

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE FIGURES HAVE NOT BEEN AUDITED

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/03/2020 RM'000	Quarter ended 31/03/2019 RM'000	Year ended 31/03/2020 RM'000	Year ended 31/03/2019 RM'000
	Revenue	13,114	36,442	13,114
Cost of sales	<u>(7,294)</u>	<u>(28,279)</u>	<u>(7,294)</u>	<u>(28,279)</u>
Gross profit	5,820	8,163	5,820	8,163
Other income	104	160	104	160
Interest income	57	118	57	118
- income/profit on placement on deposits	4	1	4	1
- unwinding of discounting on long term trade receivables and discounting on trade payables	53	117	53	117
Accretion in carrying value of long term receivables	5,930	4,213	5,930	4,213
Unrealised foreign exchange gain/(loss), net	2,657	(1,466)	2,657	(1,466)
Administrative expenses	(1,933)	(2,580)	(1,933)	(2,580)
Operating expenses	(304)	(345)	(304)	(345)
Depreciation	(63)	(91)	(63)	(91)
Finance costs	(9,115)	(9,259)	(9,115)	(9,259)
- finance cost on borrowings	(8,844)	(9,125)	(8,844)	(9,125)
- discounting of trade receivables and unwinding of discounting on trade payables	(271)	(134)	(271)	(134)
Share of results of associates	(10)	(3)	(10)	(3)
Profit/(Loss) before zakat and taxation	<u>3,143</u>	<u>(1,090)</u>	<u>3,143</u>	<u>(1,090)</u>
Tax expense	<u>(610)</u>	<u>(412)</u>	<u>(610)</u>	<u>(412)</u>
Profit/(Loss) for the period	<u>2,533</u>	<u>(1,502)</u>	<u>2,533</u>	<u>(1,502)</u>
Profit/(loss) for the period				
Attributable to:				
Equity holders of the parent	2,572	(1,501)	2,572	(1,501)
Non-controlling interests	(39)	(1)	(39)	(1)
	<u>2,533</u>	<u>(1,502)</u>	<u>2,533</u>	<u>(1,502)</u>
Earnings/(loss) per share :				
Basic earnings per share attributable to equity holders of the Company (sen)	<u>0.30</u>	<u>(0.18)</u>	<u>0.30</u>	<u>(0.18)</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/03/2020 RM'000	Quarter ended 31/03/2019 RM'000	Year ended 31/03/2020 RM'000	Year ended 31/03/2019 RM'000
Net profit/(loss) for the period	<u>2,533</u>	<u>(1,502)</u>	<u>2,533</u>	<u>(1,502)</u>
Other comprehensive gain/(loss) :				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	<u>(2,661)</u>	<u>1,497</u>	<u>(2,661)</u>	<u>1,497</u>
Total items that may be reclassified subsequently to the profit or loss	<u>(2,661)</u>	<u>1,497</u>	<u>(2,661)</u>	<u>1,497</u>
Total comprehensive loss for the period	<u>(128)</u>	<u>(5)</u>	<u>(128)</u>	<u>(5)</u>
Total comprehensive loss for the period				
Attributable to:				
Equity holders of the parent	<u>(18)</u>	<u>(5)</u>	<u>(18)</u>	<u>(5)</u>
Non-controlling interests	<u>(110)</u>	<u>-</u>	<u>(110)</u>	<u>-</u>
	<u>(128)</u>	<u>(5)</u>	<u>(128)</u>	<u>(5)</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2019 RM'000	Audited As at 31/12/2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	2,506	2,555
Investment properties	8,132	8,179
Investments in associates	6,127	6,137
Receivables, deposits and prepayments	677,862	672,936
Deferred tax assets	887	898
Deposits, cash and bank balances (restricted)	19,431	14,461
	<u>714,945</u>	<u>705,166</u>
CURRENT ASSETS		
Inventories	6,858	6,858
Receivables, deposits and prepayments	86,255	83,922
Tax recoverable	15	12
Deposits (restricted)	136	136
Deposits, cash and bank balances (non-restricted)	4,375	5,758
	<u>97,639</u>	<u>96,686</u>
LESS: CURRENT LIABILITIES		
Trade and other payables	207,348	200,239
Borrowings	45,604	38,162
Current tax liabilities	4,084	3,876
	<u>257,036</u>	<u>242,277</u>
NET CURRENT LIABILITIES	<u>(159,397)</u>	<u>(145,591)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>555,548</u>	<u>559,575</u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	84,495	84,495
Reserves	(37,406)	(37,388)
	<u>47,089</u>	<u>47,107</u>
Non-controlling interests	(437)	(327)
TOTAL EQUITY	<u>46,652</u>	<u>46,780</u>
NON-CURRENT LIABILITIES		
Borrowings	505,628	509,553
Deferred tax liabilities	3,268	3,242
	<u>508,896</u>	<u>512,795</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u>555,548</u>	<u>559,575</u>
Net assets per share (RM)	<u>0.06</u>	<u>0.06</u>

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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
Three months to 31 March 2020									
Balance as at 1 January 2020	84,495	-	10,089	35,457	4,254	(87,188)	47,107	(327)	46,780
Profit/(loss) for the financial period	-	-	-	-	-	2,572	2,572	(39)	2,533
<u>Other comprehensive income/(loss):</u>									
Currency translation reserve	-	-	(2,590)	-	-	-	(2,590)	(71)	(2,661)
Total comprehensive loss/income for the financial period	-	-	(2,590)	-	-	2,572	(18)	(110)	(128)
Balance as at 31 March 2020	84,495	-	7,499	35,457	4,254	(84,616)	47,089	(437)	46,652
Three months to 31 March 2019									
Balance as at 1 January 2019	84,489	14,082	9,899	35,457	4,254	(103,930)	44,251	(327)	43,924
Loss for the financial period	-	-	-	-	-	(1,501)	(1,501)	(1)	(1,502)
<u>Other comprehensive income/(loss):</u>									
Currency translation difference	-	-	1,496	-	-	-	1,496	1	1,497
Issue of shares upon exercise of warrants	6	(1)	-	-	-	-	5	-	5
Transfer of warrants reserve upon expiry of warrants to retained earnings	-	(14,081)	-	-	-	14,081	-	-	-
Total comprehensive income/(loss) for the period	6	(14,082)	1,496	-	-	12,580	-	-	-
Balance as at 31 March 2019	84,495	-	11,395	35,457	4,254	(91,350)	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 2019.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31/03/2020 RM'000	Year Ended 31/03/2019 RM'000
OPERATING ACTIVITIES		
Net profit/(loss) for the period attributable to equity holders of the Company	2,572	(1,501)
Adjustments for:		
Tax expense	610	412
Depreciation of property, plant and equipment	16	91
Depreciation of investment properties	47	61
Accretion of interest in carrying value of long term receivables	(5,930)	(4,213)
Interest income	(57)	(118)
Finance costs	9,115	9,259
Net unrealised (loss)/gain on foreign exchange	(2,657)	1,466
Non-controlling interests	(39)	(1)
Share of results of associates	10	3
	<u>3,687</u>	<u>5,459</u>
Changes in working capital :		
Receivables	(1,186)	(8,874)
Payables	8,803	807
	<u>11,304</u>	<u>(2,608)</u>
Cash generated/(used in) operations	11,304	(2,608)
Tax (paid)/credit	338	66
Net cash flows generated/(used in) operating activities	<u>11,642</u>	<u>(2,542)</u>
INVESTING ACTIVITIES		
Interest received from deposits and investments	4	1
Net cash flows generated from investing activities	<u>4</u>	<u>1</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(3,827)	(745)
Repayments of hire purchase creditors	(27)	(37)
Issuance of shares - exercise of warrants	-	6
Interest paid	(6,632)	-
(Additional)/Upliftment of deposits pledged as security	(4,970)	-
Net cash flows used in financing activities	<u>(15,456)</u>	<u>(776)</u>
Net movement in cash and cash equivalents	(3,810)	(3,317)
Cash and cash equivalents at the beginning of the financial period	5,758	3,787
Currency translation differences	2,427	(46)
Cash and cash equivalents at the end of the financial period	<u>4,375</u>	<u>424</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

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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") , 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 2019. 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 2019.

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 2019 except for the adoption of the following effective on or after from 1 January 2020:

Amendments to References	The Conceptual Framework for Financial Reporting (Revised 2018).
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 7 , MFRS 9 and MFRS 139	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

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. The Group did not early adopt these new amendments to the MFRSs.

Effective from financial year beginning on or after 1 January 2021

Amendments to MFRS 17	Insurance Contracts
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Effective from financial year beginning on or after 1 January 2022

Amendments to MFRS 101	Presentation of Financial Statements - Classifications Liabilities as Current or Non-Current.
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Effective date yet to be determined by Malaysian Accounting Standards Board.

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

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2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2019 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 profit after taxation of RM2.7 million and a net loss after taxation of RM7.4 million respectively for the financial year ended 31 December 2019 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM145.6 million and RM18.8 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 2019 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:

- Monitor and manage the progress of its existing construction projects. The Group will engage the project owners on potential extension of time for the on-going projects which may be delayed;
- Re-evaluate current contracts to optimise potential revenue and progressively reduce costs on the job scopes and services provided
- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects;and
- The Group has secured buyers for eleven units and one whole floor of office lots at Wisma Zelan. These transactions are expected to be completed by the third quarter of 2020. The Group will continue to identify potential buyers for certain properties and inventories of the Group.

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 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 March 2020 is as follows:

	Engineering and Construction	Property and Development	Asset Facilities Management	Investment	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Segment revenue	6,435	169	11,664	284	18,552
Less: Inter-segment sales		-	(5,438)	-	(5,438)
	<u>6,435</u>	<u>169</u>	<u>6,226</u>	<u>284</u>	<u>13,114</u>
Results					
Segment profit/(loss)	683	53	11,197	335	12,268
Finance costs	(2,229)	(1)	(6,885)	-	(9,115)
Share of results of associates	(10)	-	-	-	(10)
(Loss)/profit before zakat and taxation	(1,556)	52	4,312	335	3,143
Tax expense	3	(11)	(570)	(32)	(610)
Net (loss)/profit after zakat and taxation	<u>(1,553)</u>	<u>41</u>	<u>3,742</u>	<u>303</u>	<u>2,533</u>
Attributable to:					
Equity holders of the parent	(1,514)	41	3,742	303	2,572
Non-controlling interests	(39)	-	-	-	(39)
	<u>(1,553)</u>	<u>41</u>	<u>3,742</u>	<u>303</u>	<u>2,533</u>

The Group's revenue comprise the following:

	Quarter ended 31/03/2020	Quarter ended 31/03/2019
	RM'000	RM'000
Revenue from contracts with customers	12,661	36,107
Rental income	453	335
	<u>13,114</u>	<u>36,442</u>

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 except for the COVID-19 pandemic which has interrupted the movement of people and goods throughout the world. The governments of many countries are instituting restrictions on individuals and businesses, including in Malaysia, where the majority of the Group's operations are located.

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9. Material Events Subsequent to the End of the Reporting Period (Continued)

Since this development occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial period ended 31 March do not reflect the effects arising from this non-adjusting event.

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 March 2020, the Company had given guarantees amounting to RM13,172,000 (1Q FY2019: RM18,495,000) 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		Changes Value RM '000
	Current Year Quarter	Preceding Year Corresponding Quarter	
	31/03/2020 RM '000	31/03/2019 RM '000	
Revenue	13,114	36,442	(23,328)
Operating profit/(loss)	9,611	9,638	(27)
Net foreign exchange (loss)/gain	2,657	(1,466)	4,123
Share of results of associates	(10)	(3)	(7)
Profit before interest, zakat and taxation	12,258	8,169	4,089
Profit/(loss) before zakat and taxation	3,143	(1,090)	4,233
Profit/(loss) after zakat and taxation	2,533	(1,502)	4,035
Profit/(loss) attributable to ordinary equity holders of the parent	2,572	(1,501)	4,073

The Group's revenue of RM13.1 million for the current quarter ended 31 March 2020 was lower than the revenue of RM36.4 million registered in the same quarter of FY2019 by RM23.3 million. The lower revenue in the current quarter is mainly attributable to the completion of the Drawbridge connecting Muara North and Muara South in Kuala Terengganu City Centre for the ECERDC ("Drawbridge") project, leaving the Group with just the Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") Package CB2 project and the IIUM Gambang project concession income in 2020.

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12. Review of Performance (Continued)

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

The Group reported a profit after zakat and taxation ("PAZT") of RM2.6 million in the current quarter under review compared to a LAZT of RM1.5 million in the corresponding quarter of FY2019, which is mainly attributable to lower administrative expenses of RM1.9 million (1Q FY2019: RM2.6 million) and an unrealised gain on foreign exchange of RM2.7 million (1Q FY2019: unrealised foreign exchange loss of RM1.5 million).

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

	Individual Quarter		Variance RM '000
	Quarter ended	Quarter ended	
	31/03/2020 RM '000	31/12/2019 RM '000	
<u>Revenue</u>			
Engineering and Construction	6,435	8,147	(1,712)
Property and Development	169	181	(12)
Asset Facilities Management	6,226	8,064	(1,838)
Investment	284	284	-
Total	13,114	16,676	(3,562)
<u>Profit After Zakat and Taxation</u>			
Engineering and Construction	(1,552)	1,429	(2,981)
Property and Development	40	168	(128)
Asset Facilities Management	3,742	(1,733)	5,475
Investment	303	1,369	(1,066)
Total	2,533	1,233	1,300

In the current quarter ended 31 March 2020, the Group reported lower revenue by RM3.6 million or -21.4% compared to the immediate preceding quarter. The PAZT in the current quarter of RM2.5 million was higher by RM1.3 million or >100% as compared to the PAZT of RM1.2 million in the immediate preceding quarter. The higher PAZT is mainly due to profit contribution from the asset facility management division.

13. Prospects

The outlook for the current financial year is expected to be challenging. Like all businesses, the Group is affected by the Covid-19 pandemic. This caused the cessation of the operations of the Group's construction project and had an adverse impact on the financial performance of the Group.

Nevertheless, the Group is actively pursuing to secure new projects to replenish its order book and the Board will continue to focus on resource optimisation to reduce its operating costs in line with the challenging economic outlook.

14. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued in a public document for the current financial quarter.

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15. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/03/2020 RM '000	Preceding year corresponding quarter 31/03/2019 RM '000	3 months ended 31/03/2020 RM '000	3 months ended 31/03/2019 RM '000
Malaysian income tax - current	611	413	611	413
Deferred tax	(1)	(1)	(1)	(1)
Tax expense	610	412	610	412

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 March 2020 are as follows:

As at 31.03.2020						
	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	8,099	9,510	78,050	91,647	86,149	101,157
Islamic financing	-	35,989	-	413,846	-	449,835
Unsecured						
Hire purchase	-	105	-	135	-	240
	8,099	45,604	78,050	505,628	86,149	551,232
^ Exchange rate: AED1 = RM1.1742						
As at 31.03.2019						
	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	86,484	96,179	-	-	86,484	96,179
Islamic financing	-	11,934	-	430,935	-	442,869
Revolving credit	-	8,635	-	-	-	8,635
Unsecured						
Hire purchase	-	104	-	147	-	251
	86,484	116,852	-	431,082	86,484	547,934

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18. Changes in Material Litigation

There was no change in material litigation, including the status of pending material litigations in respect of the Group since the last annual reporting date as at 31 December 2019.

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.

	Individual Quarter		Cumulative Quarter	
	Quarter ended 31/03/2020	Quarter ended 31/03/2019	Period ended 31/03/2020	Period ended 31/03/2019
Profit/(loss) attributable to equity holders of the parent (RM'000)	2,572	(1,501)	2,572	(1,501)
Weighted average number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic profit/(loss) per share (sen)	0.30	(0.18)	0.30	(0.18)

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.

By order of the Board

Yusrenawati binti Mohd Yusof
Secretary

Kuala Lumpur
15 July 2020