

# MANAGEMENT DISCUSSION AND ANALYSIS



## DEAR VALUED SHAREHOLDERS,

**On behalf of the Board of Directors, it is our privilege to present the Annual Report and Audited Financial Statements of the Zelan Group (“the Group”) for the financial year ended 31 December 2025 (“FYE2025”).**

**We would like to begin by expressing our deepest appreciation for your continued trust, patience and support. While FYE 2025 presented its share of challenges, it has also been a year of meaningful progress, renewed focus and important milestones that are shaping a stronger and more resilient future for the Group.**



## BUILDING ON RESILIENCE

The Group recorded revenue of RM28.9 million for FYE2025, compared to RM40.2 million in the previous year, primarily due to lower asset replacement activities under our concession project at the Centre for Foundation Studies, International Islamic University Malaysia, Gambang Campus.

Despite this decline, our core asset and facilities management segment remained resilient, contributing approximately RM26.4 million in revenue and continuing to provide a stable and recurring income base. This consistency underscores the strength of our concession-driven business model, which remains the cornerstone of the Group’s operations. Other segments, including rental and car park operations, contributed modestly, while construction activities remained limited as we adopted a cautious approach.

Encouragingly, gross profit remained steady at approximately RM19.0 million, reflecting disciplined cost management and operational efficiency across the Group.

The Group recorded a loss before tax and zakat of RM59.6 million, a substantial improvement from RM247.9 million in the previous year. This result was largely impacted by non-recurring items, namely the impairment of trade receivables amounting to RM38.2 million and the recognition of a liability arising from a final arbitration award of RM24.1 million. Excluding these, the Group would have achieved a profit before tax and zakat of approximately RM3.9 million, clear evidence that our core operations are not only stable, but capable of generating sustainable returns.

## DISCIPLINED OPERATIONS, CLEAR FOCUS

Amid liquidity constraints, the Group has continued to operate with prudence and discipline. Our priority has been to honour contractual obligations, maintain service quality and manage cash flow carefully. This includes prioritising essential expenditures and closely monitoring working capital.

## STRONG PROGRESS IN RESTRUCTURING

FYE2025 marked a decisive and positive turning point in the Group’s restructuring journey, with a strong focus on the formulation and submission of the Regularisation Plan.

Our priorities remain clear which is to address the negative shareholders’ funds, restructure existing debts, and restore the Group to sustainable profitability. In doing so, the Group has been actively engaging with potential strategic investors to support its financial recovery and overall debt rationalisation plan. These engagements remain ongoing, and we are encouraged by the level of interest and continue to work towards achieving a positive outcome for the Group.

## Management Discussion and Analysis



At the same time, the Group has taken proactive and structured steps in relation to its debt rationalisation, including working closely with its advisors on the proposed Schemes of Arrangement with its creditors. These initiatives form a key foundation of the Group's restructuring and recovery strategy.

Throughout FYE2025, the Group achieved several important milestones. On 2 October 2025, Zelan Berhad and its subsidiaries, Zelan Construction Sdn. Bhd. ("Zelan Construction") and Zelan Holdings (M) Sdn. Bhd. ("Zelan Holdings"), filed applications to the Court to convene Court-Convene Meetings for the proposed Schemes of Arrangement with their respective scheme creditors. These represented significant steps forward in advancing the Group's restructuring plan.

Building on this progress, on 30 January 2026, Zelan Berhad and Zelan Construction obtained Court approval to proceed with creditors' meetings. Subsequently, on 20 April 2026, Zelan Berhad successfully secured approval from the requisite majority of creditors for its proposed Scheme of Arrangement. This positive outcome reflects the continued confidence and support of our stakeholders and represents a key milestone in the Group's recovery journey.

However, the outcome for Zelan Construction was less favourable, as its proposed Scheme of Arrangement did not receive sufficient creditors' support. Following careful consideration, we have decided to proceed with a creditors' voluntary liquidation of Zelan Construction. While this was a difficult decision, it is a necessary and decisive step to streamline the Group's structure, ring-fence liabilities and strengthen its overall financial position.

For Zelan Holdings, the process remains ongoing, as the application to convene a Court-Convene Meeting is still pending determination by the Court.

The Group continues to work closely with its Principal Adviser and professional advisors to finalise a comprehensive Regularisation Plan that is feasible, compliant with regulatory requirements, and supportive of the Group's long-term strategic direction and sustainability.

Zelan Berhad is required to submit its Regularisation Plan by 30 April 2026. While most of the key components and milestones outlined above are nearing completion, Zelan Berhad had on 21 April 2026 applied for an extension of time to facilitate the orderly finalisation of the remaining elements required for the submission of the Regularisation Plan. This application is currently under review by Bursa Malaysia Securities Berhad.

Looking ahead, the Group is encouraged by the progress achieved to date and remains confident that the Group is on the right path. With continued stakeholder support, disciplined execution, and a clear recovery strategy in place, the Group is well-positioned to work towards completing its restructuring journey and transitioning into a more stable and sustainable, and growth-focused phase.

### POSITIONED FOR RECOVERY AND GROWTH

As we move forward, our focus remains clear and deliberate. Our key priorities include:

- 1) Finalising and submitting the Regularisation Plan within the approved timeframe.
- 2) Advancing debt restructuring and liability rationalisation initiatives.
- 3) Enhancing operational efficiency, cost discipline and cash flow management.
- 4) Preserving and improving the performance of our concession-based business.

These efforts are guided by a singular objective: to restore financial stability and position the Group for sustainable, long-term growth. These priorities are aligned with the Group's objective of meeting the requirements for uplift from PN17 status, including restoring a positive shareholders' funds position and achieving sustainable profitability.

### A CONFIDENT PATH FORWARD

As we move into the next phase of our journey, our focus is firmly on the successful completion and implementation of the Regularisation Plan. The significant reduction in losses, the resilience demonstrated by our core operations, and the tangible progress achieved in our restructuring initiatives provide a strong foundation for this next stage. With continued discipline and commitment, the Group is well-positioned to advance its recovery and build a more stable and sustainable future.

We remain fully committed to executing our plans with discipline, transparency and accountability. With the continued support of our shareholders and stakeholders, we remain optimistic about the Group's ability to strengthen its position and move forward.

Thank you once again for your continued confidence and support.