

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	Period ended	Period ended
	31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
Revenue	10,711	13,114	10,711	13,114
Cost of sales	<u>(6,816)</u>	<u>(7,294)</u>	<u>(6,816)</u>	<u>(7,294)</u>
Gross profit	3,894	5,820	3,894	5,820
Other income	105	104	105	104
Other income - ICC Arbitration Award (Meena Plaza)	-	-	-	-
Additional Work Scope cost	-	-	-	-
- Gain on revaluation of asset	-	-	-	-
Interest income	10	57	10	57
- income/profit on placement on deposits	<u>10</u>	<u>4</u>	<u>10</u>	<u>4</u>
- unwinding of discounting on long term trade receivables and discounting on trade payables	<u>-</u>	<u>53</u>	<u>-</u>	<u>53</u>
Accretion in carrying value of long term receivables	5,580	5,930	5,580	5,930
Unrealised foreign exchange gain, net	3,729	2,657	3,729	2,657
Administrative expenses	(1,421)	(1,933)	(1,421)	(1,933)
Operating expenses	(378)	(304)	(378)	(304)
Other Operating Expenses - Meena Plaza	-	-	-	-
Write back of provision for impairment of amount due from an as:	-	-	-	-
Depreciation	(203)	(63)	(203)	(63)
Provision for Doubtful Debt	-	-	-	-
Finance costs	(6,864)	(9,115)	(6,864)	(9,115)
- finance cost on borrowings	<u>(6,663)</u>	<u>(8,844)</u>	<u>(6,663)</u>	<u>(8,844)</u>
- discounting of trade receivables and unwinding of discounting on trade payables	<u>(201)</u>	<u>(271)</u>	<u>(201)</u>	<u>(271)</u>
Share of results of associates	(5)	(10)	(5)	(10)
Profit before zakat and taxation	<u>4,448</u>	<u>3,143</u>	<u>4,448</u>	<u>3,143</u>
Tax expense	(526)	(610)	(526)	(610)
Profit after zakat and taxation	<u>3,922</u>	<u>2,533</u>	<u>3,922</u>	<u>2,533</u>
Profit for the period				
Attributable to:				
Equity holders of the parent	3,921	2,572	3,921	2,572
Non-controlling interests	<u>1</u>	<u>(39)</u>	<u>1</u>	<u>(39)</u>
	<u>3,922</u>	<u>2,533</u>	<u>3,922</u>	<u>2,533</u>
Earnings/ per share :				
Basic earnings per share attributable to equity holders of the Company (sen)	<u>0.46</u>	<u>0.30</u>	<u>0.46</u>	<u>0.30</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

ZELAN BERHAD
(Company No. : 27676-V)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/03/2021 RM'000	Quarter ended 31/03/2020 RM'000	Period ended 31/03/2021 RM'000	Period ended 31/03/2020 RM'000
Net profit for the period	3,922	2,533	3,922	2,533
Other comprehensive gain :				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference from translation of foreign operations	3,204	(2,661)	3,204	(2,661)
Total items that may be reclassified subsequently to the profit or loss	3,204	(2,661)	3,204	(2,661)
Total comprehensive profit for the period	7,125	(128)	7,125	(128)
Total comprehensive profit for the period				
Attributable to:				
Equity holders of the parent	7,115	(18)	7,115	(18)
Non-controlling interests	10	(110)	10	(110)
	7,125	(128)	7,125	(128)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

ZELAN BERHAD
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/03/2021 RM'000	Audited As at 31/12/2020 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,456	3,530
Investment properties	23,074	23,186
Investments in associates	6,101	6,106
Receivables, deposits and prepayments	699,269	698,310
Deferred tax assets	887	887
Deposits, cash and bank balances (restricted)	28,990	27,067
	761,775	759,086
CURRENT ASSETS		
Inventories	-	-
Receivables, deposits and prepayments	88,724	82,866
Tax recoverable	17	15
Deposits (restricted)	138	136
Deposits, cash and bank balances (non-restricted)	3,351	5,585
	92,230	88,602
LESS: CURRENT LIABILITIES		
Trade and other payables	213,366	209,244
Borrowings	49,159	48,937
Current tax liabilities	5,412	5,856
	267,937	264,037
NET CURRENT LIABILITIES	(175,707)	(175,435)
TOTAL ASSETS LESS CURRENT LIABILITIES	586,067	583,651
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	84,495	84,495
Reserves	10,622	3,507
	95,117	88,002
Non-controlling interests	(317)	(327)
TOTAL EQUITY	94,800	87,675
NON-CURRENT LIABILITIES		
Borrowings	473,543	478,045
Advance received from contract customer- MRF	11,235	11,235
Other payables - Tax liabilities	3,226	3,436
Deferred tax liabilities	3,263	3,259
	491,267	495,976
TOTAL EQUITY AND NON-CURRENT LIABILITIES	586,067	583,651
Net assets per share (RM)	0.11	0.10

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Share Capital RM'000	Translation Reserve RM'000	Capital Reserve * RM'000	General Reserve * RM'000	Fixed Asset Reserve * RM'000	Accumulated Losses RM'000	Sub - total RM'000	Non-controlling interests RM'000	Total Equity RM'000
Three months to 31 March 2021									
Balance as at 1 January 2021	84,495	5,999	35,458	4,261	1,155	(43,366)	88,002	(327)	87,675
Profit/(loss) for the financial period	-	-	-	-	-	3,921	3,921	1	3,922
<u>Other comprehensive income:</u>									
Currency translation reserve	-	3,195	-	-	-	-	3,195	9	3,204
Total comprehensive loss/income for the financial period	-	3,195	-	-	-	3,921	7,115	10	7,125
Balance as at 31st March 2021	84,495	9,194	35,458	4,261	1,155	(39,445)	95,117	(317)	94,800
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 for the period	-	-	-	-	-	2,572	2,572	(39)	2,533
<u>Other comprehensive (loss)/income:</u>									
Currency translation reserve	-	(2,590)	-	-	-	-	(2,590)	(71)	(2,661)
Total comprehensive income/(loss) for the period	-	(2,590)	-	-	-	2,572	-	(39)	(128)
Balance as at 31 March 2020	84,495	7,499	35,457	4,254	-	(84,616)	47,089	(437)	46,652

* 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 2020.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended 31/03/2021 RM'000	Period Ended 31/03/2020 RM'000
OPERATING ACTIVITIES		
Net profit for the period attributable to equity holders of the Company	3,922	2,572
Adjustments for:		
Tax expense	526	610
Bad debts written off	-	-
Depreciation of property, plant and equipment	33	16
Depreciation of investment properties	169	47
Gain on disposal of property, plant & equipment	-	-
Loss on disposal of inventories	-	-
Accretion of interest in carrying value of long term receivables	(5,580)	(5,930)
Write back for impairment of amount due from an associate	-	-
Interest income	(10)	(57)
Finance costs	6,864	9,115
Net unrealised (loss)/gain on foreign exchange	(3,729)	(2,657)
Non-controlling interests	1	(39)
Share of results of associates	5	10
	<u>2,201</u>	<u>3,687</u>
Changes in working capital :		
Inventories	-	-
Receivables	5,905	(1,186)
Payables	(4,123)	8,803
	<u>3,983</u>	<u>11,304</u>
Cash generated/(used in) operations	(3,218)	338
Tax (paid)/credit	765	11,642
Net cash flows generated in operating activities	<u>765</u>	<u>11,642</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	-
Interest received from deposits and investments	10	4
Purchase of property, plant and equipment	-	-
Proceeds from disposal of inventories	-	-
Net cash flows generated from / (used in) investing activities	<u>10</u>	<u>4</u>
FINANCING ACTIVITIES		
Repayments of borrowings	(4,259)	(3,827)
Proceeds from borrowings	-	-
Repayments of hire purchase creditors	(22)	(27)
Issuance of shares - exercise of warrants	-	-
Interest paid	-	(6,632)
Additional deposits pledged as security	(1,923)	(4,970)
Net cash flows used in financing activities	<u>(6,203)</u>	<u>(15,456)</u>
Net movement in cash and cash equivalents	(5,428)	(3,810)
Cash and cash equivalents at the beginning of the financial period	5,584	5,758
Currency translation differences	3,195	2,427
Cash and cash equivalents at the end of the financial period	<u>3,351</u>	<u>4,375</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.

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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 2020. 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 2020.

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 2020 except for the adoption of the following, effective on or after 1 January 2021:

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 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 2020 contained a paragraph on material uncertainty relating 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 RM36.21 million and a net profit after taxation of RM0.18 million respectively for the financial year ended 31 December 2020 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM175.43 million and RM18.63 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 2020 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*
- *Receipt of retention sum from the main contractor within 12 months after the current reporting date for completed projects;*
- *The Group has secured buyers for eleven units and one whole floor of office lots at Wisma Zelan. Four units has been secured and received with full payment. Balance seven units are still in the progress of sales completion and full payment is expected to be received by 3rd quarter of 2021. The Group will continue to identify potential buyers for existing properties.*

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.

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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 has been declared. For the preceding year's corresponding quarter, no dividend was declared.

8. Segmental Reporting

Segment analysis for the current financial quarter ended 31 March 2021 is as follows:

	Engineering and Construction RM '000	Property and Development RM '000	Asset Management Services RM '000	Investment RM '000	Total RM '000
Revenue					
Segment revenue	4,460	162	5,803	286	10,711
	<u>4,460</u>	<u>162</u>	<u>5,803</u>	<u>286</u>	<u>10,711</u>
Results					
Segment profit	3,254	(8)	8,171	(106)	11,311
Finance costs	(1,063)	(1)	(5,800)	-	(6,864)
Profit before zakat and taxation	2,191	(9)	2,371	(106)	4,447
Tax expense	-	-	(526)	-	(526)
Net profit after zakat and taxation	<u>2,191</u>	<u>(9)</u>	<u>1,846</u>	<u>(106)</u>	<u>3,922</u>
Attributable to:					
Equity holders of the parent	2,190	(9)	1,846	(106)	3,921
Non-controlling interests	1	-	-	-	1
	<u>2,191</u>	<u>(9)</u>	<u>1,846</u>	<u>(106)</u>	<u>3,922</u>

The Group's revenue comprises the following:

	Quarter ended 31/03/2021 RM'000	Quarter ended 31/03/2020 RM'000
Revenue from contracts with customers	4,460	12,661
Asset Facilities Management	5,803	-
Rental income	448	453
	<u>10,711</u>	<u>13,114</u>

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

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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 March 2021, the Company had given guarantee amounting to RM12,880,410 (1Q FY2020: RM13,172,000) to the owner of the project as security for the subsidiary's performance of its obligations under the relevant project.

12. Review of Performance

(i) Financial review for the current quarter and financial period to date

	Current Quarter	Year 31/03/2021 RM '000	Preceding Year Corresponding Quarter 31/03/2020 RM '000	Changes Value RM '000	3 Months Ended 31/03/2021 RM '000	3 Months Ended 31/03/2020 RM '000	Changes Value RM '000
Revenue		10,711	13,114	(2,403)	10,711	13,114	(2,403)
Operating profit		7,587	9,611	(2,024)	7,587	9,611	(2,024)
Net foreign exchange gain		3,729	2,657	1,072	3,729	2,657	1,072
Share of results of associates		(5)	(10)	5	(5)	(10)	5
Profit before interest, zakat and taxation		11,311	12,258	(947)	11,311	12,258	(947)
Profit before zakat and taxation		4,447	3,143	1,304	4,447	3,143	1,304
Profit after zakat and taxation		3,922	2,533	1,389	3,922	2,533	1,389

The Group's revenue of RM10.7 million for the current quarter ended 31 March 2021 was lower than the revenue of RM13.1 million registered in the same quarter of FY2020 by RM2.4 million. Lower revenue for the current financial period as compared to the corresponding financial period principally attributable to the lower revenue from SUKE project of RM4.4 million (Q1 2020 is RM6.4 million) and lower Asset Management Services income of RM5.8 million (Q1 2020 RM6.2 million) recognised.

The Group reported a higher profit after zakat and taxation ("PAZT") of RM3.9 million in the current quarter under review compared to a PAZT of RM2.5 million in the corresponding quarter of FY2020, which is mainly attributable to higher unrealized gain on foreign exchange of RM3.7 million (1Q 2020: RM2.6 million).

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12. Review of Performance (Continued)

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

	Individual Quarter		Variance RM '000
	Quarter ended	Quarter ended	
	31/03/2021 RM '000	31/12/2020 RM '000	
Revenue			
Engineering and Construction	4,460	10,629	(6,169)
Property and Development	161	168	(7)
Asset Management Services	5,803	6,148	(345)
Investment	286	280	6
Total	10,710	17,225	(6,515)
Profit / (Loss) After Zakat and Taxation			
Engineering and Construction	2,191	34,642	(32,451)
Property and Development	(9)	950	(959)
Asset Management Services	1,846	(1,562)	3,408
Investment	(106)	2,175	(2,281)
Total	3,922	36,205	(32,283)

In the current quarter ended 31 March 2021, the Group reported lower revenue by RM6.2 million or 58% compared to the immediate preceding quarter. The lower revenue in current quarter is attributable to SUKE project and the Asset Management Services at IIUM Gambang by RM6.2 million and RM0.3million lower than the previous quarter respectively. The lower revenue is due to stop work order issued by client relating to the Movement Control Order ("MCO") imposed by the Government of Malaysia.

The profit after zakat and tax ("PAZT") in the current quarter of RM3.9 million shows decrease of RM28.4 million from the PAZT of RM36.2 million in the immediate preceding quarter. The lower profit in the current quarter as compared to immediate preceding quarter is mainly due to the recognition of the ICC Arbitration Award against Meena Holdings LLC.

13. Prospects

The Group's revenue will be principally derived from the balance of the order book of SUKE project as well as the revenue from the asset management service charges from the IIUM Gambang project under the Concession Agreement with the Government of Malaysia and IIUM. The income from the IIUM Gambang project will enable the Group to have a stable income stream for the tenure of the concession.

Moving forward in light of the prevailing challenges in the construction industry amidst the Covid 19 pandemic, the Board will continue to manage the business with diligence and remain cautious of its future prospects. The Group is pursuing to secure new jobs whilst continuously implementing strategies to control costs.

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 31/03/2021 RM '000	Preceding year corresponding quarter 31/03/2020 RM '000	3 months ended 31/03/2021 RM '000	3 months ended 31/03/2020 RM '000
Malaysian income tax - current	526	611	526	611
Deferred tax	-	(1)	-	(1)
Tax expense	526	610	526	610

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 2021 are as follows:

As at 31.03.2021						
	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	6,300	7,111	81,388	91,864	87,688	98,975
Islamic financing	-	41,944	-	381,604	-	423,548
Unsecured						
Hire purchase	-	104	-	75	-	179
	6,300	49,159	81,388	473,543	87,688	522,702
^ Exchange rate: AED1 = RM1.1288						
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
Revolving credit	-	-	-	-	-	-
Unsecured						
Hire purchase	-	105	-	135	-	240
	8,099	45,604	78,050	505,628	86,149	551,232
^ Exchange rate: AED1 = RM1.1742						

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18. Changes in Material Litigation

There was no change in material litigation since the last audited financial statements for the financial year ended 31 December 2020.

19. Earnings Per Share

The basic earnings per share for the financial quarter/year were calculated based on the Group's profit attributable to the equity holders of the Company, divided by the number of ordinary shares in issue during the financial quarter.

	Individual Quarter		Cumulative Quarter	
	Quarter	Quarter	3 months	3 months
	ended	ended	Period ended	Period ended
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Profit attributable to equity holders of the parent (RM'000)	3,921	2,572	3,921	2,572
Number of ordinary shares in issue ('000)	844,895	844,895	844,895	844,895
Basic profit per share (sen)	0.46	0.30	0.46	0.30

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 31 March 2021.

By order of the Board

Yusrenawati binti Mohd Yusof
Secretary

Kuala Lumpur
31 March 2021