ZELAN BERHAD

197601001688 (27676-V)

ANNUAL REPORT **2019**

CONTENTS

44th ANNUAL GENERAL MEETING

BROADCAST VENUE
Boardroom of Zelan Berhad,
24th Floor, Wisma Zelan,
No. 1, Jalan Tasik Permaisuri 2,
Bandar Tun Razak, Cheras,
56000 Kuala Lumpur

DATE & TIME
Thursday, 3 September 2020 at 2.00 p.m.

> Our business focus is engineering and construction projects and public private partnership projects, mainly in Malaysia.

OUR VISION

To be the preferred engineering and construction group in Malaysia.

OUR MISSION

To be competitive and at the forefront of the industry transformation by:

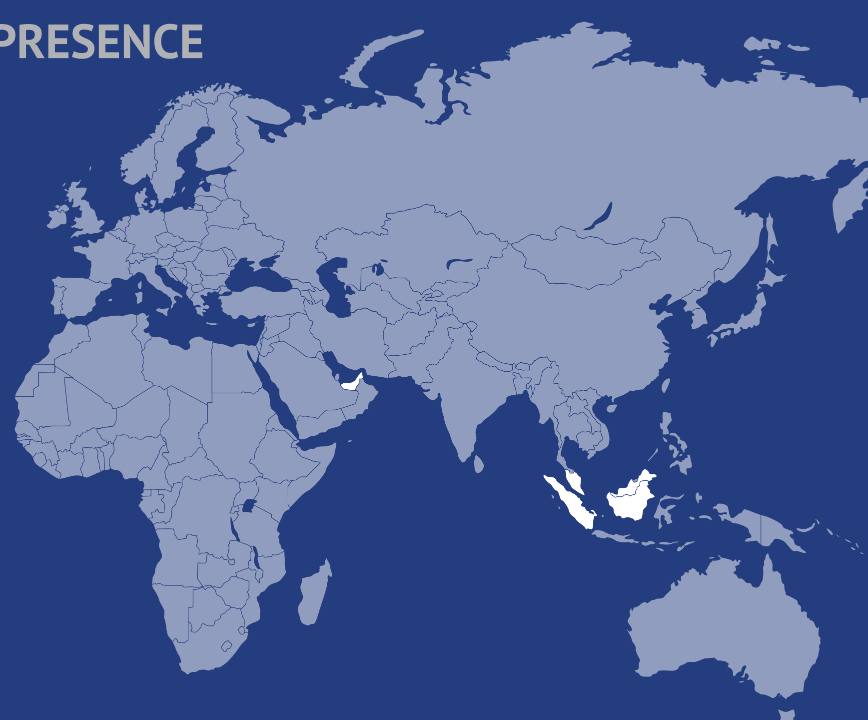
- Offering technologically innovative designs and solutions
- Pursuing the highest levels of work quality and service excellence in our fields of specialisation with optimal use of resources
- Maximising returns to shareholders

CORPORATE VALUES

- Integrity
- Caring
- Innovative
- Professionalism

ZELAN'S PRESENCE

- Malaysia
- Indonesia
- United Arab Emirates



FINANCIAL CALENDAR

FINANCIAL YEAR ENDED
31 DECEMBER 2019

ANNOUNCEMENT OF RESULTS

First Quarter Ended 31 March 2019
31 May 2019

Second Quarter Ended 30 June 2019
22 August 2019

Third Quarter Ended 30 September 2019
29 November 2019

Fourth Quarter Ended 31 December 2019
28 February 2020

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of the 44th Annual General Meeting
29 June 2020

44th ANNUAL GENERAL MEETING
3 September 2020

5 YEARS' FINANCIAL HIGHLIGHTS

	Financial Year ended 31.12.2019 RM'000	Financial Year ended 31.12.2018 RM'000	Financial Year ended 31.12.2017 RM'000	Financial Year ended 31.12.2016 RM'000	Financial Year ended 31.12.2015 RM'000
RESULTS					
Revenue	**80,765**	72,523	70,911	222,790	412,970
Gross profit/(loss)	**26,748**	(4,739)	(1,214)	(5,184)	36,213
Profit/(Loss) before zakat and taxation	**5,548**	(19,230)	(71,393)	(67,056)	21,759
Profit/(Loss) attributable to equity holders of the Company	**2,661**	(23,591)	(74,071)	(67,623)	30,487
ASSETS					
Total assets	**801,852**	818,807	808,259	874,681	827,119
Total assets less current liabilities	**559,575**	402,833	440,474	568,706	527,921
Deposits, cash and bank balances	**20.355**	5,045	14,008	23,871	70,607
LIABILITIES AND SHAREHOLDERS FUNDS					
Borrowings	**547,715**	540,039	507,943	475,726	346,325
Equity attributable to owners of the Company	**47,107**	44,251	69,285	131,990	205,348
FINANCIAL RATIOS (%)					
Debt to equity	**1,162.7**	1,220.4	733.1	360.4	168.7
Pre-tax return on equity attributable to owners of the Company	**11.8**	(43.5)	(103.0)	(50.8)	10.6
SHARE INFORMATION					
Net tangible assets per share (RM)	**0.06**	0.05	0.08	0.16	0.24
Basic earnings per share (sen)	**0.30**	(2.80)	(7.90)	(8.00)	4.00
Diluted earnings per share (sen)	**0.30**	(2.80)	(7.90)	(8.00)	3.00

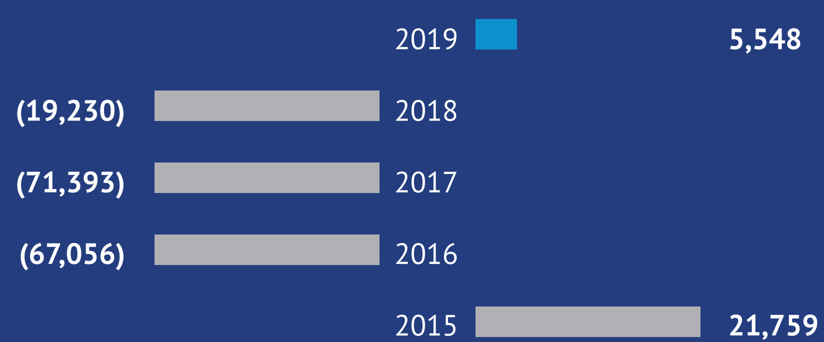
5 YEARS' FINANCIAL HIGHLIGHTS

REVENUE
(RM'000)

80,765

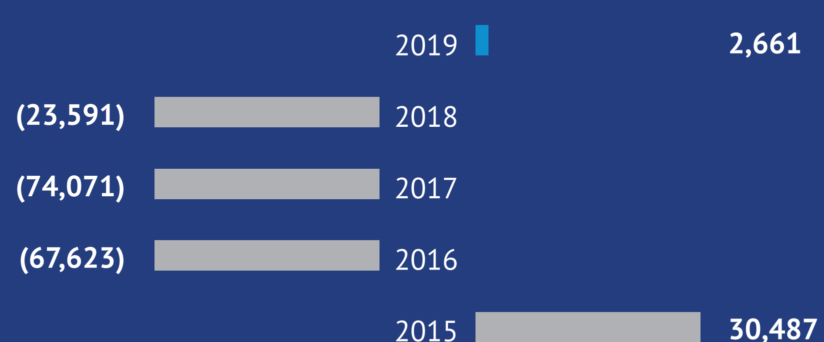
PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION
(RM'000)

5,548



PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(RM'000)

2,661



5 YEARS' FINANCIAL HIGHLIGHTS

TOTAL ASSETS (RM'000)

2019	801,852
2018	818,807
2017	808,259
2016	874,681
2015	827,119

801,852

NET TANGIBLE ASSETS PER SHARE (RM)

2019	0.06
2018	0.05
2017	0.08
2016	0.16
2015	0.24

0.06

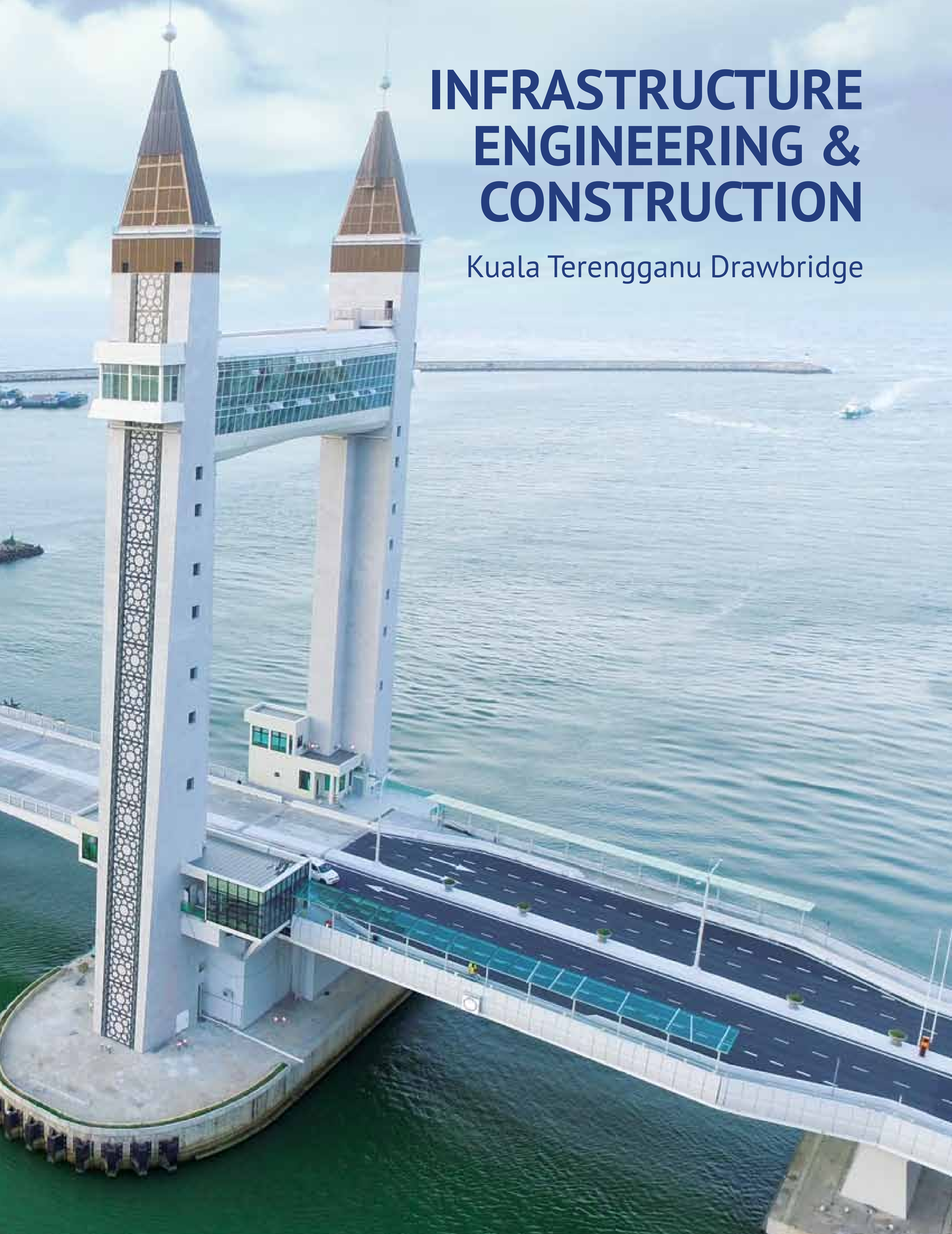
DEBT TO EQUITY (%)

2019	1,162.7
2018	1,220.4
2017	733.1
2016	360.4
2015	168.7

1,162.7

INFRASTRUCTURE ENGINEERING & CONSTRUCTION

Kuala Terengganu Drawbridge

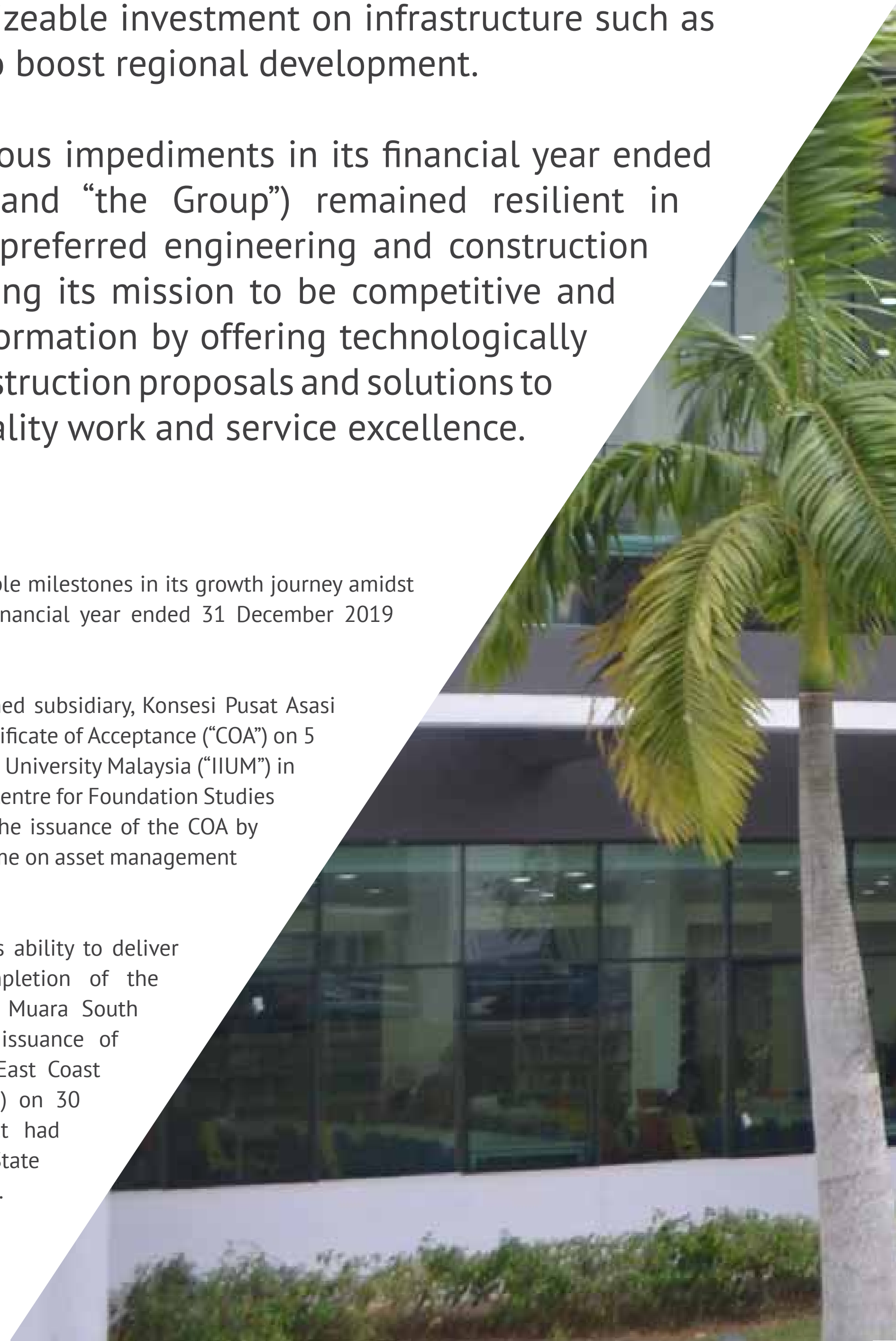


MANAGEMENT DISCUSSION & ANALYSIS

Dear Valued Shareholders,

The year 2019 observed various challenges in the construction sector. Nonetheless, Malaysia has made considerable progress in expanding and upgrading its infrastructures throughout the country evidenced by the five-year centralized economic development plan known as Eleventh Malaysia Plan from 2016 to 2020 with sizeable investment on infrastructure such as transport and logistics sector to boost regional development.

Though accompanied with various impediments in its financial year ended 2019, Zelan Berhad ("Zelan" and "the Group") remained resilient in achieving its vision to be the preferred engineering and construction company and focused in meeting its mission to be competitive and be part of the industrial transformation by offering technologically innovative engineering and construction proposals and solutions to the customers with premier quality work and service excellence.



KEY DEVELOPMENTS IN THE GROUP

We are delighted to share that Zelan notched multiple milestones in its growth journey amidst the uncertain economic environment during the financial year ended 31 December 2019 ("FYE 2019").

Despite of facing many challenges, our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn. Bhd. ("KPAG") was issued with the Certificate of Acceptance ("COA") on 5 April 2019 by the project owner International Islamic University Malaysia ("IIUM") in respect of the 17 years concession project known as Centre for Foundation Studies (Phase 3) of the IIUM, Gambang Campus, Pahang. The issuance of the COA by IIUM marked the commencement of a recurring income on asset management services for KPAG throughout the concession period.

In addition to the above, the Group exemplified its ability to deliver satisfactory performance by achieving the completion of the Drawbridge project connecting Muara North and Muara South in Kuala Terengganu ("Drawbridge Project") via issuance of Certificate of Practical Completion by the client, East Coast Economic Region Development Council ("ECERDC") on 30 June 2019. Subsequently, the Drawbridge Project had been successfully handed over to Terengganu State Government and opened to public on 1 August 2019.

MANAGEMENT DISCUSSION & ANALYSIS

DATO' ANWAR BIN HAJI @ AJI
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

KEY DEVELOPMENTS IN THE GROUP (CONT'D)

Apart from the projects mentioned, in respect of the local highway project, the physical works for the ongoing project undertaken by the Group namely, the construction of the Sungai Besi-Ulu Kelang Expressway (SUKE) Package CB-2 in Kuala Lumpur ("SUKE Project") are in progress. Zelan Construction Sdn. Bhd. ("ZCSB") together with its consortium partner and the appointed sub-contractors are working hand-in-hand to overcome construction issues while ensuring that the SUKE Project would be completed within its contractual completion date.

The Engineering and Construction business segment is poised to be the growth engine of the Group for the next few years. This business segment is equipped with the Groups' proven track record in power plant projects, high-rise buildings, university and academic institutions, marine construction (port and jetty) and airport construction. The Group is also actively bidding especially in the construction of road, highway and major infrastructure, as well as venturing into asset facilities management. In line with our commitment to comply with stringent quality, safety and environmental standards, we have obtained multiple certifications such as ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.

The other key development in the Group is in relation to the ICC arbitration between the Group wholly-owned subsidiary, Zelan Holdings (M) Sdn. Bhd. ("ZHSB") against project owner Meena Holdings LLC due to disputes and differences between parties during the implementation of Meena Plaza Mixed Use Development Project in Abu Dhabi, UAE ("Meena Plaza Project"). The ICC Arbitral Tribunal issued its final award dated 25 July 2019 ("Award") declaring *inter-alia*, that the termination of ZHSB is valid and accordingly, the Arbitral Tribunal awarded ZHSB a total of sum of approximately AED256.1 million and interest of 9% per annum from the date of arbitration decision until full payment of the awarded sum by Meena Holdings LLC.

GROUP RESULTS

The Group posted Profit After Zakat Tax ("PAZT") of RM2.7 million for the current financial year under review, as opposed to a Loss After Zakat Tax ("LAZT") of RM23.6 million reported in the corresponding financial year mainly attributable to a higher gross profit of RM26.7 million (2018: gross loss of RM4.7 million).

Financial year ended ("FYE") 31 December 2019 saw an increase in the Group's revenue to RM80.8 million which was higher by 11.4% from RM72.5 million recorded in the preceding financial year. The Engineering and Construction business segment had contributed revenue mainly from completion of Drawbridge Project in Terengganu in June 2019 and revenue from SUKE Project. In addition, the Asset Facility Management segment contributed higher revenue in the current financial year.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OUTLOOK AND STRATEGIES

Global trade conditions are expected to be the key determining factor of the near term economic outlook. The Malaysian economy is expected to see a contraction of -2% at its worst and growth of 0.5% at its best in 2020, compared with 4.3% in 2019.

The local property market is expected to remain challenging. The key issues of price affordability, the overhang of high priced homes, rising cost of living and tight financing conditions are expected to hamper increase in demand.

The Government's vision 2020 project to boost construction projects in the next few years in line with the government's strategy to improve the country's transport network and tourism infrastructure may be dampened due to the current global economy. However, we foresee that renewable projects will be one of the prospects to pursue as the demand for clean energy will continue to grow.

On the aspect of asset facilities management, the demand for the service is expected to increase as more and more infrastructures and mega assets are completed.

The Group is strategizing efforts to capture the available business opportunities within the Group's expertise and proven track record.

As part of our business plan, we will continue to improve the performance of the Group in pursuit of opportunities for both engineering and construction projects, private partnership projects and asset facilities management locally.

In view of enhancing competitiveness in pricing, the Group will also consider smart partnerships or collaborations with both local and overseas partners to enable the offering of required technology, expertise, machineries and equipment to meet project owners' requirements. The Management will continue to manage the business with diligence and remain cautious of its future prospects whilst implementing strategies to control costs.


MIMAR SINAN
MIMAR SINAN

SERVICE EXCELLENCE

IIUM GAMBANG CAMPUS

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Dato' Anwar Bin Haji @ Aji
Independent, Non-Executive Chairman

Datuk Ooi Teik Huat
Senior Independent, Non-Executive Director

Datuk Puteh Rukiah Binti Abd Majid
Independent, Non-Executive Director

Encik Suhaimi Bin Halim
Independent, Non-Executive Director

Encik Mohd Shukor Bin Abdul Mumin
Independent, Non-Executive Director

COMPANY SECRETARY
Yusrenawati Binti Mohd Yusof (MIA 33348)

AUDITORS
Al Jafree Salihin Kuzaimi PLT (AF1522)
Chartered Accountants
555, Jalan Samudra Utara 1, Taman Samudra
68100 Batu Caves, Selangor Darul Ehsan.
Tel: +603-6185 9970
Fax: +603-6184 2524

SHARE REGISTRAR
BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor
Tel: +603-7890 4700
Fax: +603-7890 4670

REGISTERED OFFICE
24th Floor, Wisma Zelan
No. 1, Jalan Tasik Permaisuri 2
Bandar Tun Razak, Cheras
56000 Kuala Lumpur
Tel: +603-9173 9173
Fax: +603-9171 8191
Email: info@zelan.com.my

PRINCIPAL BANKERS
Bank Pembangunan Malaysia Berhad
Bank Kerjasama Rakyat Malaysia Berhad
HSBC Bank Middle East Limited
Malayan Banking Berhad

STOCK EXCHANGE LISTING
Main Board of Bursa Malaysia Securities Berhad
Stock Code: 2283

UAE OPERATIONS
Zelan Holdings (M) Sdn. Bhd. (Regional Office)
- Abu Dhabi Branch
Office No. 22, 13th Floor,
West 5, Plot 17 MISMAC Property Building,
Corniche Street, Abu Dhabi UAE
P.O. Box 106813,
Abu Dhabi, UAE
Tel: +971 50721 4576

INDONESIA OPERATIONS
PT Zelan Indonesia
Wisma Bayuadji 3rd floor - room 307,
Jl. Gandaria Tengah III,
No. 44, Jakarta Selatan 12130, Indonesia
Tel: +62 21 7232268
Fax: +62 21 7248867

BOARD OF DIRECTORS' PROFILE

DATO' ANWAR BIN HAJI @ AJI

Independent, Non-Executive Chairman

Dato' Anwar Bin Haji @ Aji, aged 70, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Chairman on 11 December 2008. He was re-designated as Executive Chairman on 19 January 2011. On 1 December 2012, Dato' Anwar Bin Haji @ Aji was re-designated as Non-Executive Chairman. He was re-designated, Non-Executive Chairman on 2 December 2014. He is also the Chairman of the Nomination and Remuneration Committee.

Dato' Anwar Bin Haji @ Aji graduated from University of Malaya with Bachelor of Economics (Honours) Degree 1973 and obtained his Master of Arts in International Studies from Ohio University, United States of America in 1982.

Dato' Anwar Bin Haji @ Aji started his career with the Government of Malaysia and has held various positions in the Ministry of International Trade and Industry, the Prime Minister's Department and the Ministry of Finance. He joined Khazanah Nasional Berhad in 1994 and held the position of Managing Director prior to his departure in May 2004.

Dato' Anwar Bin Haji @ Aji is a member of the Board of Directors of MBM Resources Berhad and several private limited companies.

Dato' Anwar Bin Haji @ Aji does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with the Company. Dato' Anwar Bin Haji @ Aji has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Anwar Bin Haji @ Aji attended all 6 board meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE

DATUK OOI TEIK HUAT
Senior Independent, Non-Executive Director

Datuk Ooi Teik Huat, aged 60, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director of the Company on 10 July 2009. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. Datuk Ooi Teik Huat was appointed as Senior Independent Director of the Company with effect from 26 November 2018.

Datuk Ooi Teik Huat is a member of Malaysian Institute of Accountants and CPA Australia and holds a Bachelor Degree in Economics from Monash University, Australia.

Datuk Ooi Teik Huat began his career with Messrs. Hew & Co., Chartered Accountants, before joining Malaysian International Merchant Bankers Berhad. He subsequently joined Pengkalen Securities Sdn. Bhd. as Head of Corporate Finance, before leaving to set up Meridian Solutions Sdn. Bhd. where he is presently a director.

Datuk Ooi Teik Huat sits on the boards of MMC Corporation Berhad, DRB-HICOM Berhad, Malakoff Corporation Berhad, Gas Malaysia Berhad, Johor Port Berhad, Tradewinds (M) Berhad and several private limited companies.

Datuk Ooi Teik Huat does not have any family relationship with and is not related to any director of Zelan Berhad and/ or major shareholder of Zelan Berhad and does not have any conflict of interest with the Company. Datuk Ooi Teik Huat has no conviction for any offence within the past five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Datuk Ooi Teik Huat attended all 6 board meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE

DATUK PUTEH RUKIAH BINTI ABD MAJID
Independent, Non-Executive Director

Datuk Puteh Rukiah Binti Abd Majid, aged 67, a Malaysian, female, was appointed to the Board as an Independent, Non-Executive Director on 15 April 2013. She is also a member of the Audit Committee. Datuk Puteh Rukiah Binti Abd Majid was appointed as a member of Nomination and Remuneration Committee with effect from 26 November 2018.

Datuk Puteh Rukiah Binti Abd Majid holds a Bachelor of Economics (Honours) Degree from University of Malaya and a Master of Economics from Western Michigan University, United States of America.

She began her career with the Government of Malaysia ("Government") in 1976 and has held various positions in the Economic Planning Unit, Prime Minister's Department. She continued to serve the Government in the Ministry of Finance from 1990 and held various posts in the Ministry. Her various appointments included being the Principal Assistant Director of the Budget Division and as Undersecretary, Investment and Privatisation and Minister of Finance Incorporated Division. From 2006 until March 2011, she was the Deputy Secretary General (Systems and Controls), at the Ministry of Finance.

Datuk Puteh Rukiah Binti Abd Majid also sits on the boards of Pelaburan Hartanah Berhad, Gas Malaysia Berhad, Pos Malaysia Berhad and MIF Investments Ltd.

Datuk Puteh Rukiah Binti Abd Majid does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with the Company. Datuk Puteh Rukiah Binti Abd Majid has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Datuk Puteh Rukiah Binti Abd Majid attended 5 out of 6 board meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE

ENCIK SUHAIMI BIN HALIM

Independent, Non-Executive Director

Encik Suhaimi Bin Halim, aged 64, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 11 September 2014. Encik Suhaimi Bin Halim was appointed as member of Audit Committee on 6 June 2018.

Encik Suhaimi Bin Halim holds a Bachelor of Science (Civil Engineering) (Honours) from University of Glasgow, Scotland.

Encik Suhaimi Bin Halim was the Managing Director, Designate, of the Assets and Facility Management Group of Companies in UEM Group, prior to his retirement on 30 June 2013. For the last ten (10) years of working career, his focus was mainly on expressway maintenance especially in reducing life-cycle cost of the pavement and ensuring the service levels are maintained.

In his more than 30 years' experience, he had the opportunity to be involved in various major infrastructure projects specifically expressway and transportation sectors at both construction and operations level.

Encik Suhaimi Bin Halim currently sits on the boards of MMC Engineering Construction Sdn. Bhd., Astabina Sdn. Bhd., Themed Attractions Resorts and Hotels Sdn. Bhd., Desaru Development Holdings One Sdn. Bhd. and Desaru Development Corporation Sdn. Bhd.

Encik Suhaimi Bin Halim does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with the Company. Encik Suhaimi Bin Halim has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Encik Suhaimi Bin Halim attended all 6 board meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE

ENCIK MOHD SHUKOR BIN ABDUL MUMIN

Independent, Non-Executive Director

Encik Mohd Shukor Bin Abdul Mumin, aged 60, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 20 January 2016.

Encik Mohd Shukor Bin Abdul Mumin holds an LLB (Honours) Degree from University of Buckingham, United Kingdom. He is also a member of the Malaysian Bar and the Sabah Law Association.

Encik Mohd Shukor Bin Abdul Mumin started his career as Manager with CIMB Bank Berhad in 1983. In 1998, he joined Permodalan Bumiputra Sabah Berhad and has held the position of Group Managing Director from 1998 until 2004. Encik Mohd Shukor Bin Abdul Mumin is currently an Advocate & Solicitor of Messrs. Al Shukor & Co., a legal firm in Kuala Lumpur.

Encik Mohd Shukor Bin Abdul Mumin does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with the Company. Encik Mohd Shukor Bin Abdul Mumin has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Encik Mohd Shukor Bin Abdul Mumin attended 5 out of 6 board meetings held during the financial year ended 31 December 2019.

MANAGEMENT **TEAM**

KEY SENIOR OFFICER

INTAN NURULFAIZA BINTI YANG RAZALI
Chief Operating Officer

Puan Intan Nurulfaiza aged 43, a Malaysian, female, was appointed as Chief Operating Officer of the Company on 1 December 2018. She holds a Masters of Laws from University of Malaya and also LL.B (Hons) - Bachelor in Law (Honours) from University of Technology Mara (UiTM) Shah Alam.

Puan Intan Nurulfaiza started her career in legal field and had been with several law firms since 2003. In 2006, she left the legal practice to serve Telekom Malaysia as Corporate Counsel until 2008.

She then joined Malaysian Communications and Multimedia Commission and Multimedia Development Corporation, prior to joining Zelan Berhad in 2010. During her tenure in Zelan Berhad, she held various positions with her last position as Head of Legal, Zelan Berhad in 2014. She subsequently joined Tradewinds Corporation Berhad as the Assistant Director, Legal from August 2014 until May 2018, prior to rejoining Zelan Berhad as Head of Legal Department.

MANAGEMENT TEAM

YUSRENAWATI MOHD YUSOF
General Manager, Finance cum Company Secretary

KAMARUDDIN ABD KARIM
Head of Planning & Monitoring

MOHD NASIR HJ. MD SAAD
Head of Internal Audit & Risk Management

GERARD DOMINIC FERNANDEZ
Head of Corporate Resources

NAZIHAH MOHD RASHID
Head of Facilities Management

CORPORATE **STRUCTURE**

ZELAN BERHAD
197601001688 (27676-V)

- 100% **ZELAN HOLDINGS (M) SDN. BHD.**
  - 100% SEJARA BINA SDN. BHD.
    - 50% *ESSENTIAL AMITY SDN. BHD.
  - 100% ZELAN CONSTRUCTION ARABIA CO. LTD.
  - 100% ZELAN CONSTRUCTION (INDIA) PTE. LTD.
  - 95% PT ZELAN INDONESIA
  - 40% *ZELAN ARABIA CO. LTD.
  - ABU DHABI BRANCH
  - INDONESIAN BRANCH
- 100% **ZELAN CONSTRUCTION SDN. BHD.**
  - 100% ZELAN ICOP CONSORTIUM SDN. BHD.
- 100% **ZELAN CORPORATION SDN. BHD.**
  - 100% ZELAN DEVELOPMENT SDN. BHD.
- 100% **KONSESI PUSAT ASASI GAMBANG SDN. BHD.**
- 100% **ZELAN ENTERPRISE SDN. BHD.**
  - 100% VISPA SDN. BHD.
  - 100% EMINENT HECTARES SDN. BHD.
- 100% **ZELAN AM SERVICES SDN. BHD.**

Notes:
* Under Members Voluntary Winding-Up

AMAN JOHAN
AMAN JOHAN

WORK QUALITY

SUKE HIGHWAY

SUSTAINABILITY STATEMENT

STATEMENT OVERVIEW

The Board of Directors ("Board") is pleased to present an update on key sustainability initiatives that Zelan Group of Companies (the "Group") had undertaken during the financial year ended 31 December 2019. This Sustainability Statement will summarise the Group's initiatives in integrating the Economic, Environmental and Social ("EES") impact arising from our business operations.

The Sustainability Statement has been prepared in accordance with international reporting frameworks including the Global Reporting Initiative (GRI) Standards in addition to meeting the requirements of Bursa Malaysia Securities Berhad.

The scope of this Sustainability Statement covers only the Group's business operations in Malaysia.

This Sustainability Statement defines our governance, environment and social performance for the period from 1 January 2019 to 31 December 2019.

TOP 4 MATERIAL TOPICS AND SUPPORTING SUSTAINABLE DEVELOPMENT GOALS ("SDGs")

The Group supports SDGs that corresponds to items of the priorities identified in the SDGs to face economic, social and environmental challenges in future. We only focus on construction and asset facility management business sectors that corresponds to several of the priorities in the SDGs.

Top 4 Material Topics	Statement Section	Supporting SDGs
Corporate Governance	• Equal opportunity given resulting in men and women receiving similar benefits despite being in a male-dominated industry. • Representation of women on the Board of Directors and in Top Management.	5 GENDER EQUALITY
	• Equal opportunity provided for all races and meritocracy is promoted. • Culturally diverse employees. • Managing excellence for employees based on verifiable and quantifiable Key Performance Indicator (KPI)/key result area KRA.	10 REDUCED INEQUALITIES
	• Strong and diverse Board of Directors.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Profitability	• Group supports the nation's vision of building the infrastructure landscape by participating in Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) and Kuala Terengganu City Centre Drawbridge.	8 DECENT WORK AND ECONOMIC GROWTH
Health and Safety	• Ensuring a fair, inclusive and safe workplace. • Promote work-life balance and emphasise employees' well-being.	3 GOOD HEALTH AND WELL-BEING
Product or Service Quality	• Where possible, adopt Industrialised Building System (IBS) method of construction for less dependency on labour usage and to reduce cycle time and timber wastage. • Application of Value Engineering (VE) to achieve cost optimization in the implementation of project.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	• Systematic management of construction waste by recycling. • Proactive safety initiatives to ensure staffs working at construction site are aware of risks surrounding them and potential risk prone areas are well managed. • Good diseases prevention programme at all sites.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

Sustainability Committee Structure

ZELAN SUSTAINABLE POLICY
- Commitment
- Expectations

CORE POLICIES
- Economics
- Environment
- Social

THEME POLICIES
- Enriching Local Community
- Cultivating Health and Safe Workplace
- Reducing Environmental Footprint

OUR COMMITMENTS

In line with our commitment to sustainable development in our day to day activities and throughout Group, we commit to:
- Protect and respect the environment and workplace;
- Avoid causing or contributing to adverse social and environmental impacts; and
- Engage in continuous improvement and promote co-operation between authorities, clients and other stakeholders.

OUR EXPECTATIONS

Group believes that sustainability is not an option but a condition for future prosperity. We aim to:
- Not cause or contribute to adverse social and environmental impacts;
- Commit to time bound plans to achieve progression of sustainability commitments; and
- Comply with all applicable local, national and international ratified laws and regulations and other statutory requirements.

ECONOMICS

Vibrant Marketplace

As an organization with diverse business operations, Group's drive for sustainable growth is achieved not only through shared values but also through the synergies across the Group.

Corporate Governance

Group is committed in ensuring a high standard of corporate governance, which is practised throughout the Group. We adhere to the principles and recommendations set out by the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by Securities Commission Malaysia.

Engaging Stakeholders

Regular involvement and engagement with our stakeholders on various platforms helps us create a shared value on sustainability and ensure our business activities are viable, strategic and relevant. Diverse group of stakeholders are shown as below:

STAKEHOLDERS	STAKEHOLDERS INTEREST	METHODS OF ENGAGEMENT
Investors, Lenders & Shareholders	• Group's financial and operational performance.	• Annual General Meeting; • Quarterly financial results announcement; • Corporate website; • Annual report; and • Press release.

Engaging Stakeholders (cont'd)

STAKEHOLDERS	STAKEHOLDERS INTEREST	METHODS OF ENGAGEMENT
Board of Directors	• Group's financial and operational performance; • Corporate Governance and compliance; • Socio-environmental practices and commitments; and • Risk Management.	• Quarterly Board and Audit Committee Meeting; • Director's training; and • On-going communications.
Clients and customers	• Timely delivery of projects/products; • Sustainability management i.e. ISO Certification; • Quality of deliverables; and • Project progress.	• Corporate website; • Regular meeting with clients; • Events and site visits; and • Clients satisfactory surveys.
Government Agency/ Regulator	• Compliance with regulations; • Approval and permit; • Annual reporting; and • Certification/awards	• Regular meeting with regulators; • Periodic site visits and audit; and • Compliance and certification exercise.
Media	• Industry outlook; • Company reputation; and • Company events and activities;	• Press release.
Subcontractors and suppliers	• Contractual terms agreement; • Quality and timely delivery; and • Subcontractors/suppliers' compliance, capabilities and commitment.	• Tender evaluation and qualification; • Contract negotiation; • Site visits; • Factory visits; • Independent testing laboratories; and • Events, briefing and training.
Employees	• Career development; • Learning and development; • Welfare and benefits; and • Safety and Health at workplace.	• Staff e-portal; • Annual performance appraisal; and • Work safety training on site.

Sustainability Progress

Our comprehensive sustainability statement provides a transparent account of our performance against the social, environmental and economic challenges facing our business, industry and community. The nature of our business largely defines our legal responsibility for various social and environmental impacts and their mitigation.

Target	Financial Year	Progress
Corporate		
• Establish a Group sustainability roadmap	2019	In progress. Targeted to resolve in FY2020 to comprehensively address our diverse business activities.
Environment		
• Perform carbon footprint assessment	2019	In progress. Targeted to resolve in FY2020 to comprehensively address our diverse business activities.
• Environmental Monitoring	2019	Done. We have conducted the environmental monitoring at our project worksites on monthly and quarterly basis.
• Waste Management	2019	Completed.

SUSTAINABILITY STATEMENT

Sustainability Progress (cont'd)

Target	Financial Year	Progress
Community		
• Corporate Social Responsibility (CSR)	2019	On-going commitment. We will conduct more CSR initiatives in future.
Workplace		
• Zero fatalities at the workplace	2019	Achieved. There were no fatalities at our worksites in FY2019.

Our Contribution to the Industry

The Group has actively participated in industry association activities to learn, develop and contribute towards best practices for construction industry. List of associations are listed below:

- Master Builders Association Malaysia ("MBAM"); and
- Malaysian Employers Federation ("MEF").

Risk Management

Risk Management is important in ensuring the sustainability of Group's business and operational performance.

The Group has an Enterprise Risk Management ("ERM") framework based on the ISO31000:2009 International Standard of Risk Management - Principles and Guidelines, to proactively and optimally identify, evaluate and manage key risks associated with the Group's business operation.

In the line with the Group's commitment to ensure business sustainability, the key risk areas identified were re-aligned with Group's corporate key business objectives. The risk strategic outcomes were deliberated at both management and Board levels with the following processes carried out throughout 2019.

Sustainability	Process Undertaken	Frequency
Economical	Actively involved in preliminary assessments of new or potential biddings.	As and when need arises.
	Alignment of risk with Group's corporate key business objectives.	Quarterly basis and upon changes in direction.
Environmental	Highlight potential Safety, Health and Environment (SHE) non-compliance risks at work sites governed by relevant Acts.	Quarterly basis or when there is potential of risk occurrence.
Social	Updates on risk awareness and risk management.	Quarterly
	Risk awareness training.	Annually

The Group has established a comprehensive Risk Register which outlines various risk factors and the mitigation efforts put in place. Further information about the Group's risk management approach is disclosed in the Statement of Risk Management and Internal Control of this Annual Report.

CULTIVATING HEALTHY AND SAFE WORKPLACE

People with ideas, strengths, interests and cultural backgrounds are the key to our success. We discard any form of discrimination and offer all employees with the same opportunities.

Diverse and Balance Workforce

We welcome diversity in proficiency and background of our workforce. We endeavour to create a workforce that is diverse and has a balanced distribution in terms of races and gender.

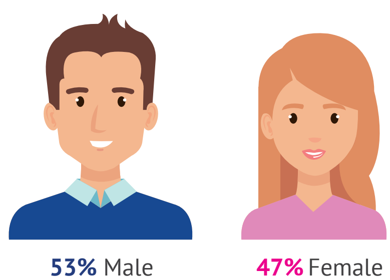
As at 31 December 2019, male employees make up to 53% of the total workforce in the Group. Our workforce continues to be male dominated given the nature of work involved in construction. Nonetheless, we believe in an inclusive workplace and this includes promoting and improving gender equality in Group.

Malay employee makes up 88% of our workforce followed by Indian 7%, Chinese 3% and 2% for Others.

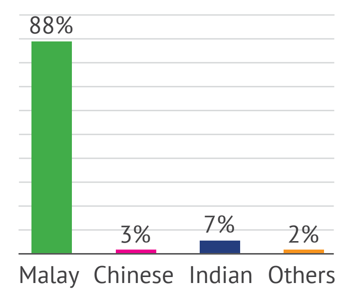
38% of our workforce has been with Group for more than 7 years.

In terms of staff ranking breakdown, Management level is at 23%, Executive level at 66% and Non-executive level at 11%.

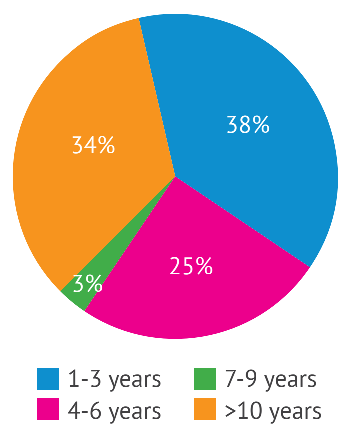
Employees by Gender



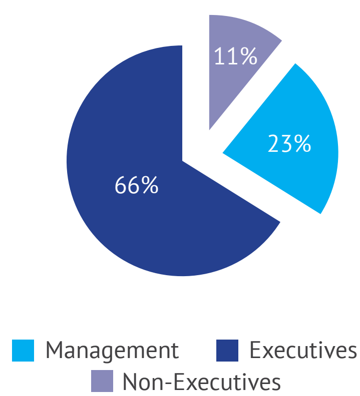
Employees by Race



Employees by length of Service



Employees by Ranking Level



Achieving Employee Well-Being

The ability to live a healthy life that includes work-life balance is an important part of our commitment to our employees.

We implement HSE best practices at our workplace to ensure safety of our workforce and minimise the risk of accidents, injuries and exposures to health risks. Welfare facilities such as conducive workplace, clean pantry, sanitary facilities, washbasins and prayer rooms are made available and accessible to all workers.

Learning and Development

We strive to develop a diverse pipeline of talents and provide our employees opportunities to learn and grow. We provide the necessary training and coaching sessions to ensure our employees have the right skill sets and talent to execute their responsibilities as they progress in their career.

Anti-Corruption

We place a high value of trust and integrity amongst our employees. We are committed to preventing any form of corruption or any dishonest and fraudulent behaviour.

Our Whistle Blowing Policy spells out the policy and procedure for reporting corruption and other wrongdoings.

SUSTAINABILITY **STATEMENT**

OCCUPATIONAL SAFETY & HEALTH

The Group has an Occupational Health and Safety Policy which sets out the guidelines to safeguard health and safety at all projects. The Company's Occupational Health and Safety Management System, certified under the OHSAS 18001 standard, currently cover 100% of its activities. This policy reflects the Company's fundamental thrust towards inculcating total quality, environmental, safety and health management principles, practices and values. It is the policy of the Group to meet and satisfy our clients' requirements through the implementation of the Quality Environmental Safety Health ("QESH") Management System.

Group Commitment to Occupational, Safety & Health ("OSH")

QESH POLICY

The Group is committed to provide the highest standards for quality, health, safety and environment to ensure all our activities shall not have any detrimental environmental, safety and health impact on our employees, sub-contractors' employees, customers or any member of community at large.

By

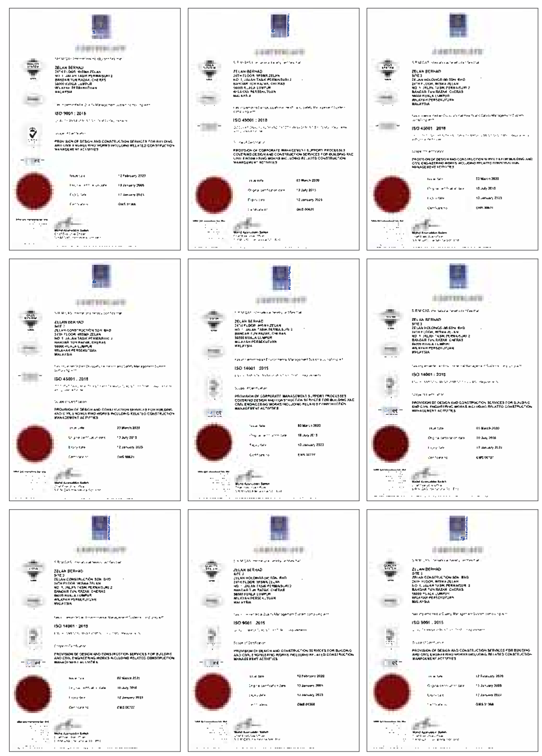
Z **Z**ealously pursuing compliance to all interested parties requirements.

E **E**nsuring all work is initiated only after risk and opportunities assessment is conducted.

L **L**iaising with all stakeholders to produce QESH Management system and continuously improving it.

A **A**ssuring prevention of defects, reworking, pollution, ill-health incidents and conservation of resources for all projects.

N **N**ot tolerating any breaches of company's management system requirements that will cause any losses, bad reputation, incidents that cause safety and health issues and pollution.



The Management is committed to ensure that all staff and relevant interested parties understand the QESH Policy and participation of all staff in the implementation and maintenance of the QESH Management System to reflect current and changing professional requirements and work practices.

WORKPLACE ACCIDENTS

In 2019, we achieved our project safety objective of zero "Loss Time Injury" (LTI) with record of no on-site fatality reported. Group documented a total of zero case of incident across all projects during the reporting period of 2019.

In the event of occurrence of incident, full investigation and follow-up actions will be taken in order to determine causations and to prevent re-occurrence in future. Incident reporting has been equipped with reviewed Hazard Identification, Risk Assessment and Risk Control (HIRARC) with proper immediate and mitigation action to be taken.

HSE AWARENESS, TRAININGS AND INITIATIVES

Providing Comprehensive Competency Training

We enhance our employees' capabilities by providing a wide range of soft skills and technical trainings, including HSE. These trainings are also applicable to our sub-contractors, who are given adequate awareness on HSE and On-Job-Training. In FY2019, serial On-Job-Trainings were conducted at project sites on topics such as emergency response, scheduled waste management, sediment and erosion control, plant and machinery handling as well as environmental management systems. We prepare employees to be constantly alert and to respond quickly in the event of an emergency. Possible types of emergency situations such as fire and explosion, chemical spillage and slope failure have been identified for project sites and series of drills were conducted to test the effectiveness of the site-specific Emergency Preparedness and Response Plan.

Weekly Briefing to Flagman at SUKE site

Safety Briefing at SUKE site

Health, Safety and Environment (HSE) Committee

In compliance with OSHA 1994, HSE Committees are formed at the Group work sites. The Committee, led by the project leaders as Committee Chairmen, are responsible for reviewing workplace HSE performance. The Committee Chairmen is assisted by the secretary, who is a competent Safety Health Officer ("SHO"), with both Group representatives, business partners and sub-contractors being part of the Committees. The HSE Committees meet at least once every month.

HSE Committee Meeting conducted every month

Raising the HSE Standards

The Group has also standardized its safety practices which include:

- HSE programs such as weekly morning toolbox talk and compulsory safety inductions;
- Personal Protective Equipment ("PPE") requirements being a part of workplace safety;
- Obtaining the necessary Permits to Work (PTW) for high-risk activities;
- Safe working methods that emphasize fall prevention, electrical safety and safe lifting; and
- Implementing the 5S (Sort, Set in Order, Shine, Standardize, Sustain) initiative at all project workplaces.

Zero Larvae, Zero Dengue

The Group has taken initiatives to ensure our sites are free from dengue. Our four-pronged anti dengue strategy, which consists of fogging, search and destroy, gotong-royong and anti-dengue awareness and communication, is also being carried out at all Group work sites to eradicate all potential mosquito breeding grounds.

Regular mosquito fogging at SUKE site

ENVIRONMENT

Reducing Environment Footprint

Group is aware that its building and infrastructure construction sector could have a great impact on the Earth's natural resources in terms of material, soil, water, air and biodiversity. We emphasized on assessing our environmental data, such as energy use, carbon emissions, water consumption, waste production and material use.

Constructing buildings and other infrastructure significantly affect the environment. Direct impact includes land use, materials and energy, which produce greenhouse gas emissions and other wastes. Construction also negatively affects flora and fauna to some extent. However, we have set key targets to prevent environmental pollution, manage construction waste and conserve resources. A systematic environmental aspects-impacts evaluation combined with implementing operational controls and training help minimise this irreversible environmental damage.

Our Environmental Management System (EMS) helps us comply with ISO 14001 and other stipulated legal requirements. We have also adopted essential best practices to control and prevent environmental pollution which comprises water pollution control, air and noise pollution control as well as waste management.

Potential Environmental Impacts from Our operations

1. Water Pollution;
2. Depletion of Resources;
3. Land Contamination;
4. Siltation & Sedimentation;
5. Air Pollution;
6. Noise Pollution;
7. Contaminated Materials & Wastes;
8. Global Warming/Greenhouse Gas Effects; and
9. Removal of Flora & Fauna.

ENVIRONMENTAL MONITORING

A. Pollution Control

Construction sites make a significant contribution to environmental degradation and Group minimises the environmental damage it causes with the following initiatives:

- Installing - Temporary protection for slopes and stockpiles to control soil erosion and any turbid surface runoff when it rains;
- Constructing - Silt fences and silt traps to avoid sediments being discharged into natural water bodies;
- Undertaking - Air, water quality and noise monitoring regularly;
- Scheduling - Dust suppression with a water browser to reduce airborne dust at construction sites; and
- Washing - Truck's wheel at the exit to prevent mud, dust and dirt from being spread on public roads.

Truck wheels cleaning from soil

Maintenance of Project Loanding

ENVIRONMENTAL MONITORING (CONT'D)

B. Air Monitoring

The Group monitors the air quality at various stations surrounding its project sites. Total suspended particulates (TSP) are taken on a monthly or quarterly basis depending on the requirement. TSP must not exceed the Department of Environment (DOE) limit of 120 to 260 µg/m3 for all our project sites. The readings across all sites ranged from 27 to 65.0 µg/m3 and 21.60 to 82.10 µg/m3. All were within the DOE limit.

Total Suspended Particles (µg/m3)

PROJECT	LIMIT	BASELINE	MINIMUM	MAXIMUM	AVERAGE
KTCC	260.00	166.63	21.60	82.10	50.40
SUKE	120.00	27.00	23.00	65.00	48.50

C. Water Monitoring

We take monthly readings of the total suspended solids at each site at various monitoring stations to comply with the Environmental Assessment Plan. Total suspended solids must remain below 150 mg/l to be within DOE compliance limits.

Total Suspended Solids (mg/l)

PROJECT	LIMIT	BASELINE	MINIMUM	MAXIMUM	AVERAGE
KTCC	150	11.67	4.33	47.33	15.67
SUKE	50	34.00	11.33	107.67	24.17

D. Noise Monitoring

Noise is unavoidable in construction sites, especially in areas that were quiet beforehand. Group minimises this nuisance for neighbours by installing noise barriers at receptive areas. Real-time noise levels are taken in the day and night at several stations at each of our construction sites. Weekly or quarterly readings are submitted to the DOE as required by the Environmental Assessment Plan. Both the daytime and night-time noise levels were not significantly higher than the baseline at any projects site. Group always ensures that its noise levels are within the tolerable limit. Our average readings show that our boundary noise levels do not deviate far from the baseline noise levels.

PROJECT	NOISE MONITORING (DAY)					NOISE MONITORING (NIGHT)				
	BASELINE	MIN	MAX	AVERAGE	LIMIT	BASELINE	MIN	MAX	AVERAGE	LIMIT
KTCC	56.70	61.53	64.77	62.66	70	52.5	55.27	70.30	58.31	60
SUKE	66.70	54.30	66.25	62.03	65	60.75	52.60	59.95	56.62	60

WASTE MANAGEMENT

The amount of construction waste we produced is directly linked to the number of buildings and sites we managed. Group construction waste management approach is to:

- reduce the waste generated;
- reuse materials and products;
- recycle as much as possible; and
- send to landfill as a last option.

Scheduled Waste

In Malaysia, scheduled waste is defined as any waste falling within the categories of waste listed in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations 2005. All scheduled waste at Group is stored and disposed of according to methods described by MS ISO 14001 (Environmental Management System).

Scheduled Waste Generated Off in 2019

WASTE TYPE	SCHEDULED WASTE CODE	AMOUNT (KG)
Spent Lubricant Oil	SW 305	-
Spent Hydraulic Oil	SW 306	18.00
Contaminated soil, debris or matter resulting from cleaning-up of a spill of chemical, mineral oil or scheduled wastes	SW 408	297.10
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	SW 409	2.40
TOTAL		**317.50**

WATER MANAGEMENT

Water is a key aspect of almost any construction project. Group reduces its water footprint by implementing best practices to ensure the proper management of potable water onsite. We concentrate our efforts on installing high-efficiency low flow water fixtures to reduce water usage and minimise water discharge. We also reach out to our employees, contractors and their workers to emphasise the importance of reducing water consumption.

Water-Saving Initiatives

SUKE	Rain water accumulated on the ground level is channelled to a collection tank at the substructure level for use in skim coating works. Water pumped from the wells is used to wash tyres and reduce the height of the water table. Water is pumped from the nearest river for dust suppression which reduces carbon emissions as river water does not require purification or present problems of leaking or being pumped long distances.

SOCIAL

Corporate Social Responsibility

The Group recognises the need to be a good corporate citizen and not just an organisation. The Group is fully committed to practising the highest standards of corporate governance as well as actively pursuing policies and actions that are in the best interests of the stakeholders and community. To this end, the Group seeks to ensure that the interest of its key stakeholders from shareholders, investors, customers, employees and communities are cared for through our conscious endeavours to integrate all our business plans and activities with corporate responsibility values.

The Group believes that corporate responsibility is a virtuous cycle, where our support helps to build and grow sustainable environment in which everyone prospers. It is our sincere wish to bring the same benefits to the communities we operate in everyday by improving their lives and at the same time, contributing strongly to our agenda of maintaining sustainable growth and development, internally and externally.

Visit at Rumah Jagaan dan Rawatan Orang Tua Al-Ikhlas

Our success in business depends not just upon an on-going delivery of profitable projects, but also in our ability to honour our wider commitment to society as a whole. It is our corporate responsibility to ensure our business is carried out in a safe, sustainable manner that is socially responsible and respectful of the environment.

Our formal business procedures set out how we implement a programme of continuous improvement, by measuring our current performance and identifying actions required to achieve objectives in the key areas of ensuring safety and health, protecting the environment, supporting our local communities, investing in our people and working in partnership.

SUSTAINABILITY STATEMENT

Caring For Our People

Our people are our most valuable asset. We engage with our people in an open, honest and respectful manner and we are committed to providing a workplace that cares about safety and promotes their health and well-being. In recognition of this, the Group places utmost importance in ensuring our people are equipped with the necessary skills and knowledge to keep us at the forefront of our businesses. Whilst we strive create more wealth for our shareholders, we also seek to balance our commitment to our people. Bearing this in mind, we have organised several activities throughout the year, ranging from trainings to social gatherings, as well as recreational activities.

The Group values its people as its key business asset and competitive advantage. In this regard, continuous emphasis is placed on people development through adequate training and learning opportunities. In return, it is our hope that this will create diverse skills, talents and cultural backgrounds, coming together as one entity in a vibrant and dynamic workplace. Whilst we continuously seek to keep morale high and improve the performance of our people, we also strive to create a balanced workforce whereby social activities are encouraged. These include festive celebrations, regular sports events and other intellectual pursuits.

The performance of our team is the key to the quality of service that we are able to provide. In order to compete at the highest level we recruit, train, develop and retain the best available talent. We strive to utilise the full talent of our people and ensure that they work as a team to deliver the best possible service for our clients.

Shareholders registration at
Annual General Meeting 2019

Members of the Board at
Annual General Meeting Year 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout Zelan Berhad ("Zelan" or "the Company") and its subsidiaries (collectively referred to as "the Group"). The Board believes that strong corporate governance is essential in enhancing shareholders' value and for long-term sustainability and growth.

The Board is pleased to present this Corporate Governance ("CG") Overview Statement (the "Statement") on how the Group has applied the principles of the Malaysian Code of Corporate Governance ("the Code") with reference to the following three (3) key principles, under the stewardship of the Board:

(a) Principal A : Board Leadership and Effectiveness
(b) Principal B : Effective Audit and Risk Management; and
(c) Principal C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This statement serves as a compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read together with the CG Report of the Company for the financial year ended 31 December 2019 published in the Company's website at http://www.zelan.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is primarily responsible for the Group's overall strategic plans for business performance, overseeing the proper conduct of business, succession planning of key management, risk management, shareholders' communication, internal control, management information systems and statutory matters; whilst Management is accountable for the execution of the expressed policies and attainment of the Group's corporate objectives. The demarcation complements and reinforces the supervisory role of the Board and operational goals.

The Board is always directed by the Board Policy Manual which acts as a principle source of reference and guideline for matters relating to the Board's organisation, responsibilities and procedures. The duties and responsibilities of the Board among others are as follows:

(a) Overseeing and evaluating the Group's strategic business plans, policies and performance;
(b) Formulating succession plan for members of the Board and senior management;
(c) Oversee and evaluate the conduct of business of the Company and the Group;
(d) Ensuring the integrity and effectiveness of the governance process of the Group as set out in the Code;
(e) Ensuring that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
(f) Ensuring that the Company's and the Group's financial statements are true and fair and conform to the Company's Act 2016 ("Act") and accounting standards;
(g) Ensuring an appropriate investor relations and communication policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagement with shareholders;
(h) Ensuring that the Group adheres to high standards of ethics and corporate behaviour; and
(i) Review and ensure that all related parties transaction are to be undertaken on terms that are fair and reasonable, not more favourable to the related parties than those generally available to the public or an unaffiliated third party under similar circumstances and are not detriment/prejudicial to the interests of Group and/or minority shareholders.

On 26 November 2018, the Board Policy Manual has been reviewed to encompass changes made to Act, MMLR and Principles under the Code.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Separation of the Positions of Chairman and the Management

There is a distinct and clear division of responsibilities between the Chairman and Chief Operating Officer ("COO") to ensure a strict balance of power and authority. The Chairman, an Independent Non-Executive Director, is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Chairman also serves as the main link between the Board and Management and particularly between the Board and COO, who is the senior officer of the Group.

3. Company Secretary

The Board is supported by a qualified and competent Company Secretary to provide sound governance advice, ensure adherence to Board policies, rules and procedures and advocate adoption of corporate governance best practices. The Directors always have access to the advice and services of the Company Secretary especially relating to procedural and regulatory requirements such as company and securities laws and regulations, governance matters and Main Market Listing Requirements. The Company Secretary has attended regular trainings and seminars to keep abreast of relevant statutory and regulatory requirements under the Company's Constitution, the Companies Act, 2016, the MMLR, the Capital Market and Services Act 2007 and the Code.

4. Access to Information and Advice

The Directors have full and unrestricted access to all information of the Group on a timely and accurate manner to enable them to discharge their roles and responsibilities effectively. In addition, the Directors have full and unrestricted access to the Company Secretary, the external auditors and the internal auditors for advice and services. If required, the Directors, collectively and individually, are also entitled to seek external independent professional advice at the Company's expense.

5. Board Meetings

During the financial year ended 31 December 2019, the Board met six (6) times, comprising four (4) Board scheduled meetings and two (2) Special Board meetings. The record of attendance of each Director at Board meetings held during the financial year ended 31 December 2019 is as follow:

Name of Directors	Attendance
Dato' Anwar Bin Haji @ Aji	6/6
Datuk Ooi Teik Huat	6/6
Datuk Puteh Rukiah Binti Abd Majid	5/6
Encik Suhaimi Bin Halim	6/6
Encik Mohd Shukor Bin Abdul Mumin	5/6

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

6. Code of Ethics and Conduct

The Board is committed to creating a corporate culture within the Group to operate it businesses in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct. The Board adheres to the principles and standards of business ethics and conduct as stipulated in the Code of Ethics and Conduct ("CEC") of the Group, which include the areas of conflict of interest, compliance to the laws and misconduct. The Group has in place a Code of Ethics for its Management and employees which is available at http://www.zelan.com by articulating the principles by which the Group conducts its business. The CEC allows the employees to work efficiently and in a manner that supports the Group's vision and values. The CEC helps the Group achieve the right things in the right manner at all times.

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for the Company's Directors as established by the Companies Commission of Malaysia.

7. Whistleblowing Policy

A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The aforesaid policy establishes a clear channel of communication between the Board and the employees. The employees are well-informed on the same as well as the relevant procedures including the whistleblowing avenues available for them. The Group did not receive any allegations or complaints from whistleblowers during the financial year under review.

8. Board Composition

The Board has five (5) members of which all are Independent Directors ("IDs") which also complies with paragraph 15.02 of the MMLR of Bursa Malaysia. The current composition provides a good mix of experience and diversity in skills and expertise thus achieving the desired level of objectivity and independence in the Board's deliberation and decision making.

The Code recommends that the tenure of IDs should not exceed a cumulative period of nine (9) years and upon completion of 9 years, an independent director may continue to serve on the board subject to the directors re-designation as a non-independent director. If the Board intends to retain an IDs beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the IDs after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

Datuk Ooi Teik Huat has served the Board as an Independent, Non-Executive Director for more than nine (9) years cumulatively. Justifications on the continuation of Datuk Ooi Teik Huat as an Independent Non-Executive Director are provided in the Notice of Annual General Meeting.

The years of service of the Independent, Non-Executive Directors as at 31 December 2019 are summarised below:

Years of Service	**<5**	**5-9**	**9-12**	**>12**
No of Directors	1	3	1	0

The profile of each Director is set out on pages 15 to 19 of this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

9. Boardroom Diversity

The Directors have a diverse set of skills, experience and knowledge necessary to govern the Group. The Directors are professionals in the fields of engineering, finance, accounting, property, "tolled road infrastructure", legal practice and public administration. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Group continues to be a competitive leader within its diverse industry segments with a strong reputation for technical and professional competence. The Board encourages and supports more women participation in the Company's decision making positions as good practices whilst it continues to strive towards 30% women participation in the Board composition. The Company currently has one (1) female Director on its Board. The Board will continue to evaluate situation for the need of more female Director.

10. Board Committees

The duties and responsibilities of the Board are clearly spelled out in the Board Policy Manual. To facilitate the discharge of this responsibility and oversight role, the Board has established and assigned specific responsibilities to two (2) committees namely Audit Committee ("AC") and Nomination and Remuneration Committee ("NRC") which are entrusted to oversee the Group's affairs in accordance with their respective clearly defined written Terms of Reference ("TORs"). The Board reviews the Board Committees authority and Terms of Reference from time to time to ensure their relevance. These Board Committees are responsible for examining particular issues within clearly defined Terms of Reference and reporting back to the Board with their recommendations. The minutes of the Board Committees and circular resolutions passed are presented to the Board for its notation. The Chairmen of the relevant Board Committees would submit key recommendations to the Board on the key issues deliberated by the Board Committees at their respective meetings which require Board approval. The TORs of the two (2) Board Committees are stipulated in the Board Policy Manual and made available on the website at http://www.zelan.com.

The TOR and summary of activities of the AC are reported on pages 45 to 47 of the Annual Report.

Nomination and Remuneration Committee ("NRC")

The NRC comprises the following members:

Chairman	:	Dato' Anwar Bin Haji @ Aji *(Independent Non-Executive Chairman)*
Members	:	Datuk Ooi Teik Huat *(Senior Independent Non-Executive Director)*
		Datuk Puteh Rukiah Binti Abd Majid *(Independent Non-Executive Director)*

The NRC had discharged its functions and carried out its duties as set out in the TOR of the NRC. The primary objectives of the NRC are as follows:

(a) to review and approve the appointment of the members of the Board of Directors ("Board"), members of Board Committees, Senior Independent Non-Executive Director, Managing Director, Chief Executive Officer ("CEO") and Group key management personnel;
(b) to review and recommend to the Board the remuneration packages for the Executives Directors, CEO and Group key management personnel; and
(c) assessing the performance of the Board and Board committees and Group key management personnel.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

10. Board Committees (cont'd)

The TOR of the NRC is available for reference on the Company's website at http://www.zelan.com/corporate-governance/

During the financial year ended 2019, the NRC has undertaken the following activities in the discharge of its duties:

(a) conducted evaluation to assess the effectiveness of the Board as a whole and Board Committees; and
(b) reviewed and approved the appointment of General Manager Finance cum Company Secretary.

During the financial year ended 31 December 2019, the NRC had met one (1) time.

11. Director's Training

All members of the Board have attended the Mandatory Accreditation Program organised by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and are aware of the requirements of the Continuing Education Programme set by Bursa Malaysia. The Directors also receive further training from time to time, particularly on the relevant new laws and regulations and changing commercial risks.

During the financial year under review, all Directors attended at least one (1) training session, either organised internally by the Company or externally, as follows:

Name of Director: Datuk Puteh Rukiah Binti Abd Majid

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	Annual National Procurement and Integrity Forum 2019.	Aram Global Sdn. Bhd.	25 March 2019
2.	Independent Directors Programme: "The Essence Of Independence".	Bursa Malaysia	27 June 2019
3.	Comprehending Financial Statements For Directors And Senior Management	Bursatra Sdn. Bhd.	28 June 2019
4.	Digital Upskilling for Boards.	Institute of Corporate Directors Malaysia	5 August 2019
5.	Briefing on The New Section 17A MACC Act 2009 on Corporate Liability And Corruption-Free Pledging & Signing Ceremony.	MMC, DRB-HICOM	21 August 2019
6.	Case Study Workshop for Independent Directors.	Securities Industry Development Corporation	9 October 2019
7.	Audit Committee Seminar For The Public and Private Sectors 2019.	Aram Global Sdn. Bhd.	17 December 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

11. Director's Training (cont'd)

During the financial year under review, all Directors attended at least one (1) training session, either organised internally by the Company or externally, as follows (cont'd):

Name of Director: Datuk Ooi Teik Huat

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	Directors Training on Corporate Liability: Malaysian Anti-Corruption Commission (Amendment) Act 2018 New Section 17A & Guidelines on Adequate Procedures	DRB-HICOM/MMC	21 August 2019
2.	Global Power Outlook and Energy Transition in Malaysia. Malaysia Power Sector Outlook and MESI 2.0	Malakoff	17 October 2019
3.	Audit Oversight Board Annual Inspection Report 2018: Findings and Insights	Suruhanjaya Sekuriti	22 November 2019

12. Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Company for the financial year ended 31 December 2019 are as follows:

Directors	Fees (RM)	Meeting Allowances for Board and Board Committees (RM)	*Other Allowances (RM)	**Benefit-In-Kind (RM)	Total (RM)
Dato' Anwar Bin Haji @ Aji (Chairman)	99,000	10,000	291,000	54,699.29	454,699.29
Datuk Ooi Teik Huat	86,000	12,000	-	-	98,000
Datuk Puteh Rukiah Binti Abd Majid	76,000	10,000	-	-	86,000
Encik Suhaimi Bin Halim	60,000	14,000	-	-	74,000
Encik Mohd Shukor Bin Abdul Mumin	40,000	8,000	-	-	48,000
Total	**361,000**	**54,000**	**291,000**	**54,699.29**	**760,699.29**

Notes:

* *Other Allowances comprises director's allowance, car allowance and entertainment allowance.*

** *Benefit-in-kind comprises company driver, petrol and mobile phone bill (based on average monthly usage for the Relevant Period).*

13. Remuneration of Top Five (5) Senior Management

Currently the Group is operating with a minimum number of employees headed by Puan Intan Nurulfaiza Binti Yang Razali as the Chief Operating Officer of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

13. Remuneration of Top Five (5) Senior Management (cont'd)

The following are the senior management's remuneration for the financial year ended 31 December 2019:

Ranges of Remuneration (RM)	Number of Senior Management
100,000 - 200,000	-
200,001 - 300,000	3
300,001 - 400,000	2

Disclosure of the Senior Management's remuneration component in bands width of RM100,000 but not on named basis is made herein due to confidentiality and sensitivity of each remuneration package. The Board views that the transparency in respect of the Senior Management's remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

PRINCIPLE B: EFFECTIVE RISK MANAGEMENT

1. Audit Committee

The Audit Committee ("AC") comprises three (3) Independent Directors. The membership of the AC is as follows:

Chairman : Datuk Ooi Teik Huat *(Senior Independent Non-Executive Director)*
Members : Datuk Puteh Rukiah Binti Abd Majid *(Independent Non-Executive Director)*
Encik Suhaimi Bin Halim *(Independent Non-Executive Director)*

The effectiveness and the composition of the Audit Committee are evaluated annually through the Board Evaluation Assessment, with a view to maintaining an independent and effective Audit Committee. The TOR and summary of activities of the AC are reported on pages 45 to 47 of the Annual Report. For the financial year ended 31 December 2019, the Audit Committee met five (5) times.

2. Risk Management and Internal Control

The Board is responsible for establishing and maintaining a sound risk management and internal control system to ensure that the shareholders' investments, interests and assets of the Group are safeguarded.

The Board through the Audit Committee evaluates the adequacy and effectiveness of the internal control system by reviewing the actions taken on lapses, recommendations of internal auditors and Management responses.

The Group's Internal Control Statement is set out on pages 48 to 51 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Dialogue Between Company and Investors

The Board values its dialogue with both institutional shareholders and private investors and ensures timely dissemination of information on the Company's and the Group's performance and its operation via distribution of the Annual Report, relevant circulars and announcements to Bursa Malaysia.

In addition, the Company also posts its announcements and quarterly financial results via Bursa LINK to enable the public community to be updated on any latest development pertaining to the Group's business affairs and achievements. Shareholders can also view and access information on the Group's operations and latest projects via its website: http://www.zelan.com.

2. Conduct of General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Company had served more than twenty eight (28) days' prior notice to its shareholders for its forthcoming Forty-Fourth Annual General Meeting (44th AGM) which will be held on 3 September 2020. The service of the notice is within the requirement stipulated by the Companies Act, 2016 and the MMLR of Bursa Malaysia. The notice included details and explanations of the resolutions to be tabled. Details of resolutions proposed along with any background information and reports or recommendations that are relevant were also provided in the notice for AGM.

During the AGM, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Group Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed. The Company has adopted electronic voting for the conduct of poll on all resolutions at the last AGM on 11 June 2019. All shareholders were briefed on the voting procedures by the poll administrator prior to the poll voting and an independent scrutineer was appointed to validate the votes cast and announce the poll results.

3. Constitution of the Company

The Company had adopted a new Constitution pursuant to the provisions of the Act during the 43rd AGM held on 11 June 2019. The Company's Constitution defines the essential components of the structure of the Company and reins the relationship between the Company and its shareholders/stakeholders. It regulates the manner in which a company is governed.

This Corporate Governance Overview Statement is made in accordance with the Resolution of the Board dated 29 June 2020.

AUDIT COMMITTEE **REPORT**

The Audit Committee was established by the Board of Directors with the primary objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management and financial reporting practices of the Group. The Board of Zelan Berhad ("Company" or "the Group") is pleased to present the AC Report for the Group's financial year ended 31 December 2019.

COMPOSITION AND MEETINGS

The AC comprises three (3) members, all of whom are Independent Directors. The current composition meets the requirements of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

There were five (5) AC meetings held during the financial year ended 31 December 2019. The Chief Operating Officer, General Manager of Finance, Head of Internal Audit and representatives of the external auditors were in attendance to present the relevant reports and proposals to the AC at the meetings which include *inter-alia*, the auditors' audit plans and audit reports, the quarterly results of the Group and the audited financial statements for the financial year ended 31 December 2018. The AC had also held two (2) private sessions with the external auditors without the presence of Management during the financial year under review.

Details of composition of the AC and record of meetings attended by the members of AC are as follows:

Members	Directorship	No. of Meetings Attended
Datuk Ooi Teik Huat (Chairman)	Senior Independent Non-Executive Director	5/5
Datuk Puteh Rukiah Binti Abd Majid	Independent Non-Executive Director	4/5
Encik Suhaimi Bin Halim	Independent Non-Executive Director	5/5

In carrying out its duties, the AC reported and updated the Board on significant issues and concerns discussed during the AC's meetings and where appropriate, made necessary recommendations to the Board. The minutes of each AC meeting are noted by the Board via distribution to each Board member during the Board of Directors' meetings.

TERMS OF REFERENCE ("TOR") OF THE AC

The TOR of the AC were approved by the Board on 26 November 2018 to reflect the requirements of the applicable practices and guidance of the Malaysian Code on Corporate Governance ("the Code") 2017. AC had discharged its functions and carried out its duties as set out in the TOR of the AC.

The revised TOR of the AC is available for reference at the Company's website at http://www.zelan.com/corporate-governance/

AUDIT COMMITTEE **REPORT**

SUMMARY OF ACTIVITIES

In line with the TOR of the AC, the following activities were carried out by AC during the period under review:

1. **Financial Reporting**

   (a) Reviewed the unaudited quarterly reports on consolidated results and thereafter recommended to the Board for approval and announcement to Bursa Malaysia.

   (b) Reviewed the annual audited financial statements focusing on significant changes to accounting policies and practices, going concern assumptions, adjustments arising from the audits, compliance with the relevant accounting standards and other legal requirements to ensure compliance with the provisions of the Companies Act, 2016 and the Listing Requirements of Bursa Malaysia.

2. **External Audit**

   (a) Reviewed the external auditors' scope of work and audit plan which outlined their audit team, audit timeline, key areas of audit focus, communication of other significant audit matters, other updates such as Companies Act, 2016 and amendments to the Listing Requirements of Bursa Malaysia.

   (b) Reviewed the results of the audit, the external auditors' reports and the Management letter, including Management's responses to the external auditor.

   (c) Deliberated on the external auditors' report with regards to the relevant disclosures in the annual audited financial statements for financial year ended 31 December 2018.

   (d) Reviewed and recommended the appointments of the external auditors and the audit fees to the Board for approval.

3. **Internal Audit**

   (a) Reviewed and approved the internal audit plan and budget for the financial year ended 31 December 2019.

   (b) Reviewed the internal auditors' reports and assessed the internal auditors' findings, recommendations, together with Management's responses and/or actions taken thereto and ensure that material findings were satisfactorily addressed by Management.

   (c) Discussed the actions taken to improve the internal control system based on improvement opportunities identified in the internal audit reports with Management.

   (d) Reviewed and assessed the internal audit function.

4. **Related Party Transactions**

   (a) Reviewed on quarterly basis if there is any related party transactions entered into by the Company or the Group and any conflict of interest situation that may arise thereto.

   (b) Reviewed and recommended to the Board the circular to shareholders in relation to the shareholders' mandate for recurrent related party transactions of revenue or trading nature.

SUMMARY OF ACTIVITIES (CONT'D)

In line with the TOR of the AC, the following activities were carried out by AC during the period under review (cont'd):

5. **Annual Report**

   Reviewed the Corporate Governance Report, Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019.

TRAINING

During the period under review, all of the AC members have attended various seminars, training programme and conferences. The list of trainings attended is disclosed in the Corporate Governance Overview Statement on pages 37 to 44 of the Annual Report.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is undertaken by the Internal Audit Department ("IAD") with the primary objective to independently review the efficiency and effectiveness of the system of internal control and risk management framework. IAD assists the AC in discharging its duties and responsibilities by undertaking regular independent and systematic review of the internal control system and risk management framework. IAD adopts a risk-based audit approach in planning and conducting its audit assignments by focusing on key risk areas of the Group.

The Head of Internal Audit reports directly to the AC and undertakes the audit activities within the Group covering all business units and operations, including corporate functions at head office. For the year ended 31 December 2019, audit assignments and follow-up reviews were carried out on the respective operation units and subsidiaries of Zelan Berhad in accordance with the approved annual audit plan. The internal audit reports were forwarded to the relevant parties and presented to the AC for their attention and deliberation.

During the financial year ended 31 December 2019, IAD had undertaken the following activities:

1. Prepared the annual audit plan and budget for approval by the AC.

2. Performed risk-based internal audit in accordance with the approved annual audit plan including follow-up on matters arising from previous audit reports.

3. Issued internal audit reports to the management on risk management, internal control and governance issues identified from the audit assignments together with recommendations for improvements.

4. Presented the audit reports to the AC on quarterly basis.

5. Conducted ad-hoc tasks and special assignments as and when requested by the Management and/or AC.

The total cost incurred in undertaking the internal audit function during the financial year ended 31 December 2019 is approximately RM272,570.73.

This AC Report is made in accordance with the Resolution of the Board dated 29 June 2020.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

The Board of Directors ("Board") is committed to upholding a comprehensive risk management and internal control system within the Zelan Group of Companies ("the Group") for the purpose of managing the risks across the Group effectively and efficiently. For the Group, risk management and internal control system is an essential part of our strategy in promoting accountability through good governance and robust business practices. It is also to support the Group's four strategic objectives:

- maximise shareholders value;
- provide service excellence to stakeholders;
- lead in value innovation; and
- be the preferred employer.

Below is the Statement on Risk Management and Internal Control for the Group's financial year ended 31 December 2019 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in accordance with the Principles as stipulated in the Malaysian Code on Corporate Governance 2017 ("Code") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board has reaffirmed its commitment and overall responsibility in maintaining a sound system of risk management and internal control of the Group and for reviewing the adequacy, integrity and efficiency of the required system in the Group. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risks of not adhering to the Group's policies and failure to achieve the business objectives of the Group. Therefore, it can only provide reasonable but not absolute assurance against the occurrence of material misstatements, or losses.

The adequacy and effectiveness of the internal control system for the Group were reviewed by the Audit Committee ("AC"). All audit issues and actions taken by Management to address the issues highlighted by the Internal Audit ("IA") were deliberated during the AC meetings.

The Board has implemented an ongoing process of identifying, evaluating, managing and monitoring the significant risks encountered by the Group throughout the period and up to the date of approval of this statement for inclusion in the Annual Report 2019. The Board ensures continuous development and implementation of the Group's risk management system and determines the key risks that need to be reported to the Board on quarterly basis.

KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group's risk management and internal control system comprises the following key processes:

Risk Management

The Group has established the Enterprise Risk Management ("ERM") Policy and Framework ("ERM Policy and Framework") since November 2014. The ERM Policy and Framework sets out the process for managing risks and outlines how the Management ensures risks are managed effectively and efficiently across the Group.

KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

The Group's risk management and internal control system comprises the following key processes (cont'd):

Risk Management (cont'd)

The objectives of the ERM Policy and Framework are as follows:

- provide a policy and organisational structure for the management of risks within the Group;
- define risk management roles and responsibilities within the Group and outline procedures to mitigate risks;
- ensure consistent and acceptable risk management practices throughout the Group;
- define the reporting framework to ensure clear communication on all risk management activities and reporting;
- accommodate the changing risk management needs whilst maintaining control of the overall risks;
- detail the approved methodology for risk assessment; and
- provide centralised consolidation of risk management data and reporting.

The ERM Policy and Framework assists the Board in reviewing and assessing overall risks related to the Group's business. The principal responsibilities of the Board include the following:

- ensure continuous development of risk management system in the Group and supervise the implementation of risk management in compliance with the ERM Policy and Framework;
- ensure that risks identified are reviewed on a quarterly basis by the Board;
- decide on the status and further action on matters arising with regards to the identified risks; and
- review and enhance the Group's risk assessment process and risk management structure to sustain the ERM Policy and Framework and support the ongoing achievement of risk management objectives.

The Board continues to take measures to further strengthen the Group's risk management system as one of the means to achieve the Group's business objectives. During the year under review, the Risk Management Report was presented to the Board on a quarterly basis.

Board and Board Committees

The Board has delegated authority to various Board committees such as the AC and Nomination & Remuneration Committee ("Board Committees") to enable them to oversee certain specific responsibilities based on clearly defined terms of reference. Any change to the terms of reference for any Board committee requires Board approval. Further information on the Board committees is included in the Corporate Governance Overview Statement.

Internal Audit Function

The Internal Audit ("IA") function is carried out by the Internal Audit & Risk Management Department of the Group. The IA reviews the compliance with statutory/regulatory requirements, internal policies and procedures inclusive of the work processes/procedures for efficiency and effectiveness of the system of internal controls and risk management framework. The annual audit plan is reviewed and approved by the AC. Audit reports are tabled to the AC for review during its quarterly meetings.

KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

The Group's risk management and internal control system comprises the following key processes (cont'd):

Internal Audit Function (cont'd)

In addition, the AC also reviews the internal audit functions with particular emphasis on the audit scope, the frequency of audits and the adequacy and knowledge of the resources. Further details of the activities undertaken by the AC are set out in the Audit Committee Report.

Other Key Elements of Internal Control

The other key elements of the Group's internal control system are described below:

- performance reports are regularly updated to the Board and discussed at the board meetings;
- processes governing the appraisal and the approval of investment expenditure and asset disposal and processes to monitor and evaluate the continuing performance of the Group's investments;
- processes governing the identification and evaluation of the risk factors before arriving at a decision to tender and the pricing of the tender for the contract thereon;
- compliance with financial approval limits in accordance with the limits of authority; and
- monitoring of related party transactions.

In formulating the structure of the project implementation, the following factors are taken into consideration:

- scope of works involved;
- expertise level required;
- level of monitoring and supervision;
- management and supporting staff requirement;
- duration of project;
- periodical review by the IA; and
- compliance with the requirements of MS ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and OHSAS 45001:2018 Safety and Health Management System.

The Board has reviewed the adequacy and integrity of the Group's internal control system and management information system. In addition, feasibility studies will continuously be evaluated internally and the required due diligence review will be carried out before tendering for new projects. Reviews on the performance of the projects will be regularly performed by the Board and the quality and type of information provided are carefully assessed.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the financial year under review and as of to date, the Board is pleased to give an assurance that Group's risk management and internal control were rated as satisfactory and is adequate and affective for the purpose to safeguard the stakeholders' interest.

The Board will continue to take relevant measures to strengthen and enhance the current systems. All internal control weaknesses identified during the period under review have been or are being addressed by the Management. There was no major risk and internal control weaknesses identified that requires disclosure in the Company's annual report. The Board has received assurance from the Senior Management of the company on the above declaration.

This Statement is made in accordance with the Resolution of the Board dated 29 June 2020.

ADDITIONAL COMPLIANCE **INFORMATION**

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals.

SHARE BUY-BACK

As at the date of this statement, the Company has not purchased any of its own shares.

NON-AUDIT FEE

During the financial year ended 31 December 2019, a non-audit fee of RM10,000 was paid by the Company to the External Auditors, Messrs. Aljafree Salihin Kuzaimi PLT, Malaysia for services rendered in connection with the review of the Company's quarterly results and other technical and accounting advisory works.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options were issued by the Company during the financial year.

On 30 January 2019, 26,250 units of warrants were exercised and coverted into 26,250 new ordinary shares at RM0.25 per unit. The total paid up capital after the conversion exercised is 844,920,705 share.

No convertible securities were issued by the Company during the financial year.

PROFIT ESTIMATION, FORECAST OR PROJECTION

There was no profit estimation, forecast or projection made or released by the Company during the financial year.

PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR Programme.

MATERIAL CONTRACTS

There was no material contract entered into by the Company and/or its subsidiary companies involving Directors' or major shareholders' interests, during the financial year under review.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management arising from any significant breach of rules/guidelines/legislation by the relevant regulatory bodies.

CONTRACTS RELATING TO LOAN

During the financial year under review, there were no contracts relating to loan by the Company involving Directors and major shareholders.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT
for the Financial Year Ended 31 December 2019

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Dato' Anwar Bin Haji @ Aji
Datuk Ooi Teik Huat
Datuk Puteh Rukiah Binti Abd Majid
Encik Suhaimi Bin Halim
Encik Mohd Shukor Bin Abdul Mumin

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 16 to the financial statements and comprise investment holding, property development, civil engineering and building turnkey contractor, piling and civil engineering contractor, civil technical design and construction of civil and building works, concession operator, asset and facilities management services, management and operation of motor vehicles parking facilities, contracting and supplying of building materials and construction of sewage conveyance system.

There have been no significant change in the nature of these activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year attributable to:		
- equity holders of the Company	2,661	(7,423)
- non-controlling interests	8	-
	2,669	(7,423)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company had on 31 January 2019, announced the allotment and issuance of 26,250 new ordinary shares for cash by virtue of the exercise of warrants at the exercise price of RM0.25 per warrant. These shares were listed on 4 February 2019 and ranked pari passu in all respects with the existing ordinary shares of the Company. See Note 26 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' remuneration as disclosed in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Directors and officers of the Group and of the Company are covered by Directors and Officers Liability Insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid by the Company during the financial year amounted to RM31,280.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year.

DIVIDENDS

No dividend was paid, declared or proposed by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2019.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 10 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for impairment of trade receivables and satisfied themselves that all known bad debts had been written off and that adequate provision for impairment had been made for trade receivables; and

DIRECTORS' **REPORT**
for the Financial Year Ended 31 December 2019

OTHER STATUTORY INFORMATION (CONT'D)

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps (cont'd):

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision of impairment of trade receivables in the financial statements of the Group and the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(c) At the date of this report:

(i) there are no charges on the assets of the Group and the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act, 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Dato' Anwar Bin Haji @ Aji
Gerard Dominic Fernandez
Intan Nurulfaiza Yang Razali

SUBSIDIARIES

Details of the subsidiaries are set out in Note 16 to the financial statements.

AUDITORS

The audit fees for services rendered by the auditors to the Group and to the Company for the financial year ended 31 December 2019 are disclosed in Note 11 to the financial statements. There were no indemnity given to or insurance effected for the auditors of the Group and Company during the financial year.

The auditors, Al Jafree Salihin Kuzaimi PLT (AF 1522) have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 29 June 2020. Signed on behalf of the Board of Directors:

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

Selangor, Malaysia

STATEMENT BY DIRECTORS & **STATUTORY DECLARATION**

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Dato' Anwar Bin Haji @ Aji and Datuk Ooi Teik Huat, being two of the Directors of Zelan Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 65 to 142 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and financial performance of the Group and the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 29 June 2020.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Yusrenawati Binti Mohd Yusof, the Officer primarily responsible for the financial management of Zelan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 142 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YUSRENAWATI BINTI MOHD YUSOF
MIA No.33348

Subscribed and solemnly declared by the abovenamed at Selangor, Malaysia on 29 June 2020.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT **AUDITORS' REPORT**

to the members of Zelan Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Zelan Berhad ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 142.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

In addition to the matter describe in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT **AUDITORS' REPORT**

to the members of Zelan Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
1. Recoverability of the receivable balance from a project owner of the Group's project in Abu Dhabi	
The Group terminated its project in Abu Dhabi, United Arab Emirates, on 1 October 2015 and entered into an arbitration with the project owner. The evidentiary hearings took place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE and the International Chamber of Commerce ("ICC") arbitral tribunal on 27 July 2019 awarded the Group the final award of AED256.1 million and further interest of 9% per annum until full payment ("Arbitration Award"). The Group then registered the enforcement of the award in the Abu Dhabi Commercial Court of Appeal ("ADCCA") on 7 May 2020. However, the project owner has filed a Grievance Application to the ADCCA and the matter is fixed for hearing on 23 July 2020. The Directors are of the view that the Group is able to enforce and recover the arbitration award. The Directors made an assessment of the carrying value of the total receivable balance by taking into consideration the timing and duration of the award enforcement process and the outcome of the Grievance Application from the project owner based on advice from the external solicitor. Following from the Directors' assessment, no impairment was made on the carrying value of the receivable for the financial year ended 31 December 2019. The above is a key audit matter due to the inherent uncertainty and significance of the amounts involved in relation to the outcome of the legal proceedings for the project. Refer to Note 3(i) on critical accounting estimates and assumptions, Note 2(r) and Note 2(w) on summary of significant accounting policies and Note 19 (vi) to the financial statements.	We discussed with management and the external solicitor to understand the status and the legal position of the enforcement of the arbitration award and the process of recovering the award from the project owner. We read the legal opinion from the external solicitor engaged by the Company and had discussions with the external solicitor to obtain an understanding on the following: - the external solicitor's assessment of the expected strategies of the enforcement of the arbitration award and the timing of subsequent recovery of the receivable balance; - the potential outcome of the grievance application hearing; - the potential reimbursement of arbitration costs; In addition, we also discussed with the external solicitor on the basis for the probability used by management to assess the recovery of the full amount of the arbitration award from the project owner and in determining the carrying value of the receivable balance due from the project owner. We reviewed the management's use of sensitivity analysis to assess the recoverability of the carrying value of the receivable balance. We assessed the objectivity, capabilities and competencies of the external solicitor by considering their professional background, reputation and experience in similar industries. We checked the adequacy of the Group's disclosures in relation to the receivable balance relating to the arbitration proceedings. Based on the procedures performed above, we noted no material exceptions.

INDEPENDENT **AUDITORS' REPORT**
to the members of Zelan Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
2. Revenue and costs recognition - construction contracts The Group recognises revenue from construction contracts over time in the Consolidated Statement of Comprehensive Income. Progress of completion is measured using input method which is based on the contract costs incurred up to the end of the reporting period as a percentage of estimated total costs of the project. The Group recognised revenue and gross profit from construction contracts of RM55.5 million and RM13.6 million respectively for the financial year ended 31 December 2019. Revenue recognition of a construction contract is inherently complex and we focused on this area because there are significant management estimates and judgements involved in determining the: • Stage of completion; • Extent of the construction costs incurred to date; • Estimated total construction costs; and • Need to estimated liquidated ascertained damages ("LAD") on projects where the estimated completion dates are beyond the contractual completion dates. Refer to Note 3(ii) on critical accounting estimates and judgements, Notes 2(j) and 2(u) on summary of significant accounting policies and Note 20 to the financial statements.	We tested the operating effectiveness of the key controls in respect of the review and approval of project budgets to assess the reliability of these budgets. We identified and assessed the significant estimates and judgements made by management in the recognition of revenue and costs arising from construction contracts. This was performed by corroborating the stage of completion and extent of costs incurred to date on major projects by agreeing to internal or external quantity surveyors' latest valuations. We have also agreed, on a sample basis, costs incurred to the supporting documentation such as subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of major projects by agreeing to supporting documentation such as approved budgets, quotations, correspondences, contracts and variation orders with sub-contractors. With regards to project whereby actual progress is behind planned progress, we assessed the cause of delays, inspected correspondence with project owners and corroborated key judgment applied by management in assessing any need for LAD to determine the transaction price of the project. Based on the procedures performed, we noted no material exceptions.

There are no key audit matters in relation to the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and other sections of the 2019 Annual Report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon (cont'd)

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT **AUDITORS' REPORT**
to the members of Zelan Berhad (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Group and the Company have been properly kept in accordance with the provisions of the Act;

(b) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes; and

(c) the auditors' reports on the financial statements of the subsidiaries were not subjected to any qualification and did not include any adverse comments made under Sub-section (3) of Section 266 of the Act. The subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another auditor whom have expressed an unmodified opinion with a paragraph on Material Uncertainty Related to Going Concern on these statements on 30 April 2019.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

AL JAFREE SALIHIN KUZAIMI PLT
AF 1522
Chartered Accountants

SIRI BIN SANYUT
No. 03078/07/2021J
Chartered Accountant

Dated : 29 June 2020

Selangor, Malaysia

STATEMENTS OF **COMPREHENSIVE INCOME**
for the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	5	80,765	72,523	-	-
Cost of sales	6	(54,017)	(77,262)	-	-
Gross profit/(loss)		26,748	(4,739)	-	-
Administrative expenses:					
- staff costs	9	(6,623)	(8,628)	(2,313)	(2,567)
- professional fees and arbitration fees		(1,570)	(4,367)	(241)	(250)
- others		(2,630)	(2,458)	(1,400)	(1,341)
		(10,823)	(15,453)	(3,954)	(4,158)
Other operating (expenses)/income:					
- unrealised foreign exchange (loss)/gain, net		(725)	1,035	-	-
- time cost back-charge		-	-	2,125	-
- impairment of inventories		-	(226)	-	-
- write back of provision/ for impairment of amount due from an associate		1,728	1,202	-	-
- provision for impairment of investment in associates		-	(3,306)	-	-
- provision for impairment of investments in subsidiaries	16	-	-	-	(62,144)
- net provision for impairment of amounts due from subsidiaries	19	-	-	(5,553)	(40,092)
- net write back of provision/ for impairment of receivables and contract assets	19, 20	-	13,300	-	-
- other operating expenses		(2,340)	(3,676)	(2)	(6)
- other operating income		4,950	2,472	-	-
- refund of late payment interest on revised tax assessment		-	5,855	-	-
Finance income	7	25,686	9,186	4	162
Finance costs	7	(39,626)	(39,345)	(43)	(536)
Share of results of associates	17	(50)	14,465	-	-
Profit/(loss) before zakat and taxation	8	5,548	(19,230)	(7,423)	(106,774)
Taxation	12	(2,879)	(4,372)	-	-
Net profit/(loss) for the financial year		2,669	(23,602)	(7,423)	(106,774)

STATEMENTS OF **COMPREHENSIVE INCOME**
for the Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences:					
- net movement during the financial year		182	(1,432)	-	-
Other comprehensive income/(loss) for the financial year, net of taxation		182	(1,432)	-	-
Total comprehensive gain/(loss) for the financial year		2,851	(25,034)	(7,423)	(106,774)
Net gain/(loss) for the financial year attributable to:					
- equity holders of the Company		2,661	(23,591)	(7,423)	(106,774)
- non-controlling interests		8	(11)	-	-
Net gain/(loss) for the financial year		2,669	(23,602)	(7,423)	(106,774)
Total comprehensive gain/(loss) attributable to:					
- equity holders of the Company		2,851	(25,034)	(7,423)	(106,774)
- non-controlling interests		-	-	-	-
Total comprehensive gain/(loss) for the financial year		2,851	(25,034)	(7,423)	(106,774)
Loss per share attributable to the equity holders of the Company during the financial year:					
		Sen	Sen		
Basic profit/(loss) per share	13(a)	0.31	(2.79)		

STATEMENTS OF **FINANCIAL POSITION**
as at 31 December 2019

	Note	Group		Company	
		31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	2,555	2,663	6	6
Investment properties	15	8,179	8,420	-	-
Investments in subsidiaries	16	-	-	12,179	12,179
Investments in associates	17	6,137	6,187	-	-
Receivables, deposits and prepayments	19	621,227	646,965	-	-
Amounts due from subsidiaries	19	-	-	-	-
Contract assets	20	51,709	52,256	-	-
Deposits, cash and bank balances (restricted)	21	14,461	1,124	-	-
Deferred tax assets	27	898	898	-	-
		705,166	718,513	12,185	12,185
CURRENT ASSETS					
Inventories	22	6,858	8,329	-	-
Receivables, deposits and prepayments	19	76,912	84,191	9	11
Amount due from a subsidiary	19	-	-	14,988	35,968
Contract assets	20	7,010	2,693	-	-
Tax recoverable		12	1,160	-	-
Deposits, cash and bank balances	21	5,894	3,921	151	2,046
		96,686	100,294	15,148	38,025
LESS: CURRENT LIABILITIES					
Financial payables	23	186,268	209,923	1,707	1,604
Other liabilities	23	13,854	5,178	-	-
Amounts due to subsidiaries	23	-	-	32,252	38,880
Contract liabilities	20	117	12,319	-	-
Borrowings	24	38,162	184,277	-	8,934
Current tax liabilities		3,876	4,277	-	-
		242,277	415,974	33,959	49,418
NET CURRENT LIABILITIES		(145,591)	(315,680)	(18,811)	(11,393)
TOTAL ASSETS LESS CURRENT LIABILITIES		559,575	402,833	(6,626)	792

STATEMENTS OF **FINANCIAL POSITION**
as at 31 December 2019

	Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
Share capital	25	84,495	84,489	84,495	84,489
Reserves	26	(37,388)	(40,238)	(91,121)	(83,697)
		47,107	44,251	(6,626)	792
Non-controlling interests		(327)	(327)	-	-
TOTAL EQUITY		46,780	43,924	(6,626)	792
NON-CURRENT LIABILITIES					
Borrowings	24	509,553	355,762	-	-
Deferred tax liabilities	27	3,242	3,147	-	-
		512,795	358,909	-	-
TOTAL EQUITY AND NON-CURRENT LIABILITIES		559,575	402,833	(6,626)	792

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**
for the Financial Year Ended 31 December 2019

	Attributable to equity holders of the Company								
	Share capital RM'000	Warrants reserve# RM'000	Foreign exchange reserve RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019	84,489	14,082	9,899	35,457	4,254	(103,930)	44,251	(327)	43,924
Net profit for the financial year	-	-	-	-	-	2,661	2,661	8	2,669
Other comprehensive income/(loss):									
Currency translation differences:									
- net movement during the financial year	-	-	190	-	-	-	190	(8)	182
- Transfer of warrants reserve upon expiry of warrants to retain earnings	-	(14,081)	-	-	-	14,081	-	-	-
- Issue of shares upon exercise	6	(1)	-	-	-	-	5	-	5
Total comprehensive profit for the financial year	6	(14,082)	190	-	-	16,742	2,856	-	2,856
At 31 December 2019	84,495	-	10,089	35,457	4,254	(87,188)	47,107	(327)	46,780
At 1 January 2018	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958
Net loss for the financial year	-	-	-	-	-	(23,591)	(23,591)	(11)	(23,602)
Other comprehensive (loss)/income:									
Currency translation differences:									
- net movement during the financial year	-	-	(1,443)	-	-	-	(1,443)	11	(1,432)
Total comprehensive loss for the financial year	-	-	(1,443)	-	-	(23,591)	(25,034)	-	(25,034)
At 31 December 2018	84,489	14,082	9,899	35,457	4,254	(103,930)	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 which are transferred to retained earnings after expiry of warrants.

COMPANY STATEMENT OF **CHANGES IN EQUITY**

for the Financial Year Ended 31 December 2019

		Non-distributable				
	Share capital RM'000	Warrants reserve# RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2019	84,489	14,082	18,456	3,258	(119,493)	792
Transfer of warrants reserve upon expiry of warrants to retained earnings	-	(14,081)	-	-	14,081	-
Issuance of shares upon exercise of warrants	6	(1)	-	-	-	5
Total comprehensive loss for the financial year	-	-	-	-	(7,423)	(7,423)
At 31 December 2019	84,495	-	18,456	3,258	(112,835)	(6,626)
At 1 January 2018	84,489	14,082	18,456	3,258	(12,719)	107,566
Total comprehensive loss for the financial year	-	-	-	-	(106,774)	(106,774)
At 31 December 2018	84,489	14,082	18,456	3,258	(119,493)	792

* These reserves relate to net gain from disposals of investment in shares.

\# This reserve relates to issuance of free detachable warrants which are transferred to retained earnings after expiry of warrants.

STATEMENT OF CASH FLOWS
for the Financial Year Ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES				
Net profit/(loss) for the financial year attributable to equity holders of the Company	2,661	(23,591)	(7,423)	(106,774)
Adjustments for:				
Taxation	2,879	4,372	-	-
Finance income	(25,686)	(9,186)	(4)	(162)
Finance costs	39,626	39,345	43	536
Net write back of provision for impairment of receivables and contract assets	-	(13,300)	-	-
Non-controlling interests	8	(11)	-	-
Depreciation of investment properties	241	241	-	-
Write back for impairment of amount due from an associate	(1,728)	(1,202)	-	-
Write back for impairment of amount due from an subsidiary	-	-	(371)	-
Provision for impairment of investment in associates	-	3,306	-	-
Provision for impairment of investment in subsidiaries	-	-	-	62,144
Net provision for impairment of amounts due from subsidiaries	-	-	5,924	40,092
Impairment loss of inventories	-	226	-	-
Loss on disposal of inventories	32	-	-	-
Net loss/(gain) on unrealised foreign exchange	725	(1,035)	-	-
Property, plant and equipment:				
- gain on disposals	(151)	-	-	-
- depreciation	264	401	2	6
Share of results of associates	50	(14,465)	-	-
	18,921	(14,899)	(1,829)	(4,158)

STATEMENTS OF **CASH FLOWS**
for the Financial Year Ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Changes in working capital:				
Receivables, deposits and prepayments	60,393	(15,668)	2	149
Contract assets	(3,770)	18,245	-	-
Payables	(62,589)	(6,761)	103	(191)
Contract liabilities	(12,202)	11,319	-	-
Amount due to a related company	(20)	-	-	-
Amount due to an associate	(38)	2,713	-	-
Cash from operations	695	(4,051)	(1,724)	(4,200)
Tax paid	(781)	(314)	-	-
Tax refund	170	120	-	-
Net cash flows generated from/(used in) operating activities	84	(4,245)	(1,724)	(4,200)
INVESTING ACTIVITIES				
Proceeds from disposals of plant and equipment	151	-	-	-
Proceeds from disposals of inventories	185	-	-	-
Interest received from deposits and investment	23	583	4	162
Purchases of property, plant and equipment	(32)	(14)	(2)	-
Repayment from related companies	-	45	-	-
Repayment by subsidiaries	-	-	15,427	1,324
Net cash flows generated from investing activities	327	614	15,429	1,486
FINANCING ACTIVITIES				
Interest paid	(43)	(558)	(43)	(540)
Repayments of borrowings	(21,738)	(11,044)	(8,934)	(4,626)
Drawdown of borrowings	41,480	5,579	-	5,292
Repayment of hire purchase creditors	(141)	(167)	-	-
Advances received from subsidiaries	-	-	407	10,076
Repayment to subsidiaries	-	-	(7,036)	(13,679)
Issue of shares on exercise of warrants	5	-	5	-
(Repayment to)/ Advances received from related companies	(3,828)	(142)	-	374
(Additional)/Upliftment of deposits pledged as security	(13,339)	7,518	-	7,414

STATEMENTS OF **CASH FLOWS**
for the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net cash flows generated from/(used in) financing activities		2,396	1,186	(15,601)	4,311
Net movement in cash and cash equivalents		2,807	(2,445)	(1,895)	1,597
Cash and cash equivalents at the beginning of the financial year		3,787	5,232	2,046	449
Currency translation differences		(836)	1,000	-	-
Cash and cash equivalents at the end of the financial year	21	5,758	3,787	151	2,046

Reconciliation of liabilities arising from financing activities

Group	Term loan RM'000	Islamic-financing RM'000	Hire purchase RM'000	Amounts due to related companies RM'000	Total RM'000
At 1 January 2019	96,583	443,165	291	15,368	555,407
Financing activities:					
- repayments during the year	(5,856)	(15,882)	(141)	(3,828)	(25,707)
- drawdown during the year	-	41,480	120	-	41,600
- interest paid	-	(15,806)	(3)	-	(15,809)
Non-cash changes:					
- foreign exchange movement	(1,012)	-	-	-	(1,012)
- interest payable	4,776	-	-	-	4,776
At 31 December 2019	94,491	452,957	267	11,540	559,255

STATEMENTS OF **CASH FLOWS**
for the Financial Year Ended 31 December 2019

Reconciliation of liabilities arising from financing activities (cont'd)

Group	Term loan RM'000	Islamic-financing RM'000	Hire purchase RM'000	Amounts due to related companies RM'000	Total RM'000
At 1 January 2018	95,711	411,756	476	15,510	523,453
Financing activities:					
- repayments during the year	(6,418)	(4,626)	(167)	(142)	(11,353)
- drawdown during the year	-	5,579	-	-	5,579
- interest paid	-	(540)	(18)	-	(558)
Non-cash changes:					
- foreign exchange movement	2,219	-	-	-	2,219
- interest payable	5,071	30,996	-	-	36,067
At 31 December 2018	96,583	443,165	291	15,368	555,407

STATEMENTS OF CASH FLOWS
for the Financial Year Ended 31 December 2019

Reconciliation of liabilities arising from financing activities (cont'd)

Company	Islamic-financing RM'000	Amounts due to subsidiaries RM'000	Amounts due to related companies RM'000	Total RM'000
At 1 January 2019	8,934	38,880	1,071	48,885
Repayments during the year	(8,934)	(17,896)	-	(26,830)
Drawdown during the year	-	11,268	-	11,268
Interest paid	(43)	-	-	(43)
Advances received during the year	-	-	-	-
Repayment of advances during the year	-	-	-	-
Non-cash changes:				
Interest payable	43	-	-	43
At 31 December 2019	-	32,252	1,071	33,323
At 1 January 2018	8,272	42,483	697	51,452
Repayments during the year	(4,626)	-	-	(4,626)
Drawdown during the year	5,292	-	-	5,292
Interest paid	(540)	-	-	(540)
Advances received during the year	-	10,076	374	10,450
Repayment of advances during the year	-	(13,679)	-	(13,679)
Non-cash changes:				
Interest payable	536	-	-	536
At 31 December 2018	8,934	38,880	1,071	48,885

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

1 GENERAL INFORMATION

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 16 to the financial statements and comprise investment holding, property development, civil engineering and building turnkey contractor, piling and civil engineering contractor, civil technical design and construction of civil and building works, concession operator, asset and facilities management services, management and operation of motor vehicles parking facilities, contracting and supplying of building materials and construction of sewage conveyance system.

There has been no significant change in the nature of these activities of the Group and the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur. The address of the principal place of business is 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 June 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Cash flows of the Group and the Company

The Group and the Company incurred a net profit after taxation of RM2.7 million and loss before taxation of RM7.4 million for the financial year ended 31 December 2019. As at the same date, the Group's and the Company's current liabilities exceeded the current assets by RM145.6 million and RM18.8 million respectively.

The net current liabilities of the Group and of the Company as at that date, the ability of the Group to generate positive cash flows from the on-going projects and make timely repayments for borrowings of the Group indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group and the Company to continue as going concerns and therefore, the Group and the Company may be unable to realise the assets and discharge the liabilities in the normal course of business.

In order to ensure that the Group and the Company would have sufficient cash inflows within the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress and meet working capital, the Directors will continue to undertake the following measures to manage and strengthen the Group's cash flow position:

- 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 measures taken above, the Directors, therefore, believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

(i) Standards, amendments to published standards and interpretations that are effective and applicable for the Group:

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16: Leases;
- IC Interpretation 23: Uncertainty over Income Tax Treatments;
- Amendments to MFRS 11: Joint Arrangements – Annual Improvements to MFRS standards 2015 – 2017 cycle;
- Amendments to MFRS 112: Income Taxes – Annual Improvements to MFRS standards 2015 – 2017 cycle;
- Amendments to MFRS 119: Employee Benefits (Plan Amendments, Curtailment or Settlement)
- Amendments to MFRS 123: Borrowing Costs – Annual Improvements to MFRS standards 2015 – 2017 cycle; and
- Amendments to MFRS 128: Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

(i) Standards, amendments to published standards and interpretations that are effective and applicable for the Group (cont'd):

The Group has adopted MFRS 16 from its mandatory adoption date of 1 January 2019 using the simplified transition approach and will not restate comparative amounts for the year prior to its first adoption.

Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group's operating lease commitments, which comprise mainly the operating leases for land and building are of low value leases which are insignificant and are recognised on a straight-line basis as expense in the consolidated statement of comprehensive income.

Other than that, the adoption of the other amendments, interpretations and improvements to existing standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) Standards, amendments to published standards and interpretations to existing standards that have been issued but not yet effective for the Group:

MFRS effective for annual periods beginning on or after 1 January 2020:

- The conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to MFRS 3: Definition of a Business Combination

MFRS effective for annual periods beginning on or after 1 January 2021:

- MFRS 17: Insurance Contracts

MFRS effective date to be announced:

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

The Group expects that the adoption of the above standards, if applicable, will have no material impact on the financial statements of the Group in the period of initial application.

(b) Economic entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic entities in the Group (cont'd)

(i) Subsidiaries (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic entities in the Group (cont'd)

(i) Subsidiaries (cont'd)

<u>Changes in ownership interests in subsidiaries without change of control</u>

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amounts of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

<u>Disposal of subsidiaries</u>

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associates' in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic entities in the Group (cont'd)

(ii) Associates (cont'd)

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account for its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

(iii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

<u>Joint ventures</u>

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic entities in the Group (cont'd)

(iii) Joint arrangements (cont'd)

Joint ventures (cont'd)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint operations

In relation to the Group's interest in the joint operation, the Group recognises its direct right to the assets, liabilities, revenue and expenses and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. They are subsequently stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Refer to accounting policy Note 2(o) on borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Gains or losses on disposals are determined by comparing the net proceeds with the carrying amount and are included in the profit or loss.

Property, plant and equipment are depreciated on the straight line method to allocate the cost or revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

	Depreciation rate
Buildings	2% - 10%
Furniture and fittings	10% - 33%
Motor vehicles	20% - 25%
Office equipment	10% - 33%
Plant and machinery	10% - 33%
Renovation	10% - 20%
Tools and equipment	10% - 33%

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period. The Group carries out an assessment on residual values and useful lives of assets on an annual basis and there was no adjustment arising from the assessment performed in the financial year.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2(h) on impairment of non-financial assets.

(d) Investment properties

Investment properties, comprising principally office buildings, are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group.

Investment properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying assets.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis to allocate the costs to their residual values over their estimated useful lives of 50 years.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investment properties (cont'd)

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and is included in the profit or loss.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2(h) on impairment of non-financial assets.

(e) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss.

<u>Accounting by lessee</u>

Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the lease principal outstanding. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease terms if there is no reasonable certainty that the Group will obtain ownership at the end of the lease terms.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

Accounting by lessee (cont'd)

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on the straight line basis over the lease periods.

Accounting by lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return on the balance outstanding.

Operating leases

When assets are leased out under an operating lease, the assets is included in property, plant and equipment in the statement of financial position. Lease income (net of any incentives given to lessees) is recognised over the term of the lease on a straight-line basis.

(f) Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in subsidiaries.

(g) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Goodwill (cont'd)

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Refer to accounting policy Note 2(h) on impairment of non-financial assets.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

In respect of associates and joint arrangements, the carrying amount of goodwill is included in the carrying amount of investments in the associates and joint ventures. Such goodwill is tested for impairment as part of the overall balance.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(i) Inventories

Completed properties

Completed properties for sale are stated at the lower of cost and net realisable value. The cost of completed properties for sale comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Contract assets and contract liabilities

For each contract, contract asset is where the net amount of costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the net amount is presented as contract liability. Contract liability includes down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

Refer to accounting policy Note 2(w) on impairment of contract assets.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer to accounting policy Note 2(w) on impairment of financial assets.

(l) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statements of cash flows. In the statements of financial position, banks overdrafts are shown within borrowings in current liabilities.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits and bank overdrafts.

(m) Share capital

Classification

Ordinary shares are classified as equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Share capital (cont'd)

Dividends distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distribution to holders of an equity instrument is recognised directly in equity.

(n) Earnings/loss per share

(i) Basic earnings per share

Basic earnings/loss per share is calculated by dividing:

- the profit/loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

(ii) Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures in the determination of basic earnings/loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Borrowings and borrowing costs

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowings and borrowing costs (cont'd)

(i) Borrowings (cont'd)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance costs.

Where the terms of borrowings are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the borrowings (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the borrowings and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment benefits - defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The defined contribution plan of the Group relates to the contribution to the Employee Provident Fund ("EPF"), the national defined contribution plan.

The Group's contributions to the defined contribution plan are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Current and deferred income tax

Tax expense for the financial year comprises current and deferred tax. The income tax expense or credit for the financial year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates, joint ventures or joint operations except where the timing of the reversal of the temporary difference is controlled by the parent, investor, joint venture or joint operator and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor, joint venture or joint operator is unable to control the reversal of the temporary differences for associates, joint ventures or joint operations. Only where there is an agreement in place that gives the investor, joint venture or joint operator the ability to control the reversal of the temporary differences, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary differences will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(s) Contingent liabilities and contingent assets

The Group does not recognise contingent assets and liabilities but discloses its existence in the financial statements.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Foreign currencies (cont'd)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation using the year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance cost. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other operating expenses.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on disposal.

(u) Revenue and other income

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue and other income (cont'd)

Revenue from contracts with customers (cont'd)

Revenue earned by the Group is recognised in the following basis:

(i) Revenue from construction contracts

The Group's revenue from construction contracts is measured at fixed contract prices under the respective agreements with the project owners. The revenue from construction contracts is measured at the fixed transaction price agreed net of expected liquidated ascertained damages ("LAD") payment, based on the expected value method.

Revenue from construction contract is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date. The Group recognises revenue over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group recognises revenue over time using the input method, which is based on the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from the contract costs in determining the stage of completion. Such costs are presented as contract assets. Refer to accounting policy Note 2(j) on contract assets and contract liabilities.

(ii) Revenue from sale of completed properties

The Group recognises revenue from sales of completed properties at a point in time when the control of the properties has been transferred to the purchasers, being when the properties have been delivered to the purchasers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(iii) Revenue from concession arrangement

Under the Concession Agreement, the Group is engaged to construct the facilities and infrastructure and provide asset management services which are separate performance obligations. The fair value of revenue, which is based on fixed price under the agreement have been allocated based on relative standalone selling price of the considerations for each of the separate performance obligations. The Group recognised construction revenue over time as the project constructed has no alternative use to the Group and the Group has an enforceable right to the payment for the performance completed to-date. The stage of completion is measured using the input method as disclosed in Note 2(u)(i) above. The Group recognises revenue from the provision of asset management services over the period in which the services are rendered.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue and other income (cont'd)

(iv) Car park rental income

The Group recognises car park rental income from its management and operation of motor vehicles parking facilities. Car park rental income can be charged either on a fixed monthly amount which is collected in advance or based on fixed hourly rate for each entry into the parking facility. Revenue from car park rental income is recognised over the period in which the services are rendered.

Other income

Other income earned by the Group are recognised on the following bases:

- Interest income

  Interest income from deposits at licensed financial institutions are recognised on an accrual basis, using the effective interest method.

  Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

- Rental income

  Rental income from rental of premises is recognised over the term of the lease on a straight-line basis.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(w) Financial assets

(i) Classification

The Group classifies its financial assets as amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial assets (cont'd)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), including the transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments - amortised cost

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

The Group measures its debt instruments at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Subsequent measurement – impairment

Impairment for debt instruments

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has the following types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Intercompany receivables
- Contract assets
- Advances to subcontractors

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial assets (cont'd)

(iv) Subsequent measurement – impairment (cont'd)

Impairment for debt instruments (cont'd)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL approach can be classified into the categories below:

- General 3-stage approach for other receivables, intercompany receivables that are non-trade in nature as advances to subcontractors

  At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 4(iv) sets out the measurement details of ECL.

- Simplified approach for trade receivables and contract assets

  The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 4(iv) sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information. The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial assets (cont'd)

(iv) Subsequent measurement – impairment (cont'd)

Significant increase in credit risk (cont'd)

Macroeconomic information (such as market interest rates or growth rates) is incorporated.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria

  The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

- Qualitative criteria

  The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

  - the debtor is in breach of financial covenants
  - concessions have been made by the lender relating to the debtor's financial difficulty
  - it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
  - the debtor is insolvent

Financial instruments that are credit-impaired are assessed on an individual basis.

- Individual assessment

  The credit risk assessment of trade and other receivables of the Group and the Company are performed on an individual basis. Trade and other receivables and contract assets which are in default or credit-impaired are assessed individually.

  Intercompany receivables in the Company's separate financial statements are assessed on an individual basis for ECL measurement, as credit risk information is obtained and monitored based on each amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial assets (cont'd)

(v) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within other operating (expenses)/income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables and intercompany balances

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write off financial assets that are still subject to enforcement activity.

(x) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(y) Trade and other payables

Trade payables are liabilities to pay for goods or services provided to the Group prior to the end of the financial year which are unpaid.

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective interest method.

(z) Warrants reserve

Proceeds from the issuance of warrants, net of issuance costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to share capital upon the exercise of the warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) Zakat

This represents business zakat payable by the Group. Zakat in the form of contribution is calculated according to the principles of Syariah.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Recoverability of the receivable balance from a project owner of the Group's project in Abu Dhabi

As disclosed in Note 19(vi) to the financial statements, the Arbitral Tribunal of the International Chamber of Commerce ("ICC") awarded the sum of AED256.1 million (approximately RM285.4 million) to the Group which included interests up to 1 June 2019 and further interests at 9% until full payment of the awarded sum. Prior to the said ICC arbitration award, the evidentiary hearings had taken place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE. The Group proceeded to ratify and execute the ICC arbitration award at the Abu Dhabi Commercial Court of Appeal ("ADCCA") and this was granted by the ADCCA on 7 May 2020. On 10 June 2020, ZHSB has been notified that the project owner filed grievance application on the decision of ADCCA.

Arising from receipt of the arbitration award and the judgement to ratify and execute the award, no impairment has been recognised in the financial statements for the financial year ended 31 December 2019. The expected timing of the recovery of the award has been considered in arriving at the classification of the net receivables. The Directors are confident of the eventual recovery of the receivable balance from the project owner.

(ii) Construction contracts

The Group recognises contract revenue based on input method. The stage of completion is measured by reference to the contract costs incurred up to reporting date as a percentage of total estimated costs for each contract. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract costs, the profitability of the contracts, including the foreseeable losses, potential claims (variation orders) to owners of the projects and counter claims from subcontractors and liquidated ascertained damages ("LAD") based on expected completion dates of the contracts. In making this judgement, the Directors took into consideration the current circumstances and relied on input from the Group's project managers, external consultants, where appropriate and past experience. In addition, in determining the provision for LAD to be recorded, the Directors also assessed the ability of the Group to recover from the subcontractors, the potential LAD imposed on the Group by the project owners for delays in projects caused directly by the subcontractors.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(iii) Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business. The Group's material litigations are as shown in Note 29 to the financial statements.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks. The Group has formulated risk management policies whose principal objective is to minimise the Group's exposure to risk and/or costs associated with financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Directors for application in day-to-day operations for controlling and managing risks associated with financial instruments.

(i) Foreign currency exchange risk

The Group and the Company do not apply hedge accounting.

The Group and the Company are not exposed to any significant foreign currency exchange risk.

(ii) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk arising from the following:

- <u>The Group's and the Company's short-term deposits</u>

  The deposits are subject to interest rate risk and are placed with the financial institutions at prevailing interest rates. Management continuously monitors the exposure to changes in interest rates with respect to short-term deposits with short-term maturity of less than three months. Accordingly, management is of the view that the effects to the changes in interest rates are insignificant and would not have a material impact to the financial condition or results of operations.

- <u>The Group's and the Company's borrowings</u>

  Borrowings issued at variable interest rates expose the Group and the Company to interest rate risk which is partially offset by interest income earned by the Group's deposit placement at variable rates. As at 31 December 2019 and 31 December 2018, the Group's borrowings are denominated in Ringgit Malaysia ("RM") and Arab Emirates Dirham ("AED") and the Company's borrowings are denominated in RM.

At the reporting date, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, this would have the following impact on profit or loss and equity for the financial year:

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

(Increase)/decrease in loss after taxation and (decrease)/increase in equity

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings denominated in AED				
- Increase of 100 basis points	(57)	(770)	-	-
- Decrease of 100 basis points	57	770	-	-
Borrowings denominated in RM				
- Increase of 100 basis points	(325)	(3,368)	-	(67)
- Decrease of 100 basis points	325	3,368	-	67

(iii) Liquidity risk

All the financial liabilities of the Group at the end of the reporting date based on undiscounted contractual payments are as set out below:

Group 2019	Less than 1 year RM'000	Between 1 and 3 years RM'000	Between 3 and 5 years RM'000	More than 5 years RM'000	Total RM'000
Financial liabilities					
Trade payables	158,685	-	-	-	158,685
Amounts due to related companies	11,540	-	-	-	11.540
Amounts due to joint venture partners	506	-	-	-	506
Amount due to an associate	4,778	-	-	-	4,778
Other payables and accruals	10,759	-	-	-	10,759
Advances received from contract customers	13,613	-	-	-	13,613
Borrowings	129,204	66,319	104,100	448,537	748,160
	329,085	66,319	104,100	448,537	948,041

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Liquidity risk (cont'd)

All the financial liabilities of the Company at the end of the reporting date based on undiscounted contractual payments are as set out below:

Group 2018	Less than 1 year RM'000	Between 1 and 3 years RM'000	Between 3 and 5 years RM'000	More than 5 years RM'000	Total RM'000
Financial liabilities					
Trade payables	174,683	-	-	-	174,683
Amounts due to related companies	15,368	-	-	-	15,368
Amounts due to joint venture partners	531	-	-	-	531
Amount due to an associate	4,828	-	-	-	4,828
Other payables and accruals	14,513	-	-	-	14,513
Advances received from contract customers	5,168	-	-	-	5,168
Borrowings	185,021	126,271	126,381	290,521	728,194
	400,112	126,271	126,381	290,521	943,285

Company 2019	Less than 1 year RM'000	Total RM'000
Financial liabilities		
Amounts due to subsidiaries	32,252	32,252
Amounts due to related companies	1,071	1,071
Other payables and accruals	636	636
	33,959	33,959
Company 2018		
Financial liabilities		
Amounts due to subsidiaries	38,880	38,880
Amounts due to related companies	1,071	1,071
Other payables and accruals	533	533
Borrowings	9,567	9,567
	50,051	50,051

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Liquidity risk (cont'd)

As at 31 December 2019, the Group's and the Company's current liabilities exceeded the current assets by RM145.6 million and RM18.8 million respectively.

During the financial year ended 31 December 2019, as disclosed in Note 24(b)(ii) and Note 24(c) to the financial statements, the Group did not meet the repayment instalments for certain credit facilities in accordance with the repayment schedules agreed with the financial institutions. The Group then managed to obtain the financial institution's approval to reschedule the repayments and extended the repayment period with lower interest rate. Accordingly, the carrying values of these financing facilities of RM38.1 million (2018: RM105.5 million) were classified as current liabilities as at 31 December 2019.

In order to monitor the cash flows of the Group, the Directors carry out periodic review of the cash flow projections and the details of the cash flow projections of the Group for the next eighteen months set out in Note 2(a) to the financial statements.

(iv) Credit risk

The Group's exposure to credit risk arises primarily from trade receivables. The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of its receivables. Credit evaluations are performed on all contract customers. The Group closely monitors its customers' financial strength to reduce the risk of loss.

The Group monitors the credit quality of the trade receivables individually based on the respective projects. Management regards any receivables having significant balances past due or more than 120 days to be deemed as having higher credit risk and as such, more focus are placed on such debts.

The Company's exposure to credit risk arises mainly from the amounts due from subsidiaries.

Measurement of Expected Credit Loss ("ECL")

(a) Trade receivables and contract assets using simplified approach

The expected loss rates for trade receivables and contract assets is assessed on an individual debtor basis. The Group measures the loss allowance for trade receivables and contract assets by estimating the likelihood that the debtor would not be able to repay during the contractual period, the extent of contractual cash flows that will not be collected if default happens and the outstanding amount that is exposed to default risk. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (cont'd)

Measurement of Expected Credit Loss ("ECL") (cont'd)

(b) Intercompany receivables and other receivables using general 3-stage approach

The Group and the Company use three categories for intercompany receivables and other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	Group's and Company's definition of category	Basis for recognising ECL
Performing (Stage 1)	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 month ECL
Under Performing (Stage 2)	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due based on historical experience.	Lifetime ECL
Not Performing (Stage 3)	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") - the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") - the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjust for forward looking macroeconomic data. The Group and the Company have identified the industry and geographical area which the debtor operates in, to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

(c) Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (cont'd)

Credit risk concentration profile

At the reporting date, the Group has no significant concentration of credit risk other than two corporate debtors which represent 89% (2018: 89%) of the Group's total trade receivables, in which these balances are monitored closely. 12% (2018: 12%) of these trade receivables mainly relates to retention sums receivable from the owners of the Group's projects. The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

The deposits placed with licensed banks are not concentrated to any particular group but widely dispersed across various licensed financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Exposure to credit risk and loss allowance assessment

The input of loss allowance on the carrying values of trade receivables, contract assets, related party balances and other receivables and deposits presented by the stages are as follows:

Group 31 December 2019	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Trade receivables	-	-	743,567	743,567
Contract assets	-	-	98,947	98,947
	-	-	842,514	842,514
Loss allowance	-	-	(102,086)	(102,086)
Net carrying amount	-	-	740,428	740,428
Amount due from an associate	-	-	1,825	1,825
Loss allowance	-	-	(648)	(648)
Net carrying amount	-	-	1,177	1,177
Other receivables and deposits	15,253	-	2,148	17,401
Loss allowance	-	-	(2,148)	(2,148)
Net carrying amount	15,253	-	-	15,253

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (cont'd)

Exposure to credit risk and loss allowance assessment (cont'd)

The input of loss allowance on the carrying values of trade receivables, contract assets, related party balances and other receivables and deposits presented by the stages are as follows (cont'd):

Company 31 December 2019	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Amounts due from subsidiaries	-	20,541	562,824	583,365
Loss allowance	-	(5,553)	(562,824)	(568,377)
Net carrying amount	-	14,988	-	14,988
Other receivables and deposits	9	-	-	9
Loss allowance	-	-	-	-
Net carrying amount	9	-	-	9

The accumulated impairment for trade receivables, contract assets, related party balances and other receivables and deposits using the general 3-stage approach as at 31 December 2019 reconciles to opening accumulated impairment for that provision as follows:

Group	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Trade receivables and contract assets				
At 1 January 2019	-	-	103,464	103,464
Net effect of foreign currency exchange differences	-	-	(1,378)	(1,378)
At 31 December 2019	-	-	102,086	102,086
Amount due from an associate				
At 1 January 2019	-	-	2,376	2,376
Write back of provision for impairment	-	-	(1,728)	(1,728)
At 31 December 2019	-	-	648	648
Other receivables and deposits				
At 1 January 2019	-	-	2,148	2,148
Additional impairment during the year	-	-	-	-
At 31 December 2019	-	-	2,148	2,148

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (cont'd)

Exposure to credit risk and loss allowance assessment (cont'd)

The accumulated impairment for trade receivables, contract assets, related party balances and other receivables and deposits using the general 3-stage approach as at 31 December 2019 reconciles to opening accumulated impairment for that provision as follows (cont'd):

Company	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Amounts due from subsidiaries				
At 1 January 2019	-	-	562,824	562,824
Provision for impairment made for amount due from subsidiary, previously presented within investments in subsidiaries	-	-	-	-
Additional impairment during the year	-	5,553	-	5,553
At 31 December 2019	-	5,553	562,824	568,377

During the financial year, the Group assessed the recoverability of the receivable from a concession project following the issuance of the Certificate of Acceptance by the project owner. Based on the expected cash flows that the Group will receive over the remaining concession period of approximately 17 years, the Group has reversed the provision for impairment on receivables of RM24.6 million in respect of the concession project during the financial year ended 31 December 2018. No impairment has been recognised during the financial year ended 31 December 2019 in respect of the concession project.

The Company assessed the recoverable amount of the amount due from a subsidiary during the year based on the likelihood that the subsidiary will not be able to repay the outstanding amount. Based on the estimated cash flow of the subsidiary, an additional impairment of RM5.6 million has been recognised in the financial statements for the year ended 31 December 2019 (2018: RM40.1 million).

Maximum exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets presented in the statements of financial position, including deposits placed with licensed banks, cash and bank balances, trade and other receivables and related party balances, after deducting any allowance for impairment losses.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(v) Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholders' value. The Group is committed towards optimising its capital structure. The Group considers total equity as capital. Implementation of optimal capital structure includes balancing between debt and equity by putting in place appropriate dividend and financing policies which influence the level of debt and equity. The Group and the Company are in compliance with all externally imposed capital requirements.

(vi) Fair value

The carrying amounts and fair values of long-term financial assets and liabilities measured at amortised cost are as follows:

	Group		**Company**	
At 31 December 2019	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Receivables				
- trade receivables	620,072	620,072	-	-
Amount due from an associate	1,177	1,177	-	-
At 31 December 2018				
Financial assets				
Receivables				
- trade receivables	645,775	645,775	-	-
Amount due from an associate	1,190	976	-	-

The fair values are calculated based on cash flows discounted using a current lending rate. The financial assets are classified as Level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Due to the short-term nature of the current financial assets and liabilities, their carrying amounts are considered to approximate fair values at the reporting date.

The carrying values of the borrowings of the Group and the Company approximate fair values at the reporting date as these borrowings are floating rate borrowings.

5 REVENUE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers:				
Construction contracts	55,476	68,893	-	-
Asset management service income	23,321	2,103	-	-
Car park rental income	743	766	-	-
	79,540	71,762	-	-
Revenue from other sources:				
Rental income	1,225	761	-	
	80,765	72,523	-	-

The Group derives revenue from contracts with customers over time in Malaysia.

6 COST OF SALES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contract costs	41,900	75,845	-	-
Asset management service costs	11,942	1,224	-	-
Others	175	193	-	-
	54,017	77,262	-	-

Construction contract costs for the financial year include the following:

	2019	**2018**
	RM'000	**RM'000**
Rental of premises	115	48
Depreciation of property, plant and equipment (Note 14)	159	244
Interest expense on hire purchase (Note 7)	10	18
Staff costs (Note 9)	3,885	4,018

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

7 FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income				
Interest income	19	421	-	-
Profit from Islamic deposits	4	162	4	162
Accretion of interest on trade receivables	25,663	8,603	-	-
	25,686	9,186	4	162
Finance costs				
Interest expense	38,387	36,087	43	536
Unwinding of discounts on trade payables	1,249	3,276	-	-
Less: Interest expense included in cost of sales (Note 6)	(10)	(18)	-	-
	39,626	39,345	43	536

8 PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION

In addition to those items disclosed in the statements of comprehensive income, profit/(loss) before zakat and taxation is arrived at after charging/(crediting):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration - statutory audit (Note 11)	307	429	100	101
Depreciation of investment properties	241	241	-	-
Directors' remuneration (Note 10)	761	744	761	744
Property, plant and equipment:				
- depreciation	264	401	2	6
- gain on disposals	(151)	-	-	-
Gain on unrealised foreign exchange	(1,090)	(2,891)	-	-
Loss on foreign exchange:				
- realised	-	-	-	-
- unrealised	1,815	1,856	-	-
Rental of land and premises	146	168	-	11
Rental income on office equipment	-	(320)	-	-
Rental income on premises	(806)	(687)	-	-
Staff costs (Note 9)	10,508	12,646	2,313	2,567

9 STAFF COSTS

Staff costs excluding Directors' remuneration, are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages and salaries	6,521	8,853	1,828	2,052
Defined contribution retirement plan	1,006	1,288	279	308
Other employee benefits	2,981	2,505	206	207
	10,508	12,646	2,313	2,567
Staff costs for the financial year are allocated as follows:				
- administrative expenses	6,623	8,628	2,313	2,567
- cost of sales (Note 6)	3,885	4,018	-	-
	10,508	12,646	2,313	2,567

10 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by the Directors of the Group and the Company during the financial year was as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-Executive Directors:				
- fees	361	363	361	363
- other emoluments	400	381	400	381
	761	744	761	744

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

11 AUDITORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Al Jafree Salihin Kuzaimi PLT				
- statutory audit	245	-	100	-
- others	10	-	10	-
	255	-	110	-
PricewaterhouseCoopers PLT Malaysia				
- statutory audit	-	375	-	101
- others	-	117	-	117
	-	492	-	218
Firms other than member firms of Al Jafree Salihin Kuzaimi PLT				
- statutory audit	62	-	-	-
- others	45	-	45	-
Firms other than member firms of PricewaterhouseCoopers International Limited				
- statutory audit	-	54	-	-

12 TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax				
Malaysian tax:				
- Current financial year	2,786	2,113	-	-
- Under accrual in the prior financial year	(2)	3,176	-	-
	2,784	5,289	-	-
Deferred tax				
- Origination and reversal of temporary differences (Note 27)	95	(917)	-	-
Tax expense	2,879	4,372	-	-

12 TAXATION (CONT'D)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
The explanation of the relationship between tax expense and loss before taxation and after zakat is as follows:				
Profit/(loss) before taxation and after zakat	5,548	(19,230)	(7,423)	(106,774)
Tax calculated at the Malaysian tax rate of 24 % (2018: 24%)	1,332	(4,615)	(1,782)	(25,626)
Tax effects of:				
- share of results of associates	12	(3,472)	-	-
- expenses not deductible for tax purposes	2,304	19,505	2,644	26,096
- income not subject to tax	(767)	(11,431)	(862)	(470)
- temporary differences and tax losses not recognised	-	1,209	-	-
- under accruals in prior financial year	(2)	3,176	-	-
Tax expense	2,879	4,372	-	-

13 PROFIT/(LOSS) PER SHARE

(a) Basic

The calculation of basic profit per share of the Group is calculated by dividing the net profit attributable to the ordinary equity holders of the Company for the financial year of RM2,661,000 (2018:net loss of RM23,591,000) by the weighted average number of ordinary shares in issue during the financial year of 844,921,250 (2018: 844,895,000).

	Group	
	2019	2018
	RM'000	RM'000
Net profit/(loss) attributable to equity holders of the Company	2,661	(23,591)
	'000	'000
Weighted average number of ordinary shares in issue	844,921	844,895
	Sen	Sen
Basic profit/(loss) per share attributable to equity holders of the Company	0.31	(2.79)

13 PROFIT/(LOSS) PER SHARE (CONT'D)

(b) Diluted

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The Group has potential ordinary shares arising from the Company's warrants.

In assessing the dilution in earnings per share arising from the warrants issued, the warrants are assumed to have been converted into ordinary shares as at 31 December 2018. A calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined at the average share price of the Company's shares) based on the exercise price of the warrants. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution.

The diluted loss per share for the financial year is the same as basic loss per share as the warrant options are anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Plant and machinery RM'000	Renovation RM'000	Tools and equipment RM'000	Total RM'000
Net book value								
At 1 January 2019	2,178	-	314	122	-	7	42	2,663
Additions	-	-	124	28	-	-	-	152
Translation reserve	-	-	-	-	-	-	4	4
Depreciation charge	(55)	-	(150)	(42)	-	(3)	(14)	(264)
At 31 December 2019	2,123	-	288	108	-	4	32	2,555
At 31 December 2019								
Cost	3,057	1,177	3,198	6,682	12,394	1,515	15,144	43,167
Accumulated depreciation and impairment loss	(934)	(1,177)	(2,910)	(6,574)	(12,394)	(1,511)	(15,112)	(40,612)
Net book value	2,123	-	288	108	-	4	32	2,555
Net book value								
At 1 January 2018	6,296	-	515	205	-	9	88	7,113
Additions	-	-	-	14	-	-	-	14
Reclassified to investment properties (Note 15)	(4,063)	-	-	-	-	-	-	(4,063)
Depreciation charge	(55)	-	(201)	(97)	-	(2)	(46)	(401)
At 31 December 2018	2,178	-	314	122	-	7	42	2,663
At 31 December 2018								
Cost	3,057	1,177	3,074	6,654	12,394	1,515	15,144	43,015
Accumulated depreciation and impairment loss	(879)	(1,177)	(2,760)	(6,532)	(12,394)	(1,508)	(15,102)	(40,352)
Net book value	2,178	-	314	122	-	7	42	2,663

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Buildings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Net book value				
At 1 January 2019	-	6	-	6
Additions	-	2	-	2
Depreciation charge	-	(2)	-	(2)
At 31 December 2019	-	6	-	6
At 31 December 2019				
Cost	40	634	30	704
Accumulated depreciation	(40)	(628)	(30)	(698)
Net book value	-	6	-	6
Net book value				
At 1 January 2018	-	12	-	12
Depreciation charge	-	(6)	-	(6)
At 31 December 2018	-	6	-	6
At 31 December 2018				
Cost	40	632	30	702
Accumulated depreciation	(40)	(626)	(30)	(696)
Net book value	-	6	-	6

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Administrative expenses	105	157	2	6
Cost of sales (Note 6)	159	244	-	-
	264	401	2	6

The net book value of certain assets of the Group which were acquired under hire purchase arrangements at the end of the reporting period amounted to RM267,000 (2018: RM296,000).

The Group's properties with net book values amounting to RM2,123,000 (2018: RM2,178,000) have been pledged against the Group's borrowings at the end of the reporting period.

15 INVESTMENT PROPERTIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost	11,719	11,719
Less: Accumulated depreciation	(3,540)	(3,299)
Net book value	8,179	8,420

The movement of the carrying value of the investment properties is as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Net book value		
At the beginning of the financial year	8,420	4,598
Transferred from property, plant and equipment (Note 14)	-	4,063
Less: Depreciation charge	(241)	(241)
At the end of the financial year	8,179	8,420

The fair value of the investment properties, categorised under Level 2 of the fair value hierarchy, was estimated at RM15,786,000 (2018: RM15,786,000) based on the valuations by JB Jurunilai Bersekutu (KL) Sdn. Bhd. (Registration No. VE(1) 0161/1), an independent and professionally qualified valuer. Valuations were based on open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms.

Direct operating expenses arising from investment properties of the Group were RM385,000 (2018: RM340,000). Rental income arising from investment properties of the Group was RM1,968,000 (2018: RM1,527,000). The investment properties with net book values amounting to RM8,179,000 (2018: RM8,420,000) have been pledged against the Group's borrowings as at the end of the reporting period.

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares, at cost:		
At 1 January	12,179	74,323
Less: Impairment during the financial year	-	(62,144)
At 31 December	12,179	12,179
Unquoted shares in Malaysia, at cost	199,462	199,462
Less: Accumulated impairment losses	(187,283)	(187,283)
	12,179	12,179

The Company has assessed the classification of the amount due from a subsidiary of RM60 million upon adoption of MFRS 9. Accordingly, this amount, together with the accumulated impairment losses of RM60 million, is now presented within "receivables, deposits and prepayments" (non-current) as at 31 December 2018.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

16 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless as indicated below. Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities
Zelan Holdings (M) Sdn. Bhd.#	Malaysia	100	100	Investment holding, civil engineering and building turnkey contractor
Konsesi Pusat Asasi Gambang Sdn. Bhd.#	Malaysia	100	100	Concession operator
Zelan Corporation Sdn. Bhd.#	Malaysia	100	100	Property development and management and operation of motor vehicles arking facilities
Zelan Enterprise Sdn. Bhd.#	Malaysia	100	100	Contracting and supplying of building materials
Zelan Construction Sdn. Bhd.#	Malaysia	100	100	Piling and civil engineering contractor
Zelan AM Services Sdn. Bhd.#	Malaysia	100	100	Asset and facilities management services
<u>Subsidiary of Zelan Corporation Sdn. Bhd.</u>				
Zelan Development Sdn. Bhd.#	Malaysia	100	100	Property development
<u>Subsidiaries of Zelan Holdings (M) Sdn. Bhd.</u>				
Sejara Bina Sdn. Bhd.*	Malaysia	100	100	Investment holding
PT Zelan Indonesia*	Indonesia	95	95	Civil technical design and construction of civil and building works
Zelan Construction (India) Private Limited*	India	100	100	Civil technical design and construction of civil and building works
Zelan Construction Arabia Co. Ltd.*	Saudi Arabia	100	100	Civil technical design and construction of civil and building works
<u>Subsidiaries of Zelan Enterprise Sdn. Bhd.</u>				
Vispa Sdn. Bhd.*	Malaysia	100	100	Dormant
Eminent Hectares Sdn. Bhd.*	Malaysia	100	100	Investment holding
<u>Subsidiary of Zelan Construction Sdn. Bhd.</u>				
Zelan ICOP Consortium Sdn. Bhd.*	Malaysia	100	100	Construction of sewage conveyance system

Note:

\# Audited by Al Jafree Salihin Kuzaimi PLT for financial year ended 31 December 2019. Audited by PricewaterhouseCoopers PLT, Malaysia in financial year ended 31 December 2018.

* Audited by a firm other than Al Jafree Salihin Kuzaimi PLT (2018: member firm of PricewaterhouseCoopers International Limited).

16 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Impairment assessment of investments in subsidiaries

Investments in subsidiaries are assessed at each reporting period for any indicator that the investments may be impaired. Where such indicators exist, the recoverable amounts of the identified cost of investments are determined based on the higher of value-in-use calculation and fair value less costs to sell.

During the financial year ended 31 December 2018, the Company reviewed its costs of investments in subsidiaries for Zelan Construction Sdn. Bhd., Zelan Enterprise Sdn. Bhd., Zelan AM Services Sdn. Bhd. and Zelan Holdings (M) Sdn. Bhd. using the value-in-use calculation as the net assets in these subsidiaries have declined to be below the Company's cost of investments. The value-in-use calculations were prepared using the present value of the estimated cash flows expected to be generated from the operating activities, after settlement of liabilities and tax. Arising from these assessments, the cost of investments in all four subsidiaries have been fully impaired.

17 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost	385	385	-	-
Less: Accumulated impairment losses	(385)	(385)	-	-
	-	-	-	-
Unquoted shares outside Malaysia, at cost	1,971	1,971	-	-
Less: Accumulated impairment	(1,971)	(1,971)	-	-
	-	-	-	-
Group's share of post-acquisition reserves	6,137	6,187	-	-
	6,137	6,187	-	-

The associates are individually not material to the Group. The Group's share of revenue, results, assets and liabilities of the associates are as follows:

	Group	
	2019 RM'000	2018 RM'000
(Loss)/profit after taxation/Total comprehensive (loss)/income (including non-controlling interests)	(50)	14,465
Current assets	13,015	16,727
Current liabilities	(6,878)	(10,540)
Net assets	6,137	6,187

17 INVESTMENTS IN ASSOCIATES (CONT'D)

In respect the Group's investment in the IJM-Sunway Builders-Zelan-LFE Engineering Consortium ("Consortium"), the Group has contractual obligations to share all benefits, profits, risks, liability and losses derived from its participation in the Consortium based on their respective shareholding proportion, including share of loss of the Consortium in excess of the Group's interest in the Consortium.

During the financial year, the Group recognised share of loss of an associate of RM49,817 (2018: share of profit of RM14,465,000.

The shares of all associates are held directly by the Company unless as indicated below. Details of the Group's associates are as follows:

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities
Associates of Zelan Holdings (M) Sdn. Bhd.				
IJM-Sunway Builders-Zelan-LFE Engineering Consortium	Malaysia	25	25	Design, execution and completion of towers
Zelan Arabia Co. Ltd. $	Saudi Arabia	40	40	Under Liquidation
Associate of Sejara Bina Sdn. Bhd.				
Essential Amity Sdn. Bhd. @	Malaysia	50	50	Under Liquidation

Note:
@ Applied for Members' Voluntary Liquidation from Companies Commission of Malaysia pursuant to Section 439(1)(b) of the Companies Act, 2016 on 23 December 2017. Tax file closed on 21.05.2019.
$ On 30 November 2018, a resolution was passed to liquidate the entity. As at 31 December 2019, the Group is still in the process of liquidating the entity.

18 INVESTMENTS IN JOINT OPERATIONS

The Group's interest in the joint operation is as follows:

Name of company	Principal activities	Share of interest 2019 %	2018 %
Zelan BEC Consortium	Design and construction of chimney	51	51

The accounting policy on the Group's joint operation is disclosed in Note 2b(iii) to the financial statements.

The Group's share of revenue, results, assets and liabilities of the joint operation are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Profit after taxation	14	-
Non-current assets	-	179
Current assets	1,371	1,371
Current liabilities	(1,272)	(1,466)
Net assets	99	84

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Financial receivables				
Non-current				
Trade receivables	681,908	708,585	-	-
Less: Provision of impairment	(61,858)	(62,810)	-	-
	620,050	645,775	-	-
Amount due from an associate	1,825	3,566	-	-
Less: Provision of impairment	(648)	(2,376)	-	-
	1,177	1,190	-	-
Receivables, deposits and prepayments	621,227	646,965	-	-
Amounts due from subsidiaries	-	-	568,377	562,824
Less: Provision of impairment	-	-	(568,377)	(562,824)
	-	-	-	-

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current				
Trade receivables	61,659	71,528	-	-
Less: Provision of impairment	-	-		
	61,659	71,528	-	-
Other receivables and deposits	12,040	9,237	9	11
Less: Provision of impairment	(2,148)	(2,148)	-	-
	9,892	7,089	9	11
Advances to subcontractors	4,037	3,916	-	-
Prepayments	1,324	1,658	-	-
Receivables, deposits and prepayments	76,912	84,191	9	11
Amount due from a subsidiary	-	-	14,988	35,968

(i) Amount due from an associate is trade in nature, unsecured, interest-free and repayable on demand.

(ii) Amounts due from subsidiaries are mainly advances and payments made on behalf of the subsidiaries which are unsecured and interest-free.

(iii) Included in the non-current trade receivables of the Group is the retention sum on contracts of RM58.6 million (2018: RM56.4 million), inclusive of RM38.4 million (2018: RM38.8 million) which is due from the project owner of the Group's project in Abu Dhabi.

(iv) Other receivables mainly relate to consultancy fees receivable from project owners.

(v) Trade receivables of the Group include concession income receivable from a project owner in Malaysia amounting to RM488.6 million (2018: RM515.9 million), of which RM432.2 million (2018: RM459.6 million) is expected to be received after twelve months from the end of the financial year. Accordingly, the amount of RM432.2 million (2018: RM459.6 million) has been classified as a non-current receivable. These receivables will be received over the remaining concession period. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables.

(vi) In respect of the Group's project in Abu Dhabi, United Arab Emirates ("UAE"), the Group issued a notice of termination to the project owner in Abu Dhabi, UAE, on 17 September 2015, to terminate the Group's employment following disputes and differences including the defaults by the project owner, who failed to pay an amount of AED27.6 million (approximately RM31.1 million), being the certified amounts of works done and materials at site owing by the project owner to the Group under the certificates of payment in accordance with the provisions of the contract and the project owner's continuous interference with the valuation and/or certification of the Group's progress claims. The project owner disputed the termination and counter-claimed for the costs and losses, which include repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(vi) The Group on 27 July 2019 received a decision from the Arbitral Tribunal of the ICC, declaring *inter-alia*, as follows:

- The Group's termination of the Contract is valid;
- The contract of Muqawala made between the parties has terminated for the purpose of Article 892 of the UAE Civil Code of Contract;
- The project owner's deduction sums in respect of obsolete cladding and thermal insulation material, conveying materials and MEP material were wrongful;
- The project owner's reversal of Interim Payment Certificate ("IPC") number 51 by issuing IPC 51R is invalid and wrongfully issued;
- The NCR numbers 98, 119, 121, 122, 123 (as qualified) and 97 (to the extent the remedial works do not relate to Basement B1 slabs) were invalid and/or wrongfully issued by the project owner; and
- The Group is due an extension of time to 1 October 2015 for basement rectification works with no prolongation cost.

Accordingly, the Arbitral Tribunal of the ICC has awarded the Group the following:

- The sum of AED256.1 million (approximately RM285.4 million) which sum includes interest up to 1 June 2019;
- Pre-award interest from 1 June 2019 until 25 July 2019 in the sum of AED52,964 (approximately RM59,046);
- Parties' costs in the sum of AED8.4 million (approximately RM9.59 million);
- ICC Costs of Arbitration in the sum of USD585,000 (approximately RM2.4 million); and
- Post-award interest on the AED256.1 million, the parties' costs and ICC Costs of Arbitration at the rate of 9% per annum after the date of the arbitration award until full payment by the project owner.

On 13 January 2020, the Group applied to Abu Dhabi Commercial Court of Appeal ("ADCCA") for ratification and execution of the arbitration award. ADCCA ordered the ratification and execution of the arbitration award on 7 May 2020. The Directors are looking at options to execute the ADCCA verdict and recover the arbitration award. On 10 June 2020, ZHSB has been notified that the project owner filed grievance application on the decision to the ADCCA. The matter is fixed for hearing on 23 July 2020.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	31.12.2019 RM'000	31.12.2018 RM'000
Contract assets from construction contracts	98,947	95,603
Less: Provision for impairment	(40,228)	(40,654)
	58,719	54,949
Non-current	51,709	52,256
Current	7,010	2,693
	58,719	54,949
Contract liabilities from construction contracts	(117)	(12,319)

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

(a) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially satisfied) at the reporting date, are as follows:

	2019 RM'000	Total RM'000
Construction contracts	68,032	68,032

(b) Significant changes

The contract liabilities at the end of the financial year arose as a result of progress billings issued to the project owners based on milestones achieved during the financial year, which exceeded the extent of work performed.

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits placed with licensed banks	14,597	1,258	-	-
Cash and bank balances	5,758	3,787	151	2,046
Deposits, cash and bank balances	20,355	5,045	151	2,046
Less: Reserved funds and deposits pledged as security	(14,597)	(1,258)	-	-
Cash and cash equivalents	5,758	3,787	151	2,046
Deposits, cash and bank balances are analysed as follows:				
Current:				
- Restricted	136	134	-	-
- Not restricted	5,758	3,787	151	2,046
	5,894	3,921	151	2,046
Non-current:				
- Restricted	14,461	1,124	-	-
	20,355	5,045	151	2,046

Included in deposits placed with licensed banks of the Group are amounts of RM6,777,000 (2018:Nil), which have been classified as a Finance Service Reserve Fund pledged until full settlement of the banking facilities, granted to the Group and the Company as at the reporting date.

21 CASH AND CASH EQUIVALENTS (CONT'D)

Included in deposits placed with licensed banks of the Group are amounts of RM6,645,000 (2018:Nil), which have been classified as a Maintenance Reserve Fund held in trust pending fulfillment of certain conditions before transfers are made to current accounts.

Included in deposits placed with licensed banks of the Group are amounts of RM1.039 million (2018:RM1,258,000), which have been pledged to secure banking facilities, primarily for performance guarantee facilities granted to the Group and the Company as at the reporting date.

Included in the cash and bank balances of the Group is RM136,000 (2018: RM134,000) held under Housing Development Account (opened and maintained under Section 7A of the Housing Development (Contract and Licensing) Act, 1966) that may only be used in accordance with the said Act.

The weighted average interest rates of deposits, bank and cash balances that were effective at the reporting date were as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Deposits placed with licensed banks	2.47	1.88	-	-
Bank balances	0.10	0.86	-	-

22 INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
Completed properties for sale	6,858	8,329

Inventories where the net realisable value is expected to be below the carrying amount were written down. During the last financial year, the Group wrote down the carrying amount of the inventories by RM226,410 based on the latest market valuation. During the financial year six units of inventories were disposed at an aggregate value of RM1.4 million.

23 PAYABLES

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payables	158,685	174,683	-	-
Amounts due to related companies	11,540	15,368	1,071	1,071
Amounts due to joint venture partners	506	531	-	-
Amounts due to associates	4,778	4,828	-	-
Other payables and accruals	10,759	14,513	636	533
	186,268	209,923	1,707	1,604
Other liabilities				
Advances received from contract customers	13,613	5,168	-	-
Others	241	10	-	-
	13,854	5,178	-	-
Amounts due to subsidiaries	-	-	32,252	38,880

Advances received from contract customers are repayable to project owners for completed projects.

Amounts due to related companies, subsidiaries, associates and joint venture partners are unsecured, interest-free, trade and non-trade in nature and repayable on demand.

Other payables and accruals consist of arbitration and professional fees payable for the project in Abu Dhabi and provision for litigation claims.

24 BORROWINGS

		Group		Company	
		2019	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current					
Hire purchase liabilities (unsecured)	(a)	158	168	-	-
Islamic financing (secured)	(b)				
- Between 1 and 3 years		56,084	126,179	-	-
- Between 3 and 5 years		63,087	104,954	-	-
- More than 5 years		301,415	124,461	-	-
		420,586	355,594	-	-
Term loan (secured)	(c)				
- Between 1 and 3 years		14,039	-	-	-
- Between 3 and 5 years		74,770	-	-	-
		88,809	-	-	-
		509,553	355,762	-	-
Current:					
Hire purchase liabilities (unsecured)	(a)	109	123	-	-
Islamic financing (secured)	(b)	32,371	87,571	-	8,934
Term loan (secured)	(c)	5,682	96,583	-	-
		38,162	184,277	-	8,934
Total:					
Hire purchase liabilities (unsecured)	(a)	267	291	-	-
Islamic financing (secured)	(b)	452,957	443,165	-	8,934
Term loan (secured)	(c)	94,491	96,583	-	-
		547,715	540,039	-	8,934

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

24 BORROWINGS (CONT'D)

(a) Hire purchase liabilities (unsecured)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis of hire purchase liabilities:				
Payable within 1 year	116	133	-	-
Payable between 1 and 3 years	169	93	-	-
Payable between 3 and 5 years	-	84	-	-
	285	310	-	-
Less: Finance charges	(18)	(19)	-	-
	267	291	-	-
Present value of hire purchase liabilities:				
Payable within 1 year	109	123	-	-
Payable between 1 and 3 years	158	86	-	-
Payable between 3 and 5 years	-	82	-	-
	267	291	-	-

(b) Islamic financing (secured)

(i) Bank guarantee facility (Group and Company)

In respect of the bank guarantee facility, the existing Performance Bond amounting to RM12.9 million (5% of the contract sum) in relation to the Construction of the Proposed Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) Project – Package CB2: CH.15000 to CH.16700 ("SUKE Project") for a contract sum of RM257.6 million remain unchanged at the end of the reporting period.

Certain of the Group's properties have been pledged against the facility at the end of the reporting period.

(ii) In December 2012, the Group secured an Islamic financing facility which is based on the principles of Bai' Istisna ("BIS") amounting to RM321.9 million from a local financial institution. This facility is used to finance a local concession project ("project") of the Group.

This facility is segregated into three parts:

- BIS 1 of RM4.2 million (2017: RM3.8 million) is used to finance the road electrical works related to the project;
- BIS 2 of RM11.4 million (2017: RM10.5 million) is used to finance the reimbursable cost of the project; and
- BIS 3 of RM418.7 million (2017: RM389.1 million) is used to finance the construction of the project.

BIS 1 and BIS 2 are repayable on 31 January 2019. The BIS 3 facility of RM63.1 million (2017: RM21.0 million) is repayable within 12 months from the end of the financial year.

24 BORROWINGS (CONT'D)

(b) Islamic financing (secured) (cont'd)

(ii) The facility is secured by:

- The Master Facility Agreement;
- A debenture incorporating a first fixed charge and floating charge over all present and future assets;
- Assignment of rights, title, interest and benefits in respect of initial payment, availability charges, asset management services charges, reimbursement of cost, project land, designated accounts and takaful/insurances;
- Irrevocable Letter of Undertaking to complete the project in accordance to the concession agreement; and
- Completion guarantee from the main contractor.

The profit rate of the facility is charged based on the cost of funds plus a fixed margin. The profit of the facility will be payable upon commencement of instalment payment.

On 22 January 2019, the Group obtained approval from the financial institution to restructure the facility and consolidate the three parts of the facility into a Tawarruq Facility amounting to RM448.6 million. The moratorium period of the facility expired upon receipt of the Availability Charges. The facility will be paid on a monthly basis over a period of 15.7 years. The profit rate of the facility during the moratorium period is based on Base Financing Rate plus a fixed margin of 1.20% per annum and after the expiry of moratorium period, the profit rate shall be based on Cost of Fund plus a fixed margin of 0.55% per annum.

(c) Term loan (secured)

In 2016, the Group restructured the rectification bond and performance bond drawdown in January 2016 by a project owner in Abu Dhabi of AED92.5 million (approximately RM104.2 million) into a secured term loan amounting to AED87.2 million (approximately RM98.2 million).

On 25 July 2017, the financial institution approved the Group's application to restructure the loan repayment schedule which will be repayable over a period of two years up to June 2019.

On 25 March 2018, the financial institution approved the Group's revised repayment terms which will be for the period up to October 2019. The final repayment which will be due in October 2019 will include residual principal plus accrued non-penal interest.

The interest rate of the term loan is based on Emirates Interbank Borrowing Rate ("EIBOR") plus a fixed margin and will vary when there is a revision made to the EIBOR. The interest on the term loan is payable together with the final instalment payment.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

24 BORROWINGS (CONT'D)

(c) Term loan (secured) (cont'd)

At the end of the financial year ended 31 December 2019, the Group did not meet the repayment instalment of the term loan. Upon several discussions, the Group has obtained approval from the financial institution to restructure the facility as per Letter of Offer dated 13 January 2020. The outstanding term loan amount shall be paid in 59 irregular instalments starting 30 December 2019 until 30 October 2024 (final repayment date) with the following Conditions:

- No restrictions on pre-payment;
- Any moneys received from Meena Holdings should be used towards settlement of the principal outstanding; and
- Should the full amount be repaid on or before 31 December 2022, the full outstanding interest will be waived in full

The effective contractual interest rates (per annum) at the reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Hire purchase liabilities	2.34-2.57	2.35 – 2.87	-	-
Islamic financing	5.90	7.08 – 8.15	6.83	7.08
Term loan	6.05	6.59	-	-

25 SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
Company	'000	'000	RM'000	RM'000
Issued and fully paid:				
Ordinary shares with no par value effective 31 January	844,895	844,895	84,489	84,489
Issuance of shares arising from Exercise of warrants 2014/2018	26	-	6	-
	844,921	844,895	84,495	84,489

The Company had, on 31 January 2019, announced an allotment and issuance of 26,250 new ordinary shares pursuant to the warrant holders exercising their warrant rights. These rights shares were listed on 4 February 2019.

The Companies Act, 2016 (the "2016 Act") which came into effect on 31 January 2017 abolished the concept of authorised share capital and par value of shares. There is no impact on the number of ordinary shares in issue of 844,895,000 or the entitlement of the holders of the Company's ordinary shares.

26 RESERVES

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Warrants reserve	(a)	-	14,082	-	14,082
Foreign exchange reserve	(b)	10,089	9,899	-	-
Capital reserve	(c)	35,457	35,457	18,456	18,456
General reserve	(c)	4,254	4,254	3,258	3,258
Accumulated losses		(87,188)	(103,930)	(112,835)	(119,493)
		(37,388)	(40,238)	(91,121)	(83,697)

(a) The warrants reserve arose from the issuance of 281,631,485 free detachable warrants following the completion of the Rights Issue with Detachable Warrants exercise on 31 January 2014.

Each warrant entitles its registered holder to subscribe for 1 ordinary share at an exercise price of RM0.25 per warrant, at any time within 5 years commencing on and including the issuance date i.e. 28 January 2014, subject to the provisions in the Deed Poll. Any warrants not exercised during the period will thereafter lapse and cease to be valid.

The Company had, on 31 January 2019, announced an allotment and issuance of 26,250 new ordinary shares pursuant to the warrant holders exercising their warrant rights. These rights shares were listed on 4 February 2019. The remaining 281,605,235 warrants were unexercised and had lapsed and removed from the official list of Bursa Securities from thereon.

(b) Exchange translation differences have arisen from the translation of net assets of foreign branches and foreign subsidiaries.

(c) These reserves relate to net gain from disposals of investment in shares, issue of bonus shares by a subsidiary out of post-acquisition reserves, transfer of warrants reserve upon expiry of warrants and transfer of profits to a statutory reserve by certain overseas subsidiaries.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

27 DEFERRED TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	898	898	-	-
Deferred tax liabilities	(3,242)	(3,147)	-	-
	(2,344)	(2,249)	-	-
Movement during the financial year is as follows:				
At start of the financial year	(2,249)	(3,166)	-	-
Credited/(Charged) to profit or loss (Note 12):				
- property, plant and equipment	(95)	19	-	-
- unutilised tax losses	-	887	-	-
- other payables and accruals	-	11	-	-
	(95)	917	-	-
At end of the financial year	(2,344)	(2,249)	-	-
Subject to income tax:				
Deferred tax assets (before and after offsetting)				
- unutilised tax losses	898	887	-	-
- other payables and accruals	-	11	-	-
	898	898	-	-
Deferred tax liabilities (before and after offsetting)				
- property, plant and equipment	(3,242)	(3,147)	-	-

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

Subject to agreement with the tax authorities, the unutilised tax losses (subject to time limit of utilisation of 7 years) and deductible temporary differences (for which there is no expiry date) of the Group and the Company available at the end of the reporting period for which no deferred tax assets are recognised are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unabsorbed capital allowances	18,130	20,387	-	-
Unutilised tax losses	73,376	73,375	-	-
	91,506	93,762	-	-

Deferred tax asset has not been recognised as it is not probable that these entities will be able to generate sufficient future profits for the realisation of the tax benefits as above.

28 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

(i) Significant related party transactions

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental of office premises receivable from a subsidiary of a corporate shareholder of the Company (non-trade):				
- MMC Engineering Services Sdn. Bhd.	828	520	-	-
Rental of office premises receivable from a related party of a corporate shareholder of the Company (non-trade):				
- Tradewinds Hotel & Resorts	39	-	-	-
- Tradewinds Corporation Berhad	35	34	-	-
- Tradewinds Properties Sdn. Bhd.	-	2	-	-
- Tradewinds Premium Good Sdn. Bhd.	20	28	-	-
Rental fee payable to a subsidiary (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	-	(11)
Advances given to/ (repayment of advances from) subsidiaries (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	5,924	(1,949)
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	(23,104)	345
- Zelan Construction Sdn. Bhd.	-	-	6,928	3,893
- Zelan Corporation Sdn. Bhd.	-	-	(407)	(90)
- Zelan AM Services Sdn. Bhd.	-	-	1,754	291
- Eminent Hectares Sdn. Bhd.	-	-	107	(200)
Interest receivable from an associate (non-trade):				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	-	414	-	-

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(ii) Significant financial year end related party balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amounts due from subsidiaries				
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	12,864	35,968
- Zelan AM Services Sdn. Bhd.	-	-	2,124	-
	-	-	14,988	35,968
Amounts due to subsidiaries				
- Zelan Constructions Sdn. Bhd.	-	-	29,039	35,968
- Sejara Bina Sdn. Bhd.	-	-	2,148	2,148
- Others	-	-	1,065	764
	-	-	32,252	38,880
Amounts due to related companies				
- MMC Corporation Berhad	840	840	840	840
- MMC Tepat Teknik Sdn. Bhd.	231	231	231	231
- MMC Engineering Services Sdn. Bhd.	10,469	14,297	-	-
	11,540	15,368	1,071	1,071
Amount due from an associate				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	1,178	1,190	-	-
Amounts due to associates				
- Zelan Arabia Co. Ltd.	4,778	4,828	-	-
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	-	-	-	-
	4,778	4,828	-	-
Amounts due to joint venture partners				
- Balanced Engineering & Construction Pte Ltd	60	60	-	-
- ICOP Consortium Sdn. Bhd.	446	471	-	-
	506	531	-	-

The outstanding balances arising from the above related party transactions have been disclosed in Note 19 and Note 23 to the financial statements.

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Key management personnel refer to the Directors of the Company (Note 10 to the financial statements) and other senior management personnel.

The aggregate amount of compensation received/receivable by key management personnel of the Group and the Company during the financial year was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and bonuses	1,436	1,301	1,053	1,301
Defined contribution retirement plan	183	191	130	191
	1,619	1,492	1,183	1,492
Estimated monetary value of benefits-in-kind	58	38	43	38
	1,677	1,530	1,226	1,530

29 LITIGATIONS

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

Projects in Malaysia

a) In relation to a project in Malaysia, a subsidiary company, Zelan Construction Sdn. Bhd. ("ZCSB") had filed a Notice of Arbitration dated 25 March 2019 against its sub-contractor for breach of contract. The sub-contractor had on 24 April 2019 filed a response and counterclaim for RM19,418,937.16 against ZCSB for the unpaid certified invoices, retention sum, outstanding variation order and GST.

   Subsequently, on 6 November 2019, ZCSB submitted its Statement of Case, *inter-alia* claiming as follows:

   (i) Declaration that the Certificate of Practical Completion was properly revoked by ZCSB;
   (ii) Declaration that the sub-contractor failed to achieve practical completion of the works in accordance with the Contract;
   (iii) Declaration that ZCSB is entitled to step-in as provided under Clause 40A of the Contract;
   (iv) Payment of RM8,269,219 being liquidated damages for the sub-contractor delay in completing its Works from 01.07.2015 to 22.12.2015;
   (v) Payment of RM17,393,875.15 being liquidated damages for the sub-contractor delay in completing its Works from 01.07.2015 to 30.06.2016.
   (vi) Direct cost, losses, expenses and/or damages which incurred by ZCSB amounting to RM45,774,742.27;
   (vii) Payment of RM186,283,267.56 for other costs, losses, expenses and/or damages incurred by ZCSB;
   (viii) Consultant fees and Petty Cash amounting to RM617,175.14 incurred by ZCSB;
   (ix) Electricity Charges amounting to RM3,446,341.22 incurred by ZCSB;

29 LITIGATIONS (CONT'D)

Details of the significant litigations during the financial year are as follows: (cont'd)

Projects in Malaysia (cont'd)

(x) Pre award interest at the rate of 5% per annum from the respective due dates until settlement in full; and
(xi) Post award interest at the rate of 5% calculated on the sum awarded until the date of settlement.

The sub-contractor submitted its Statement of Defence and Counterclaim dated 19 March 2020. Both parties are currently complying with the arbitration procedural timeline.

b) In relation to a project in Malaysia, a subsidiary company, ZCSB had issued a Notice of Arbitration dated 8 March 2019 to a consultant in respect of the disputes and differences under the Consultancy Services Agreement dated 9 May 2013. The consultant submitted its Response to the Notice of Arbitration and counts-claimed the sum of RM2,801,200.81 on 1 April 2019.

ZCSB claims for the following:-

i) Declaration that a consultant has breached its obligations under the Contract;
ii) payment for the refund on value of cost savings for deviation items amounting to RM5,969,352.20;
iii) payment for rental of temporary facilities, utilities bills and other costs from January 2016 until 30 June 2018 amounting to RM38,307,666.66;
iv) payment for ZCSB's lost of income from January 2016 until 30 June 2018 amounting RM261,121,652.12; and
v) general damages, cost of Arbitration proceeding and other cost the Arbitrator deems appropriate.

The matter is currently pending appointment of an arbitrator by the AIAC.

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 a sub-contractor in respect of disputes and differences arising from outstanding claims for dredging works and shore protection works in relation to the project in Tanjung Setapa, Johor, Malaysia. ZCSB filed it's Statement of Defence and Counter Claim dated 3 October 2017. Accordingly, the matter proceeded with full trials on 3 March, 4 March, 20 March and 30 April in 2018.

On 19 January 2020, the High Court dismissed both the sub-contractor's claims as follows ("High Court's decision"):-

i) Both suits filed by the sub-contractor are dismissed with cost of RM10,000.00 each
ii) ZCSB's counter claim is allowed with losses and damages in carrying out the balance quantity of 247,384m^3 to be assessed by Court; and
iii) On 14 February 2020, ZCSB filed for Notice of Direction for assessment of damages to be assessed by Court.

On 14 February 2020, the sub-contractor filed it's Notice of Appeal in the Court of Appeal, Putrajaya against the High Court's decision.

The sub-contractor also filed a Notice of Application for Stay of Proceedings dated 14 May 2020 to have all forms of proceedings from and/or related to the High Court's decision be stayed pending conclusion of the appeal.

30 COMMITMENTS

(a) Capital commitments

There is no capital expenditure which were authorised but not contracted for, as at the reporting date.

(b) Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Less than one year	194	108

The operating lease commitments relates to leases of office and land under non-cancellable operating lease agreement. The leases have varying terms and renewal rights.

31 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports received by the Directors that are used to make strategic decisions. The Directors consider the business from products perspective as the reportable operating segments derive their revenues primarily from its main business segments, are as follows:

(a) Engineering and construction
(b) Property and development
(c) Asset facility management
(d) Investment

The engineering and construction business segment includes the Group's projects in Indonesia, Middle East and Malaysia.

The property and development business segment includes rental income, car park income and management fees. Asset facility management business segment are asset management services provided for the concession agreement. Investment business segment includes rental income and other segment which is not within the reportable operating segments provided to the Directors. Interest income and interest expenses are not allocated to the segments because this is managed centrally by the Group.

Inter-segment revenue comprise construction of buildings for property development segment and purchase of raw materials for the engineering and construction segment.

In determining the geographical segments of the Group, sales are based on the region in which the customer is located. Segment assets (which exclude deferred tax assets and tax recoverable) and capital expenditure are determined based on where the assets are located. Segment liabilities (which exclude deferred tax liabilities and current tax liabilities) are determined based on where the liabilities arise. The amount provided to the Directors with respect to the total assets (which exclude deferred tax assets and tax recoverable) and total liabilities (which exclude deferred tax liabilities and current tax liabilities) are measured in a manner which is consistent with the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
for the Financial Year Ended 31 December 2019

31 SEGMENTAL INFORMATION (CONT'D)

Segment results are defined as operating income before provision of impairment for receivables, depreciation, provision for impairment of receivables and contract assets, finance income, finance costs and share of results of associates.

The segment information provided to the Directors for the reportable segments, is as follows:

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
Financial year ended 31 December 2019					
Segment revenue	55,475	744	41,858	1,203	99,280
Less:					
Inter-segment sales	-	-	(18,515)	-	(18,515)
Revenue from external customers	55,475	744	23,343	1,203	80,765
Results					
Segment result	10,459	254	10,047	(876)	19,884
Depreciation of property, plant and equipment and investment properties	(170)	(88)	-	(6)	(264)
Finance income	1,022	3	24,657	4	25,686
Finance costs	(4,962)	(2)	(34,619)	(43)	(39,626)
Share of results of associates	(50)	-	-	-	(50)
Profit/(loss) before zakat and taxation	6,299	167	85	(921)	5,630
Financial year ended 31 December 2018					
Segment revenue	68,893	766	2,763	979	73,401
Less:					
Inter-segment sales	-	-	(660)	(218)	(878)
Revenue from external customers	68,893	766	2,103	761	72,523
Results					
Segment result	(12,390)	554	263	(4,865)	(16,438)
Depreciation of property, plant and equipment and investment properties	(201)	(104)	(1)	(92)	(398)
Write back of provision for impairment of receivables and contract assets	13,300	-	-	-	13,300
Finance income	9,021	3	-	162	9,186
Finance costs	(38,808)	-	-	(537)	(39,345)
Share of results of associates	14,465	-	-	-	14,465
(Loss)/Profit before zakat and taxation	(14,613)	453	262	(5,332)	(19,230)

31 SEGMENTAL INFORMATION (CONT'D)

The segment information provided to the Directors for the reportable segments, is as follows: (cont'd)

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
At 31 December 2019					
Total assets:					
Segment assets	759,434	10,959	21,977	2,435	794,805
Investments in associates	6,137	-	-	-	6,137
	765,571	10,959	21,977	2,435	800,942
Add: Unallocated assets					910
					801,852
Total liabilities:					
Segment liabilities	730,012	609	1,895	15,438	747,954
Add: Unallocated liabilities					7,118
					755,072
At 31 December 2018					
Total assets:					
Segment assets	792,620	11,110	2,439	4,393	810,562
Investments in associates	6,187	-	-	-	6,187
	798,807	11,110	2,439	4,393	816,749
Add: Unallocated assets					2,058
					818,807
Total liabilities:					
Segment liabilities	755,082	443	1,269	10,665	767,459
Add: Unallocated liabilities					7,424
					774,883

31 SEGMENTAL INFORMATION (CONT'D)

The geographical segment information provided to the Directors for the reportable segments, is as set out below.

The Group's business segments are managed in four main geographical areas:

(i) Malaysia - engineering and construction
(ii) Indonesia - engineering and construction
(iii) United Arab Emirates ("UAE") - engineering and construction
(iv) Kingdom of Saudi Arabia ("KSA") - engineering and construction

	Malaysia RM'000	Indonesia RM'000	UAE RM'000	KSA RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2019						
Segment revenue	80,765	-	-	-	-	80,765
At 31 December 2019						
Segment assets	609,379	81	186,225	6,148	19	801,852
Segment liabilities	563,724	6,316	165,708	19,147	177	755,072
For the financial year ended 31 December 2018						
Segment revenue	72,523	-	-	-	-	72,523
At 31 December 2018						
Segment assets	624,307	80	188,203	6,197	20	818,807
Segment liabilities	582,321	5,815	167,229	19,370	148	774,883

Total external revenue includes 2 customers (2018: 3 customers) from the engineering and construction business segment who have contributed 98% (2018: 98%) to the overall Group's revenue for the financial year ended 31 December 2019.

Revenue from two major customer, with revenue equal to or more than 10% of the Group's revenue, amounting to RM58,148,000 (2018: RM78,891,000) arose from the engineering and construction business segment.

32 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial assets at amortised cost:				
Trade receivables	681,709	717,303	-	-
Other receivables	9,892	7,089	9	11
Advance to subcontractors	4,037	3,916	-	-
Amount due from an associate	1,177	1,190	-	-
Amounts due from subsidiaries	-	-	14,988	35,968
Deposits, cash and bank balances	20,355	5,045	151	2,046
	717,170	734,543	15,148	38,025
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	158,685	174,683	-	-
Amounts due to subsidiaries	-	-	32,252	38,880
Amounts due to related companies	11,540	15,368	1,071	1,071
Amounts due to joint venture partners	506	531	-	-
Amounts due to associates	4,778	4,828	-	-
Other payables and accruals	10,759	14,513	636	533
Advances received from contract customers	13,613	5,168	-	-
Borrowings	547,715	540,039	-	8,934
	747,596	755,130	33,959	49,418

33 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

(a) The Group had, on 10 January 2020, appointed new auditor Messrs. Al Jafree Salihin Kuzaimi PLT.

(b) The Coronavirus disease 2019 "COVID-19" pandemic has interrupted the movement of people and goods through out the world and the government of many countries are instituting restrictions on individuals and businesses, including in Malaysia, where the majority of the Group's operations are located. In relation to this, the Government of Malaysia issued a Federal Gazzette on 18 March 2020 imposing a Movement Control Order ("MCO") effective from 18 March 2020. A Conditional MCO ("CMCO") was announced with businesses resuming on 4 May 2020. The Group also resumed its operations on that date, with full compliance with the Standard Operation Procedures ("SOP") set by the Ministry of Health, Malaysia.

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 year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Notwithstanding that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments and impairment assessments of assets.

As at the date of authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have significant financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

LIST OF **PROPERTIES HELD**
as at 31 December 2019

Location	Tenure	Area (sq. ft.)	Description/ Existing Use	Year of Expiry	Net Book Value (RM'000)	Age of Building (Years)	Year of Acquisition
PROPERTIES							
24th Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras, 56000 Kuala Lumpur	Lease-hold	10,718	Office use	2090	2,123	20	1995
INVESTMENT PROPERTIES							
23rd Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Lease-hold	22,122	Office rented to third party	2090	3,865	20	1995
21st Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Lease-hold	23,444	Office rented to third party	2090	2,114	20	1995
Basement, 4th, 5th and 6th Floor Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Lease-hold	48,855	Car park	2090	2,200	20	2005

DISCLOSURE OF **RECURRENT RELATED PARTY TRANSACTIONS** as at 31 March 2020

DETAILS OF THE RRPT ENTERED INTO BY ZELAN GROUP WITH THE RELATED PARTIES

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of RRPT	Transactions (from 11 June 2019 to 31 March 2020) RM'000
Zelan Group	MMC Group	STSB, ICSB and/or TSSM	Construction contracts, project management and property development	-
			Provision of general agreement/contract	-
			Provision of *lease/**rental of office premises	690
Zelan Group	TCB Group	PLSB, RJSB, MMC and/or TSSM	Construction contracts, project management and property development	-
			**Rental of office premises	56
Zelan Group	DRB-HICOM Group	ESSB and/or TSSM	Construction contracts, project management and property development	-
			TOTAL	**746**

* *The lease agreement (if any) is for a period exceeding three (3) years and payable on an equal pro-rated monthly or annual instalments basis.*

** *The rental agreement is for a period of two (2) years (with an option to renew for another year) and the rental is payable on a monthly basis.*

Note: *The estimated value of transactions from 3 September 2020 (date of this AGM) to the date of the next AGM are based on best estimates by Management using historical trends and projected business transaction growth. The actual transacted value may vary, exceed or be lower than, the estimates shown above.*

SHAREHOLDERS **INFORMATION**
as at 9 June 2020

Class of Securities	:	Ordinary Shares of 10 sen each
Authorised Share Capital	:	RM400,000,000
Issued and Paid Up Capital	:	RM844,920,705
Voting Right	:	One (1) vote for every ordinary share
No. of Shareholders	:	8,986

ANALYSIS BY SIZE OF SHAREHOLDING

CATEGORY	NO. OF HOLDERS	%	NO. OF HOLDINGS	%
Less than 100	239	2.66	5,436	0.00
100 – 1,000	693	7.71	452,771	0.05
1,001 – 10,000	3,058	34.04	18,130,394	2.15
10,001 – 100,000	4,098	45.60	157,904,630	18.69
100,001 to 42,246,034 (*)	897	9.98	336,847,395	39.87
42,246,034 and Above (**)	1	0.01	331,580,079	39.24
TOTAL	**8,986**	**100**	**844,920,705**	**100**

REMARK: (*) - LESS THAN 5% OF ISSUED HOLDINGS
(**) - 5% AND ABOVE THE ISSUED HOLDINGS

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

None of the Directors has any direct or indirect interest in the Company or in a related corporation.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

NO.	NAMES OF SUBSTANTIAL SHAREHOLDERS	NRIC/REGISTRATION NO.	DIRECT HOLDINGS	
			NO.	%
1	MMC CORPORATION BERHAD	30245H	331,580,079	39.24

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	SHAREHOLDINGS	%
1.	MMC CORPORATION BERHAD	331,580,079	39.24
2.	OLE HVASS BISPELUND	11,157,500	1.32
3.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	6,936,700	0.82
4.	TEE KIAM HENG	5,000,000	0.59
5.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	4,500,000	0.53
6.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG (CEB)	3,300,000	0.39

SHAREHOLDERS **INFORMATION**
as at 9 June 2020

THIRTY LARGEST SHAREHOLDERS (CONT'D)

NO.	NAMES	SHAREHOLDINGS	%
7.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG (CEB)	3,300,000	0.39
8.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN (TJJ/KEN)	3,211,800	0.38
9.	NG KIAN BING	3,075,000	0.36
10.	LIAN FONG CHEE	3,050,000	0.36
11.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LI SEE (SOLARIS-CL)	3,030,000	0.36
12.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG INN LAI	2,670,000	0.32
13.	HIEW HOCK NGAN	2,600,000	0.31
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ONG TENG CHAI (J BENDAHARA-CL)	2,520,100	0.30
15.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GAN PIK MUI	2,500,000	0.30
16.	LIM CHUN SEEN	2,440,500	0.29
17.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM KA KIAT	2,400,000	0.28
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE YOON SING (MY0318)	2,240,100	0.27
19.	CHOY CHENG CHOONG	2,215,000	0.25
20.	GOH POH CHEE	2,114,000	0.25
21.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MD. SHAH BIN ABU HASSAN	2,100,000	0.25
22.	TEE JIN GEE ENTERPRISE SDN. BHD.	2,000,000	0.24
23.	TAN ENG HAI	1,910,800	0.23
24.	ONG SI TENG	1,884,800	0.22
25.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR STUART SAW TEIK SIEW	1,813,200	0.21
26.	NG SEA BU	1,750,000	0.21
27.	KOK JIN KHUM	1,700,100	0.20
28.	HANG TUAH BIN AMIN TAJUDIN	1,667,900	0.20
29.	MD. SHAH BIN ABU HASAN	1,630,000	0.19
30.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,614,690	0.19

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 417,912,269
TOTAL PERCENTAGE : 49.45

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 44th Annual General Meeting ("AGM") of Zelan Berhad ("Zelan or the Company") will be conducted as a fully virtual meeting at broadcast venue at Boardroom of Zelan Berhad, 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur on Thursday, 3 September 2020 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. "**THAT** the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon be and are hereby received." **Please refer to Note A**

2. "**THAT** YBhg. Datuk Ooi Teik Huat, who retires in accordance with Clause 23.2 of the Company's Constitution, be and is hereby re-elected as a Director of the Company." **Resolution 1**

3. "**THAT** YBhg. Datuk Puteh Rukiah Binti Abd Majid, who retires in accordance with Clause 23.2 of the Company's Constitution, be and is hereby re-elected as a Director of the Company." **Resolution 2**

4. "**THAT** the Directors' fees for the financial year ending 31 December 2020 amounting to RM361,000.00, be and is hereby approved." **Resolution 3**

5. "**THAT** the payment of Directors Remuneration (excluding directors' fees and Board committee fees) amounting to RM400,000.00 to the Non-Executive Directors from 4 September 2020 until the conclusion of the next AGM of the Company ("Relevant Period") be and is hereby approved." **Resolution 4**

6. "**THAT** Messrs. Al Jafree Salihin Kuzaimi PLT (AF1522), who are eligible and have given their consent for the re-appointment as Auditors of the Company, be and are hereby re-appointed as Auditors of the Company until the conclusion of the next AGM of the Company, at a remuneration to be determined by the Board." **Resolution 5**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution:

7. **PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **Resolution 6**

   "**THAT** authority be and is hereby given to Datuk Ooi Teik Huat who has served as Independent Non-Executive Director of the Company for cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM."

NOTICE OF **ANNUAL GENERAL MEETING**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES** **Resolution 7**

"**THAT** subject always to the Companies Act, 2016 ("Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Board be and are hereby authorised pursuant to Section 75 and 76 of the Act, to issue and allot shares of the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Board may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10.0%) of the issued and paid-up share capital of the Company for the time being **AND THAT** the Board is also empowered to obtain the approval of Bursa Malaysia Securities Berhad and any other relevant approvals as may be necessary for the listing of and quotation for the additional shares so issued."

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE WITH MMC CORPORATION BERHAD AND ITS SUBSIDIARIES, TRADEWINDS CORPORATION BERHAD AND ITS SUBSIDIARIES AND DRB-HICOM BERHAD AND ITS SUBSIDIARIES ("PROPOSED SHAREHOLDERS' MANDATE")** **Resolution 8**

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries ("Group") to enter into the recurrent transactions of revenue or trading nature with MMC Corporation Berhad and its subsidiaries, Tradewinds Corporation Berhad and its subsidiaries and DRB-HICOM Berhad and its subsidiaries, as set out in Section 2 of the Circular to Shareholders dated 29 June 2020 which are subject to the renewal and obtaining the shareholders' mandate, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms' length basis on normal commercial terms, which are consistent with the Group's normal business practices and policies and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

(i) the conclusion of the next AGM of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such AGM;
(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier **AND THAT** the Directors and/or any of them be and are hereby authorized to do all such acts and things (including, without limitation, to execute all such documents) in the interest of the Company to give full effect to the aforesaid shareholders' mandate and any transaction contemplated under this Ordinary Resolution,

AND THAT in making the appropriate disclosure of the aggregate value of recurrent transactions conducted pursuant to the shareholders' mandate in the Company annual report, the Company must provide a breakdown of the aggregate value of the recurrent transactions made during the financial period, amongst others, based on the following information:

(i) the type of the recurrent transactions entered into; and
(ii) the names of the related parties involved in each type of the recurrent transaction made and their relationship with the Company."

BY ORDER OF THE BOARD

YUSRENAWATI BINTI MOHD YUSOF
Company Secretary

29 June 2020
Cheras, Kuala Lumpur

Notes:

1. Only members whose name appears on the Record of Depositors as at 27 August 2020 shall be entitled to attend the 44th AGM or appoint a proxy (ies) to attend and/or vote on their behalf.

2. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies and there shall be no restriction as to qualification of the proxy.

3. A member shall be entitled to appoint up to two (2) proxies to vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

4. In case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorized on its behalf. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

5. In the case of joint holders, the signature of any one of them will suffice.

6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

7. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.

8. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority must be deposited with the Registrar's Office, Boardroom Share Registrars Sdn. Bhd., at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof at which the person named in the instrument appointing a proxy to vote at this Meeting shall be deemed to include the power to demand, or join in demanding a poll on behalf of the appointer.

9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 44th AGM will be put to vote by poll. The AGM will be conducted on fully virtual and the Company has appointed Boardroom Share Registrars Sdn. Bhd. as the Poll Administrator for the AGM to facilitate the remote participation and voting facilities. Please refer to the procedures set out in the Administrative Details for the AGM on the registration and voting process for the Meeting.

10. Due to the COVID-19 pandemic, the Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman shall be at the main venue of the AGM. No Shareholders/Proxies from the public will be allowed to be physically present at the Broadcast Venue on the day of the AGM.

NOTICE OF **ANNUAL GENERAL MEETING**

EXPLANATORY NOTES ON ORDINARY BUSINESS

Note A

This agenda item is meant for discussion only as per the provision of Section 340(1)(a) of the Act, the Audited Financial Statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

Resolution 3 - Payment of Directors' Fees for financial year ending 31 December 2020

With the enforcement of Section 230(1) of the Act with effect from 31 January 2017, the listed company is required to table, amongst others, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries for the shareholders' approval at a general meeting.

The breakdown of the Directors' fees for financial year ending 31 December 2020 is as follows:

Membership	Board of Directors (RM)	Audit Committee (RM)	Nomination and Remuneration Committee (RM)
Chairman	75,000.00	30,000.00	24,000.00
Member	24,000.00	20,000.00	16,000.00

The total amount of Directors' fees payable to the Non-Executive Directors ("NEDs") is estimated to be up to RM361,000.00 for the period from 1 January 2020 to 31 December 2020.

Resolution 4 - Payment of Directors' remuneration and benefits

The total amount of remuneration and benefits payable to the Directors is estimated to be up to RM400,000.00 for the period from 4 September 2020 until the conclusion of the next AGM of the Company.

Details of the estimated Directors' remuneration and benefits (excluding Directors' fees and Board committee fees) for NEDs are set out below:

Directors	Meeting Allowances for Board and Board Committees (RM)	Other Allowances (RM)	Benefit-in-Kind (RM)	Total (RM)
Dato' Anwar Bin Haji @ Aji (Chairman)	10,000	291,000[1]	55,000[2]	356,000
Datuk Ooi Teik Huat	12,000	-	-	12,000
Datuk Puteh Rukiah Binti Abd Majid	10,000	-	-	10,000
Encik Suhaimi Bin Halim	14,000	-	-	14,000
Encik Mohd Shukor Bin Abdul Mumin	8,000	-	-	8,000
Total	**54,000**	**291,000**	**55,000**	**400,000**

The estimated directors' remunerations quoted above are based from those received by NEDs in the previous year.

Notes:

1 *Other Allowances to the NEDs comprising director's allowance, car allowance and entertainment allowance.*

2 *Benefit in kind comprising company driver, petrol and mobile phone bill (based on average monthly usage for the Relevant Period).*

Resolution 6 - Continuation in office as Independent Non-Executive Director

The Malaysian Code on Corporate Governance 2017 ("Code") recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. However, the Code further provides that the shareholders may, in exceptional cases and subject to the assessment of the Nomination and Remuneration Committee, decide that an independent director can remain as an independent director after serving a cumulative term of nine (9) years. In such a situation, the board must make a recommendation and provide strong justification to the shareholders in a general meeting.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of Datuk Ooi Teik Huat, who has served as an Independent, Non-Executive Director of the Company for cumulative term of more than nine (9) years.

The Board recommends that Datuk Ooi Teik Huat continues to act as an Independent, Non-Executive Director of the Company based on the following justifications:

(a) Datuk Ooi Teik Huat fulfills the criteria of an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(b) Datuk Ooi Teik Huat is able to provide the Board with sound advice and guidance based on his immense experiences;

(c) Datuk Ooi Teik Huat has been a dedicated and committed Board member, having attended almost all the Committee and Board meetings since his appointment to the Board;

(d) Datuk Ooi Teik Huat possesses sound knowledge and understanding of the Company's business activities and historical background which enable him to participate actively and contribute during deliberations at the Committee and Board meetings; and

(e) Datuk Ooi Teik Huat exercises due care as Independent Non-Executive Director of the Company and is able to carry out his professional and fiduciary duties in the interests of the Company and shareholders.

Resolution 7 - Authority to allot shares

The proposed Resolution 7, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, to allot and issue ordinary shares in the Company up to and not exceeding in total ten per cent (10.0%) of the issued and paid-up capital of the Company pursuant to Section 75 of the Companies Act, 2016. This authority, unless revoked or verified at a general meeting will expire at the next AGM of the Company.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 11 June 2019 which will lapse at the conclusion of the forthcoming AGM.

The Board continues to consider opportunities to expand the Company's business. In the event of a new allotment of shares pursuant to such opportunity, the proceeds will be utilised as working capital of the Company. The passing of this resolution would avoid any delay and cost involved in convening a general meeting to specifically approve the issuance of the shares.

Resolution 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

For further information, please refer to Circular to Shareholders dated 29 June 2020.

STATEMENT ACCOMPANYING **NOTICE OF ANNUAL GENERAL MEETING**

No individual is seeking election as a Director at the forthcoming 44th AGM of the Company.

ADMINISTRATIVE **DETAILS**
for the fully virtual 44th Annual General Meeting

The 44th Annual General Meeting ("AGM") of ("Zelan or the Company") will be conducted as a fully virtual meeting at broadcast venue at Boardroom of Zelan Berhad, 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur on Thursday, 3 September 2020 at 2.00 p.m.

1. Remote Participation and Voting at A Fully Virtual AGM

As a precautionary measure amid COVID -19, the Company will conduct its AGM as a fully virtual meeting via Remote Participation and Voting ("RPV") Facilities on 3 September 2020.

The shareholders are strongly encouraged to participate using the RPV webcast which is available at https://boardroomlimited.my, to login, register and sign up as a user. **No shareholder should be physically present nor admitted at the broadcast venue at the date of the AGM of the Company.**

With the use of RPV Facilities, the shareholders may exercise your rights to participate, speak and vote at the general meeting from different location without physically present at the meeting venue, including to pose questions to the Board or Management of the Company.

The closing time to submit your request to access the RPV webcast is at 2 p.m. on 1 September 2020 (48 hours before the AGM).

2. General Meeting Record of Depositors ("ROD")

Only depositors whose names appear on the ROD as at 27 August 2020 shall be entitled to participate in the AGM or appoint proxies to register and vote on their behalf.

3. Proxy

If an individual shareholder is unable to attend the AGM, he/she is encouraged to appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form (enclosed together with the Notice of AGM dated 29 June 2020) ("Proxy Form") in accordance with the notes and instructions printed therein.

For the shareholders who have previously submitted Proxy Forms appointing their proxies, you may register your intention to participate via https://boardroomlimited.my. The proxy appointment will be deemed revoked upon your registration to personally participate remotely in the AGM.

Corporate shareholders that wish to appoint a representative to participate and vote remotely at the AGM may refer to details set out under item 6 or contact the share registrars, Boardroom Share Registrars Sdn. Bhd. ("Boardroom"), with the details set out under item 8 below for assistance and will be required to provide the following documents to Boardroom not later than **Tuesday, 1 September 2020 at 2.00 p.m.**:

(i) original certificate of appointment of its corporate representative or Proxy Form under the seal of the corporation or under the hand of a duly authorised officer/attorney;
(ii) copy of the corporate representative's or proxy's MyKad (front and reverse); and
(iii) corporate representative's or proxy's email address and mobile phone number. Boardroom shall respond to you on your request for remote participation.

The corporate shareholder (through corporate representative(s) or appointed proxy(ies) who is unable to attend the AGM) is encouraged to appoint the Chairman of the meeting as its proxy indicate the voting instruction in the Proxy Form in accordance with the notes and instructions printed therein.

ADMINISTRATIVE **DETAILS**
for the fully virtual 44th Annual General Meeting

In respect of the beneficiaries of the shares under a nominee company's CDS account ("NC members") who wish to participate and vote remotely at the AGM, the NC member(s) can request its nominee company to appoint him/her as a proxy to participate and vote remotely at the AGM. The nominee company may refer to details set out under item 6 or contact Boardroom's officer with the details set out under item 8 below for assistance and will be required to provide the following documents to Boardroom not later than **Tuesday, 1 September 2020 at 2.00 p.m.**:

(1) original Revised Proxy Form under the seal of the nominee company;
(2) copy of the proxy's MyKad (front and reverse); and
(3) proxy's email address and mobile phone number.

Boardroom shall respond to you on your request for remote participation

4. Shareholders' Right to Speak

The shareholders may use the query box facility on the RPV webcast to transmit your question to the Chairman/Board. The Chairman/Board will try to address and answer the relevant questions during the Questions and Answers session.

5. Poll Voting

The voting at the AGM will be conducted by way of poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company's share registrars/poll administrator, Boardroom, will assist to conduct the poll by way of electronic voting and the independent scrutineers will verify and validate the poll results. Upon the completion of the voting session for the AGM, the scrutineers will verify the poll results followed by the Chairman's announcement whether the resolutions are duly passed.

6. RPV Facilities

Please note that this option is available to **(i) individual members; (ii) corporate shareholder; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee**.

If you choose to participate in the meeting online, you will be able to view live webcast of the meeting, submit questions to the Chairman and submit your votes in real time whilst the meeting is in progress.

Kindy follow the steps below on how to request for login ID and password.

Step 1 - Register Online with Boardroom Smart Investor Portal (for first time registration only)
[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

a. Access website https://boardroomlimited.my
b. Click <<Login>> and click <<Register>> to sign up as a user.
c. Complete registration and upload softcopy of MyKAD (front and back) or Passport.
d. Please enter a valid email address and wait for Boardroom's email verification.
e. Your registration will be verified and approved within one business day and an email notification will be provided.

ADMINISTRATIVE **DETAILS**
for the fully virtual 44th Annual General Meeting

Step 2 - Submit Request for Remote Participation User ID and Password
[Note: The registration for remote access will be opened on 2 August 2020]

Individual Members
- Login to https://boardroomlimited.my using your user id and password above.
- Select "Hybrid/Virtual Meeting" from main menu and select the correct Corporate Event "Zelan Berhad 44th AGM"
- Enter your CDS Account.
- Read and agree to the terms & condition and thereafter submit your request.

Corporate Shareholders
- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.

Authorised Nominee and Exempt Authorised Nominee
- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Form of Proxy to submit the request.

a. You will receive a notification from Boardroom that your request has been received and is being verified.
b. Upon system verification against the AGM's Record of Depositories, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
d. Please note that the closing time to submit your request is at 02:00 p.m. on 1 September 2020 (48 hours before the AGM).

Step 3 - Login to Hybrid/Virtual Meeting Portal
[Please note that the quality of the connectivity to Hybrid/Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

a. The Hybrid/Virtual Meeting portal will be open for login starting two hours (2 hours) before the commencement of AGM at 2:00 pm on 3 September 2020.
b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Hybrid/Virtual Meeting portal. (Refer to Step 2 above).
c. The steps will also guide you how to view live web cast, ask questions and vote.
d. The live web cast will end and the Messaging window will be disabled the moment the Chairman announces the closure of the AGM.
e. You can now logout from Hybrid/Virtual Meeting Portal.

7. F&B & Door Gift

There will be **NO distribution of food voucher or door gift** to shareholders.

8. Enquiry

If you have any enquiry prior to the AGM, please contact the following officers during office hours from 9.00 a.m. to 5.00 p.m. (Mondays to Fridays):

Boardroom Share Registrars Sdn. Bhd. (Registration No. 199601006647/378993-D)
11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia

General Line : +6037890 4700
Fax No. : +603-7890 4670
Officers : Encik Zulkernaen Abd Samad
+603-7890 4741 (Zulkernaen.Samad@boardroomlimited.com)
Puan Rozleen Monzali
+603-7890 4739 (Rozleen.Monzali@boardroomlimited.com)

PROXY FORM

ZELAN BERHAD

197601001688 (27676-V)

CDS Account No.	No. of Shares Held

I/We, ____ (NRIC/Passport No. ______________________)

of ____ Tel. No. ______________________
being a member/members of ZELAN BERHAD hereby appoint:

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

*and/or (*delete if not applicable)

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her the **CHAIRMAN OF MEETING**, as my/our proxy to vote for me/us on my/our behalf at the 44th Annual General Meeting ("AGM") will be conducted as a fully virtual meeting at broadcast venue at **Boardroom of Zelan Berhad, 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur** on **Thursday, 3 September 2020** at **2.00 p.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of the Annual General Meeting.

(Please indicate with a check mark ("√") in the appropriate box on how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

RESOLUTION	ORDINARY BUSINESS	FOR	AGAINST
1	To re-elect YBhg. Datuk Ooi Teik Huat pursuant to Clause 23.2 of the Company's Constitution		
2	To re-elect YBhg. Datuk Puteh Rukiah Binti Abd Majid pursuant to Clause 23.2 of the Company's Constitution		
3	To approve the Directors' Fees		
4	Payment of Directors' remuneration (excluding Directors' fees and Board committee fees) to the Non-Executive Directors from 4 September 2020 until the conclusion of the next annual general meeting of the Company amounting to RM400,000.00		
5	To re-appoint Messrs. Al Jafree Salihin Kuzaimi PLT (AF1522) as Auditors of the Company		
RESOLUTION	**SPECIAL BUSINESS**		
6	To re-appoint and to continue to act as Independent Non-Executive Director of the Company - Datuk Ooi Teik Huat		
7	Ordinary Resolution - Authority to Allot Shares		
8	Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

…………………………………………………
Signature/Common Seal of Member

Dated this………. day of………………….. 2020

NOTES:

1. This proxy form, duly signed, must be deposited at the Registrar's Office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia (Fax No: +603 7890 4670) not less than forty-eight (48) hours before the meeting. Each shareholder can appoint not more than two (2) proxies. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. This instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. A corporation may by resolution of its Directors or the governing body, if it is a member of the Company authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation.
4. In the case of joint holders, the signature of any of them will suffice.

Note to Shareholders

(i) We will forward the hard copy of Annual Report 2019 to the shareholder within four (4) market days from the date of receipt of the shareholder's verbal or written request.

(ii) Our website address is: http://www.zelan.com. In case of any requests/queries regarding our Annual Report 2019, please contact Puan Yusrenawati Mohd Yusof at telephone no: +603 9173 9173.

(iii) This Annual Report could be downloaded from the Company's website at this URL address: http://www.zelan.com.

Fold Here

ZELAN BERHAD
44th AGM
3 SEPTEMBER 2020

STAMP

BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor

Fold Here

www.zelan.com

ZELAN BERHAD
197601001688 (27676-V)

24th Floor, Wisma Zelan,
No. 1, Jalan Tasik Permaisuri 2,
Bandar Tun Razak, Cheras,
56000 Kuala Lumpur.

Tel : +603-9173 9173
Fax : +603-9171 8191
Email : info@zelan.com.my