 | (23,591) | 26,252 |

The Group's revenue of RM16.7 million for the current quarter ended 31 December 2019 was higher than the negative revenue of RM0.8 million registered in the same quarter of FY2018 by RM17.5 million. The higher revenue in the current quarter is largely attributable to the recognition of RM8.1 million from the Engineering and Construction segment mainly from the SUKE project and RM8.1 million from concession income.

The Group reported a profit after zakat and taxation ("PAZT") of RM1.2 million in the current quarter under review compared to a LAZT of RM8.6 million in the corresponding quarter of FY2018, which is mainly attributable to a gross profit of RM4.2 million (4Q FY2018: gross loss of RM6.0 million).

12. Review of Performance (continued)

(ii) Financial review for the financial year end and corresponding financial last year

For the current financial year under review, the Group recorded total revenue of RM80.8 million, an increase of RM8.2 million or 11.4% as compared to the RM72.5 million recorded in the corresponding financial year. The Asset Facility Management segment contributed higher revenue in the current financial year, offset by the lower revenue from the Engineering and Construction segment in current financial year due to completion of the Drawbridge project in June 2019.

The Group posted PAZT of RM2.7 million for the current financial year under review, as opposed to a LAZT of RM23.6 million reported in the corresponding financial year mainly attributable to a higher gross profit of RM26.7 million (2018: gross loss of RM4.7 million).

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

| | Quarter ended 31/12/2019 RM '000 | Quarter ended 30/09/2019 RM '000 | Variance RM '000 |
|--|---|---|-----------------------------|
| <u>Revenue</u> | | | |
| Engineering and Construction | 8,147 | 5,819 | 2,328 |
| Property and Development | 181 | 187 | (6) |
| Asset Facilities Management | 8,064 | 1,390 | 6,674 |
| Investment | 284 | 284 | - |
| Total | 16,676 | 7,680 | 8,996 |
| <u>(Loss)/Profit After Zakat and Taxation</u> | | | |
| Engineering and Construction | 1,429 | 511 | 918 |
| Property and Development | 168 | 4 | 164 |
| Asset Facilities Management | (1,733) | 1,113 | (2,846) |
| Investment | 1,369 | (906) | 2,275 |
| Total | 1,233 | 722 | 511 |

In the current quarter ended 31 December 2019, the Group reported higher revenue by RM16.7 million or >100% compared to the immediate preceding quarter. The higher PAZT in the current quarter of RM1.2 million was higher by RM0.6 million or 84.6% as compared to the PAZT of RM0.7 million in the immediate preceding quarter.

The PAZT is mainly due to gross profit of RM10.9 million, (3Q FY2019: gross profit of RM3.3 million) and offset by taxation of RM3.3 million (3Q FY2019: tax credit of RM1.5 million),

13. Prospects

The Group's revenue for the next financial year will be principally derived from the balance of the order book of the local project and the revenue from concession asset. The Group is actively pursuing to secure new projects to build up the order book and continuously implementing strategies to control costs. The Board will continue to manage the business with diligence and remain cautious, and expect the market to remain challenging in the next financial year.

ZELAN BERHAD
(Company No:27676-V)

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 31/12/2019 RM '000 | Preceding year corresponding quarter 31/12/2018 RM '000 | 12 months ended 31/12/2019 RM '000 | 12 months ended 31/12/2018 RM '000 |
| Malaysian income tax - current | 3,246 | 5,044 | 2,795 | 5,289 |
| Deferred tax | 63 | (913) | 84 | (917) |
| Tax expense | <u>3,309</u> | <u>4,131</u> | <u>2,879</u> | <u>4,372</u> |

The effective tax rate for the current quarter under review and current financial year under review is higher than the statutory tax rate mainly due to a profit making subsidiary.

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 2019 are as follows:

| | As at 31.12.2019 | | | | | |
|----------------------------------|-----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | 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 | 5,100 | 5,682 | 79,706 | 88,809 | 84,806 | 94,491 |
| Islamic financing | - | 32,371 | - | 420,586 | - | 452,957 |
| Unsecured | | | | | | |
| Hire purchase | - | 109 | - | 158 | - | 267 |
| | <u>5,100</u> | <u>38,162</u> | <u>79,706</u> | <u>509,553</u> | <u>84,806</u> | <u>547,715</u> |
| ^ Exchange rate: AED1 = RM1.1142 | | | | | | |
| | 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 | - | 87,571 | - | 355,594 | - | 443,165 |
| Revolving credit | - | - | - | - | - | - |
| Unsecured | | | | | | |
| Hire purchase | - | 123 | - | 168 | - | 291 |
| | <u>85,775</u> | <u>184,277</u> | <u>-</u> | <u>355,762</u> | <u>85,775</u> | <u>540,039</u> |

18. Changes in Material Litigation

- a) In relation to the project in Abu Dhabi, as disclosed in Note 30 (a) (ii) page 132 of the Audited Financial Statements, the Arbitral Tribunal issued its final award dated 25 July 2019 (“Award”) to the parties, declaring inter-alia, as follows:-
- i. ZHSB’s termination of contract is valid;
 - ii. The contract of Muqawala made between the parties has been terminated for the purpose of Article 892 of the UAE Civil Code of Contract;
 - iii. The project owner’s deduction of sums in respect of obsolete cladding and thermal insulation material, conveying materials and MEP material were wrongful;
 - iv. The project owner’s reversal of Interim Payment Certificate (IPC) No. 51 by issuing IPC No. 51R is invalid and wrongfully issued;
 - v. The NCR No. 98, 119, 121, 123 (as qualified) and 97 (to the extent the remedial works do not relate to Basement 1 slabs) were invalid and/or wrongfully issued by the project owner; and
 - vi. ZHSB is due an extension of time to 1 October 2015 for basement rectification works with no prolongation cost.

Accordingly, the Arbitral Tribunal awarded ZHSB as follows:

- (a) The sum of AED256.1 million (approximately RM285.3 million) which sum includes interest up to 1 June 2019;
- (b) Pre-award interest from 1 June 2019 until 25 July 2019 in the sum of AED53,000 (RM59,051);
- (c) Parties’ costs in the sum of AED8.4 million (RM9.4 million);
- (d) ICC costs of arbitration in the sum of USD600,000 (RM2,455,500); and
- (e) Post-Award interest on item (a), (c) and (d) at the rate of 9% per annum after the date of the Award until full payment by the project owner.

ZHSB is in the process of registering the Award in Abu Dhabi Court and thereafter to proceed with the execution proceedings against the project owner.

- b) In relation to a project in Abu Dhabi, the Arbitral Tribunal issued its final award dated 6 August 2019 (“Award”) as follows:-
- (a) ZHSB to pay sub-contractor a sum of AED13.4 million (RM14.9 million)
 - (b) ZHSB to pay ICC cost in the sum of USD127,000 (RM519,747) and
 - (c) ZHSB to pay interest in the sum of AED1,3 million (RM1.4 million)
- c) In relation to the project in Indonesia, as disclosed in Note 30 (b) page 133 of the Audited Financial Statements, the Arbitral Tribunal issued final award dated 11 July 2019 (“Award”) as follows:
- i. (ZHSB shall pay the subcontractor the sum of USD1.1 million (approximately RM4.5 million) with interest of 4.77% per annum from 3 July 2018 until the date of payment;
 - ii. ZHSB shall pay the subcontractor the sum of USD122,000 (approximately RM499,285) being late payment interest for the period from 19 November 2015 to 2 July 2018;
 - iii. ZHSB shall pay the subcontractor’s legal costs and expenses incurred in this arbitration fixed at SGD103,000 (approximately RM312,986); and
 - iv. ZHSB shall bear the costs of the arbitration in the amount of SGD64,000 (approximately RM194,477).
- d) In relation to the project in Malaysia, as disclosed in Note 30 (c) (ii) page 133 of the Audited Financial Statements, ZCSB had on 6 November 2019 submitted its Statement of Case and the Bundle of Documents to the Arbitrator. .

ZELAN BERHAD
(Company No:27676-V)

19. Earnings/(Loss) Per Share

The basic earnings/(loss) per share for the financial quarter/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 quarter/year.

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------------|--------------------------|-------------------------|-------------------------|
| | Quarter ended 31/12/2019 | Quarter ended 31/12/2018 | Period ended 31/12/2019 | Period ended 31/12/2018 |
| Profit/(loss) attributable to equity holders of the parent (RM'000) | 1,233 | (8,555) | 2,661 | (23,591) |
| Weighted average number of ordinary shares in issue ('000) | 844,921 | 844,895 | 844,921 | 844,895 |
| Basic profit/(loss) per share (sen) | 0.15 | (1.01) | 0.31 | (2.79) |

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 2020.

By order of the Board

Yusrenawati binti Mohd Yusof
Secretary

Kuala Lumpur
28 February 2020