



ZELAN BERHAD
(COMPANY NO: 197601001688 (27676-V)
INCORPORATED IN MALAYSIA

**QUARTERLY REPORT ON THE CONSOLIDATED
RESULTS FOR THE QUARTER AND PERIOD ENDED
30TH JUNE 2023**

(The figures in the Quarterly Report have not been Audited)

ZELAN BERHAD
Company No. : 197601001688 (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 |
| | 30/06/2023 RM'000 | 30/06/2022 RM'000 | 30/06/2023 RM'000 | 30/06/2022 RM'000 |
| Revenue | 8,193 | 7,088 | 17,882 | 21,921 |
| Cost of sales | <u>(3,008)</u> | <u>(2,300)</u> | <u>(7,932)</u> | <u>(12,865)</u> |
| Gross profit | 5,185 | 4,788 | 9,950 | 9,056 |
| Other income | 7,149 | 163 | 7,277 | 329 |
| Finance income | 250 | 139 | 270 | 151 |
| Discounting on trade receivables and trade payables | (126) | (188) | (268) | (368) |
| Accretion in carrying value of receivables | 4,729 | 5,118 | 9,557 | 10,331 |
| Unrealised foreign exchange gain, net | 9,219 | 6,707 | 10,439 | 7,851 |
| Administrative expenses | (1,956) | (2,035) | (3,137) | (3,659) |
| Operating expenses | (239) | (55) | (436) | (618) |
| Depreciation | (13) | (54) | (27) | (114) |
| Finance costs on borrowings | (7,105) | (6,811) | (14,199) | (13,564) |
| Share of results of associates | (5) | (4) | (50) | (9) |
| Profit before zakat and taxation | 17,088 | 7,768 | 19,376 | 9,386 |
| Tax expense | <u>(2,213)</u> | <u>(513)</u> | <u>(2,772)</u> | <u>(908)</u> |
| Net profit for the period | 14,875 | 7,255 | 16,604 | 8,478 |
| Other comprehensive gain/(loss) : | | | | |
| <u>Total items that may be reclassified subsequently to profit or loss :</u> | | | | |
| Exchange difference from translation of foreign operations | (7,527) | (4,661) | (7,521) | 7,644 |
| Total comprehensive income for the period | 7,348 | 2,594 | 9,083 | 16,122 |
| Profit for the period attributable to: | | | | |
| Equity holders of the parent | 14,856 | 7,248 | 16,568 | 8,473 |
| Non-controlling interests | <u>19</u> | <u>7</u> | <u>36</u> | <u>5</u> |
| | 14,875 | 7,255 | 16,604 | 8,478 |
| Total comprehensive profit for the period | | | | |
| attributable to: | | | | |
| Equity holders of the parent | 7,348 | 2,594 | 9,083 | 16,122 |
| Non-controlling interests | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | 7,348 | 2,594 | 9,083 | 16,122 |
| Earnings per share : | | | | |
| Basic earnings per share attributable to equity holders of the Company (sen) | <u>1.76</u> | <u>0.86</u> | <u>1.96</u> | <u>1.00</u> |

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022.

ZELAN BERHAD
Company No. : 197601001688 (27676-V)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited As at 30/06/2023 RM'000 | Audited As at 31/12/2022 RM'000 |
|---|--|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 3,066 | 3,090 |
| Investment properties | 23,186 | 23,186 |
| Investments in associates | 5,083 | 5,133 |
| Receivables, deposits and prepayments | 654,145 | 654,585 |
| Deferred tax assets | 887 | 887 |
| Deposits, cash and bank balances (restricted) | 44,601 | 41,186 |
| | <u>730,968</u> | <u>728,067</u> |
| CURRENT ASSETS | | |
| Receivables, deposits and prepayments | 71,096 | 69,668 |
| Tax recoverable | 36 | 16 |
| Deposits (restricted) | 140 | 139 |
| Deposits, cash and bank balances | 3,872 | 3,427 |
| | <u>75,144</u> | <u>73,250</u> |
| LESS: CURRENT LIABILITIES | | |
| Trade and other payables | 185,726 | 190,129 |
| Borrowings | 51,389 | 50,006 |
| Current tax liabilities | 11,964 | 9,916 |
| | <u>249,079</u> | <u>250,051</u> |
| NET CURRENT LIABILITIES | <u>(173,935)</u> | <u>(176,801)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>557,033</u> | <u>551,266</u> |
| EQUITY AND LIABILITIES | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | |
| Share capital | 84,495 | 84,495 |
| Reserves | 10,510 | 1,427 |
| | <u>95,005</u> | <u>85,922</u> |
| Non-controlling interests | (327) | (327) |
| TOTAL EQUITY | <u>94,678</u> | <u>85,595</u> |
| NON-CURRENT LIABILITIES | | |
| Other liabilities | 30,031 | 26,688 |
| Borrowings | 427,448 | 433,673 |
| Provision for taxation | 1,648 | 2,082 |
| Deferred tax liabilities | 3,228 | 3,228 |
| | <u>462,355</u> | <u>465,671</u> |
| TOTAL EQUITY AND NON-CURRENT LIABILITIES | <u>557,033</u> | <u>551,266</u> |
| Net assets per share (RM) | <u>0.11</u> | <u>0.10</u> |

ZELAN BERHAD
Company No. : 197601001688 (27676-V)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | |
|---|--|---------------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|--------------------------|--|---------------------------|
| | Share Capital RM'000 | Foreign Exchange Reserve RM'000 | Capital Reserve * RM'000 | General Reserve * RM'000 | Revaluation Reserve* RM'000 | Accumulated Losses RM'000 | Sub - total RM'000 | Non-controlling interests RM'000 | Total Equity RM'000 |
| Six months to 30 June 2023 | | | | | | | | | |
| Balance as at 1 January 2023 | 84,495 | 1,984 | 35,458 | 4,261 | 1,155 | (41,431) | 85,922 | (327) | 85,595 |
| Profit for the financial period | - | - | - | - | - | 16,568 | 16,568 | 36 | 16,604 |
| <u>Other comprehensive income/(loss):</u> | | | | | | | | | |
| Currency translation reserve | - | (7,485) | - | - | - | - | (7,485) | (36) | (7,521) |
| Total comprehensive (loss)/income for the financial period | - | (7,485) | - | - | - | 16,568 | 9,083 | - | 9,083 |
| Balance as at 30 June 2023 | 84,495 | (5,501) | 35,458 | 4,261 | 1,155 | (24,863) | 95,005 | (327) | 94,678 |
| Six months to 30 June 2022 | | | | | | | | | |
| Balance as at 1 January 2022 | 84,495 | (5,279) | 35,458 | 4,261 | 1,155 | (39,306) | 80,784 | (327) | 80,457 |
| Profit for the financial period | - | - | - | - | - | 8,473 | 8,473 | 5 | 8,478 |
| <u>Other comprehensive income:</u> | | | | | | | | | |
| Currency translation difference | - | 7,649 | - | - | - | - | 7,649 | (5) | 7,644 |
| Total comprehensive income for the period | - | 7,649 | - | - | - | 8,473 | 16,122 | - | 16,122 |
| Balance as at 30 June 2022 | 84,495 | 2,370 | 35,458 | 4,261 | 1,155 | (30,833) | 96,906 | (327) | 96,579 |

* 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

The Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022.

ZELAN BERHAD
Company No. : 197601001688 (27676-V)

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Period Ended 30/06/2023 RM'000 | Period Ended 30/06/2022 RM'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net profit for the year attributable to equity holders of the Company | 16,568 | 8,473 |
| Adjustments for: | | |
| Tax expense | 2,772 | 908 |
| Depreciation of property, plant and equipment | 27 | 114 |
| Accretion of interest in carrying value of long term receivables | (9,557) | (10,331) |
| Finance income | (270) | (151) |
| Discounting on trade receivables and trade payables | 268 | 368 |
| Finance costs | 14,199 | 13,564 |
| Net unrealised gain on foreign exchange | (10,439) | (7,851) |
| Non-controlling interests | (36) | (5) |
| Share of results of associates | 50 | 9 |
| | <u>13,582</u> | <u>5,098</u> |
| Changes in working capital : | | |
| Receivables | 8,569 | (17,889) |
| Payables | (852) | 34,124 |
| Cash generated from operations | 21,299 | 21,333 |
| Tax paid | (1,471) | (577) |
| Net cash flows generated from operating activities | <u>19,828</u> | <u>20,756</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property , plant and equipment | (6) | - |
| Dividends received from deposits | 270 | 151 |
| Net cash flows generated from investing activities | <u>264</u> | <u>151</u> |
| FINANCING ACTIVITIES | | |
| Repayments of borrowings | (15,518) | (26,702) |
| Repayments of hire purchase creditors | - | (6) |
| Additional deposits pledged as security | (3,416) | (3,408) |
| Net cash flows used in financing activities | <u>(18,934)</u> | <u>(30,116)</u> |
| Net movement in cash and cash equivalents | 1,158 | (9,209) |
| Cash and cash equivalents at the beginning of the financial period | 3,427 | 5,245 |
| Currency translation differences | (713) | 7,653 |
| Cash and cash equivalents at the end of the financial period | <u>3,872</u> | <u>3,689</u> |

The Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022.

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 2022. 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 2022.

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 2022 except for the adoption of the following effective on or after 1 January 2023:

The adoption of the following amendments to MFRS that are mandatory for annual periods beginning on or after 1 January 2023. Adoption of the standards did not have any material impact on the financial performance or position of the Group.

| Description | Effective for annual periods beginning on or after |
|--|---|
| MFRS 17 : Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 101: Presentation of Financial Statements | 1 January 2023 |
| Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112 : Income Taxes | 1 January 2023 |

New MFRS that have been issued, but only effective for annual periods beginning on or after 1 January 2024

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 7 : Financial Instruments: Disclosures | 1 January 2024 |
| Amendments to MFRS 16 : Leases | 1 January 2024 |
| Amendments to MFRS 101 : Presentation of Financial Statements | 1 January 2024 |
| Amendments to MFRS 107 : Statement of Cash Flows | 1 January 2024 |
| Amendments to MFRS 10 : Consolidated Financial Statements | Deferred |
| Amendments to MFRS 128 : Investments in Associates and Joint Ventures | Deferred |

2. Auditors’ Report on Preceding Annual Financial Statements

The Group’s External Auditors, Nexia SSY PLT, have expressed a disclaimer of opinion on the Group’s Audited Financial Statements for the financial year ended 31 December 2022.

The auditors’ basis for disclaimer of opinion has been disclosed in the Independent Auditors’ Report section of the Annual Report of Group for the year ended 31 December 2022 (page 157 to page 160).

2. Auditors' Report on Preceding Annual Financial Statements

In relation to disclaimer of opinion disclosed in the Independent Auditors' Report mentioned above, the Group has taken necessary steps as stated below;-

i. *Opening balances*

The Group has reconciled the opening intercompany balances between certain receivables and payables which will be eliminated at Group level. Currently the reconciliation is being reviewed by the auditor.

i. *Going concern*

(a) *Trade receivables*

The Group is intensively monitoring all efforts via legal and commercial negotiation towards the recovery of the carrying value of receivables in respect of the Group's project in Abu Dhabi, United Arab Emirates amounting to RM241.76 million.

(b) *Borrowings*

The Group is closely following-up with the bank's representative in Dubai, United Arab Emirates to secure the approval for the debt restructuring plan in respect of the outstanding loans.

ii. *Balances Subject to Verification*

The Group has formulated an action plan on resolving these issues and is currently in the process of obtaining confirmation of balances from respective parties to ensure existence, accuracy and completeness of outstanding balances for FYE 31 December 2022.

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 period because of their nature, size or incidence.

5. Changes in Estimates of Amount Reported Previously

There was no change in estimates of amounts previously reported that has a material effect in the current financial period.

6. Debt and Equity Securities

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

7. Dividend

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

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8. Segmental Reporting

Segment analysis for the current financial quarter ended 30 June 2023 is as follows:

The Group's revenue comprises the following:

| | Engineering and Construction | Asset Management Services | Others | Total |
|---|---|--|----------------|----------------|
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | | | | |
| Segment revenue | 1,476 | 6,224 | 493 | 8,193 |
| | <u>1,476</u> | <u>6,224</u> | <u>493</u> | <u>8,193</u> |
| Results | | | | |
| Segment (loss)/profit | (55) | 9,032 | 15,221 | 24,198 |
| Finance costs | (1,666) | (5,439) | - | (7,105) |
| Share of results of associates | (5) | - | - | (5) |
| Profit/(loss) before zakat and taxation | (1,726) | 3,593 | 15,221 | 17,088 |
| Tax expense | (108) | (572) | (1,533) | (2,213) |
| Net (loss)/profit after zakat and taxation | <u>(1,834)</u> | <u>3,021</u> | <u>13,688</u> | <u>14,875</u> |

| | Quarter ended 30/06/2023 | Quarter ended 30/06/2022 |
|---------------------------------------|---|---|
| | RM'000 | RM'000 |
| Revenue from contracts with customers | 1,476 | - |
| Asset Facilities Management | 6,224 | 6,580 |
| Others | 493 | 508 |
| | <u>8,193</u> | <u>7,088</u> |

The Group's revenue from contracts with customers is 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 period.

10. Changes in Composition of the Group

There was no change in the composition of the Group during the current financial period.

11. Changes in Contingent Liabilities or Contingent Assets

As at 30 June 2023, the Company had given a guarantee amounting to RM12,880,410 (Q2 FY2022: RM12,880,410) to the owner of the project as security for the subsidiary's performance of its obligations under the relevant project.

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12. Review of Performance

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

| | Individual Quarter | | | Cumulative Quarter | | |
|----------------------------------|--------------------|----------------|-----------------|--------------------|----------------|------------------------|
| | Current Year | Preceding Year | Quarter Changes | 6 Months Ended | Preceding Year | 6 Months Ended Changes |
| | Quarter | Corresponding | | | 6 Months | |
| | 30/06/2023 | 30/06/2022 | 30/06/2023 | 30/06/2022 | | |
| RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | |
| Revenue | 8,193 | 7,088 | 1,105 | 17,882 | 21,921 | (4,039) |
| Operating profit | 2,990 | 2,698 | 292 | 6,377 | 4,779 | 1,598 |
| Non Operating profit | 4,884 | (1,633) | 6,517 | 2,610 | (3,235) | 5,845 |
| Net foreign exchange gain | 9,219 | 6,707 | 2,512 | 10,439 | 7,851 | 2,588 |
| Share of results of associates | (5) | (4) | (1) | (50) | (9) | (41) |
| Profit before zakat and taxation | 17,088 | 7,768 | 9,320 | 19,376 | 9,386 | 9,990 |

The Group's revenue of RM8.2 million for the current quarter ended 30 June 2023 was higher than the revenue of RM7.1 million registered in the same quarter of FY2022 by RM1.1 million. The higher revenue principally due to higher revenue from local projects.

The Group reported a profit before zakat and taxation ("PBZT") of RM17.1 million in the current quarter under review compared to a PBZT of RM7.8 million in the corresponding quarter of FY2022. This is mainly due to the recovery of a counterclaim against a sub-contractor amounting to RM6.9 million and higher unrealised foreign exchange translation gain.

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

| | Individual Quarter | | Variance |
|------------------------------|--------------------|---------------|----------------|
| | Quarter ended | Quarter ended | |
| | 30/06/2023 | 31/03/2023 | |
| | RM '000 | RM '000 | RM '000 |
| Revenue | | | |
| Engineering and Construction | 1,476 | 3,011 | (1,535) |
| Asset Management Services | 6,224 | 6,173 | 51 |
| Others | 493 | 505 | (12) |
| Total | 8,193 | 9,689 | (1,496) |

In the current quarter ended 30 June 2023, the Group reported lower revenue by RM1.5 million compared to the preceding quarter. The lower revenue for current quarter is principally due to lower revenue from local project.

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13. Prospect

The Group is undergoing a transition phase as it focuses on its efforts to address the PN17 status. The Group is in the process of resolving the ongoing issues, including the restructuring and regularisation plan in the best interest of stakeholders.

The Group's current revenue is principally derived from the Asset Management Service ("AMS") at Centre for Foundation Studies (Phase 3) International Islamic University Malaysia, Gambang Campus, Pahang Darul Makmur ("IIUM Gambang Project"). The income from the IIUM Gambang Project will enable the Group to have a stable income stream for the tenure of the concession till 2035.

The Group is now aggressively looking for projects/contracts via tendering and commercial discussion. The Group will continue to look for new opportunities to enhance its order book value and is cautiously optimistic of the future prospects of the Group.

14. Profit Forecast or Profit Guarantee

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

15. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|--------------------------------|---|---|---|---|
| | Current year quarter 30.06.2023 RM '000 | Preceding year corresponding quarter 30.06.2022 RM '000 | 6 months ended 30.06.2023 RM '000 | 6 months ended 30.06.2022 RM '000 |
| Malaysian income tax - current | 2,213 | 514 | 2,772 | 911 |
| Deferred tax | - | (1) | - | (3) |
| Tax expense | <u>2,213</u> | <u>513</u> | <u>2,772</u> | <u>908</u> |

For the financial period ended 30 June 2023, the taxation charge arose mainly from certain profit-making subsidiary companies and certain expenses which were not deductible for income tax purposes.

16. Status of Corporate Proposals Announced

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

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17. Borrowings

Details of the Group's borrowings as at 30 June 2023 are as follows:

| As at 30.06.2023 | | | | | | |
|----------------------------------|-----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | 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 | 8,013 | 90,593 | 115,234 | 96,893 | 123,247 |
| Islamic financing | - | 43,376 | - | 312,214 | - | 355,590 |
| | 6,300 | 51,389 | 90,593 | 427,448 | 96,893 | 478,837 |
| ^ Exchange rate: AED1 = RM1.272 | | | | | | |
| As at 30.06.2022 | | | | | | |
| | 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 | 7,553 | 85,987 | 103,090 | 92,287 | 110,643 |
| Islamic financing | - | 43,981 | - | 341,442 | - | 385,423 |
| Unsecured | | | | | | |
| Hire purchase | - | 34 | - | 63 | - | 97 |
| | 6,300 | 51,568 | 85,987 | 444,595 | 92,287 | 496,163 |
| ^ Exchange rate: AED1 = RM1.1989 | | | | | | |

18. Changes in Material Litigation

Details of the significant litigations during the financial period are as follows:

Projects in Malaysia

- a) In relation to a project in Malaysia, a subsidiary company, Zelan Construction Sdn Bhd ("ZCSB") had commenced an arbitration proceeding against its sub-contractor appointed for the development and construction of the Centre for Foundation Studies International Islamic University Malaysia, Gambang Campus, Pahang Darul Makmur ("IIUM Gambang Project"). The amount of reliefs sought against the sub-contractor in the Re-Amended Statement of Case dated 24 January 2022 is approximately RM258 million *inter alia*, for the following:-
- (i) Direct costs, losses, expenses and/or damages incurred by ZCSB pursuant to ZCSB's measures to prevent or minimize the sub-contractor's delay in completing the work;
 - (ii) Costs and expenses incurred by IIUM and the Concession Company as a result of delay in completion of the sub-contractor's works;
 - (iii) Costs of rectification and reinstatement works incurred by ZCSB; and
 - (iv) Damages as a result of the sub-contractor's delay in completing its works.

The sub-contractor had filed its Re-Amended Statement of Defence and Counterclaim dated 31 January 2022, claiming for approximately the sum of RM20,150,640.55 being the unpaid certified invoices, retention sum, outstanding variation order and GST. As directed by the arbitrator, ZCSB submitted a Scott Schedule consisting of supporting documentations for claim on rectification cost against its sub-contractor in the sum of RM59,894,944.56. Subsequently, ZCSB has submitted a Re-Amended Scott Schedule for a revised rectification cost of RM 45,905,466.33.

18. Changes in Material Litigation (Continued)

Details of the significant litigations during the financial year are as follows: (continued)

Projects in Malaysia (continued)

ZCSB appointed an expert witness for Quantum and Liability respectively to support its claim against its sub-contractor for this arbitration proceeding whereby the expert witnesses will provide their expert opinions/Reports to support ZCSB's claim.

As at todate, both parties have complied with the following:-

- (a) Filing and exchange of the Witness Statements on 11 October 2022;
- (b) Filing and exchange of Expert Reports for Liability and Quantum on 1 November 2022 respectively; and
- (c) Filing and exchange of the Rebuttal Witness Statements on 13 February 2023; and
- (d) Filing and exchange of Rebuttal Expert Reports for Liability and Quantum on 24 March 2023 respectively.

As at todate, ZCSB has called a total number of 7 witnesses. The last tranche of the Hearing was fixed on 3, 5 to 6 July 2023 wherein the 7th witness of ZCSB had given evidence on 6 July 2023.

The next tranche of the Hearing has been fixed on 6-7, 19-20 and 22 September 2023 for the remaining 2 witnesses of ZCSB, 2 factual witnesses of the sub-contractor and liability and quantum experts for both parties.

- b) In relation to a project in Malaysia, a subsidiary company, ZCSB had commenced an arbitration proceeding against its lead consultant appointed for the development and construction of the IIUM Gambang Project. The amount of claim sought against the consultant in the Statement of Case dated 12 April 2021 is approximately RM191 million *inter alia* for the following:-
 - (i) As-built drawings or costs incurred by ZCSB in preparing the As-built drawings;
 - (ii) Special Damages being refund to IIUM for the Non-Conformance/Deviation Items;
 - (iii) Special Damages being cost in rectifying the Non-Conformance/Deviation Items;and
 - (iv) Other costs, losses, expenses and/or damages suffered by ZCSB pursuant to the breach by the lead consultant.

The lead consultant had filed its Statement of Defence and Counterclaim dated 28 May 2021 for the sum of RM1,585,942.99 being the unpaid consultancy fees, supervision fees and additional supervision fees.

ZCSB has appointed an expert witness for Quantum and Liability respectively to support its claim against its lead consultant for this arbitration proceeding whereby the expert witnesses will provide their expert opinions/Reports to support ZCSB's claim.

As at todate, both parties have complied with the following:-

- (a) Filing and exchange of Witness Statements on 28 February 2022 and ZCSB submitted its Expert Report (Quantum) on the same date;
- (b) The lead consultant submitted its Expert Report (Quantum) in reply to ZCSB's expert report (Quantum) on 28 July 2022;
- (c) Filing and exchange of Rebuttal Witness Statements on 25 August 2022;
- (d) ZCSB submitted its Expert Report (Liability) on 14 October 2022 and its Rebuttal Expert Report (Quantum) on 26 October 2022; and
- (e) Both parties submitted the Rebuttal Expert's Report (Liability) on 29 December 2022 and the lead consultant has submitted its Rebuttal Expert's Report (Quantum) on 22 December 2022.

18. Changes in Material Litigation (Continued)

Details of the significant litigations during the financial year are as follows: (continued)

Projects in Malaysia (continued)

On 25 March 2023, both parties have submitted Joint Experts' Report (Liability and Quantum).

Hearing dates for the proceeding have been fixed on 12-15 June 2023, and 19-21 June 2023.

The hearing dates fixed from 19-21 June 2023 have been vacated by the Learned Arbitrator in view of the Security for Costs Application filed by the lead consultant on 7 June 2023.

On 4 July 2023, the Learned Arbitrator allowed the lead consultant's Application for Security for Costs in the sum of RM1,468,508.49.

- c) In relation to a project in Malaysia, a subsidiary company, ZCSB received two (2) Writ of Summons and Statement of Claims, both dated 13 June 2017 from its sub-contractor in respect of disputes and differences arising from outstanding claims for dredging works in the sum of RM2,626,311.27 and shore protection works in the sum of RM2,276,931.68 in relation to the project in Tanjung Setapa, Johor, Malaysia. ZCSB filed its Statement of Defence and Counterclaim dated 3 October 2017 to claim for losses and damages in carrying out dredging works for the balance quantity of 247,384m³ left undone by the sub-contractor in the sum of RM4,976,998.76.

On 19 January 2020, the High Court delivered its decisions as follows ("High Court's decision"):-

- (i) Both suits filed by the sub-contractor are dismissed with a cost of RM10,000.00 each; and
- (ii) ZCSB's counterclaim is allowed with losses and damages in carrying out dredging works for the balance quantity of 247,384m³ to be assessed by Court by way of assessment of damages proceeding.

On 14 February 2020, ZCSB filed for Notice of Direction for the assessment of damages to be assessed by Court and the sub-contractor filed two (2) Notices of Appeal in the Court of Appeal ("COA"), Putrajaya against the High Court's decision ("the Sub-Contractor's Appeal at COA")

On 2 September 2020, the High Court dismissed the sub-contractor's Notice of Application for Stay of Proceedings dated 14 May 2020 to have all forms of assessment of damages proceeding from and/or related to the High Court's decision be stayed pending conclusion of the sub-contractor's appeal at COA.

After reviewing the Grounds of Judgment from the High Court, ZCSB filed its Motion for Leave to Appeal dated 3 November 2020 in the Court of Appeal, Putrajaya against the High Court's decision for the direction that ZCSB's counterclaim is required to be assessed by way of assessment of damages proceeding ("ZCSB's appeal at COA").

On 11 November 2020, ZCSB filed its Notice of Application for Stay of Proceedings in the High Court on the assessment of damages proceeding pending disposal of ZCSB's appeal at COA.

On 27 January 2021, the Court of Appeal allowed ZCSB's appeal at COA out of time and ordered the assessment of damages proceeding in the High Court to stay until disposal of ZCSB's appeal at COA.

On 17 November 2021, the Court of Appeal dismissed the Sub-Contractor's Appeal at COA and allowed ZCSB's Appeal at the COA with cost to be paid by the sub-contractor to ZCSB.

18. Changes in Material Litigation (Continued)

Details of the significant litigations during the financial year are as follows: (continued)

Projects in Malaysia (continued)

On 17 December 2021, the Sub-Contractor filed three (3) Notices of Motion for Leave to Appeal to the Federal Court against the Court of Appeal Decision (“the Leave Applications”). The Leave Applications have been fixed for Hearing on **13 June 2023**.

The Federal Court had, on 13 June 2023 after considering the submissions (both written and oral) by Counsel of both parties, unanimously dismissed the Leave Applications with costs of RM30,000 subject to allocator, as the Federal Court found that the questions posed by the sub-contractor do not meet the threshold required under Section 96(a) of the Courts of Judicature Act 1964.

- d) In relation to a project in Abu Dhabi, a subsidiary company, Zelan Holdings (M) Sdn Bhd (“ZHSB”) was served with an Originating Summons (“OS”) on 5 July 2023. The Claimant is seeking to register and enforce the Arbitration Award dated 30 December 2019 for the principal sum of AED28,934,208.90 (RM36,804,313.72) in respect of the claim against ZHSB regarding the project in Abu Dhabi. The OS case management has been fixed for 31 October 2023.

On the same date, the Claimant being the sub-contractor of ZHSB for the project in Abu Dhabi had also served on ZHSB, a Notice of Application for Discovery Application (“DA”) to compel ZHSB to produce the original copy of the Conditions of Subcontract document between ZHSB and the Claimant.

At the case management of the DA which was fixed by the High Court on 18 July 2023, the parties were given directions by the court to file their respective Affidavits, Written Submissions and Submissions in Reply on or before 15 August 2023, 5 September 2023 and 5 October 2023 respectively. The High Court has fixed the Hearing of DA on 31 October 2023.

19. Earnings Per Share

The basic earnings per share for the financial quarter 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 | |
|--|--|--|---|---|
| | 3 months Quarter ended 30.06.2023 | 3 months Quarter ended 30.06.2022 | 6 months Year ended 30.06.2023 | 6 months Year ended 30.06.2022 |
| Profit attributable to equity holders of the parent (RM'000) | 14,856 | 7,248 | 16,568 | 8,473 |
| Number of ordinary shares in issue ('000) | 844,895 | 844,895 | 844,895 | 844,895 |
| Basic earnings per share (sen) | 1.76 | 0.86 | 1.96 | 1.00 |

20. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2023.

By order of the Board

Yusrenawati binti Mohd Yusof
Secretary

Kuala Lumpur
28 August 2023