



MANAGEMENT DISCUSSION & ANALYSIS





Revenue recorded at RM40.2 million increased by 32.5% compared to the previous year of RM30.3 million, primarily due to an increase in asset management and asset replacement works in our concession project known as Centre for Foundation Studies (Phase 3) at IIUM's Gambang Campus in Pahang.



REVENUE 2024

RM40.2 MILLION

↑ **32.5** % INCREASED FROM 2023



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended ("FYE") 31 December 2024. We would like to express our sincere gratitude for your continued support and understanding as we navigate a particularly challenging period in the history of Zelan Berhad.



MANAGEMENT DISCUSSION & ANALYSIS

GROUP RESULTS

During the year under review, Zelan Group faced substantial financial challenges, reflected in its financial performance. Revenue recorded at RM40.2 million increased by 32.5% compared to the previous year of RM30.3 million, primarily due to an increase in asset management and asset replacement works in our concession project known as Centre for Foundation Studies (Phase 3) at IIUM's Gambang Campus in Pahang.

Zelan Group recorded loss before tax and zakat of RM247.9 million in FY2024. This loss before tax and zakat was primarily due to the impairment of trade receivable of an arbitration award against a project owner of the Group's project in Abu Dhabi, United Arab Emirates ("UAE").

Significant efforts have been made to recover the awarded sum, including execution proceedings filed in the Execution Court of Abu Dhabi, UAE with the assistance of solicitors and relevant authorities both in Abu Dhabi, UAE and Malaysia. Diplomatic channels have also been engaged in the efforts to recover the awarded sum. Despite these ongoing efforts, the Group has assessed the recoverability of the awarded sum and determined that there is an uncertainty regarding the recoverability of the awarded sum. Given the prolonged nature of the recovery process and the inherent challenges involved, the Group has decided to fully impair the awarded sum of RM252.0 million. Nevertheless, the Group remains committed to exhausting all available avenues for recovery and will continue to make new efforts to recover the arbitration award against the project owner in Abu Dhabi, UAE.

This impairment reflects a prudent and conservative approach in line with applicable financial reporting standards, ensuring that the financial statements provide a fair and accurate representation of the Group's financial position. However, this impairment has led our shareholders' equity to fall to (RM93.1 million), below 25% of our issued capital and has triggered the Prescribed Criteria under Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").



ACKNOWLEDGING THE CHALLENGE

This event, while a serious matter, has become a turning point - one that has prompted a comprehensive review of our operations, financial position and future strategy.

It underscores the urgent need for decisive action, strategic clarity and transparent governance. We remain fully committed to returning the company to a stable and sustainable path.

APPOINTMENT OF PRINCIPAL ADVISER

We are pleased to inform you that we have formally appointed Malacca Securities Sdn. Bhd. ("Malacca Securities") on 21 March 2025 as our Principal Adviser to assist in the formulation and execution of a Regularisation Plan. This appointment represents a significant milestone in our recovery journey.

Malacca Securities brings with them deep expertise in corporate rehabilitation and capital markets advisory. Their role will be pivotal in guiding us through the regulatory and strategic processes required to lift our PN17 status and restore investors' confidence.



OUR STRATEGIC PRIORITIES

Our Regularisation Plan, now in active development, will be comprehensive and forward-looking. The Board, management team, and Principal Adviser are collaborating closely to evaluate various options, including:

- Recapitalisation initiatives, such as equity restructuring or fund-raising exercises;
- Business reorganisation, focusing on cost efficiency and operational realignment;
- Asset optimisation, including divestment of non-core assets and revitalisation of key revenue streams.

We intend to submit the regularisation plan to Bursa Securities within the stipulated timeframe and will ensure all regulatory requirements are met.

LOOKING AHEAD

We recognise that this is a time of uncertainty. However, we want to assure all stakeholders that the Board is taking proactive steps to steer the company toward stability. The journey to recovery will demand transparency, discipline and commitment-qualities that we are prepared to uphold at every stage.

We remain deeply appreciative of the support shown by our shareholders, business partners, employees and regulators. Your confidence in us is the foundation of our determination to move forward.

While there is much work ahead, there is also renewed hope. With strong leadership, the guidance of our Principal Adviser and the collective will of the Board and management, we are laying the groundwork for a new beginning.

Thank you once again for standing with us. We look forward to updating you on our progress as we move toward a stronger, more resilient future for Zelan Berhad.