ZELAN BERHAD
27676-V

Fresh **Momentum**

Annual Report
2013

International Islamic University Malaysia - artist illustration

contents

OUR MISSION

Our GOAL

Is to be at the forefront of industrial transformation by :

- Offering technologically innovative designs and solutions
- Continuously pursuing the highest levels of work quality and service excellence in our fields of specialisation

In playing this role, we will strive to :

- Ensure our activities and creations are beneficial to society
- Improve the quality of our environment
- Ultimately deliver value to our shareholders and stakeholders

To Achieve Our Mission

We will build on :

- The strength of our teamwork
- Our track record and professional reputation

OUR PORTFOLIO

“Our current business focus is on engineering and construction projects, and public private partnership projects, mainly in Malaysia.”

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 MARCH 2013

ANNOUNCEMENT OF RESULTS	15 August 2012 First Quarter Ended 30 June 2012	28 November 2012 Second Quarter Ended 30 September 2012
	28 February 2013 Third Quarter Ended 31 December 2012	29 May 2013 Fourth Quarter Ended 31 March 2013

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Dispatch of Annual Report and Notice of AGM
9 September 2013

ANNUAL GENERAL MEETING
30 September 2013

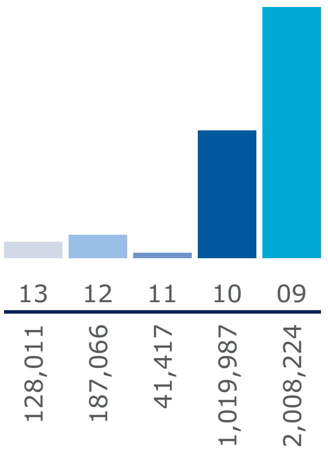
5 YEARS' FINANCIAL HIGHLIGHTS

	Financial Year ended 31.03.2013 RM'000	Financial Year ended 31.03.2012 RM'000	Financial Year ended 31.03.2011 RM'000	Financial Year ended 31.03.2010 RM'000	Financial Year ended 31.03.2009 RM'000
RESULTS					
Revenue *	128,011	187,066	41,417	1,019,987	2,008,224
Gross Profit *	11,031	70,104	(238,497)	(190,656)	(60,747)
Operating (loss)/profit *	(8,689)	53,160	(303,236)	(253,413)	(131,019)
(Loss)/profit before taxation *	(50,589)	24,498	(258,080)	(270,373)	(121,643)
(Loss)/profit attributable to shareholders *	(77,796)	11,901	(257,428)	(274,917)	(137,227)
ASSETS					
Gross assets	850,853	831,823	1,083,068	1,407,396	1,427,041
Cash & Cash Equivalents	42,832	57,209	18,601	46,495	102,882
LIABILITIES AND SHAREHOLDERS FUNDS					
Borrowings	389,906	299,039	201,561	273,941	139,879
Shareholders funds	142,479	229,082	269,471	441,029	475,179
FINANCIAL RATIOS (%)					
Debt to equity	273.7	130.5	74.8	62.1	29.4
Pre-tax return on shareholders' funds	(35.5)	10.7	(95.8)	(61.3)	(25.6)
SHARE INFORMATION					
Dividends per share	-	-	-	-	5
Net assets/Net tangible assets per share (sen)	0.25	0.41	0.48	0.78	0.84
Basic earnings per share (sen)	(14)	2	(46)	(49)	(24)

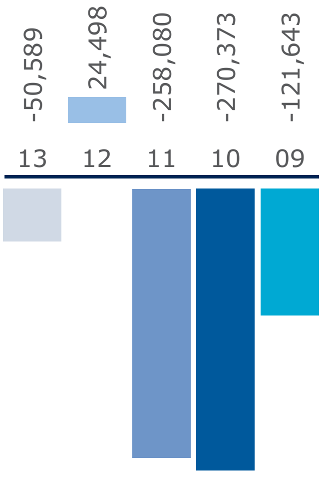
* The results for the financial year ended 31 March 2011, 31 March 2010 and 31 March 2009 comprise results from continued and discontinued operations.

5 YEARS' FINANCIAL HIGHLIGHTS
(Cont'd)

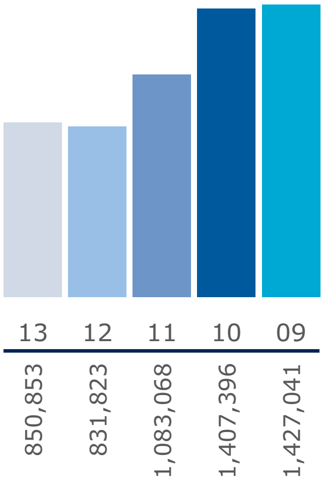
Revenue
RM'000



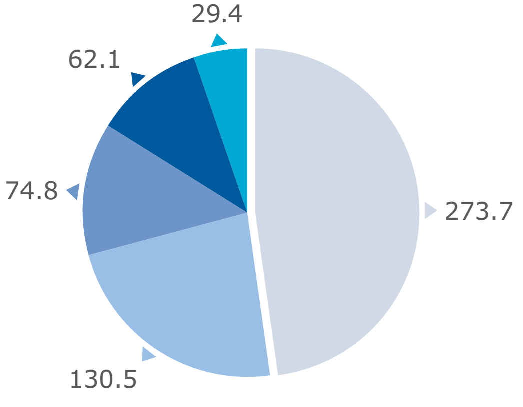
(Loss)/Profit Before Taxation
RM'000



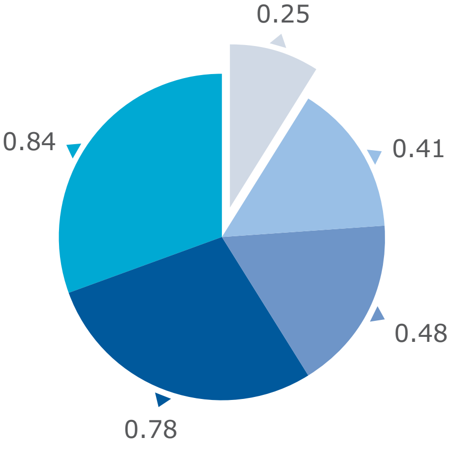
Gross Assets
RM'000



Debt to Equity
%



Net Assets
%



CHAIRMAN'S STATEMENT

DATO' ANWAR BIN AJI
Chairman

"Dear Shareholders,

On behalf of the Board of Directors of Zelan Berhad ("Zelan" or the "Group"), I hereby present the Annual Report and Audited Financial Statements for the Financial Year ended 31 March 2013."

CHAIRMAN'S STATEMENT
(Cont'd)

OPERATING ENVIRONMENT OVERVIEW

In year 2012, the global economic growth moderated in a more challenging environment compared to the preceding year. The weakening economic conditions in several key economies affected international trade and subsequently had adverse spillover effects on domestic activities in the emerging economies. As a result, most emerging regions expanded at rates significantly lower than their pre-crisis averages.

Nevertheless, our domestic economic activity improved towards the end of year 2012, supported by infrastructure investments and some stabilization in the property market. In contrast to the broad trend of moderation in the region, many ASEAN economies registered relatively robust growth rates. This was underpinned by government-led initiatives and resilient domestic demand, which was supported by favourable labour market conditions, continued access to financing and rising income.

The Malaysian economy performed better than expected in year 2012, with a higher growth of 5.6% (year 2011: 5.1%). The strong growth was supported by resilient domestic demand, which cushioned the negative impact of the weak external environment.

The local construction sector recorded a robust growth, driven mainly by the civil engineering sub-sector, following the efforts to improve road and rail accessibility, enhance electricity generation capacity and increase oil and gas output in Malaysia.

As reported in my statement last year, the Group has set its focus and priority on the local construction industry. During the financial year of 2013, we have commenced physical work for the development of the Centre for Foundation Studies (Phase 3) of International Islamic University Malaysia in Gambang, Pahang, and two new local construction projects which we have secured, namely expansion of Tanjung Bin Power Plant and Pelabuhan Tanjung Pelepas, both located in Johor.

REVENUE (RM)
128.0 MILLION

TOTAL ASSET (RM)
850.8 MILLION

International Islamic University Malaysia

CHAIRMAN'S STATEMENT (Cont'd)

GROUP RESULTS

The new projects mentioned above have started to contribute to the Group's cashflow. For the financial year ended 31 March 2013, the Group registered a total net revenue of RM128.0 million as compared to RM187.1 million in the preceding financial year. However, the Group recorded a loss after tax and minority interest of RM77.9 million, compared to a profit after tax and minority interest of RM11.8 million last financial year. This is mainly due to the finance costs we have incurred and the tax liabilities in Indonesia.

DIVIDEND

In view of the financial position of the Group, the Board does not recommend the payment of any dividend for the financial year ended 31 March 2013.

> "Going forward, the global economy is expected to continue to expand, but downside risks to growth will remain. For the Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion and supported by the public sector."

BUSINESS OUTLOOK AND STRATEGY

Going forward, the global economy is expected to continue to expand, but downside risks to growth will remain. For the Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion and supported by the public sector.

The Group reaffirms its focus on local construction industry and will continue to secure more public private partnership projects and civil construction projects within the country.

As we have announced in July 2013, in order to address the Group's need to reduce its level of borrowings and to meet its working capital requirements, we are undertaking several corporate exercises to raise funds, including the proposed disposal of certain investments and the proposed rights issue with warrants. We expect to complete the corporate exercises by 31 March 2014.

Pelabuhan Tanjung Pelepas (PTP)

Tanjung Bin, Johor

CHAIRMAN'S STATEMENT
(Cont'd)

CORPORATE GOVERNANCE

To ensure transparency, accountability and protection of shareholders' interests, the Board places great emphasis on ensuring and maintaining the highest standards of corporate governance throughout the Group. Our statement on corporate governance and related reports are on pages 24 to 32.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for the financial year under review are disclosed in Note 30 to the financial statements.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank all the employees of the Group for their unwavering commitment and dedication to their work.

I would also like to express my sincere appreciation to my fellow Board members for their most valuable guidance throughout the last financial year.

We are genuinely grateful to all our clients for giving us the opportunity to undertake their projects. Needless to say, we will be doing our best to exceed their expectations. Last but not least, I would like to thank all our business associates, partners, financiers and shareholders, whose continuous support is vital for the Group to forge ahead with fresh momentum.

Dato' Anwar bin Aji
Chairman

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

DATO' MOHD NOR BIN IDRUS
Managing Director

The year under review has been another challenging period for the Group. The client's unilateral termination of our contract for Meena Plaza Mixed Development Project in Abu Dhabi has posed a setback in the Group's path to recovery and growth. Nonetheless, we took it in our stride and have since taken the necessary steps as provided under the contract to safeguard our interests and to refer the matter to arbitration.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS
(Cont'd)

IIUM Gambang

Pelabuhan Tanjung Pelepas (PTP)

ENGINEERING & CONSTRUCTION BUSINESS UNIT ("ECU")

The ECU continues to be the main driver of earnings for the Group, recording a total revenue of RM118.5 million. As compared to RM178.1 million in the preceding financial year, it is a decrease of 33.4%, attributable mainly to the liquidated damages for delay and the contract price deductions for work deviations and/or omissions which were imposed by PT PLN (Persero) ("PLN") as part of the global settlement for the 2 x 300 MW Coal Fired Steam Power Plant in Rembang ("Rembang Power Plant"), Indonesia. The first of the 2 units for Rembang Power Plant has completed its one year warranty period and PLN has accordingly issued the final acceptance certificate for the same. The Company is now undertaking the first year inspection as part of its end of warranty obligation for the second unit before it can apply to PLN for the issuance of the final acceptance certificate for the said unit.

The financial year of 2013 also saw us embarking on several new local projects.

In January 2013, we commenced construction works for the development of the Centre for Foundation Studies (Phase 3), International Islamic University Malaysia ("IIUM"), Gambang Campus in Pahang ("Gambang Campus") in accordance with the provisions under the Concession Agreement which we signed with the Government of Malaysia and IIUM in July 2012. We are undertaking this project on a build-lease-manage-transfer basis by way of private finance initiative. The construction cost of the Gambang Campus is approximately RM392 million. The concession company, Konsesi Pusat Asasi Gambang Sdn Bhd ("KPAG"), which is our wholly owned subsidiary, has been granted a concession of 23 years (including construction period of 3 years) to develop the Gambang Campus and thereafter carry out the asset management service.

In relation to the expansion of Tanjung Bin's 1 x 1,000 MW Coal Fired Power Plant Project in Johor, we have successfully tendered for and were awarded 2 subcontract packages in August and September 2012 respectively, namely (a) the design and build of chimney for the lump sum price of RM34.77 million (undertaken in joint venture with Balanced Engineering & Construction Pte Ltd from Singapore); and (b) the engineering design and construction of the cooling water intake, cooling water filtration and pump station and offshore water discharge culverts for the lump sum price of RM215.25 million.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS
(Cont'd)

We have also successfully tendered for and were awarded the contract for the construction, completion and maintenance of wharf structures for Berths 13 & 14 and back of wharf works at Pelabuhan Tanjung Pelepas in Johor for the contract sum of RM179.32 million. The completion period is 17 months, commencing on 12 November 2012.

However, two of the projects which we have secured earlier have yet to start. The concession agreement for the proposed Gombak Integrated Transport Terminal in Selangor is still subject to the upliftment or revocation of the Malay Reservation land status while the subcontract for the new integrated Immigration, Custom, Quarantine and Security Complex at Bukit Kayu Hitam, Kedah is pending the concession company achieving the necessary financial close for the project.

PROPERTY & DEVELOPMENT BUSINESS UNIT

The Property & Development Business Unit has generated marginal revenue of RM0.8 million for the said financial year. At present, the Group does not have any plan to carry out any substantial business activities under this business unit.

MOVING FORWARD

Notwithstanding the setback in UAE, it has been an encouraging year for the Group. The commencement of works for our new projects as stated above mark a new milestone for the Group and provides the impetus for all of us to remain committed and dedicated to the course of turning around the Company. We will continue to strive towards excellence in delivering our promises.

Dato' Mohd Nor bin Idrus
Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Anwar bin Aji
Non-Executive Chairman

Dato' Abdullah bin Mohd Yusof
Independent,
Non-Executive Director

Cdr Mohd Farit bin Ibrahim RMN (Retd)
Non-Independent,
Non-Executive Director

Encik Ooi Teik Huat
Independent,
Non-Executive Director

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

Dato' Sri Che Khalib bin Mohamad Noh
Non-Independent,
Non-Executive Director

Dato' Mohd Nor bin Idrus
Managing Director

Company Secretary
Norlida binti Jamaludin
(L.S. 0006467)

Auditors
PricewaterhouseCoopers
Chartered Accountants

Share Registrar
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel: +603-7841 8000
Fax: +603-7841 8008

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 Malaysia Berhad
HSBC Bank Middle East Limited
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
PT Bank OCBC NISP Tbk., Indonesia

Stock Exchange Listing
Main Board of Bursa Malaysia
Securities Berhad
Stock Code: 2283

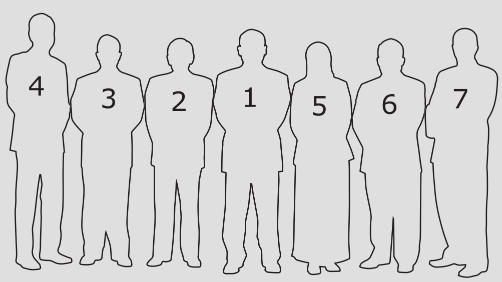
UAE Operations
Zelan Holdings (M) Sdn. Bhd.
Suite 37, 5th Floor
Al Maria Mall Building
Al Najda Street
P.O. Box 106813
Abu Dhabi, UAE
Tel: +971 2 6715577
Fax: +971 2 6781164

Saudi Arabia Operations
Zelan Construction Arabia Company Limited
P.O. Box 3900, Jeddah 21481
Unit 213, 2nd floor, Dar Al Tijarah
Opposite Ministry of Affair
Madinah Road/Al Baghdedeyyah
Jeddah, Kingdom of Saudi Arabia
Tel: +966 2644 0989
Fax: +966 2642 2676

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

India Operations
Zelan Construction (India) Private Limited
I Block, 2nd Floor, Sakthi Towers
No. 766, Anna Salai, Chennai
600 002, India
Tel: +9144 42612089/42612091
Fax: +9144 42610039

BOARD OF DIRECTORS



1. Dato' Anwar bin Aji
2. Dato' Abdullah bin Mohd Yusof
3. Cdr Mohd Farit bin Ibrahim RMN (Retd)
4. Encik Ooi Teik Huat
5. Datuk Puteh Rukiah binti Abd Majid
6. Dato' Sri Che Khalib bin Mohamad Noh
7. Dato' Mohd Nor bin Idrus

BOARD OF DIRECTORS' PROFILE

Dato' Anwar bin Aji

Non-Executive Chairman

Dato' Anwar bin Aji, aged 63, a Malaysian, was appointed to the Board as Independent, Non-Executive Chairman on 11 December 2008. He was re-designated as Executive Chairman on 19 January 2011. On 1 December 2012, he was re-designated as Non-Executive Chairman. He is the Chairman of the Nomination and Remuneration Committee.

He graduated from University of Malaya with Bachelor of Economics (Honours) in 1973 and obtained his Masters in International Studies from Ohio University, United States of America in 1982. He started his career with the Government and had held various posts 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.

His directorship in other public companies includes CIMB Wealth Advisors Berhad and CIMB-Principal Asset Management Berhad.

Dato' Anwar 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 Zelan Berhad.

Dato' Abdullah bin Mohd Yusof

Independent, Non-Executive Director

Dato' Abdullah bin Mohd Yusof, aged 74, a Malaysian, was appointed to the Board as Independent, Non-Executive Director on 1 August 2002. He is also member of the Audit Committee and Nomination and Remuneration Committee.

Dato' Abdullah holds a LLB (Honours) degree from the University of Singapore. He is a Partner in the legal firm of Abdullah & Zainuddin.

Dato' Abdullah is currently the Chairman of Aeon Co. (M) Berhad, Aeon Credit Service (M) Berhad and a director of Tradewinds Corporation Berhad and MMC Corporation Berhad.

Dato' Abdullah 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 Zelan Berhad.

BOARD OF DIRECTORS' PROFILE
(Cont'd)

Cdr Mohd Farit bin Ibrahim RMN (Retd)
Non-Independent, Non-Executive Director

Cdr Mohd Farit bin Ibrahim RMN (Retd), aged 62, a Malaysian, was appointed to the Board as Non-Independent, Non-Executive Director on 16 June 2008.

Cdr Mohd Farit (Retd) completed his formal education from the Boy's Wing of the Royal Military College in Sungai Besi, Kuala Lumpur. He proceeded to complete his tertiary education and graduated from several prestigious institutions such as the Britannia Naval College in Darthmouth, England, the Naval War College in Rhode Islands, United States of America, the Fu Hsing Kang College in Taipei, Taiwan and the Singapore Institute of Management. A specialist in the field of maritime activities, he served distinguishably with the Royal Malaysian Navy for 23 years. He retired from the military service in 1990 with the rank of Commander after holding many appointments as Commanding Officer of warships, naval bases and as Director of Naval Intelligence.

His career in civilian life started with Perwaja Steel Sdn. Bhd. ("Perwaja Steel") in 1990 when he was appointed as Manager and was tasked with the responsibility of setting up the training division for the company and together turned around Perwaja Steel to a profitable company. He accomplished the objective with distinction and was promoted to Group Manager in 1992. He joined Worldwide Holdings Berhad in 1992 as Senior Manager for Operations and Development and started a new division – Division of Maritime Activities. He left the company the following year and became the Managing Director of Southern Water Corporation Sdn. Bhd. – a position he assumed until September 2007. He played a vital role and was instrumental in securing the concession agreement for Southern Water Corporation Sdn. Bhd. to operate and maintain fourteen (14) water treatment plants in the State of Johor Darul Takzim.

His hard work and prudence in business has brought Southern Water Corporation Sdn. Bhd. to be listed on the Main Board of Bursa Malaysia as Aliran Ihsan Resources Berhad in March 2005 and he was its Group Managing Director until September 2007. He was also an Executive Director of Bina Puri Holdings Berhad from 1993 to 1995.

Cdr Mohd Farit (Retd) also holds many high appointments and sits on the Board of several private companies engaging in businesses in such diverse fields as township development, specialist medical centres to mixed retail developments and security business. He is a member of the Malaysian Institute of Management, Royal Institute of Navigation and the Nautical Institute of Management.

Cdr Mohd Farit (Retd) has no family relationship with and is not related to any director and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad, except by virtue of being a nominee Director of MMC Corporation Berhad, a major shareholder of Zelan Berhad.

BOARD OF DIRECTORS' PROFILE
(Cont'd)

Encik Ooi Teik Huat
Independent, Non-Executive Director

Encik Ooi Teik Huat, aged 53, a Malaysian, was appointed to the Board as Independent, Non-Executive Director of the Company on 10 July 2009. He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Encik Ooi Teik Huat is a member of Malaysian Institute of Accountants and CPA Australia and holds a Bachelor of Economics Degree from Monash University, Australia. He started his career with Messrs. Hew & Co. (now known as Messrs. Mazars), Chartered Accountants, before joining Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad). He subsequently joined Pengkalen Securities Sdn. Bhd. (now known as PM Securities Sdn. Bhd.) as Head of Corporate Finance, before leaving to set up Meridian Solutions Sdn. Bhd. where he is presently a director.

His directorship in other public companies include MMC Corporation Berhad, DRB-HICOM Berhad, Tradewinds (M) Berhad, Tradewinds Plantation Berhad, Malakoff Corporation Berhad, Johor Port Berhad and Gas Malaysia Berhad.

Encik Ooi 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 Zelan Berhad.

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

Datuk Puteh Rukiah binti Abd Majid, aged 60, a Malaysian, 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 holds a Bachelor of Economics (Honours) Degree from University of Malaya and Master Degree in Economics from Western Michigan University, United States of America.

She started her career with the Government in 1976 and has held various posts in the Economic Planning Unit, Prime Minsiter's Department and the Implementation and Coordination Unit, Prime Minister's Department. In 1990, she served the Ministry of Finance until 2011 and her last post was a Deputy Secretary General (Systems and Controls).

Her directorship in other public companies includes Gas Malaysia Berhad, Pos Malaysia Berhad and Pelaburan Hartanah Berhad.

Datuk Puteh Rukiah 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 Zelan Berhad.

BOARD OF DIRECTORS' PROFILE
(Cont'd)

Dato' Sri Che Khalib bin Mohamad Noh
Non-Independent, Non-Executive Director

Dato' Sri Che Khalib bin Mohamad Noh, aged 48, a Malaysian, was appointed to the Board as Non-Independent, Non-Executive Director on 27 June 2013.

Dato' Sri Che Khalib is a qualified accountant, a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

Dato' Sri Che Khalib began his career as an audit assistant with Messrs. Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within the Renong Group including Projek Lebuhraya Utara Selatan (PLUS), HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., which is the consortium responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as its Chief Executive Officer. He then assumed the position of Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as the President/Chief Executive Officer of Tenaga Nasional Berhad (TNB) on 1 July 2004, the post he held until his completion of contract on 30 June 2013. On 1 July 2013, he was appointed as the Group Managing Director of MMC Corporation Berhad and Managing Director of Malakoff Corporation Berhad. Prior to his current role, Dato' Sri Che Khalib served as Chief Operating Officer, Finance, Strategy & Planning at DRB HICOM Berhad.

Dato' Sri Che Khalib was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from 2000 until 2004. He also served as a Board member within the United Engineers Malaysia Berhad Group of companies and Bank Industri & Teknologi Malaysia Berhad.

He currently sits on the Board of Gas Malaysia Berhad, MMC Corporation Berhad, Malakoff Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Pos Malaysia Berhad, Bank Muamalat Malaysia Berhad and several private limited companies.

Dato' Sri Che Khalib has no family relationship with and is not related to any director and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad, except by virtue of being a nominee Director of MMC Corporation Berhad, a major shareholder of Zelan Berhad.

Dato' Mohd Nor bin Idrus
Managing Director

YBhg. Dato' Mohd Nor bin Idrus, aged 61, a Malaysian, was appointed to the Board as Non-Independent Non-Executive Director on 26 March 2012. He has been appointed as Managing Director on 1 December 2012.

Dato' Mohd Nor graduated with a Diploma in Civil Engineering from Technical College, Jalan Gurney, Kuala Lumpur and obtain his Bachelor of Science in Civil Engineering from Sunderland Polytechnic, United Kingdom.

His career spans over 30 years in the construction and transportation industries. He served the Government in the Ministry of Works from 1979 until 1980 and then at the Malaysian Highway Authority from 1980 until 1984. He joined Shapadu Holdings Sdn. Bhd. in May 1984 as Senior Manager. He was appointed as General Manager of Pernas Construction Sdn. Bhd. in 1987. Dato' Mohd Nor then joined Projek Lebuhraya Utara-Selatan Berhad ("PLUS") in 1988, Cement Industries of Malaysia Berhad ("CIMA") in 1993, Projek Usahasama Transit Ringan Automatik Sdn. Bhd. in 1994 and Marak Unggul Sdn. Bhd. in 1999 before he started his career in Renong/UEM Group of Companies in May 1999 and held various senior positions and his last position in UEM Group was President, Engineering & Construction Division of UEM Group. He left the company in 2005. From 2007 until 4 March 2012 he was the Director of Rail Projects for MMC Engineering Group Berhad and from April 2012 he was appointed as Director, Technical of MMC Corporation Berhad before his present position.

Dato' Mohd Nor has no family relationship with and is not related to any director and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad, except by virtue of being a nominee Director of MMC Corporation Berhad, a major shareholder of Zelan Berhad.

SENIOR MANAGEMENT TEAM

Dato' Mohd Nor bin Idrus
Managing Director

CORPORATE SERVICES

Vincent Yap Leng Khim
Director, Corporate Services

Anuarifaei bin Mustapa
Chief Financial Officer

Zamri bin Mohd Radzi
General Manager, Finance

Mohd Nasir bin Hj. Md Saad
Head of Internal Audit

Amirah binti Mansor
Head of Corporate Resources

Intan Nurulfaiza binti Yang Razali
General Manager, Legal

Norlida binti Jamaludin
Company Secretary

OPERATIONS

Hazimi bin Baharum
Chief Operating Officer

Kamaruddin bin Abd Karim
Project Director (IIUM Gambang)

Teo Sin Horng
General Manager, Projects
(Pelabuhan Tanjung Pelepas)

Lee Hong Seng
General Manager, Projects (Tanjung Bin)

Lim Chin Keat
General Manager, Civil & Structure

Siti Normalar binti Harun
Head of Contracts

Mohd Ali bin Abd Aziz
General Manager, Commercial

CORPORATE STRUCTURE

ZELAN BERHAD

- 100% **ZELAN HOLDINGS (M) SDN. BHD.**
  - **ENGINEERING & CONSTRUCTION**
    - 100% ZELAN CONSTRUCTION SDN. BHD.
    - 100% ZELAN CONSTRUCTION (INDIA) PTE. LTD.
    - 100% ZELAN CONSTRUCTION ARABIA CO. LTD.
    - 100% ZELAN CONSOLIDATED (OVERSEAS) SDN. BHD.
    - 95% PT ZELAN INDONESIA
    - 40% ZELAN ARABIA CO. LTD.
    - ABU DHABI BRANCH
    - DUBAI BRANCH
    - INDONESIA BRANCH
  - **PROPERTY & DEVELOPMENT**
    - 100% ZELAN CORPORATION SDN. BHD.
      - 100% ZELAN DEVELOPMENT SDN. BHD.
      - 100% ZELAN PROPERTY SERVICES SDN. BHD.
      - 100% PANDUAN PELANGI SDN. BHD.
      - 100% PADUAN LIMA SEJATI SDN. BHD.
    - 100% SEJARA BINA SDN. BHD.
      - 50% ESSENTIAL AMITY SDN. BHD.
  - **OTHERS**
    - 100% ZELAN ENTERPRISE SDN. BHD.
      - 100% VISPA SDN. BHD.
      - 100% EMINENT HECTARES SDN. BHD.
- **OTHERS**
  - 100% TRONOH CONSOLIDATED (OVERSEAS) SDN. BHD.
  - 100% KONSESI PUSAT ASASI GAMBANG SDN. BHD.
  - 95% TERMINAL BERSEPADU GOMBAK SDN. BHD.
  - 40% MMC ZELAN SDN. BHD.
- 4.06% **IJM CORPORATION BERHAD**

OUR POLICIES

BUSINESS & QUALITY






The Group's business policy is to provide total satisfaction to our customers by delivering products and services that:

- exceed customers' expectations
- are in accordance with statutory requirements and relevant codes and practices
- are within stipulated schedule and budget

We plan to achieve these through:

- adopting an efficient management system
- excellent engineering practices
- total project management and control processes
- the implementation and continuous improvement of the Company quality management system, complying with MS ISO 9001:2008.

"The Group's commitment to the community is that we will undertake our projects in the most environmental friendly manner."

In this regard, the Group has received numerous letters of commendation and awards in recognition of the quality of its products and services.

The Group's commitment to the community is that we will undertake our projects in the most environmental friendly manner, in accordance with the prevailing statutory requirements through good planning, innovative engineering and efficient work practice. We shall endeavour to preserve the environment by minimising wastage of natural resources and utilise only environmental friendly materials where possible.

SAFETY AND HEALTH

It is also the policy of the Group to provide, so far as is practicable, a safe and healthy working environment for all our employees; and in the spirit of consultation and cooperation, Management and staff shall together strive to achieve the established goals and objectives of our business policy. More specifically, the Safety and Health Policy of the Group is as follows:

- To provide and maintain a safe place and system of work, enhance the safety standards and promote safety awareness at all sites.
- To ensure that all employees are informed, instructed, trained and supervised on how to perform their job without risking their own and others' safety.
- To motivate and guide all workers to appreciate the importance of working together efficiently and strive towards zero accident.
- To investigate all incidents, near-misses and accidents and take corrective measures to ensure they do not recur.
- To comply with all requirements on safety and health matters as stipulated in the Occupational Safety and Health Act 1994 and the Factories and Machinery Act 1967 and the Regulations made under it and the Approved Codes of Practice.

CORPORATE RESPONSIBILITY STATEMENT

In fulfilling its role as a good corporate citizen, Zelan Berhad is fully committed to practising the highest standards in 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 the communities are cared for through our conscious endeavours to integrate all our business plans and activities with corporate responsibility values.

It is our sincere wish that as we grow and prosper, we bring the same benefits to the communities we operate in everyday – improving their lives and at the same time, contributing strongly to our agenda of maintaining sustainable growth and development, internally and externally.

In this regard, we have undertaken the following in relation to various aspects of our business:

Business Governance & Ethics

In line with good corporate governance and transparent business practices, we constantly review our policy statements and best management practices to ensure the Group is managed effectively and ethically with adequate control mechanisms to manage risks and deliver accountability, sustainability and profitability. This includes the implementation of internal control systems such as a financial authority framework and risk management framework. Coupled with this, the Group's Audit Committee periodically review these internal control systems together with recommendations from internal auditors.

Customer Satisfaction

We strive to meet our standards of excellence by ensuring the delivery of quality in project execution and meeting all customer deliverables as specified in our contracts.

We aspire towards full realisation of ISO standards throughout our operations and the application of established quality practices and policies. We are at present accredited with the MS ISO 9001:2008 for Provision of Design and Construction Services for Building and Civil Engineering Works including related Construction Management activities.



CORPORATE RESPONSIBILITY STATEMENT
(Cont'd)

Health & Safety

The safety of our people and communities is imperative to our operations. As a safety first entity, the Group actively and continuously seek out a safety first mindset in its operations. We ensure their well being by observing strict Safety and Health standards in our workplace.

Our standard operating policies (SOPs) include incident and situation management, and well defined performance indicators (Lost Time Injuries/Accidents and Non-conformity reports). Project Safety and Health Plans are implemented for each and every project we undertake in line with the Occupational Safety and Health Act 1994 monitored by experienced and qualified safety officers.

Investors Relations

Zelan Berhad continues to place great importance in open and fair disclosure of information to our stakeholders. The rights of all shareholders – institutional, retail or minority, to information are respected and hence, we place priority in engaging those shareholders through the Company's Annual General Meeting, periodic dialogues with institutional investors, participation in investor's forums and encouraging feedbacks through our official website.

Our People

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 a truly international workforce of 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 gatherings and recreational activities are encouraged. These include festive celebrations, sports tournaments, regular sports events and the establishment of a staff recreational facility.

Caring for the Communities

As a socially conscious corporate citizen, the Group has continued to place efforts in its philanthropic endeavours through monetary and resources contributions to the community and various charitable organizations. This also includes maximisation of usage of local labour and materials to spur economic activities through the implementation of our projects.

Caring for the Environment

The Group believes that sustainability of its business is not only achieved through long-term economic success but also through caring for the environment. The Group is committed to the best practice in environmental protection by constantly implementing pre-emptive efforts to prevent damage to the environment.

These efforts include the carrying-out of controlled earthworks and the construction of temporary retention ponds, where necessary to prevent flooding of surrounding low lying areas and the implementation of silt traps and slope stabilisation systems to prevent soil erosion and sedimentation. With regard to construction in the urban environment, efforts to reduce noise pollution are continuously implemented.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Zelan Berhad ("Zelan" or the "Company") confirms that throughout the financial year ended 31 March 2013 it has continued to integrate good and effective corporate governance practices in directing and managing the overall business of the Company and its subsidiary companies ("Zelan Group" or the "Group"), in compliance with the Malaysian Code of Corporate Governance (the "Code").

The Board is determined and committed towards ensuring maximum shareholders' value and enhancing investors' interest in line with the application of the principles of the Code.

A. BOARD OF DIRECTORS

1. Composition of the Board

The Board comprises members with relevant experiences and expertise drawn from various fields such as corporate finance, financial, public services, legal and maritime services. Together, the Board with their wide experiences and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group.

At this date of this report, the Board has seven (7) members. There are three (3) Independent Directors on the Board and this composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), which requires that at least one-third (1/3) of the Board should comprise Independent Directors.

The roles of the Chairman and the Managing Director are distinct and separate with clear division of responsibilities to ensure the balance of power and authority. Chairman is entrusted with the overall task of running of the Board to ensure its effectiveness whereas the Managing Director is responsible for the efficient and effective management of the business and day-to-day operations of the Company with all powers and delegations properly authorized by the Board, as well as implementation of policies and strategies adopted by the Board.

The Independent Non-Executive Directors on the Board fulfill their role by exercising independent judgment and objective participation in the Board's deliberation. YBhg. Dato' Abdullah bin Mohd Yusof is the Senior Independent Non-Executive Director to whom the shareholders may communicate with.

The Code requires an Independent Director who has served the Board for a period of nine (9) years cumulatively to be re-designated as a Non-Independent Director. However, subject to the assessment of the Nomination and Remuneration Committee and shareholders' approval at a general meeting, the Independent Director may remain as an Independent Director after serving in that capacity for more than nine (9) years.

YBhg. Dato' Abdullah bin Mohd Yusof has served the Board as an Independent Director for more than nine (9) years cumulatively. In this instance, the Board has determined that the independence of YBhg. Dato' Abdullah bin Mohd Yusof is measured by his conduct and his state of mind, as well as his ability to exercise independent judgment and act in the best interest of the Company. YBhg. Dato' Abdullah bin Mohd Yusof continues to bring invaluable integrity, wisdom and experience to the Board and contribute positively to Board and committees' deliberations. Justifications on the continuation of YBhg. Dato' Abdullah bin Mohd Yusof as Independent Director are provided in the Notice of the Annual General Meeting.

The Board recognizes the importance of gender diversity. In regards to this, the Board had appointed YBhg. Datuk Puteh Rukiah binti Abd Majid to the Board of Zelan as an Independent, Non-Executive Director. Her skills, experience and knowledge will support and contribute to the Group's business activities.

The profile of each Director is set out on pages 14 to 17 of this Annual Report.

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

2. Duties and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group. This includes the responsibility for determining the Company's and the Group's development and overall strategic directions which are as follows:

(i) Reviewing and providing guidance on the Company's and the Group's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long term business plans, reviewing major capital expenditures, acquisition and disposal.

(ii) Monitoring corporate performance and the conduct of the Group's business and to ensure compliances to best practices and principles of corporate governance.

(iii) Identifying and implementing appropriate system to manage principal risks. The Board undertakes this responsibility through the Audit Committee.

(iv) Reviewing the adequacy and soundness of the Group's financial system, internal control systems and management information system and ensuring that they are in compliance with the applicable standards, laws and regulations.

(v) Ensuring a transparent Board nomination and remuneration process including succession planning for top management, their remuneration and ensuring the skills and experiences of the Directors are adequate for discharge of their responsibilities whilst the caliber of the Non-Executive Directors brings an independent judgment in the decision making process.

(vi) Developing and implementing an investors' relations program or shareholders' communications policy of the Company.

3. Supply of Information

The Company has adopted a policy of sending Board papers to the Directors ahead of scheduled meetings. This is to ensure that the Directors are given ample time to review any matters/issues to be discussed at the scheduled meeting. Minutes of every Board meeting are circulated in advance so that Directors are given opportunity to make any comments or amendments, prior to confirmation and approval at the subsequent Board meeting.

At every regularly scheduled Board meeting, the Board deliberated and considered on matters including the Company's and the Group's financial performance, business review, operating performance to-date against the annual budget and the business strategies.

In addition to that, the Directors and Senior Management will also be notified on the restrictions imposed by Bursa Malaysia on dealing in the securities of the Company during closed period, at least thirty (30) calendar days prior to the release of the quarterly financial results announcement.

The Directors are also notified of any corporate announcements released to Bursa Malaysia, changes in the structure of the Group, new projects awarded and changes in the relevant laws and regulations such as Bursa Malaysia's Listing Requirements, Securities Industry Act and accounting policies.

Each Director has full and unrestricted access to Senior Management Team within the Group and is entitled to the advice and services of the Company Secretary. The Directors may, if necessary, obtain independent professional advice relating to the affairs of the Group or in discharging their duties and responsibilities, at the Company's expense.

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

4. Committees Established by the Board

The Board has delegated certain functions to the Committees it established to assist in the execution of its responsibilities. The Committees operate within their clearly defined terms of reference. These Committees, which comprise selected Board members, are empowered to deliberate and examine issues delegated to them and report to the Board with their recommendations and comments.

(a) Audit Committee

The Audit Committee was established on 18 July 1994. The Audit Committee comprises three (3) Independent, Non-Executive members. The membership of the Audit Committee is as follows:

- Encik Ooi Teik Huat *(Chairman)*
- Dato' Abdullah bin Mohd Yusof
- Datuk Puteh Rukiah binti Abd Majid *(appointed on 3 June 2013)*
- Datuk Hj. Hasni bin Harun *(resigned on 3 June 2013)*

The terms of reference and summary of activities of the Audit Committee are reported on pages 33 to 37 of the Annual Report. For the financial year ended 31 March 2013, the Audit Committee met six (6) times.

(b) Nomination Committee

The Nomination Committee was established on 23 March 2004. The committee was discontinued by the Board of Directors with effect from 1 December 2012.

For the financial year under review, the Nomination Committee met three (3) times.

(c) Remuneration Committee

The Remuneration Committee was established on 23 March 2004. The Committee was discontinued by the Board of Directors with effect from 1 December 2012.

The Remuneration Committee had met once during the financial year under review.

(d) Nomination and Remuneration Committee ("NRC")

The Board had on 26 November 2012 approved the merging of the Nomination Committee and Remuneration Committee as one committee namely Nomination and Remuneration Committee with effect from 1 December 2012. The NRC comprises the Non-Executive Chairman and two (2) Independent Directors. The current members of the NRC are as follows:-

- Dato' Anwar bin Aji *(Chairman)*
- Dato' Abdullah bin Mohd Yusof
- Encik Ooi Teik Huat

Note: Datuk Hj Hasni bin Harun resigned as director on 17 June 2013

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

5. Board and Committee Meetings

Board and Committee meetings are scheduled in advance at the beginning of each new calendar year to enable the Directors to plan ahead. Special Board meetings will be convened as and when necessary to deliberate and assess corporate proposal or business issues that require expeditious decision from the Board.

During the financial year ended 31 March 2013, the Board has met thirteen (13) times, of which four (4) Board meetings and nine (9) Special Board meetings.

The record of attendance of each Director at Board and Committee Meetings held during the financial year ended 31 March 2013 are as follows:

Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	NRC
Dato' Anwar bin Aji	13/13	N/A	N/A	N/A	Nil
Dato' Abdullah bin Mohd Yusof	13/13	6/6	3/3	1/1	Nil
Cdr Mohd Farit bin Ibrahim RMN (Retd)	9/13	N/A	N/A	0/1	N/A
Encik Ooi Teik Huat	13/13	6/6	3/3	N/A	Nil
Dato' Mohd Nor bin Idrus	12/13	N/A	N/A	N/A	N/A
Datuk Hj. Hasni bin Harun *(resigned on 17 June 2013)*	8/13	3/6	3/3	1/1	Nil

Note: All directors attended more than 50% of the meetings held in the financial year ended 31 March 2013

6. Appointment of Director

The Nomination and Remuneration Committee is responsible to ensure an effective process for selection of new directors and assessment of the Board, Committees of the Board and individual Directors which will result in the required mix of skills, experiences and responsibilities being present on the Board.

7. Re-election

In accordance with the Articles of Association and in compliance with the Listing Requirements of Bursa Malaysia, all Directors are required to retire from office at least once in every three (3) years and shall be eligible for re-election.

The Articles of Association also requires that at least one third (1/3) of the Board of Directors shall retire at each Annual General Meeting ("AGM") and may offer themselves for re-election.

Additionally, directors of or over the age of seventy (70) are to be re-appointed annually at the AGM, a requirement to be adhered pursuant to Section 129 of the Companies Act, 1965. This affords shareholders the opportunity to review directors' performance and also promote effective boards.

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

8. Training

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

During the financial year under review, all Directors attended at least one (1) training session, including the following:

Director	Training/Workshop/Seminar Attended	Organiser
Dato' Anwar bin Aji	Kursus Induksi Keselamatan dan Kesihatan untuk Pekerja Binaan	Construction Industry Development Board Malaysia
Dato' Abdullah bin Mohd Yusof	Drafting Board Charter and Terms of Reference for Board Committee and Role of Nominating Committee for PLCs	MAICSA
Cdr Mohd Farit bin Ibrahim RMN (Retd)	Malaysian Code on Corporate Governance 2012	Bursatra Sdn. Bhd.
Encik Ooi Teik Huat	Updates to the Bursa Malaysia Main Market Listing Requirements and Corporate Disclosure Guide	MAICSA/MMC Corporation Berhad
	Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012	Bursa Malaysia
	Malaysian Code on Corporate Governance	MAICSA/MMC Corporation Berhad
	Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers	DRB-HICOM Berhad
	Future of Corporate Reporting	ACCA/Bursa Malaysia
Dato' Mohd Nor bin Idrus	Director's Training on Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies	Bursatra Sdn. Bhd.
Datuk Hj. Hasni bin Harun *(resigned on 17 June 2013)*	Updates to the Bursa Malaysia Securities Main Market Listing Requirements and Corporate Disclosure Guide	MAICSA
	Malaysian Code on Corporate Governance 2012	MAICSA
	Integrated Policies for Environmental Resilience and Sustainability	Yayasan Tun Ismail Mohamed Ali
	MIA Conference 2012 – Innovation Society : Sustaining Business Success	Malaysian Institute of Accountants

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

B. DIRECTORS' REMUNERATION

1. The Level and Make-up of Remuneration

The remuneration of all Directors is determined at levels which ensure that the Company attracts and retains Directors having the right caliber needed to run the Company successfully.

The Non-Executive Directors are paid annual fee approved by the shareholders at the Annual General Meeting. An attendance or meeting allowance is also paid to the Non-Executive Directors for each Board or Committee meeting that they attend.

2. Policy and Procedure

The Board has set the framework and benchmark values on compensation and benefits in line with the market norms and competitive pressures in the industry. The Board strives to ensure fair compensation through comparable roles in similar organisations of similar size, market sector and business complexity.

The Nomination and Remuneration Committee in consultation with the Board will set and recommend the basic salary of the Executive Director. This is done by taking into consideration the performance of the Executive Director and the compensation practice of other companies within the same industry. The remuneration package is reviewed annually to reflect the current market condition, scale of responsibilities and personal performance.

3. Disclosure

The details of the Directors' remuneration for the financial year ended 31 March 2013 are as follows:

Category	Executive Directors (in RM'000)	Non-Executive Directors (in RM'000)
Fee	-	351
Salaries	1,001	-
Benefit-in-kind	17	-
EPF Contribution	127	-
Other emoluments	63	150

The number of Directors of the Company, whose total remuneration fall within the following bands for the financial year ended 31 March 2013, are as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	2
RM300,001 to RM350,000	1	-
RM900,001 to RM1,000,000	-	1

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

C. SHAREHOLDERS AND INVESTORS

1. Dialogue between the Company and Investors

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

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

2. Annual General Meeting

The Annual General Meeting is the main forum which provides opportunity to the shareholders to have dialogue with the Board. Besides the normal agenda, the Board will also present reports and provide opportunity for shareholders to raise questions pertaining to the Group's business activities. The Board members are in attendance to provide responses to questions from the shareholders during these meetings.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a true and fair assessment of the Company's financial performance, position and prospects to the Company's shareholders. The Board is also responsible to provide appropriate level of disclosure to ensure integrity and consistency of financial reports.

The Company publishes its annual financial statement annually and quarterly condensed financial statement as required by the Listing Requirements of Bursa Malaysia.

2. Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 (the "Act"), to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year. The Directors' Statement in compliance with the requirements under the Act is set out on page 45 of this Annual Report.

The Board is responsible in ensuring the Group and the Company keep sufficient accounting records for accurate disclosure of the financial position of the Group and the Company, and to enable them to ensure that the financial statements are prepared in accordance with the provisions of the Act and applicable accounting standards in Malaysia.

The Board is also responsible for taking such reasonable steps open to them, to safeguard the assets of the Group and to prevent and detect frauds and other irregularities.

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont'd)

3. **Internal Control**

   The Board recognises its overall responsibility for continuous maintenance of a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

   The Board reviews and discusses the effectiveness of the Group's Internal Control system. The Audit Committee together with the Internal Auditors undertakes reviews which cover the financial, operational and compliance control as well as Risk Management.

   The Group's Statement of Risk Management and Internal Control Statement is set out on pages 38 to 40 of this Annual Report.

4. **Relationship with the Auditors**

   The relationship of the Audit Committee with the Auditors is disclosed in the Audit Committee Report which can be found on pages 33 to 37 of this Annual Report.

E. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

Zelan Group has complied with the principles of corporate governance and best practices in corporate governance throughout the financial year ended 31 March 2013.

ADDITIONAL COMPLIANCE INFORMATION

Conflict of Interest

None of the Directors has any family relationship with other Directors or major shareholders of the Company. None of the Directors have any conflict of interest in the Company except for Dato' Sri Che Khalib bin Mohamad Noh, Cdr Mohd Farit bin Ibrahim RMN (Retd) and Dato' Mohd Nor bin Idrus, being the nominee directors nominated by MMC Corporation Berhad. At the date of this report, MMC Corporation Berhad is a major shareholder of the Company.

Convictions for Offences

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

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.

STATEMENT ON **CORPORATE GOVERNANCE**
(Cont’d)

Options, warrants or convertible securities

No options, warrants or convertible securities were issued 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.

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.

Non-Audit Fee

During the financial year ended 31 March 2013, a non-audit fee of RM155,000 was paid by the Company to the External Auditors, Messrs. PricewaterhouseCoopers, Malaysia for services rendered in connection with the review of the Company’s quarterly results, tax and other technical and accounting advisory works.

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.

Material Contracts

There were no material contracts entered into by the Company and/or its subsidiary companies involving Directors’ or major shareholders’ interests, during the financial year under review, except as disclosed in Note 30 of the Financial Statements.

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.

This statement is made in accordance with a resolution of the Board of Directors dated 15 August 2013.

AUDIT COMMITEE REPORT

The Audit Committee of Zelan Berhad is pleased to present the Audit Committee Report for the Group's financial year ended 31 March 2013 as follows:-

1. MEMBERSHIP

The Audit Committee comprises three (3) Independent, Non-Executive Directors with Encik Ooi Teik Huat presiding as the Chairman.

The Group has complied with Paragraph 15.09 of the Main Market Listing Requirement of Bursa Malaysia which requires that all the Audit Committee must be Non-Executive Directors, with majority of them being Independent Directors.

The current members of the Audit Committee are as below:-

- **Encik Ooi Teik Huat (Chairman)**
  - Independent Non-Executive Director
- **Dato' Abdullah bin Mohd Yusof**
  - Independent Non-Executive Director
- **Datuk Puteh Rukiah binti Abd Majid** *(appointed on 3 June 2013)*
  - Independent Non-Executive Director
- **Datuk Hj. Hasni bin Harun** *(resigned on 3 June 2013)*
  - Non-Independent Non-Executive Director

2. MEETINGS

During the financial year ended 31 March 2013, the Audit Committee held a total of six (6) meetings. The details of attendance of the Audit Committee members are as follows:-

Name of Director	Attendance
Encik Ooi Teik Huat	6/6
Dato' Abdullah bin Mohd Yusof	6/6
Datuk Hj. Hasni bin Harun	3/6

The External Auditors attended six (6) meetings and had also hold two (2) private sessions with the Audit Committee without the presence of Management during the financial year under review.

3. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

3.1 Membership

The Audit Committee members shall be appointed by the Board amongst the Directors and shall consist of not less than three (3) members. All the Audit Committee members must be Non-Executive Directors, with majority of them being Independent Directors.

The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director. An Alternate Director must not be appointed as a member of the Audit Committee.

AUDIT **COMMITEE REPORT**
(Cont'd)

At least one (1) member of the Audit Committee:

i) must be a member of the Malaysian Institute of Accountants; or

ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience, and

   a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

   b) he must be a member of one (1) of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

iii) fulfill such other requirements as prescribed or approved by the Exchange.

3.2 Meetings and Minutes

Meetings shall be held not less than four (4) times a year, and will normally be attended by the Executive Chairman and other members of Senior Management as and when required by the Audit Committee. The External Auditors are also requested to attend all the Audit Committee meetings. Other Board members may attend meetings upon the invitation of the Audit Committee.

At least twice a year the Audit Committee shall meet with the External Auditors without any executive of the Group being present. The Auditors, both Internal and External, may request a meeting if they consider necessary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Audit Committee shall report on each meeting to the Board at the quarterly Board meetings.

3.3 Quorum

A quorum shall be two (2) and shall comprise Independent Directors.

3.4 Secretary

The Company Secretary shall be the Secretary to the Audit Committee.

3.5 Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

i) to investigate any matters within its Terms of Reference;

ii) to have access to the resources which are required to perform its duties;

iii) to conduct investigations on irregularities once reported;

iv) to have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group;

v) to have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity (if any);

vi) to be able to obtain independent professional or any other advice; and

vii) to be able to convene meetings with the External Auditors.

AUDIT **COMMITEE REPORT**
(Cont'd)

3.6 Duties

The duties of the Audit Committee are as follows:

i) to consider the appointment of the External and Internal Auditors, the audit fee and any questions of resignation or dismissal, and inquire into staffing and competence of the External and Internal Auditors in performing their work;

ii) to discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen with the External and Internal Auditors before the audit commences and ensure that adequate tests to verify the financial statements and procedures of the Group are performed;

iii) to discuss the impact of any proposed changes in accounting principles on future financial statements;

iv) to review the results and findings of the audit and monitor the implementation of any recommendations made therein;

v) to review the quarterly announcements and audited financial statements before submission to the Board, focusing particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumptions;
- compliance with accounting standards; and
- compliance with stock exchange and legal requirements.

vi) to discuss problems and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss (in the absence of Management where necessary);

vii) to review the assistance given by the employees to the External Auditors;

viii) to ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Group;

ix) to review the Internal Audit programme, consider the major findings of Internal Audit investigations and Management's response and ensure coordination between the Internal and External Auditors;

x) to keep under review the effectiveness of internal control systems and in particular, review the External Auditors' management letter and Management's response;

xi) to monitor any related party transactions that may arise within the Company and Group and ensure that the Directors report such transactions accordingly to the shareholders in this Annual Report;

xii) to report promptly to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad's Listing Requirements;

xiii) to review all prospective financial information provided to the regulators and/or the public; and

xiv) to carry out such other assignments as defined by the Board.

AUDIT **COMMITEE REPORT**
(Cont'd)

4. SUMMARY OF ACTIVITIES

During the financial year under review, the following activities were carried out by the Audit Committee:

i) reviewed the External Auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the External Auditors presented their audit strategy and plan;

ii) reviewed the results of the audit, the audit report and the management letter, including management's response, with the External Auditors;

iii) considered and recommended to the Board for approval of the audit fees payable to the External Auditors as disclosed in the financial statements;

iv) reviewed the Audited Financial Statements of the Group prior submission to the Board for their consideration and approval;

v) reviewed the Group's compliance in particular the quarterly and year-end financial statements with the Listing Requirements of the Bursa Malaysia Securities Berhad, Approved Accounting Standards and other relevant legal and regulatory requirements;

vi) reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval;

vii) reviewed the related party transactions entered into by the Group;

viii) reviewed the Internal Audit Department's resources, requirements, program and plan for the financial year under review;

ix) reviewed the Internal Audit Reports, which highlighted the risk issues, recommendations and Management's response; discussed the actions taken to improve the system of internal control based on improvement opportunities identified in the Internal Audit Reports, with Management;

x) recommended to the Board improvement opportunities in internal control, procedures and risk management; and

xi) monitoring of the additional disclosure requirements in accordance with the Bursa Malaysia Listing Requirements.

AUDIT **COMMITEE REPORT**
(Cont'd)

5. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is undertaken by the Internal Audit Department with the primary objective to independently review the efficiency and effectiveness of the system of internal control and risk management framework set by the Management. The internal audit service assists the Audit Committee in discharging its duties and responsibilities by undertaking regular independent and systematic reviews of the system of internal control and risk management framework so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively.

The Head of Internal Audit reports directly to the Audit Committee and undertakes the audit activities within the Group covering all the business units and operations, including its corporate functions at Head Office. Throughout last financial year, audit assignments and follow-up reviews were carried-out on units of operations and subsidiaries of Zelan Berhad in accordance with the approved Annual Audit Plan. The Internal Audit Reports were presented to the Audit Committee and forwarded to the relevant parties for their attention and corrective actions.

The activities carried-out by Internal Audit Department during the financial year ended 31 March 2013 included the following:

i) verifying financial records, related reports and statistics;

ii) ensuring adherence to the general acceptable accounting policies;

iii) reviewing and improving the system of internal control;

iv) examining the extent to which resources have been managed with due regard to economy, efficiency and effectiveness;

v) ensuring compliance with the approved Standard Operating Procedures and related Rules and Regulations; and

vi) special assignments and reviews.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

The Board of Directors ("Board") is responsible for the Group's systems of risk management and internal controls and their effectiveness to safeguard shareholders' investment and the Group's assets. This is in accordance with the requirements set out by the Malaysian Code of Corporate Governance and Bursa Malaysia Securities Berhad ("BMSB"). In preparing the Statement of Risk Management and Internal Control, the Board is guided by BMSB's Statement on Risk Management and Internal Control; Guidance for Directors of Public Listed Companies.

2. RESPONSIBILITY

The Board acknowledges its responsibility to maintain a sound system of risk management and internal controls by ensuring its adequacy and integrity through the process of constant review and monitoring. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives of the Group. Therefore, it can only provide reasonable but not absolute assurance against material misstatements or losses.

3. GROUP'S RISK MANAGEMENT FRAMEWORK

As an integral part of the system of risk management and internal control, there is an on-going group wide risk management process for identifying, evaluating and managing the significant risks that may affect the achievement of the Group's business objective. This process has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Risk Management Committee consists of Managing Director, Chief Operating Officer, Director of Corporate Services and Chief Financial Officer. Necessary actions have been taken to remedy any potential weaknesses identified by the Risk Management Committee.

In respect of the projects secured by the Group, a risk management coordinator is tasked with conducting risk management workshops and subsequent development of Risk Management Profile to capture and prioritise key risk areas, delegate ownership of risks, attach timelines to management control and action plans, and provides continuous monitoring and reporting of risks.

The Board, working together with the management, continues to take measures to further strengthen the Group's risk management system as one of the means to achieve the Group's business objective.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**
(Cont'd)

4. INTERNAL CONTROL

During the year under review, the Audit Committee has reviewed the internal control framework that currently exists within the Group, and has assessed the applicability of the existing controls with regards to their effectiveness and efficiency.

5. OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control system that are now in place are described below:
- Performance reports are regularly provided to the Directors and discussed at 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;
- Financial authority limits framework;
- Risk management framework;
- Monitoring of related party transactions; and
- Safety Committee to ensure that all relevant safety measures are in place towards achieving zero (0) Loss Time Injury (LTI).

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 internal auditors; and
- Where appropriate, companies to have MS ISO9001:2008 accreditation for their operational processes.

The Board has reviewed the adequacy and integrity of the Group's internal control system and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The Board introduced steps to tighten the control processes involving investment decisions and its monitoring process. Feasibility studies will be thoroughly evaluated by independent and expert consultants, and the required due diligence review will be carried out before deciding on an investment venture. Reviews on the performance of the investments will be regularly performed by the Board and the quality and type of information provided, carefully assessed.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**
(Cont'd)

6. ASSOCIATES

Representatives are appointed to the Board of Directors of the associate companies and attend Board meetings, for which key financial information is reviewed and significant risks are reported to the Board.

7. CONCLUSION

The Board believes that the development of the system of risk management and internal controls is an ongoing process and continues to take steps to improve the systems. During the period under review, save for certain weaknesses identified in the existing projects which have now been rectified, there is no other material weaknesses which would result in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. Accordingly, the risk management process and internal control system of the Group has been reviewed and found to be operating adequately and effectively in all material respects and the Board has received assurance from the Managing Director and Chief Financial Officer of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board dated 15 August 2013.

financial statements

DIRECTORS' REPORT
For the Financial Year Ended 31 March 2013

The Directors hereby in submitting their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements and comprise investment holding, construction of power plants and buildings, property development, civil engineering and building turnkey contractor, piling and civil engineer contractor, civil technical design and construction of civil and building works and management of residential properties.

There has 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
Loss for the financial year attributable to:		
- Equity holders of the Company	(77,796)	(11,681)
- Non-controlling interests	(78)	-
Loss for the financial year	(77,874)	(11,681)

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2013.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Anwar bin Haji @ Aji	
Dato' Mohd Nor bin Idrus	
Datuk Puteh Rukiah binti Abd Majid	(appointed on 15.4.2013)
Dato' Sri Che Khalib bin Mohamad Noh	(appointed on 27.6.2013)
Dato' Abdullah bin Mohd Yusof	
Mohd Farit bin Ibrahim	
Ooi Teik Huat	
Datuk Haji Hasni bin Harun	(resigned on 17.6.2013)

DIRECTORS' **REPORT**
For the Financial Year Ended 31 March 2013 (Cont'd)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration as disclosed in Note 11 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 he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, none of the Directors who held office at the end of the financial year held any interests in shares in the Company and or shares in its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and financial position of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

No contingent or other liability 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 Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those disclosed in Note 32 and Note 33 to the financial statements.

DIRECTORS' **REPORT**
For the Financial Year Ended 31 March 2013 (Cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) 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 except as disclosed in the statements of comprehensive income, Note 2 and Note 31 to the financial statements; and

(b) 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 or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Significant events during the financial year and subsequent events after the reporting date are as disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 July 2013.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATO' MOHD NOR BIN IDRUS
MANAGING DIRECTOR

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Anwar bin Haji @ Aji and Dato' Mohd Nor bin Idrus, two of the Directors of Zelan Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 48 to 128 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2013 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in Note 37 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 July 2013.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATO' MOHD NOR BIN IDRUS
MANAGING DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Anuarifaei bin Mustapa, the officer primarily responsible for the financial management of Zelan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 129 are, in my opinion, 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.

ANUARIFAEI BIN MUSTAPA

Subscribed and solemnly declared by the abovenamed Anuarifaei bin Mustapa at Kuala Lumpur on 31 July 2013.

Before me,

PESURUHJAYA SUMPAH
NO. W465
KAPT. (B) JAGJIT BIN YUSOFF
MALAYSIA

31 JUL 2013

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Zelan Berhad
(Incorporated in Malaysia)
(Company No. 27676 V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Zelan Berhad on pages 48 to 129 which comprise the statements of financial position as at 31 March 2013 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 36.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2013 and of their financial performance and 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, 1965 in Malaysia.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which describes the conditions that indicate the existence of a material uncertainty relating to the outcome of the arbitration process on the Group's project in Abu Dhabi and the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

INDEPENDENT **AUDITORS' REPORT**

To the Members of Zelan Berhad (Cont'd)
(Incorporated in Malaysia)
(Company No. 27676 V)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 on page 129 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

As stated in Note 2 to the financial statements, Zelan Berhad adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospective by the Directors to the comparative information in these financial statements including, the statements of financial position as at 31 March 2012 and 1 April 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 March 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as of 31 March 2013 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

YEE WAI YIN
(No. 2081/08/14 (J))
Chartered Accountant

Kuala Lumpur
31 July 2013

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	6	**128,011**	187,066	**7,961**	7,301
Cost of sales	7	**(116,980)**	(116,962)	**-**	-
Gross profit		**11,031**	70,104	**7,961**	7,301
Administrative expenses		**(18,861)**	(18,004)	**(6,250)**	(5,393)
Other operating expenses:					
- gain / (loss) on fair value of derivative		**10,382**	(32,419)	**10,382**	(32,419)
- unrealised foreign exchange gain / (loss), net		**20,018**	(233)	**124**	-
- allowance for doubtful debts		**(41)**	(843)	**(9,538)**	(147,510)
- impairment loss of property, plant and equipment		**(6,702)**	-	**-**	-
- others		**(28,557)**	(3,945)	**(39)**	(76)
Other operating income:					
- gain on disposal of available-for-sale financial assets		**57**	-	**102**	-
- gain on liquidation of a subsidiary	5	**-**	1,455	**-**	4,738
- others		**7,721**	6,081	**1,074**	642
Finance income	8	**32,630**	14,645	**560**	1,045
Finance costs	8	**(75,006)**	(12,511)	**(16,044)**	(9,898)
Share of results of associates	18	**(3,261)**	168	**-**	-
(Loss) / profit before taxation	9	**(50,589)**	24,498	**(11,668)**	(181,570)
Taxation	13	**(27,285)**	(12,699)	**(13)**	(1,807)
(Loss) / profit for the financial year		**(77,874)**	11,799	**(11,681)**	(183,377)
Other comprehensive (loss) / income:					
Available-for-sale financial assets:					
- fair value loss	20	**(11,977)**	(51,768)	**(11,977)**	(51,768)
- reclassification adjustment included in the profit or loss		**(57)**	-	**(102)**	-
Currency translation differences:					
- net movement during the financial year		**3,264**	(527)	**-**	-
- reclassification adjustment included in the profit or loss		**-**	(11,653)	**-**	-
Other comprehensive loss for the financial year, net of tax		**(8,770)**	(63,948)	**(12,079)**	(51,768)
Total comprehensive loss for the financial year		**(86,644)**	(52,149)	**(23,760)**	(235,145)

STATEMENTS OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 March 2013 (Cont'd)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
(Loss) / profit for the financial year attributable to:					
- Equity holders of the Company		**(77,796)**	11,901	**(11,681)**	(183,377)
- Non-controlling interests		**(78)**	(102)	**-**	-
(Loss) / profit for the financial year		**(77,874)**	11,799	**(11,681)**	(183,377)
Total comprehensive loss attributable to:					
- Equity holders of the Company		**(86,603)**	(40,389)	**(23,760)**	(235,145)
- Non-controlling interests		**(41)**	(11,760)	**-**	-
Total comprehensive loss for the financial year		**(86,644)**	(52,149)	**(23,760)**	(235,145)
(Loss) / earnings per share attributable to the equity holders of the Company during the financial year:					
		Sen	**Sen**		
Basic and diluted (loss) / earnings per share:	14	**(13.81)**	2.11		

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2013

	Note	Group			Company		
		31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000
NON-CURRENT ASSETS							
Property, plant and equipment	15	**15,213**	27,948	39,353	**29**	65	141
Investment properties	16	**5,273**	5,415	5,557	**-**	-	-
Investments in subsidiaries	17	**-**	-	-	**5,950**	285	100
Investments in associates	18	**927**	12,341	15,383	**-**	-	10
Financial receivables	22	**180,793**	-	-	**-**	-	-
Other receivables	22	**-**	69,015	-	**-**	-	-
Deposits, cash and bank balances (restricted)	24	**12,446**	40,440	1,790	**3,613**	24,370	1,790
Available-for-sale financial assets	20	**361,335**	373,652	425,420	**361,335**	373,652	425,420
		575,987	528,811	487,503	**370,927**	398,372	427,461
CURRENT ASSETS							
Inventories	21	**9,080**	9,080	9,194	**-**	-	-
Financial receivables	22	**113,590**	193,825	313,340	**39,809**	26,921	10,848
Other receivables	22	**118,846**	67,957	233,258	**-**	-	-
Tax recoverable		**2,964**	15,381	22,962	**-**	1,985	1,985
Deposits, cash and bank balances	24	**30,386**	16,769	16,811	**21,623**	8,997	1,279
		274,866	303,012	595,565	**61,432**	37,903	14,112
LESS: CURRENT LIABILITIES							
Financial payables	26	**270,823**	237,391	298,164	**24,253**	8,983	5,217
Other liabilities	26	**22,476**	1,846	206,347	**434**	386	730
Borrowings	27	**232,940**	15,105	201,525	**143,493**	773	90,060
Current tax liabilities		**628**	1,307	18	**60**	138	-
Provision for liabilities and charges	29	**-**	28,192	93,179	**-**	-	-
		526,867	283,841	799,233	**168,240**	10,280	96,007
NET CURRENT (LIABILITIES) / ASSETS		**(252,001)**	19,171	(203,668)	**(106,808)**	27,623	(81,895)
TOTAL ASSETS LESS CURRENT LIABILITIES		**323,986**	547,982	283,835	**264,119**	425,995	345,566

STATEMENTS OF **FINANCIAL POSITION**
As at 31 March 2013 (Cont'd)

	Note	Group 31.3.2013 RM'000	Group 31.3.2012 RM'000	Group 1.4.2011 RM'000	Company 31.3.2013 RM'000	Company 31.3.2012 RM'000	Company 1.4.2011 RM'000
EQUITY AND LIABILITIES							
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:							
Share capital	25	**281,632**	281,632	281,632	**281,632**	281,632	281,632
Reserves		**(139,153)**	(52,550)	(12,161)	**(195,007)**	(171,247)	63,898
		142,479	229,082	269,471	**86,625**	110,385	345,530
Non-controlling interests		**(170)**	(129)	11,631	**-**	-	-
TOTAL EQUITY		**142,309**	228,953	281,102	**86,625**	110,385	345,530
NON-CURRENT LIABILITIES							
Borrowings	27	**156,966**	283,934	36	**155,457**	283,191	36
Derivative financial liability	27	**22,037**	32,419	-	**22,037**	32,419	-
Deferred tax liabilities	28	**2,674**	2,676	2,697	**-**	-	-
		181,677	319,029	2,733	**177,494**	315,610	36
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**323,986**	547,982	283,835	**264,119**	425,995	345,566

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2013

		Attributable to equity holders of the Company									
	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Fair value reserve^ RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumula-ted losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2012		281,632	124,396	(522)	98,618	35,457	4,254	(314,753)	229,082	(129)	228,953
Loss for the financial year		-	-	-	-	-	-	(77,796)	(77,796)	(78)	(77,874)
Other comprehensive income / (loss):											
Currency translation differences:											
- net movement during the financial year		-	-	3,227	-	-	-	-	3,227	37	3,264
Available-for-sale financial assets											
- fair value loss	20	-	-	-	(11,977)	-	-	-	(11,977)	-	(11,977)
- reclassification adjustment included in profit or loss		-	-	-	(57)	-	-	-	(57)	-	(57)
Total comprehensive income / (loss) for the financial year		-	-	3,227	(12,034)	-	-	(77,796)	(86,603)	(41)	(86,644)
At 31 March 2013		**281,632**	**124,396**	**2,705**	**86,584**	**35,457**	**4,254**	**(392,549)**	**142,479**	**(170)**	**142,309**
At 1 April 2011		281,632	124,396	-	150,386	35,457	4,254	(326,654)	269,471	11,631	281,102
Profit / (loss) for the financial year		-	-	-	-	-	-	11,901	11,901	(102)	11,799
Other comprehensive loss:											
Currency translation differences:											
- net movement during the financial year		-	-	(522)	-	-	-	-	(522)	(5)	(527)
Reclassification adjustment included in the profit or loss on liquidation of a subsidiary		-	-	-	-	-	-	-	-	(11,653)	(11,653)
Fair value loss on available-for-sale financial assets	20	-	-	-	(51,768)	-	-	-	(51,768)	-	(51,768)
Total comprehensive (loss) / income for the financial year		-	-	(522)	(51,768)	-	-	11,901	(40,389)	(11,760)	(52,149)
At 31 March 2012		**281,632**	**124,396**	**(522)**	**98,618**	**35,457**	**4,254**	**(314,753)**	**229,082**	**(129)**	**228,953**

* 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 changes in fair value of the available-for-sale financial assets.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2013 (Cont'd)

	Note	Share capital RM'000	Share premium RM'000	Fair value reserve^ RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumulated losses RM'000	Total RM'000
		Non-distributable				Distributable		
At 1 April 2012		281,632	124,396	141,530	18,456	3,258	(458,887)	110,385
Loss for the financial year		-	-	-	-	-	(11,681)	(11,681)
Other comprehensive loss:								
Available-for-sale financial assets:								
- fair value loss	20	-	-	(11,977)	-	-	-	(11,977)
- reclassification adjustment included in the profit or loss account		-	-	(102)	-	-	-	(102)
Total comprehensive loss for the financial year		-	-	(12,079)	-	-	(11,681)	(23,760)
At 31 March 2013		**281,632**	**124,396**	**129,451**	**18,456**	**3,258**	**(470,568)**	**86,625**
At 1 April 2011		281,632	124,396	193,298	18,456	3,258	(275,510)	345,530
Loss for the financial year		-	-	-	-	-	(183,377)	(183,377)
Other comprehensive loss:								
Fair value loss on available-for-sale financial assets	20	-	-	(51,768)	-	-	-	(51,768)
Total comprehensive loss for the financial year		-	-	(51,768)	-	-	(183,377)	(235,145)
At 31 March 2012		**281,632**	**124,396**	**141,530**	**18,456**	**3,258**	**(458,887)**	**110,385**

* This reserve relates to net gain from disposals of investment in shares.
^ This reserve relates to changes in fair value of the available-for-sale financial assets.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2013

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
OPERATING ACTIVITIES				
(Loss) / profit for the financial year, attributable to equity holders of the Company	**(77,796)**	11,901	**(11,681)**	(183,377)
Adjustments for:				
Taxation	**27,285**	12,699	**13**	1,807
Finance costs	**75,006**	12,511	**16,044**	9,898
Finance income	**(32,630)**	(14,645)	**(560)**	(1,045)
Non-controlling interests	**(78)**	(102)	**-**	-
Depreciation of investment properties	**142**	142	**-**	-
(Gain) / loss on fair value of derivative	**(10,382)**	32,419	**(10,382)**	32,419
Net allowance for doubtful debts	**41**	843	**8,479**	147,510
Bad debts written off	**704**	3,409	**-**	3,033
Net (gain) / loss on unrealised foreign exchange	**(20,018)**	233	**(124)**	-
Dividend income	**(7,961)**	(7,301)	**(7,961)**	(7,301)
Impairment loss on investment in an associate	**-**	10	**-**	10
Property, plant and equipment:				
- gain on disposals	**(4,956)**	(289)	**-**	(64)
- impairment loss	**6,702**	-	**-**	-
- depreciation	**6,568**	6,831	**39**	76
Gain on disposal of available-for-sale financial assets	**(57)**	-	**(102)**	-
Share of results of associates	**3,261**	(168)	**-**	-
Gain on liquidation of a subsidiary	**-**	(1,455)	**-**	(4,738)
	(34,169)	57,038	**(6,235)**	(1,772)
Changes in working capital:				
Inventories	**-**	114	**-**	-
Receivables, deposits and prepayments	**(139,464)**	173,232	**1,236**	(3,226)
Payables	**69,299**	(296,643)	**16,964**	6,480
Cash (used in) / generated from operations	**(104,334)**	(66,259)	**11,965**	1,482
Tax (paid) / refund	**2,539**	(2,484)	**1,894**	(1,670)
Net cash flows (used in) / generated from operating activities	**(101,795)**	(68,743)	**13,859**	(188)

STATEMENTS OF **CASH FLOWS**
For the Financial Year Ended 31 March 2013 (Cont'd)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
INVESTING ACTIVITIES					
Proceeds from disposals of:					
- available-for-sale financial assets		**340**	-	**340**	-
- plant and equipment		**5,981**	5,537	**-**	65
Redemption of preference shares in an associate		**-**	2,200	**-**	-
Advances to a subsidiary		**-**	-	**(22,603)**	(163,388)
Dividends received from:					
- associate		**8,153**	1,000	**-**	-
- other investment		**7,961**	7,301	**7,961**	7,301
Interest from deposits and investment received		**638**	1,089	**560**	1,045
Purchases of plant and equipment		**(1,395)**	(949)	**(3)**	(1)
Additional investments in:					
- subsidiaries	17	**-**	-	**(5,665)**	(185)
Net cash flows generated from / (used in) investing activities		**21,678**	16,178	**(19,410)**	(155,163)
FINANCING ACTIVITIES					
Interest paid		**(22,011)**	(844)	**(16,044)**	(9,898)
Repayments of borrowings		**(8,341)**	(363,427)	**-**	(260,000)
Proceeds from borrowings		**92,336**	455,607	**13,500**	455,607
Deposits pledged as security		**15,673**	(49,100)	**7,781**	(30,359)
Repayment of hire purchase creditors		**(213)**	(95)	**(36)**	(60)
Increase in hire purchase creditors		**1,246**	832	**-**	-
Net cash flows generated from financing activities		**78,690**	42,973	**5,201**	155,290
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,427)**	(9,592)	**(350)**	(61)
CURRENCY TRANSLATION DIFFERENCES		**2,723**	(900)	**-**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**6,140**	16,632	**1,218**	1,279
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	24	**7,436**	6,140	**868**	1,218

Included in the consolidated statement of cash flows is RM1,285,000 (2012: RM937,000) which relates to purchases of motor vehicles under hire purchase arrangements (Note 27).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 March 2013

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements and comprise investment holding, construction of power plants and buildings, property development, civil engineering and building turnkey contractor, piling and civil engineer contractor, civil technical design and construction of civil and building works and management of residential properties.

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 located at 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 located at 23rd 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 31 July 2013.

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 provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Company for the financial year ended 31 March 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time Adoption of MFRS". Subject to certain transition elections disclosed in Note 36, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 April 2011 (transition date) and throughout the years presented, as if these policies had always been in effect. Comparative figures for 2012 in these financial statements have been restated to give effect to these changes. Subsequent to the transition in the financial reporting framework to MFRS on 1 April 2012, the restated comparative information has not been audited under MFRS. However, the comparative statements of financial position as at 31 March 2012, comparative statements of comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, Financial Reporting Standards in Malaysia. Note 36 discloses the impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

The Directors have considered the following matters in preparing the financial statements of the Group and the Company on a going concern basis.

<u>Project in Indonesia</u>

In respect of the project in Indonesia which was undertaken by the Group through a Consortium in which the Group is the consortium leader, the owner of the project has issued the taking over certificate ("TOC") for Unit 1 dated 1 February 2012 on 12 December 2012 and the Consortium received partial retention sum of USD11.4 million (approximately RM35 million) on 28 December 2012. Subsequently, on 28 January 2013, the owner issued TOC for Unit 2 dated 1 May 2012 and the retention sum of USD11.5 million (approximately RM35 million) was received on 26 February 2013. The defect liability period for this project is expected to expire on 30 September 2013, and the Group expects to receive the remaining retention sum, net of liquidated ascertained damages ("LAD"), of USD19.4 million (approximately RM59 million), of which USD9.7 million (approximately RM29 million) is expected to be received in the second quarter and another USD9.7 million (approximately RM29 million) is expected to be received in the third quarter of the financial year ending 31 March 2014.

The Group had, in the previous financial year, recognised an estimated LAD receivable of USD22.5 million (approximately RM69.7 million) from a subcontractor / supplier as a result of its delay in completing its scope of works as set out in the agreement for supply for the above project in Indonesia. The Group is virtually certain that it is entitled to impose and receive the LAD in accordance with the provisions of the said agreement, which is supported by the external legal advice.

<u>Project in the Middle East</u>

In respect of the Group's project in Abu Dhabi, United Arab Emirates ("UAE"), on 21 November 2012, the owner of the project in Abu Dhabi, UAE, gave notice to terminate the contract and liquidate the performance bond. On 9 December 2012, the guarantor of the performance bond released the performance bond of AED92.5 million (approximately RM78 million) to the project owner.

The Group, through its legal counsels in UAE, immediately initiated all necessary legal actions and issued 5 Notices of Intention to Commence Arbitration on 27 December, 31 December 2012 and 19 February 2013 due to the disputes which include under-certification of progress claims, the validity of the termination of contract and the validity of the liquidation of performance bond.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Project in the Middle East (continued)

The Group has engaged an independent claim consultant to carry out a review on the Group's claim against the project owner based on the Group's entitlement for an extension of time and other additional payments in connection with the project.

The Group had also obtained legal opinions from external solicitors based in Dubai, UAE and Malaysia on 2 February, 14 April and 23 May 2013, respectively. Based on the claims consultant report and external legal advice, the Group is of the view that it has strong legal grounds to challenge the basis of the notice of termination issued by the project owner. The Group targets to commence the arbitration process in September 2013 to recover the amount due from the project owner.

The Group recorded a total receivable balance of AED170.3 million (approximately RM143.4 million) due from the project owner as at 31 March 2013, which includes the performance bond drawndown. Based on the advice from the claims consultant and the solicitors, the Group is of the view that these amounts due are recoverable. The expected timing of the receipt has been considered in arriving at the carrying value of the receivables.

Refer to Note 4 and Note 23 to the financial statements for further details in respect of the project and the critical estimates and key assumptions as a result of the delays experienced in the Group's project in the Middle East.

Cash flows of the Group and the Company

The Group and the Company incurred a loss after taxation of RM77.9 million (2012: profit after taxation of RM11.8 million) and RM11.7 million (2012: RM183.4 million) for the financial year ended 31 March 2013, respectively. As at the same date, the Group and the Company had net current liabilities of RM252.0 million (31.3.2012: net current assets of RM19.2 million; 1.4.2011: net current liabilities of RM203.7 million) and RM106.8 million (31.3.2012: net current assets of RM27.6 million; 1.4.2011: net current liabilities of RM81.9 million), respectively.

The losses incurred by the Group and the Company for the financial year ended 31 March 2013, the financial positions of the Group and the Company as at that date, the ability of the Group and the Company to generate positive cash flows which are subject to shareholders' approval, the timeliness of the receipt of retention sums from the project owner in Indonesia and the uncertainty of the outcome of the arbitration of the Group's construction project in Abu Dhabi indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group and the Company to continue as a going concern, and therefore, the Group and the Company may be unable to realise the assets and discharge the liabilities in the normal course of business. If the Group and the Company cease to be a going concern, assets are to be stated at their estimated recoverable amounts and provisions are to be made for any further estimated liabilities which might arise.

In order to ensure that the Group and the Company would have sufficient cash flows within the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress, meet working capital and covenant requirements, and the investing and financing activities, the Group had successfully restructured one of its existing unsecured term loan amounting to AED107.1 million (approximately RM89 million) in April 2013 which allows the Group to make progressive principal repayments over a period up to March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The Group and the Company also disposed of some of the existing available-for-sale financial assets which were pledged as security for the Group's and the Company's secured term loan in May 2013 to repay a portion of the term loan subsequent to the reporting date.

The Group and the Company are proposing to obtain the necessary approvals from the shareholders to dispose the remaining available-for-sale financial assets and undertake a corporate exercise which include a proposed capital restructuring and rights issue with warrants, and considering other fund raising exercises, of which the proceeds generated from these exercises will be utilised to repay the existing borrowings of the Group and the Company, complete the projects in progress, meet the working capital and financial covenant requirements, and to carry out all other investing and financing activities for the next twelve months from the date of the approval of the financial statements. It is anticipated that the Group and the Company will complete the disposal of the available-for-sale financial assets and the corporate exercise by the fourth quarter of the financial year ending 31 March 2014, subject to the approval from the shareholders.

With the various action plans by the Board as disclosed above, the Directors are of the view that the Group and the Company will have sufficient cash flows for the next 12 months from the end of the reporting period to meet the operating and financing cash flow requirements. Accordingly, the Board of Directors believes 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 applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards, amendments to standards and interpretations in the respective financial years set out below:

<u>Financial year beginning on/after 1 April 2013</u>

<u>Applicable to the Group and the Company</u>

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities"
- MFRS 10 "Consolidated Financial Statements"
- MFRS 11 "Joint Arrangements"
- MFRS 12 "Disclosures of Interests in Other Entities"
- MFRS 13 "Fair Value Measurement"
- The revised MFRS 127 "Separate Financial Statements"
- The revised MFRS 128 "Investments in Associates and Joint Ventures"
- Amendments to MFRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendments to MFRS 7 "Financial Instruments: Disclosures"

<u>Financial year beginning on/after 1 April 2014</u>

<u>Applicable to the Group and the Company</u>

Amendment to MFRS 132 "Financial Instruments: Presentation"

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company but not yet effective (continued)

The Group and the Company will apply the new standards, amendments to standards and interpretations in the respective financial years set out below:

<u>Financial year beginning on/after 1 April 2015</u>

<u>Applicable to the Group and the Company</u>

Amendment to MFRS 9 "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"

The initial application of the standards and amendments to standards as set out above will not have a material impact to the financial statements of the Group and the Company.

(b) Economic entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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. Acquisition-related costs are expensed as incurred. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the profit or loss attributable to the parent.

<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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

<u>Disposal of subsidiaries</u>

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost with the change in carrying amount recognised in the profit and loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive 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.

(ii) Associates

Associates are all entities over which the Group has significant influence but not 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 is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic entities in the Group (continued)

(ii) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the statement of comprehensive income.

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 associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

Jointly controlled operations

A jointly controlled operation is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of its interest in jointly controlled operations, the Group recognises in its financial statements the assets that it controls and the liabilities that it incurs as well as the expenses that it incurs and its share of the income and expenses that it earns from the sales of goods or services by the jointly controlled operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are 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 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.

Property, plant and equipment are depreciated on the straight line basis based on their estimated useful lives, summarised as follows:

Buildings	2% - 10%
Furniture and fittings	10% - 33%
Motor vehicles	20% - 25%
Office equipment	10% - 50%
Plant and machinery	10% - 33%
Renovation	10% - 20%
Tools and equipment	10% - 50%

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at each reporting date. 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.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and recognised in the profit or loss.

At the end of the reporting date, 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 accounting policy Note 2(h) on impairment of non-financial assets.

(d) Investment properties

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

Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

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

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

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 de-recognised.

Investment property is de-recognised 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 and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in the profit or loss.

At each reporting date, the carrying amounts of investment properties are reviewed to determine whether there is any indication of impairment. If such indication exists, 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 accounting policy Note 2(h) on impairment of non-financial assets.

(e) Operating 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.

Leases of assets where the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as prepayments and recognised in the profit or loss over the lease term on a straight-line basis.

(f) Investment in subsidiaries, joint ventures and associates

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 disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

(g) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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. See accounting policy Note 2(h) on impairment of non-financial assets.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. 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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill (continued)

In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of investments in the associates and jointly controlled entities. 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 to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent of previously recognised impairment losses for the same asset. The reversal is recognised in the profit and loss.

(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 applicable variable selling expenses.

(j) Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised as expenses in the financial year in which they are incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to 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 contract costs in determining the stage of completion. They are presented as inventories, prepayments or other receivables, depending on their nature.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction contracts (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

On the statement of financial position, the Group reports the net contract position of each contract as either an asset or a liability. The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(k) Non-current assets classified as assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell.

(l) Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Trade and other receivables are classified as loans and receivables. Refer to accounting policy Note 2(x) for further details.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks which are readily convertible to known amounts of cash and have insignificant risk of changes in value.

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

(n) Share capital

<u>Classification</u>

Ordinary shares are classified as equity.

<u>Share issue costs</u>

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

<u>Dividends to shareholders of the Company</u>

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial year in which the dividends are approved.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share capital (continued)

Purchase of own shares

Where the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the controlling equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

(o) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interest on the borrowings is reported within finance costs in the profit or loss.

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

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 deferred 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.

(p) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

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) and will have 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 the 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 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the 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 date in the countries where the Group operates and generates 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 recognised, 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 is 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 date 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 is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

(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 (for example, under an insurance contract), 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, which is the Company's functional and presentation currency.

Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to accounting policy Notes 2(x) and 2(y) for further details.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies (continued)

Group companies

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 presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;
- income and expenses presented in the statement of comprehensive income 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 sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to the profit or loss as part of the gain or loss on disposal.

(u) Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods and services

Revenue from sale of goods, including completed properties, and services rendered are measured at the fair value of the consideration receivable and are recognised when the significant risks and rewards of ownership have been transferred to the buyer or upon delivery of products and performance of services, net of sales tax and discount.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Interest income

Interest income from deposits at licensed financial institution are recognised in the profit or loss on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

Investment income

Investment income from other investments is recognised on an accrual basis.

Construction contracts

The revenue recognition for construction contracts is based on the percentage of completion method. Refer accounting policy Note 2(j) for further details.

Other income

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

- Car park income - on an accrual basis
- Rental income - on an accrual basis

(v) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments recognised on the statement of financial position

The particular recognition method adopted for financial instruments recognised at reporting date is disclosed in the individual policy statement associated with each item.

Fair value estimation for disclosure purposes

The fair value of quoted securities is based on quoted market prices at reporting date. The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

The fair values for financial assets and liabilities with a maturity of more than one year are estimated using a variety of methods, including estimated discounted value of future cash flows, quoted market prices or dealer quotes, and assumptions based on market conditions existing at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) Financial assets

Classification

The Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition which is consistent with the entity's investment strategy.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months (or longer than the normal operating cycle of the business) after the end of the financial year which are presented as non-current assets respectively. The Group's loans and receivables are as disclosed in Notes 22 and 24 to the financial statements.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months after the reporting date.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement – gains and losses

Available-for-sale financial assets are carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses on impairment of financial assets and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Dividend income on available-for-sale financial assets is recognised separately in the profit or loss. Dividend income on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Financial assets (continued)

Subsequent measurement – impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Financial assets (continued)

Subsequent measurement – impairment of financial assets (continued)

Assets classified as available-for-sale

The Group assesses at the end of the reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to the profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss.

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the profit or loss.

(y) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group does not have any financial liabilities that are classified as fair value through profit or loss.

The Group's other financial liabilities include trade and other payables and borrowings. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Account payables are classified as current liabilities of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Financial liabilities (continued)

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are de-recognised, and through the amortisation process. A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(z) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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.

(aa) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Fair value changes for derivatives that do not qualify for hedge accounting are recognised in the profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**
For The Financial Year Ended 31 March 2013 (Cont'd)

3 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 is involved in overseas projects/operations and exposed to changes in foreign currency exchange rates due to transactions denominated in currencies other than the entity's functional currency.

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. The Group has a natural hedge to the extent that payments for foreign currency payables will be matched against receivables denominated in the same foreign currency.

The Company is not exposed to any significant foreign currency exchange risk in the current and previous financial year.

The Group and the Company do not apply hedge accounting.

The Group's exposure to foreign currencies, US Dollars ("USD"), in respect of its financial assets and financial liabilities for functional currency in Indonesian Ruppiah ("IDR") are as follows:

	USD RM'000	Others RM'000	Total RM'000
Group			
At 31 March 2013			
Financial assets			
Cash and cash equivalents	21,435	20	21,455
Trade receivables	2,789	-	2,789
	24,224	**20**	**24,244**
Less: **Financial liabilities**			
Trade and other payables	35,907	-	35,907
	35,907	**-**	**35,907**
Net financial (liabilities) / assets	(11,683)	20	(11,663)
Currency exposure	**(11,683)**	**20**	**(11,663)**

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk (continued)

The Group's exposure to foreign currencies in respect, USD Dollars ("USD") of its financial assets and financial liabilities for functional currency in Indonesian Ruppiah ("IDR") are as follows: (continued)

	USD RM'000	Others RM'000	Total RM'000
Group			
At 31 March 2012			
Financial assets			
Cash and cash equivalents	387	21	408
Trade receivables	9,734	-	9,734
	10,121	**21**	**10,142**
Less: **Financial liabilities**			
Trade and other payables	48,823	94	48,917
	48,823	**94**	**48,917**
Net financial liabilities	(38,702)	(73)	(38,775)
Currency exposure	**(38,702)**	**(73)**	**(38,775)**

	USD RM'000	Others RM'000	Total RM'000
Group			
At 1 April 2011			
Financial assets			
Cash and cash equivalents	182	26	208
Trade receivables	10,949	-	10,949
	11,131	**26**	**11,157**
Less: **Financial liabilities**			
Trade and other payables	3,891	94	3,985
Borrowings	16,950	-	16,950
	20,841	**94**	**20,935**
Net financial liabilities	(9,710)	(68)	(9,778)
Currency exposure	**(9,710)**	**(68)**	**(9,778)**

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk (continued)

As at the reporting date, a near term 2% (2012: 2%) appreciation or depreciation in the foreign currency portfolio of the various foreign currencies to its respective functional currencies, with all other variables including tax rate being held constant, would have the following impact in the (loss) / profit after tax for the financial year:

	Increase	
	2013	**2012**
	RM'000	**RM'000**
Group		
Functional currency RM		
- US Dollar	**234**	774
- Singapore Dollar	**-**	2

The overseas subsidiaries incorporated in the respective countries and unincorporated consortium with functional currency of its country of incorporation / operations respectively and exchange differences arising from the translation to RM are recognised in other comprehensive income as movements in the foreign exchange reserve at the reporting date.

A 1% (2012: 1%) increase in the functional currency of the subsidiaries will result in an increase / (decrease) the Group's foreign exchange reserve account as set out below:

	Increase / (decrease)	
	2013	**2012**
	RM'000	**RM'000**
Functional currency of Indian Rupee ("INR")	**11**	14
Functional currency of United Arab Emirates Dirham ("AED")	**161**	(639)
Functional currency of Indonesian Ruppiah ("IDR")	**(154)**	(2,348)
Functional currency of Saudi Arabian Riyal ("SAR")	**(219)**	(3,001)

A 1% (2012: 1%) weakening of the above currencies against the RM would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

(ii) Price risk

The Group is exposed to equity securities price risk for the quoted investments held by the Group and the Company which are classified as available-for-sale financial assets.

The Group and the Company have equity investment in an entity which is publicly traded in Bursa Malaysia.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Price risk (continued)

The table below summarises the impact of increases/decreases of the equity index on the Group's and the Company's equity. The analysis is based on the assumption that the equity index had increased/decreased by 10% (2012: 10%) with all other variables held constant and the entire Group's equity instrument moved according to the historical correlation with the index:

	Impact on other comprehensive income	
	2013	**2012**
	RM'000	**RM'000**
Index		
Bursa Malaysia	**36,133**	37,365

(iii) Cash flows interest rate risk

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

- The Group's and the Company's short-term deposits

  The deposits are subject to interest rate risk and are placed with the financial institutions at prevailing interest rates. Management continually 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.

- The Group's and the Company's borrowings

  Borrowings issued at variable interest rates expose the Group and the Company to cash flows interest rate risk which is partially offset by interest income earned by the Group's deposit placement at variable rates. As at 31 March 2013, the Group's borrowings at variable interest rate are denominated in 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 the profit or loss after tax for the financial year:

	Increase	
	2013	**2012**
	RM'000	**RM'000**
Group		
Borrowings denominated in AED	**323**	87
Borrowings denominated in RM	**2,927**	17,850
Company		
Borrowings denominated in RM	**2,927**	17,850

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk

The Group's and the Company's cash flows are reviewed regularly to ensure that the Group and the Company are able to settle their commitments when they fall due.

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

	31.3.2013		**31.3.2012**		**1.4.2011**	
	Less than 1 year RM'000	**Between 1 and 5 years RM'000**	**Less than 1 year RM'000**	**Between 1 and 5 years RM'000**	**Less than 1 year RM'000**	**Between 1 and 5 years RM'000**
Group						
Financial payables						
Trade payables	**214,654**	**1,471**	99,076	30,881	136,320	32,110
Amounts due to related companies	**33**	**-**	-	-	41	-
Amount due to an associate	**3,613**	**-**	7,790	-	4,840	-
Other payables and accruals	**50,767**	**285**	99,384	260	117,875	6,978
Borrowings	**262,041**	**164,452**	16,497	301,042	207,297	38
	531,108	**166,208**	222,747	332,183	466,373	39,126
Company						
Financial payables						
Amounts due to subsidiaries	**22,860**	**-**	8,649	-	5,014	-
Amounts due to related companies	**33**	**-**	-	-	41	-
Other payables and accruals	**1,360**	**-**	334	-	162	-
Borrowings	**165,983**	**162,811**	773	283,191	90,578	38
	190,236	**162,811**	9,756	283,191	95,795	38

One of the subsidiaries had, prior to 31 March 2013, obtained a waiver for trade facilities from the bank on its compliance with the covenant clauses for a period covering the financial year ended 31 March 2013 through to 30 June 2013. The Group has subsequently obtained indulgence from the bank for a further extension to 31 December 2013. Refer Note 27(c) for further details.

Another subsidiary has entered into a Rescheduling Agreement with the bank to reschedule the repayment of the outstanding unpaid facilities amounting to AED107.1 million (approximately RM89 million) which include the Performance Bond amount of AED92.5 million (approximately RM78 million) which was called by the project owner in the Middle East. The repayment was restructured into four instalments commencing from 31 August 2013 to 31 March 2014. Refer to Note 27(a)(i) for further details.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk (continued)

In order to ensure that the Group would have sufficient cash flows in the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress, meet the working capital and covenant clauses requirements, and the investing and financing activities, the Group may consider disposing the existing available-for-sale financial assets and other fund-raising exercises, which would require shareholders' approval.

(v) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade receivables. The Group and the Company have 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.

At the reporting date, the Group has no significant concentration of credit risk other than three corporate debtors which represent 99.9% (31.3.2012: 99.8%; 1.4.2011: 99.8%) of the Group's total trade receivables, in which these balances are monitored closely. 52% (31.3.2012: 50%; 1.4.2011: 99.8%) 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 majority of the financial assets are deposits receivable and short-term money market instruments that are not concentrated to any particular group but widely dispersed across various licensed financial institutions. The only credit risk attributable to the short-term money market instruments such as deposits placement in various countries which will be affected by economic factors. The Directors are of the view that the possibility of nonperformance by these financial institutions is remote on the basis of their financial strength.

<u>Exposure to credit risk</u>

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 placement with licensed banks, cash and bank balances, trade and other receivables, and related party balances.

Details of the financial assets before impairment (excluding cash and bank balances) at the reporting date are as follows:

		Group			**Company**	
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Not past due	**294,000**	193,599	223,414	**39,753**	26,921	10,848
Past due but not impaired	**383**	226	89,926	**56**	-	-
Impaired	**180**	843	3,409	**519,024**	510,545	366,068
	294,563	194,668	316,749	**558,833**	537,466	376,916

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Credit risk (continued)

(a) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings as determined by international credit rating agencies. Financial assets, except as set out in Note 3(v)(b) and Note 3(v)(c) to the financial statements, are neither past due nor impaired, as these balances relate to companies with good collection track records with the Group and the Company.

(b) Financial assets that are past due but not impaired

Details of the financial assets that are past due but not impaired at the reporting date are as follows:

	Group			Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**	**31.3.2013 RM'000**	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Trade and other receivables						
Past due 0 to 3 months	**18**	16	13,402	**-**	-	-
Past due 3 to 6 months	**5**	1	62,851	**-**	-	-
Past due over 6 months	**360**	209	1,784	**56**	-	-
Amounts due from related companies						
Past due over 6 months	**-**	-	11,889	**-**	-	-
	383	226	89,926	**56**	-	-

No impairment has been made on these amounts as the Group is closely monitoring these receivables and these customers have no prior history of bad or doubtful debts.

(c) Financial assets that are impaired

Details of the financial assets that are impaired at the reporting date are as follows:

	Group			Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**	**31.3.2013 RM'000**	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Trade and other receivables	**180**	843	3,409	**-**	-	59
Amounts due from subsidiaries	**-**	-	-	**519,024**	510,545	366,009
	180	843	3,409	**519,024**	510,545	366,068

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Credit risk (continued)

(c) Financial assets that are impaired (continued)

Details of the allowance for impairment of receivables at the reporting date are as follows:

	Group		Company	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000
Trade and other receivables				
At 1 April	**843**	3,409	**-**	59
Allowance made	**41**	843	**-**	-
Write-offs against provisions	**(704)**	(3,409)	**-**	(59)
At 31 March (Note 22)	**180**	843	**-**	-
Amounts due from subsidiaries				
At 1 April	**-**	-	**510,545**	366,009
Allowance made	**-**	-	**9,538**	147,510
Write-offs against provisions	**-**	-	**-**	(2,974)
Write-back against provisions	**-**	-	**(1,059)**	-
At 31 March (Note 22)	**-**	-	**519,024**	510,545

The impaired receivables are mainly due to doubtful recovery of debts and/or debtors experiencing cash flows constraints in their operations.

(vi) Capital risk

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. 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.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(vii) Fair value

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, financial receivables and payables (including non-trade amounts due to/from the Group and the Company) and borrowings except as disclosed in Notes 27(a)(iii) and 27(b).

Fair value estimation

The disclosure of fair value measurements by level of the fair value measurement hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the available-for-sale financial assets and the equity collar embedded in the term loan for the Group and the Company that are measured at fair value at the reporting date:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 March 2013				
Available-for-sale financial assets	**361,335**	**-**	**-**	**361,335**
Derivative financial liability on equity collar	**-**	**-**	**22,037**	**22,037**
At 31 March 2012				
Available-for-sale financial assets	373,652	-	-	373,652
Derivative financial liability on equity collar	-	-	32,419	32,419
At 1 April 2011				
Available-for-sale financial assets	425,420	-	-	425,420

The changes in Level 3 instruments for the financial year ended 31 March 2013 of RM10,382,000 (gain) (2012: loss of RM32,419,000) has been recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 March 2013 (Cont'd)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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) Preparation of the financial statements of the Group and the Company as going concerns

As disclosed in Note 2 to the financial statements, the ability of the Group and the Company to continue as going concerns are dependent on the disposal of further available-for-sale financial assets which are currently pledged as security for the Group's secured term loan and obtaining further cash through other fund-raising exercises, which would require shareholders' approvals.

(ii) Construction contracts

The Group recognises contract revenue based on percentage of completion 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 judgment 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 project and counter claims from sub-contractors and liquidated ascertained damages based on expected completion dates of the contracts. In making this judgment, the Directors took into consideration the current circumstances and relied on input from external consultants, where appropriate, and past experience.

Refer to Note 22 and Note 23 to the financial statements for further details on the amount recoverable from a subcontractor and the projects of the Group, respectively.

(iii) Recoverability of trade receivables

As disclosed in Note 2 to the financial statements, the total receivable balance due from the project owner in Abu Dhabi amounted to RM143.4 million as at 31 March 2013. The Directors have made an assessment and concluded that the total receivable balance is reasonable based on advice from the claims consultant and external solicitors as the Group has strong legal grounds to challenge the basis of the notice of termination issued by the project owner and the amount expected to be recoverable. The recovery of the outstanding balance from the project owner will be dependent on the outcome of the arbitration process, which is expected to commence in September 2013.

In the event that the amount is not recoverable, the exposure of the Group on a worst case scenario basis, is RM143.4 million.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(iv) Recoverability of tax recoverable and exposure of tax litigation

The Directors are committed in pursuing the tax recoverable from the tax authorities in various countries and are confident that the tax recoverable will be successfully recovered based on advice by external tax consultants. The Directors will monitor any changes in circumstances that may affect the recoverability of the taxes.

As disclosed in Note 32(a), the Group has recorded a provision of RM14.4 million in respect of the interest charges on the late payment of the tax liability based on the revised tax assessment issued by the Indonesia Tax Authorities taking into account advice from an external tax consultant, having considered various legal grounds, and that the branch has submitted a Memorandum for Judicial Review to appeal the Tax Court's decision.

In the event that the Group has to pay the full amount as stated in the tax demand letters, the Group will be incurring additional interest charges of RM6.3 million.

The Group will also be recording additional tax expense of RM3.0 million in the event that the tax recoverable of the Group as at 31 March 2013 is not recovered.

(v) Estimated useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment and related depreciation charge of its property, plant and equipment to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual review of the assumptions made on useful lives to ensure that the assumptions continue to be valid.

Management will accelerate the deprecation charge when the useful lives are less than the previously estimated lives, it will write-off or write down obsolete or non-strategic assets that have been abandoned or sold.

Refer to Note 15 to the financial statements for further details on the carrying values of the property, plant and equipment of the Group and the Company.

(vi) Fair value of the financial derivative of the equity collar

The fair value on the derivative arising from the equity collar embedded in the term loan is valued using Black Scholes valuation technique with observable inputs such as bank's internal volatility rate and market interest rate curve.

The fair value of the equity collar is estimated to be RM772,826 (2012: RM1,529,106) higher or lower should the expected volatility and expected rate of return on underlying share price per annum respectively used in the Black Scholes model differ by 1% (2012: 1%) from management's estimates.

5 DISPOSALS / LIQUIDATION AND DISCONTINUED OPERATION

(a) Disposal of the Group

In the prior year, the Group had made the following disposal:

On 24 October 2011, Golden Solitaire (Australia) B.V, a subsidiary of which the Company has 66.7% equity interest, was dissolved by way of members' voluntary winding-up. As a result, the Group and the Company recorded a gain on liquidation of RM1,455,000 and RM4,738,000, respectively, for the financial year ended 31 March 2012.

6 REVENUE

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contracts, gross	**114,052**	112,355	**-**	-
Add: Write-back of provision for liquidated ascertained damages (Note 29)	**4,817**	66,077	**-**	-
Construction contracts, net	**118,869**	178,432	**-**	-
Dividend income	**7,961**	7,301	**7,961**	7,301
Car park income	**774**	754	**-**	-
Rental income	**405**	403	**-**	-
Sale of completed properties	**-**	174	**-**	-
Membership fees	**2**	2	**-**	-
	128,011	187,066	**7,961**	7,301

7 COST OF SALES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contract costs	**116,802**	116,666	**-**	-
Cost of properties sold	**-**	114	**-**	-
Others	**178**	182	**-**	-
	116,980	116,962	**-**	-

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

8 FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance income				
Interest income	**637**	1,088	**560**	1,045
Profit from Islamic deposits	**1**	1	**-**	-
Fair value at inception / unwinding of discount	**31,992**	13,556	**-**	-
	32,630	14,645	**560**	1,045

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance costs				
Interest expense	**23,265**	10,088	**16,044**	9,898
Fair value at inception / unwinding of discount	**52,995**	11,667	**-**	-
Less: interest expense included in cost of sales (Note 23)	**(1,254)**	(9,244)	**-**	-
	75,006	12,511	**16,044**	9,898

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

9 (LOSS) / PROFIT BEFORE TAXATION

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

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Allowance for doubtful debts	**41**	843	**9,538**	147,510
Write-back of allowance for doubtful debts	**-**	-	**(1,059)**	-
Bad debts written off	**704**	3,409	**-**	3,033
Auditors' remuneration – statutory audit	**513**	583	**66**	63
Depreciation of investment properties	**142**	142	**-**	-
Directors' remuneration (Note 11)	**1,692**	1,330	**1,692**	1,330
Property, plant and equipment: (Note 15)				
- depreciation	**6,568**	6,831	**39**	76
- impairment loss	**6,702**	-	**-**	-
- gain on disposals	**(4,956)**	(289)	**-**	(64)
Gain on foreign exchange:				
- unrealised	**(20,242)**	(3,508)	**(124)**	-
- realised	**(266)**	-	**-**	-
Loss on foreign exchange:				
- realised	**-**	72	**-**	-
- unrealised	**224**	3,741	**-**	-
Rental of land and premises	**654**	570	**17**	17
Rental of office equipment	**(361)**	(361)	**-**	-
Staff costs (Note 10)	**23,620**	29,246	**2,784**	3,020
Gain on disposal of available-for-sale financial assets	**(57)**	-	**(102)**	-
Gain on liquidation of a subsidiary	**-**	(1,455)	**-**	(4,738)
Rental income on premises	**(715)**	(681)	**-**	-
Impairment loss on investment in an associate	**-**	10	**-**	10

Direct operating expenses from investment properties that generated rental income of the Group during the financial year amounted to approximately RM405,000 (2012: RM403,000).

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

10 STAFF COSTS

Staff costs from continuing operations, excluding Directors' remuneration, are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**19,361**	25,727	**2,256**	2,565
Defined contribution retirement plan	**1,160**	1,143	**293**	336
Other employee benefits	**3,099**	2,376	**235**	119
	23,620	29,246	**2,784**	3,020
Staff costs for the financial year are allocated as follows:				
Administrative expense	**11,215**	10,077	**2,784**	3,020
Cost of sales (Note 23)	**12,405**	19,169	**-**	-
	23,620	29,246	**2,784**	3,020

11 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year were as follows:

Executive Director

Dato' Mohd Nor bin Idrus (appointed as Managing Director on 1.12.2012)

Non-Executive Directors

Dato' Anwar bin Haji @ Aji, Chairman (redesignated as Non-Executive Chairman on 1.12.2012)
Dato' Abdullah bin Mohd. Yusof
Mohd Farit bin Ibrahim
Ooi Teik Huat
Datuk Haji Hasni bin Harun (resigned on 17.6.2013)

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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Executive Directors:				
- fees	**351**	301	**351**	301
- other emoluments	**150**	65	**150**	65
Executive Director:				
- salaries and bonuses	**1,001**	780	**1,001**	780
- defined contribution retirement plan	**127**	117	**127**	117
- other employee benefits	**63**	67	**63**	67
	1,692	1,330	**1,692**	1,330

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

12 AUDITORS' REMUNERATION

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PricewaterhouseCoopers Malaysia*				
- Statutory audit	**399**	318	**66**	63
- Fees for other services	**157**	128	**155**	128
	556	446	**221**	191
Statutory audit:				
- Other member firms of PricewaterhouseCoopers International Limited*	**-**	46	**-**	-
- Firms other than member firms of PricewaterhouseCoopers International Limited	**114**	219	**-**	-

* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

13 TAXATION

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax:				
Malaysian tax:				
- Current financial year	**(335)**	283	**1**	137
- (Over) / under provisions in the prior years	**(134)**	1,176	**12**	1,670
	(469)	1,459	**13**	1,807
Foreign tax:				
- Current financial year	**4,534**	11,261	**-**	-
- Under provision in the prior years	**23,222**	-	**-**	-
	27,756	11,261	**-**	-
Deferred tax (Note 28):				
- Origination and reversal of temporary differences	**6**	(21)	**-**	-
- Over provisions in the prior years	**(8)**	-	**-**	-
	(2)	(21)	**-**	-
Total tax expense	**27,285**	12,699	**13**	1,807

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

13 TAXATION (CONTINUED)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The explanation of the relationship between tax charge and (loss) / profit before taxation is as follows:				
(Loss) / profit before taxation	**(50,589)**	24,498	**(11,668)**	(181,570)
Tax calculated at the Malaysian tax rate of 25 % (2012: 25%)	**(12,647)**	6,124	**(2,917)**	(45,393)
Tax effects of:				
- share of results of associates	**(815)**	41	**-**	-
- expenses not deductible for tax purposes	**68,260**	13,459	**7,825**	47,608
- income not subject to tax	**(4,907)**	(18,074)	**(4,907)**	(2,014)
- different tax rates in other countries	**(45,249)**	11,751	**-**	-
- temporary differences and tax losses not recognised	**(437)**	(1,778)	**-**	(64)
Under provisions in the prior years	**23,080**	1,176	**12**	1,670
Tax expense	**27,285**	12,699	**13**	1,807

During the financial year, the Group recognise a tax expense of RM23.2 million in respect of the Group's revised tax assessment in Indonesia following the outcome of the Indonesian Tax Court. Refer to Note 32(a) for further details.

14 (LOSS) / EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss) / earnings per share of the Group is calculated by dividing the loss attributable to the ordinary equity holders of the Company for the financial year of RM77,796,000 (2012: profit of RM11,901,000) by the weighted average number of ordinary shares in issue during the financial year of 563,262,970 (2012: 563,262,970).

	Group	
	2013	**2012**
	RM'000	**RM'000**
(Loss) / profit attributable to equity holders of the Company	**(77,796)**	11,901
	'000	**'000**
Weighted average number of shares in issue	**563,263**	563,263
	Sen	**Sen**
Basic (loss) / earnings per share attributable to equity holders of the Company	**(13.81)**	2.11

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

14 (LOSS) / EARNINGS PER SHARE (CONTINUED)

(b) Diluted

The weighted average number of ordinary shares in issue has not been adjusted to assume dilution as the Group does not issue any financial instruments or other contract that may entitle its holders to ordinary shares. Accordingly, the diluted (loss) / earnings per share is the same as basic (loss) / earnings per share.

	Group	
	2013	**2012**
	Sen	**Sen**
Diluted (loss) / earnings per share attributable to equity holders of the Company	**(13.81)**	2.11

15 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 April 2012	7,181	559	1,349	1,267	12,522	315	4,755	27,948
Additions	-	22	1,285	74	-	-	14	1,395
Disposals	-	-	(119)	-	(906)	-	-	(1,025)
Impairment loss	-	(78)	-	(249)	(4,869)	-	(1,506)	(6,702)
Depreciation charge	(154)	(158)	(519)	(376)	(2,335)	(146)	(2,880)	(6,568)
Translation differences	-	(3)	(3)	(11)	116	-	66	165
At 31 March 2013	**7,027**	**342**	**1,993**	**705**	**4,528**	**169**	**449**	**15,213**
At 31 March 2013								
Cost	8,425	1,698	4,357	8,884	26,774	1,562	19,917	71,617
Accumulated depreciation and impairment loss	(1,398)	(1,356)	(2,364)	(8,179)	(22,246)	(1,393)	(19,468)	(56,404)
Net book value	**7,027**	**342**	**1,993**	**705**	**4,528**	**169**	**449**	**15,213**

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
Group								
Net book value								
At 1 April 2011	7,334	137	1,427	2,733	17,468	624	9,630	39,353
Additions	-	1	937	-	-	7	4	949
Disposals		(67)	(182)	(145)	(4,586)	-	(268)	(5,248)
Depreciation charge	(153)	(157)	(436)	(492)	(2,408)	(146)	(3,039)	(6,831)
Translation differences	-	645	(397)	(829)	2,048	(170)	(1,572)	(275)
At 31 March 2012	**7,181**	**559**	**1,349**	**1,267**	**12,522**	**315**	**4,755**	**27,948**
At 31 March 2012								
Cost	8,425	1,689	4,625	8,951	70,508	1,595	19,707	115,500
Accumulated depreciation and impairment loss	(1,244)	(1,130)	(3,276)	(7,684)	(57,986)	(1,280)	(14,952)	(87,552)
Net book value	**7,181**	**559**	**1,349**	**1,267**	**12,522**	**315**	**4,755**	**27,948**
At 1 April 2011								
Cost	8,425	1,562	4,939	4,305	92,652	1,717	21,561	135,161
Accumulated depreciation and impairment loss	(1,091)	(1,425)	(3,512)	(1,572)	(75,184)	(1,093)	(11,931)	(95,808)
Net book value	**7,334**	**137**	**1,427**	**2,733**	**17,468**	**624**	**9,630**	**39,353**

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company				
Net book value				
At 1 April 2012	-	31	34	65
Additions	-	-	3	3
Depreciation charge	-	(30)	(9)	(39)
At 31 March 2013	**-**	**1**	**28**	**29**
At 31 March 2013				
Cost	40	316	473	829
Accumulated depreciation	(40)	(315)	(445)	(800)
Net book value	**-**	**1**	**28**	**29**
Net book value				
At 1 April 2011	-	95	46	141
Additions	-	-	1	1
Disposals	-	(1)	-	(1)
Depreciation charge	-	(63)	(13)	(76)
At 31 March 2012	**-**	**31**	**34**	**65**
At 31 March 2012				
Cost	40	316	470	826
Accumulated depreciation	(40)	(285)	(436)	(761)
Net book value	**-**	**31**	**34**	**65**
At 1 April 2011				
Cost	40	589	469	1,098
Accumulated depreciation	(40)	(494)	(423)	(957)
Net book value	**-**	**95**	**46**	**141**

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administrative expenses	**2,960**	962	**39**	76
Cost of sales (Note 23)	**3,608**	5,869	**-**	-
	6,568	6,831	**39**	76

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net book value of certain assets acquired under hire purchase arrangements	**1,942**	954	488	**1**	31	95

16 INVESTMENT PROPERTIES

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost	**6,350**	6,350	6,350	**-**	-	-
Less: Accumulated depreciation	**(1,077)**	(935)	(793)	**-**	-	-
Net book value	**5,273**	5,415	5,557	**-**	-	-

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net book value				
At beginning of the financial year	**5,415**	5,557	**-**	-
Less: Depreciation charge	**(142)**	(142)	**-**	-
Net book value	**5,273**	5,415	**-**	-

As at 31 March 2013, the fair value of the investment properties was estimated at RM8,672,000 (31.3.2012: RM8,660,000; 1.4.2011: RM8,660,000) based on valuation by an independent professional 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.

17 INVESTMENTS IN SUBSIDIARIES

	Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Unquoted shares outside Malaysia, at cost	**-**	-	18,055
Less: Accumulated impairment losses	**-**	-	(18,055)
	-	-	-
Unquoted shares in Malaysia, at cost	**146,375**	140,710	140,525
Less: Accumulated impairment losses	**(140,425)**	(140,425)	(140,425)
	5,950	285	100
	5,950	285	100

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**			**Principal activities**
		31.3.2013 %	**31.3.2012 %**	**1.4.2011 %**	
Tronoh Consolidated (Overseas) Sdn. Bhd. #	Malaysia	**100**	100	100	Dormant
Golden Solitaire (Australia) B.V.	Netherlands	**-**	-	67	Liquidated
Zelan Holdings (M) Sdn. Bhd. #	Malaysia	**100**	100	100	Investment holding, civil engineering and building turnkey contractor
Terminal Bersepadu Gombak Sdn. Bhd.#	Malaysia	**95**	95	100	Concession operator
Konsesi Pusat Asasi Gambang Sdn. Bhd. #	Malaysia	**100**	100	100	Concession operator

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest 31.3.2013 %	31.3.2012 %	1.4.2011 %	Principal activities
Subsidiaries of Zelan Holdings (M) Sdn. Bhd.					
Zelan Corporation Sdn. Bhd. #	Malaysia	**100**	100	100	Property development and management and operation of motor vehicles parking facilities
Sejara Bina Sdn. Bhd.*	Malaysia	**100**	100	100	Investment holding
Zelan Enterprise Sdn. Bhd. #	Malaysia	**100**	100	100	Contracting and supplying of building materials
Zelan Construction Sdn. Bhd. #	Malaysia	**100**	100	100	Piling and civil engineering contractor
P T Zelan Indonesia *	Indonesia	**95**	95	95	Civil technical design and construction of civil and building works
Zelan Consolidated (Overseas) Sdn. Bhd. *	Malaysia	**100**	100	100	Dormant
Zelan Construction (India) Private Limited *	India	**100**	100	100	Civil technical design and construction of civil and building works
Zelan Construction Arabia Co. Ltd. *	Saudi Arabia	**100**	100	100	Civil technical design and construction of civil and building works
Subsidiaries of Zelan Corporation Sdn. Bhd.					
Zelan Development Sdn. Bhd. #	Malaysia	**100**	100	100	Property development
Panduan Pelangi Sdn. Bhd. *	Malaysia	**100**	100	100	Building management and maintenance
Zelan Property Services Sdn. Bhd. *	Malaysia	**100**	100	100	Management of residential properties
Paduan Lima Sejati Sdn. Bhd. *	Malaysia	**100**	100	100	Management and operation of a fitness centre

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest 31.3.2013 %	31.3.2012 %	1.4.2011 %	Principal activities
Subsidiaries of Zelan Enterprise Sdn. Bhd.					
Vispa Sdn. Bhd. *	Malaysia	**100**	100	100	Dormant
Eminent Hectares Sdn. Bhd. *	Malaysia	**100**	100	100	Investment holding

Note:

\# Audited by PricewaterhouseCoopers, Malaysia.
* Audited by a firm other than the member firm of PricewaterhouseCoopers International Limited.

18 INVESTMENTS IN ASSOCIATES

	Group 31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000	Company 31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000
Unquoted shares in Malaysia, at cost	**385**	385	2,585	**10**	10	10
Less: Accumulated impairment losses	**(10)**	(10)	-	**(10)**	(10)	-
	375	375	2,585	**-**	-	10
Unquoted shares outside Malaysia, at cost	**1,971**	1,971	1,971	**-**	-	-
Group's share of post - acquisition reserves	**(1,419)**	9,995	10,827	**-**	-	-
	927	12,341	15,383	**-**	-	10

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

	Group 2013 RM'000	2012 RM'000
Revenue	**395**	6,486
(Loss) / profit after taxation (including non-controlling interests)	**(3,261)**	168

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

18 INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's share of revenue, results, assets and liabilities of the associates are as follows: (continued)

	Group		
	31.3.2013	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**
Non-current assets	**5**	16	43
Current assets	**57,392**	13,492	17,631
Current liabilities	**(56,168)**	(1,144)	(2,097)
Non-current liabilities	**(302)**	(23)	(194)
Net assets	**927**	12,341	15,383

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

Name of company	**Country of incorporation**	**Group's effective interest**			**Principal activities**
		31.3.2013	**31.3.2012**	**1.4.2011**	
		%	**%**	**%**	
MMC Zelan Sdn. Bhd.	Malaysia	**40**	40	40	Dormant
IJM-Zelan-Sunway Builders-LFE Consortium	Malaysia	**25**	25	25	Design, execution and completion of towers
Associates of Zelan Holdings (M) Sdn. Bhd.					
Zelan Arabia Co. Ltd.	Saudi Arabia	**40**	40	40	Civil technical design and construction of civil and building works
Associate of Sejara Bina Sdn. Bhd.					
Essential Amity Sdn. Bhd.	Malaysia	**50**	50	50	Turnkey contractor and property development

The construction contract undertaken by IJM-Zelan-Sunway Builders-LFE Consortium ("Consortium") has a contractual completion date of September 2010. However, the completion of the contract was delayed due to non-payment of overdue progress billings by the owner of the project. The Group had recorded a cumulative net loss in respect of this project amounting to RM2.8 million as at 31 March 2013 (31.3.2012: Nil; 1.4.2011: Nil).

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

19 JOINT VENTURES

The Group's interests in the jointly controlled operations are as follows:

		Share of interest		
Name of company	**Principal activities**	**31.3.2013 %**	**31.3.2012 %**	**1.4.2011 %**
Zelan - Murray Roberts Joint Venture	Dormant	**50**	50	50
Zelan BEC Consortium	Design and construction of chimney	**51**	-	-

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Quoted shares in Malaysia				
At beginning of the financial year	**373,652**	425,420	**373,652**	425,420
Disposals during the financial year	**(340)**	-	**(340)**	-
Fair value loss during the financial year	**(11,977)**	(51,768)	**(11,977)**	(51,768)
At end of the financial year	**361,335**	373,652	**361,335**	373,652

	Group			Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**	**31.3.2013 RM'000**	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Restricted – pledged to a term loan (Note 27)	**361,335**	373,269	425,176	**361,335**	373,269	425,176
Not restricted	**-**	383	244	**-**	383	244
	361,335	373,652	425,420	**361,335**	373,652	425,420

As at the reporting date, the available-for-sale financial assets (restricted) of the Group and the Company are pledged against the borrowings as disclosed in Note 27 to the financial statements.

21 INVENTORIES

	Group		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Completed properties for sale	**9,080**	9,080	9,194

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

22 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial receivables						
Non-current						
Trade receivables	**180,793**	-	-	**-**	-	-
Current						
Trade receivables	**93,417**	178,098	263,799	**-**	-	-
Amount due from an associate	**2,055**	1,963	1,724	**-**	-	-
Amounts due from related companies	**14**	36	11,903	**-**	-	-
	95,486	180,097	277,426	**-**	-	-
Other receivables and deposits	**18,284**	14,571	39,323	**78**	254	118
Less: Allowance for doubtful debts	**(180)**	(843)	(3,409)	**-**	-	(59)
	18,104	13,728	35,914	**78**	254	59
Amounts due from subsidiaries	**-**	-	-	**558,755**	537,212	376,798
Less: Allowance for doubtful debts	**-**	-	-	**(519,024)**	(510,545)	(366,009)
	-	-	-	**39,731**	26,667	10,789
	113,590	193,825	313,340	**39,809**	26,921	10,848
Total financial receivables	**294,383**	193,825	313,340	**39,809**	26,921	10,848

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

22 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Group			Company		
	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000
Other receivables						
Non-current						
Amount recoverable from subcontractor	**-**	69,015	-	**-**	-	-
Current						
Other receivables	**11,357**	23,312	24,678	**-**	-	-
Amounts due from contract customers (Note 23)	**3,590**	40,412	66,304	**-**	-	-
Amount recoverable from subcontractor	**69,668**	-	68,133	**-**	-	-
Advances to subcontractors	**32,894**	1,572	71,085	**-**	-	-
Prepayments	**1,337**	2,661	3,058	**-**	-	-
	118,846	67,957	233,258	**-**	-	-
Total other receivables	**118,846**	136,972	233,258	**-**	-	-

Retention on contracts, included in trade receivables of the Group, amounted to RM113,269,000 (31.3.2012: RM197,736,000; 1.4.2011: RM213,698,000).

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

Amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

The amount recoverable from a subcontractor of RM69,668,000 (31.3.2012: RM69,015,000; 1.4.2011: RM68,133,000) is in respect of estimated LAD to be recovered from the subcontractor as a result of the delay in completing its scope of work as set out in the agreement for supply. The Group is virtually certain that it is entitled to impose and receive the LAD in accordance with the provisions of the said agreement, and this is supported by external legal advice. As the Group is expected to receive the amount within the next twelve months after the reporting date, the amount recoverable from the subcontractor is classified as current asset as at 31 March 2013.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

23 CONSTRUCTION CONTRACTS

	Group		
	31.3.2013	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**
Aggregate costs incurred to date	**7,056,261**	6,155,099	7,258,177
Add: Attributable profits	**321,879**	303,074	275,453
Less: Foreseeable losses	**(509,339)**	(46,771)	(557,185)
	6,868,801	6,411,402	6,976,445
Less: Progress billings	**(6,867,715)**	(6,371,747)	(7,034,756)
	1,086	39,655	(58,311)
Amounts due from contract customers (Note 22)	**3,590**	40,412	66,304
Amounts due to contract customers (Note 26)	**(2,504)**	(757)	(124,615)
	1,086	39,655	(58,311)

Included in the construction contract costs for the financial year are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Rental of premises	**1,022**	1,609
Depreciation of property, plant and equipment (Note 15)	**3,608**	5,869
Interest expense on (Note 8):		
- hire purchase	**8**	-
- term loans	**1,246**	7,377
- revolving credits	**-**	1,867
	1,254	9,244
Staff costs (Note 10)	**12,405**	19,169

The effective interest rate for borrowing costs in construction contract costs incurred during the financial year is 7.4% (2012: 15.00%) per annum.

23 CONSTRUCTION CONTRACTS (CONTINUED)

Project in Indonesia

The project in Indonesia is disclosed in detail in Note 2 to the financial statements.

During the financial year ended 31 March 2011, the Group provided a total of USD41 million (RM129.2 million), comprising LAD of USD30.8 million (RM97.1 million) due to anticipated delays in the completion of the project and certain deviations from the original contract of USD10.2 million (RM32.1 million).

As a result of the negotiation agreement entered in February 2012, the Group revised its provision to an aggregate sum of USD18.4 million (RM56.4 million), mainly arising from LAD and certain deviations from the contract as at 31 March 2012.

During the financial year ended 31 March 2013, the Group has written back a further provision of USD1.5 million (RM4.8 million) and paid LAD amounting to USD3.8 million (RM11.9 million) leaving a balance of LAD payable of USD3.8 million (RM11.8 million) as at 31 March 2013.

The Group is currently in the midst of completing the first year inspection of the power plant and anticipates to complete this inspection by the second quarter of the financial year ending 31 March 2014.

Project in the Middle East

The Group entered into a construction contract agreement in Abu Dhabi, UAE to construct a mixed development in March 2008 with a contractual completion date in September 2010. In September 2009, the project was temporarily suspended due to irregular payments and substantial outstanding payments from the owner of the project.

In June 2011, the Group entered into a supplementary agreement with the owner, which includes revision to the contract sum due to changes in the scope of work, agreed repayment terms of the outstanding progress billings previously certified, recommencement date of July 2011 and a revised completion date of 21 months from the recommencement date. As a result, the Group had resumed the project.

The Group had, on 17 January 2012, included an addendum to supplementary agreement and agreed that the time of completion shall be no later than 15 April 2013. The addendum also sets out certain changes in the scope of the work. The Group had also written to the owner to apply for a six month extension of time for completion on 15 October 2013.

However, on 21 November 2012, the owner of the project gave notice to terminate the contract and liquidate the performance bond. On 9 December 2012, the guarantor of the performance bond released the performance bond of AED92.5 million (approximately RM78 million) to the project owner.

As set out in Note 2, the Group, through its legal counsels in UAE, immediately initiated all necessary legal actions and issued 5 Notices of Intention to Commence Arbitration and engaged an independent claim consultant to carry out a preliminary review on the Group's claim against the project owner based on the Group's entitlement for an extension of time and other additional payments in connection with the project. The Group had also obtained legal opinions from external solicitors based in Dubai, UAE and Malaysia.

Based on the claims consultant report and external legal advice, the Group is of the view that it has strong legal grounds to challenge the basis of the notice of termination issued by the project owner. The Group targets to commence the arbitration process in September 2013 to recover the amount due from the project owner.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

23 CONSTRUCTION CONTRACTS (CONTINUED)

Projects in Malaysia

The Group has commenced a few projects in Malaysia during the current financial year and these projects were progressing as scheduled as at 31 March 2013.

24 CASH AND CASH EQUIVALENTS

	Group			Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**	**31.3.2013 RM'000**	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Deposits placed with licensed banks	**35,396**	51,069	1,969	**24,368**	32,149	1,790
Cash and bank balances	**7,436**	6,140	16,632	**868**	1,218	1,279
Deposits, cash and bank balances	**42,832**	57,209	18,601	**25,236**	33,367	3,069
Less: Deposits pledged as security	**(35,396)**	(51,069)	(1,969)	**(24,368)**	(32,149)	(1,790)
	7,436	6,140	16,632	**868**	1,218	1,279
Cash and cash equivalents is analysed between:						
Current:						
- Restricted	**22,950**	10,629	179	**20,755**	7,779	-
- Not-restricted	**7,436**	6,140	16,632	**868**	1,218	1,279
	30,386	16,769	16,811	**21,623**	8,997	1,279
Non-current:						
- Restricted	**12,446**	40,440	1,790	**3,613**	24,370	1,790
	42,832	57,209	18,601	**25,236**	33,367	3,069

Included in deposits placed with licensed banks of the Group and the Company is an amount of RM35,396,000 (31.3.2012: RM51,069,000; 1.4.2011: RM1,969,000) and RM24,368,000 (31.3.2012: RM32,149,000; 1.4.2011: RM1,790,000), respectively, which have been pledged to secure banking facilities, primarily for performance guarantee facility, granted to the Group and the Company as at the reporting date.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

24 CASH AND CASH EQUIVALENTS (CONTINUED)

Included in the cash and bank balances of the Group is RM121,000 (31.3.2012: RM119,000; 1.4.2011: RM116,000) 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.

Deposits of the Group and the Company at the reporting date have an average maturity of 360 days (31.3.2012: 360 days; 1.4.2011: RM180 days) and 360 days (31.3.2012: 360 days; 1.4.2011: 180 days) respectively. Bank balances are deposits held at call with licensed banks.

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

	Group			**Company**		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	%	**%**	**%**	**%**	**%**	**%**
Deposits placed with licensed banks						
- Licensed banks	**2.89**	2.93	2.41	**2.88**	2.90	2.41
Bank balances	**2.10**	1.66	2.41	**2.10**	1.48	2.41

25 SHARE CAPITAL

The authorised, issued and fully paid up capital of the Company at the reporting date are as follows:

	Group/Company					
	No. of ordinary shares			**Amount**		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	'000	**'000**	**'000**	**RM'000**	**RM'000**	**RM'000**
Authorised:						
At start and end of the financial year	**800,000**	800,000	800,000	**400,000**	400,000	400,000
Issued and fully paid:						
At start and end of the financial year	**563,263**	563,263	563,263	**281,632**	281,632	281,632

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

26 PAYABLES

	Group			Company		
	31.3.2013 RM'000	**31.3.2012 RM'000**	**1.4.2011 RM'000**	**31.3.2013 RM'000**	**31.3.2012 RM'000**	**1.4.2011 RM'000**
Financial payables						
Trade payables	**216,125**	129,957	168,430	**-**	-	-
Amounts due to subsidiaries	**-**	-	-	**22,860**	8,649	5,014
Amounts due to related companies	**33**	-	41	**33**	-	41
Amount due to an associate	**3,613**	7,790	4,840	**-**	-	-
Other payables and accruals	**51,052**	99,644	124,853	**1,360**	334	162
	270,823	237,391	298,164	**24,253**	8,983	5,217
Other liabilities						
Amounts due to contract customers (Note 23)	**2,504**	757	124,615	**-**	-	-
Advances received on contracts	**4,580**	134	79,612	**-**	-	-
Others	**15,392**	955	2,120	**434**	386	730
	22,476	1,846	206,347	**434**	386	730

Advances received from contract customers are secured by advance payment bonds issued by financial institutions which are in turn secured by a corporate guarantee by a subsidiary. The advances are interest free and repayable by deducting from progress billings certified by the contract customers.

Amounts due to related companies, subsidiaries and associate are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2013 (Cont'd)

27 BORROWINGS

		Group			Company		
		31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000
Current:							
Term loan (secured)	(a)(i)	**89,052**	14,242	48,893	**-**	-	-
Term loan embedded with equity collar (secured)	(a)(iii)	**129,920**	737	-	**129,920**	737	-
Hire purchase liabilities (secured)	(b)	**393**	126	95	**-**	36	60
Revolving credits (secured)	(c)	**-**	-	152,330	**-**	-	90,000
I-Financing	(d)	**13,573**	-	-	**13,573**	-	-
Overdraft facility (unsecured)		**2**	-	207	**-**	-	-
		232,940	15,105	201,525	**143,493**	773	90,060
Non-current:							
Term loan embedded with equity collar (secured)	(a)(iii)	**155,457**	283,191	-	**155,457**	283,191	-
Hire purchase liabilities (secured)	(b)	**1,509**	743	36	**-**	-	36
		156,966	283,934	36	**155,457**	283,191	36
Total:							
Term loan (secured)	(a)(i)	**89,052**	14,242	48,893	**-**	-	-
Term loan embedded with equity collar (secured)	(a)(iii)	**285,377**	283,928	-	**285,377**	283,928	-
Hire purchase liabilities (secured)	(b)	**1,902**	869	131	**-**	36	96
Revolving credits (secured)	(c)	**-**	-	152,330	**-**	-	90,000
I-Financing	(d)	**13,573**	-	-	**13,573**	-	-
Overdraft facility (unsecured)		**2**	-	207	**-**	-	-
		389,906	299,039	201,561	**298,950**	283,964	90,096

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

27 BORROWINGS (CONTINUED)

(a) Term loans - secured

(i) Term loan – Middle East project

The term loan of the Group is secured by:

- Assignment of sale proceeds from Zelan Berhad, in respect of 950,000 issued and fully paid up ordinary shares of RM1 each in the capital of Terminal Bersepadu Gombak Sdn. Bhd., a subsidiary, in favour of the bank.
- Assignment of contract proceeds from Zelan Construction Sdn. Bhd., a subsidiary, in respect to the subcontract awarded by Mudajaya Corporation Berhad for the subcontract package no: TJN/M01 and TJN/M02 Cooling Water Intake, Cooling Water Filtration, Pump Station and Offshore Cooling Water Discharge Culverts, in favour of the bank.
- Marginal deposit for AED728,000 against the guarantees issued.
- Letter of comfort issued by the Company to the subsidiary.

The interest rate of the term loan is based on the Based Lending Rate ("BLR") plus a fixed margin and will vary when there is a revision made to the BLR.

As at 31 March 2013, the Group was negotiating with the bank to restructure the repayment terms of the loan. The Group had subsequently restructured the term loan via four instalment payments, with the first instalment payment being due on 31 August 2013 and subsequent instalments are to be paid by 31 October 2013, 31 December 2013 and 31 March 2014.

(ii) Bridging loan facility

The Group had, in June 2011, obtained a bridging loan facility of RM170,000,000 for a tenure of five months, which was secured on the available-for-sale financial assets of the Group. The bridging loan facility was subsequently repaid in the same financial year ended 31 March 2012.

(iii) Term loan embedded with equity collar – secured

On October 2011, the Group obtained a term loan facility embedded with equity collar of RM285.6 million for tenure of up to 36 months and is secured by the available-for-sale financial assets of the Group. Accordingly, the available-for-sale financial assets are classified as restricted in the statements of financial position as at 31 March 2012 and 31 March 2013. The proceeds of the term loan were utilised to repay certain borrowings of the Group.

The interest rate of the term loan is based on the cost of funds plus a fixed margin.

The fair value of the term loan embedded with equity collar is RM22,037,000 as at 31 March 2013 (31.3.2012: RM32,419,000; 1.4.2011: Nil).

(iv) Fair value of the derivative

At the reporting date, the Group performed a valuation of the equity collar embedded in the term loan which is secured by the available-for-sale financial assets (Note 20) in accordance with MFRS 139. Based on the valuation, the Group and the Company recognised a gain on the fair value of RM10.4 million (2012: loss on fair value of RM32.4 million) in the profit or loss for the financial year ended 31 March 2013 arising from the fair value changes on the equity collar.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

27 BORROWINGS (CONTINUED)

(a) Term loans - secured (continued)

(iv) Fair value of the derivative (continued)

However, the changes to the fair value of the available-for-sale financial assets are recorded in other comprehensive income as a separate component in the fair value reserve. During the financial year ended 31 March 2013, the Group and the Company recorded a fair value loss of RM11,977,000 (2012: RM51,768,000) in the fair value reserve.

The fair value loss of the equity collar embedded in the term loan was measured using the Black Scholes valuation model. As at 31 March 2013, the fair value loss of the derivative was valued at RM22,037,000 (31.3.2012: RM32,419,000; 1.4.2011: Nil). The significant inputs of the valuation are as follows:

		Group/Company	
	31.3.2013	**31.3.2012**	**1.4.2011**
	%	**%**	**%**
Significant input of valuation:			
- embedded volatility per annum	**15.28 - 30.56**	10.95 - 23.01	-
- Malaysian ringgit interest rate curve	**3.10 - 3.64**	3.08 - 4.92	-

(b) Hire purchase liabilities – secured

		Group			Company	
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Analysis of hire purchase liabilities:						
Payable within one year	**478**	216	99	**-**	37	63
Payable between one and two years	**952**	376	37	**-**	-	37
Payable between two and five years	**689**	376	-	**-**	-	-
	2,119	968	136	**-**	37	100
Less: Finance charges	**(217)**	(99)	(5)	**-**	(1)	(4)
	1,902	869	131	**-**	36	96
Present value of hire purchase liabilities:						
Payable within one year	**393**	126	95	**-**	36	60
Payable between one and two years	**845**	383	36	**-**	-	36
Payable between two and five years	**664**	360	-	**-**	-	-
	1,902	869	131	**-**	36	96

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

27 BORROWINGS (CONTINUED)

(b) Hire purchase liabilities – secured (continued)

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fair value:						
Hire purchase	**1,901**	970	128	**-**	36	102

(c) Revolving credits

The revolving credit facilities as at 1 April 2011 were secured by:

- Assignment of proceeds accounts, project proceeds and supplier bonds.
- Letters of undertaking and subordination of debts.
- Pledge of quoted shares of the Group and the Company. (Note 20)

The interest rate of the revolving credits was based on the cost of funds plus a fixed margin.

The Group repaid the revolving credits in full during the financial year ended 31 March 2012.

The Group's standby credit facilities which comprise the Group's revolving credits and the performance bond issued to the owner of Indonesia project were subject to covenant clauses, whereby the Group was required to meet certain key financial ratios based on the terms and conditions set out in the agreement. The Group did not fulfil the financial ratios as at 31 March 2013. The Group had, in December 2012, obtained waiver for non-compliance of the covenants clauses through to 30 June 2013. The Group has subsequently obtained indulgence from the bank for a further extension of the waiver to 31 December 2013.

(d) I-Financing

In December 2012, the Group had secured an Islamic Financing Facility (based on the principles of Bai' Al-Inah and Al-Kafalah) amounting to RM63.8 million from a local financial institution. This facility is segregated into two parts, of which RM48.5 million is used to finance the general working capital line of the Group and RM15.3 million is used to finance a project of the Group.

The facility comprises revolving credit and bank guarantee lines, whereby the profit rate for the revolving credit line is based on the base financing rate plus a fixed margin and a fixed margin for the bank guarantee line.

The general working line is secured by a first charge over the properties owned by the Group, whereas the project financing facility is being secured by the assignment of contract proceeds received from the project owner of the project.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

27 BORROWINGS (CONTINUED)

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

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	%	**%**	**%**	**%**	**%**	**%**
Term loan	**7.30 - 11.00**	15.00	12.67	**-**	-	-
Term loan embedded with equity collar	**5.15**	5.25	-	**5.15**	5.25	-
Hire purchase liabilities	**2.37 - 10.0**	2.20 - 2.52	1.75 - 5.10	**-**	2.20 - 2.52	2.20 - 2.52
Revolving credits	**7.30 - 7.60**	-	4.01 - 5.57	**7.60**	-	4.82 - 5.57
I-Financing	**7.30 - 7.60**	-	-	**7.30 - 7.60**	-	-
Overdraft facility	**-**	-	22.00	**-**	-	-

28 DEFERRED TAX LIABILITIES

	Group		
	31.3.2013	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**
Deferred tax liabilities	**2,674**	2,676	2,697

	Group	
	2013	**2012**
	RM'000	**RM'000**
Movement during the financial year is as follows:		
At start of the financial year	**2,676**	2,697
Charged / (credited) to the profit or loss: (Note 13)		
- provisions	**(8)**	-
- property, plant and equipment	**6**	(21)
	(2)	(21)
At end of the financial year	**2,674**	2,676

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

28 DEFERRED TAX LIABILITIES (CONTINUED)

	Group		
	31.3.2013	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**
Subject to income tax:			
Deferred tax asset (before offsetting)			
- Provisions	**-**	-	(121)
Offsetting	**-**	-	121
Deferred tax asset (after offsetting)	**-**	-	-
Deferred tax liability (before offsetting)			
- Property, plant and equipment	**2,674**	2,676	2,818
Offsetting	**-**	-	(121)
Deferred tax liability (after offsetting)	**2,674**	2,676	2,697

Subject to the agreement from the tax authorities, the amount of deductible temporary differences, unabsorbed capital allowances and unused tax losses, all of which have no expiry date and for which no deferred tax assets is recognised at the reporting date, as follows:

	Group			Company		
	31.3.2013	**31.3.2012**	**1.4.2011**	**31.3.2013**	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deductible temporary differences	**51,483**	52,187	53,298	**-**	-	-
Unabsorbed capital allowances	**165**	535	918	**-**	85	50
Tax losses	**73,243**	39,037	44,084	**-**	-	-
	124,891	91,759	98,300	**-**	85	50

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

29 PROVISION FOR LIABILITIES

	Group	
	2013	**2012**
	RM'000	**RM'000**
At start of the financial year	**28,192**	93,179
Write-back during the financial year	**(4,817)**	(66,077)
Reclassification to financial liabilities	**(23,756)**	-
Exchange translation differences	**381**	1,090
At end of the financial year	**-**	28,192

As at 31 March 2011, the Group recognised a provision for liquidated ascertained damages ("LAD") for one of its projects in Indonesia of USD30.8 million (RM97.1 million). As a result of the negotiation agreement entered into by the Group and the owner in February 2012, the Group wrote back an aggregate of USD21.6 million (approximately RM66.0 million) during the financial year ended 31 March 2012. During the financial year ended 31 March 2013, the Group wrote back a further provision of USD1.5 million (RM4.8 million) and reclassified the provision to financial liabilities as this amount was contractually agreed with the project owner. Refer to the Note 23 to the financial statements for further details.

30 SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions with other related parties:				
Non-trade:				
Rental of office premises receivable from:				
- MMC Engineering Services Sdn. Bhd., a subsidiary of a corporate shareholder of the Company	**165**	165	**-**	-
- Tradewinds Corporation Berhad, a related party of a corporate shareholder of the Company	**405**	405	**-**	-
Transaction with subsidiary of the Company				
Non-trade:				
Rental fee payable by Zelan Holdings (M) Sdn. Bhd.	**-**	-	**17**	17

The outstanding balances arising from the above related party transactions have been disclosed in Note 22 and Note 26 to the financial statements.

The related party transactions described above have been entered into in the normal course of business and have been established under negotiated terms.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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 11) 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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and bonuses	**2,083**	1,719	**1,603**	1,290
Defined contribution retirement plan	**278**	247	**210**	183
	2,361	1,966	**1,813**	1,473
Estimated monetary value of benefits-in-kind	**115**	100	**69**	49
	2,476	2,066	**1,882**	1,522

31 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Significant events during the financial year and subsequent events after the reporting date other than those disclosed in the financial statements are as follows:

(i) On 15 July 2013, the Company disposed of 1,336,600 ordinary shares of RM1.00 each in IJM Corporation Berhad in the open market at an average disposal price of RM5.75 per share for a total consideration of RM7.7 million. The proceeds from the disposal have been utilised towards repayment of bank borrowing.

(ii) On 27 June 2013, the Company disposed of 3,692,000 ordinary shares of RM1.00 each in IJM Corporation Berhad in the open market at an average disposal price of RM5.56 per share for a total consideration of RM20.5 million. The proceeds from the disposal have been utilised towards repayment of bank borrowing.

(iii) On 20 June 2013, the Company disposed of 3,600,400 ordinary shares of RM1.00 each in IJM Corporation Berhad in the open market at an average disposal price of RM5.69 per share for a total consideration of RM20.4 million. The proceeds from the disposal have been utilised towards repayment of bank borrowing.

(iv) On 6 May 2013, the Company disposed of 1,000,000 ordinary shares of RM1.00 each in IJM Corporation Berhad in the open market at an average disposal price of RM5.57 per share for a total consideration of RM5.55 million. The proceeds from the disposal have been utilised towards repayment of bank borrowing.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

31 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE REPORTING DATE (CONTINUED)

Significant events during the financial year and subsequent events after the reporting date other than those disclosed in the financial statements are as follows: (continued)

(v) The following announcements have been made by the Company in relation to Meena Plaza Mixed Use Development Project, Abu Dhabi, United Arab Emirates (UAE) ("the Project"):

1. On 22 November 2012, the Company announced that its wholly owned subsidiary Zelan Holdings (M) Sdn. Bhd. ("ZHSB") has received a letter dated 21 November 2012 from the project owner giving fourteen days' notice to terminate the contract and to liquidate the performance bond.

2. On 27 November 2012, the Company further announced on the following:

   The Company regarded the notice of termination as baseless and wrongful in view of the application for extension of time submitted by ZHSB prior to the notice of termination which has yet to be assessed and determined then in accordance with the provisions of the contract.

   The Company, through its legal counsels in UAE, was in the midst of initiating the necessary legal actions to dispute the validity of the project owner's notice of termination and notice of liquidation of the performance bond in accordance with the provisions of the contract and the laws of UAE.

3. On 2 January 2013, the Company announced that its wholly owned subsidiary, ZHSB, has issued notices of intention to commence arbitration on several disputes in relation to the Project with the project owner, in accordance with the provisions of the contract.

   The notices which have been issued by ZHSB are as follows:

   (a) A Notice of Intention to Commence Arbitration dated 27 December 2012, in respect of the dispute between ZHSB and the project owner on the project owner's under certification of the value of materials on site in the progress claims submitted by ZHSB; and

   (b) Two Notices of Intention to Commence Arbitration both dated 31 December 2012, in respect of the disputes between ZHSB and the project owner on the delay and progress of works.

4. On 21 February 2013, ZHSB had issued two (2) additional notices of intention to commence arbitration on several disputes in relation to the Project with the project owner, in accordance with the provisions of the contract.

(vi) On 5 July 2012, the Company announced that its wholly-owned subsidiary company, Konsesi Pusat Asasi Gambang Sdn. Bhd. ("Concession Company"), entered into a Concession Agreement with the Government of Malaysia and International Islamic University Malaysia ("IIUM"), whereby IIUM has granted to the Concession Company the concession to undertake the development of the Centre for Foundation Studies (Phase 3), IIUM, Gambang Campus in Pahang on a Build-Lease-Manage-Transfer basis by way of PFI scheme.

On 3 January 2013, the Company announced that the Concession Company has received a letter from the Ministry of Higher Education Malaysia which confirms that the Concession Company has fulfilled all the conditions precedent in the Concession Agreement, and accordingly declares 2 January 2013 as the effective date of the Concession Agreement.

Based on the provisions of the Concession Agreement, the Construction Works shall commence fourteen days from the effective date ("Construction Commencement Date") and shall complete within thirty six months thereafter. The Concession Period of twenty three years granted to the Concession Company shall commence on the Construction Commencement Date.

NOTES TO **THE FINANCIAL STATEMENTS**

For the Financial Year Ended 31 March 2013 (Cont'd)

31 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE REPORTING DATE (CONTINUED)

Significant events during the financial year and subsequent events after the reporting date other than those disclosed in the financial statements are as follows: (continued)

(vii) On 14 November 2012, the Company announced that its wholly owned subsidiary, Zelan Construction Sdn. Bhd., has been awarded by Pelabuhan Tanjung Pelepas Sdn Bhd ("PTPSB") the contract for the construction, completion and maintenance of wharf structures for Berths 13 & 14 and back of wharf works at Pelabuhan Tanjung Pelepas in Johor Darul Takzim for the contract sum of RM179,325,195. The completion period for the abovementioned works is 17 months, commencing on 12 November 2012.

(viii) On 3 September 2012, the Company's wholly-owned subsidiary, Zelan Construction Sdn. Bhd., has been awarded by Mudajaya Corporation Berhad ("Mudajaya") the subcontract for the engineering design and construction works of the following structures (Cooling water intake, Cooling water filtration and pump station and Offshore water discharge culverts) for the development of Tanjung Bin's 1 x 1,000 MW Coal Fired Power Plant Project in Negeri Johor Darul Takzim for the lump sum amount of RM215,250,000. The commencement date for the abovementioned works is 3 September 2012 and the completion date is 15 August 2014.

(ix) On 2 August 2012, the Company announced that Zelan BEC Consortium, in which Zelan Berhad has 51% participating interest, has on the same day accepted the letter of award issued by Mudajaya Corporation Berhad ("Mudajaya") for the design and build of chimney for the development of Tanjung Bin's 1 X 1,000 MW Coal Fired Power Plant Project in Negeri Johor Darul Takzim ("Works") for the lump sum price of RM34,770,743 and Zelan Construction Sdn. Bhd., a wholly owned subsidiary of Zelan Berhad, has on 2 August 2012 entered into a Definitive Collaboration Agreement ("Collaboration Agreement") with Balanced Engineering & Construction Pte Ltd ("BEC") to form a joint venture on an unincorporated basis by the name of Zelan BEC Consortium ("Consortium") for the sole purpose of undertaking the execution and completion of the works.

(x) On 2 February 2012, Northern Gateway Infrastructure Sdn. Bhd. ("NGISB") issued a letter of intent to Zelan-Kiara Teratai JV ("JV"), stating its intention to appoint the JV as the contractor for the proposed development of Integrated Immigration, Custom, Quarantine and Security ("ICQS") Complex at Bukit Kayu Hitam, Kedah ("the Project").

Zelan Construction Sdn. Bhd. ("ZCSB"), a wholly-owned subsidiary of the Company, will have 51% participating interest in the JV while Kiara Teratai Sdn. Bhd. ("Kiara") will have 49%, subject to the terms and conditions of the joint venture agreement to be entered into between ZCSB and KTSB, contingent upon the award of the Project by NGISB to the JV.

On 28 May 2012, ZCSB entered into a joint venture agreement with Kiara to form a joint venture on an unincorporated basis under the name of Zelan-Kiara Teratai JV for the sole purpose of carrying out the construction of the Project.

NGISB has, by a letter of award dated 28 May 2012, appointed Zelan-Kiara Teratai JV to carry out and complete the works for a maximum guaranteed lump sum price of RM310 million.

On 1 August 2012, Zelan Berhad announced that Zelan-Kiara Teratai JV had on 31 July 2012 received a letter from NGISB dated 26 July 2012 stating that the Company was not able to issue any confirmation on the Date of Site Possession.

32 CONTINGENT LIABILITIES

Details of the contingent liabilities, which are unsecured unless as stated below, during the financial year are as follows:

(a) A subsidiary's branch in Indonesia ("Branch") received a revised tax assessment for the 2007 fiscal year on 26 June 2009. The Branch disputed the assessment and filed for a review of the assessment at the Tax Court in Indonesia. In June 2012, the Tax Court delivered a verbal judgment against the Branch and ruled that a potential tax payable and related tax penalties of approximately RM32.5 million would be payable by the Branch. The Group has made a full provision of the amount in the profit or loss during the financial year ended 31 March 2013 upon receipt of the written judgment from the Tax Court in August 2012, and made a full payment of this amount, in compliance with the judgment, during the financial year. The Branch had in October 2012 submitted a Memorandum for Judicial Review at the Supreme Court of Indonesia against the Tax Court's decision and the outcome is not known as of the date of approval of the financial statements.

The Branch had, on 20 May 2013 and 29 May 2013, received two tax demand letters stating that an amount approximately RM20.7 million is payable as the interest charges on the late payment of the tax charged based on the revised tax assessment issued by the Indonesian Tax Authorities. The Branch, through its tax consultants in Indonesia, has submitted an application to the Indonesian Tax Authorities for the waiver of the interest charges. Pending the outcome of the said application and the abovementioned Judicial Review, management has recorded a provision of RM14.4 million based on the advice from the external tax consultants, having duly the considered various legal grounds and basis of the aforementioned application and Judicial Review.

(b) In June 2010, a supplier of ready mixed concrete in the Kingdom of Saudi Arabia ("KSA") had filed a claim of SAR67,422,000 (approximately RM58,655,000) against a subsidiary of the Company, incorporated in KSA, for the outstanding invoices, quantities of concrete not ordered by the subsidiary, bank surcharges, equipment, manpower and material standby cost, equipment rental costs and value of damaged plants at the Commercial Department, Administrative Court, Aseer Region, KSA. The subsidiary has counterclaimed an amount of SAR38,720,000 against the supplier.

No provision has been made in the financial statements based on the legal advice of the solicitors in KSA, who are of the view that the plaintiff does not have a valid legal case based on the terms and conditions of the contract between the subsidiary and the supplier dated 12 August 2008.

The next KSA Court hearing has been fixed on 27 August 2013.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

32 CONTINGENT LIABILITIES (CONTINUED)

Details of the contingent liabilities, which are unsecured unless as stated below, during the financial year are as follows: (continued)

(c) A contractor to a subsidiary's branch ("Branch") in Abu Dhabi has filed a claim against the Branch for a sum of AED13,500,000 (approximately RM11,100,000) for works done and a sum of AED1,000,000 (approximately RM820,000) as compensation in relation to a completed project in the United Arab Emirates ("UAE").

Following the above, the Court of Appeal has made an order against a subsidiary's branch in Abu Dhabi for AED12,900,000 (approximately RM11.0 million) as outstanding payment together with AED300,000 (approximately RM0.25 million) as compensation and dismissed the subsidiary's appeal for a counter action to join the project owner as codefendant in the suit.

On 6 August 2012, 3 September 2012 and 24 September 2012, the Execution Court has issued letters to the project owner instructing the project owner to deposit the sum of AED14,250,000 (approximately RM12.1 million) to the Execution Court in order to pay the judgment obtained by the subcontractor. This has been appealed by the project owner and the matter was fixed for hearing on 7 October 2012. The subsidiary's branch in Abu Dhabi had then submitted its objection to the said appeal by project owner. On 17 October 2012, the Court has dismissed the said appeal by the project owner. Hence, the earlier instruction from the Execution Court for the project owner to pay the sum of AED14,250,000 to the Execution Court remains.

However, due to delay in obtaining the judgment sum from the project owner, the subcontractor instead executed the judgment obtained against the subsidiary company's branch in Abu Dhabi by requesting the Execution Court to execute the judgment against the attached bank account of the subsidiary's branch in Abu Dhabi that the subcontractor has earlier made. HSBC has since released the sum attached in the bank account of subsidiary's branch in Abu Dhabi to the Execution Court to realise part of the judgment obtained by the subcontractor.

No provision has been made in the financial statements as the branch is acting as a project manager to the owner of the project on a cost-plus basis, as set out in the agreement with the owner of the project. Therefore, all the construction costs incurred by the Branch in relation to the project were to be reimbursed from the project owner.

(d) A contractor of a subsidiary's branch ("Branch") has filed a claim against the Branch at Abu Dhabi First Instance Court for a sum of AED51,677,000 (approximately RM 43.5 million) and return its performance bond bank guarantee in relation to a project in Abu Dhabi where the Branch was the main contractor. However, the Court has issued a preliminary judgment which states that the documents filed by the said contractor are not sufficient for the Court to form an opinion and to have a full clarification of the dispute. The Court has therefore made the decision to delegate the assignment to three technical experts to inter alia value the work done by the contractor at site and to determine if the work has been carried out in accordance with the contract.

33 INSURANCE LIABILITIES

In the ordinary course of business, the Company has given guarantees amounting to RM43,888,000 (31.3.2012: RM28,160,000; 1.4.2011: RM69,641,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects and the Company does not anticipate any outflows of economic benefits arising from these undertakings.

34 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 as follows:

		Group	
	31.3.2013	**31.3.2012**	**1.4.2011**
	RM'000	**RM'000**	**RM'000**
Less than one year	**1,126**	1,736	4,976

35 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) Investment
(d) Others

The engineering and construction business segment includes the Group's projects in Indonesia, Middle East and Malaysia as described in Note 23 to the financial statements.

Other operations of the Group mainly comprise rental income and car park income and management fees, these are not included within reportable operating segments provided to the Directors. The results of these operations are included in the 'other segment' column. Interest income and interest expenses are not allocated to segments because this is managed in central functions, which manage the cash positions in the Group.

Inter-segment revenue comprise construction of buildings for property development segment and purchase of raw materials for the engineering and construction segment as well as dividend income for the investment segment. The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

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 tax payable) 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 tax payable) are measured in a manner which is consistent with the financial statements.

Segment results are defined as operating income before writeback for provision for liquidated ascertained damages, allowance for doubtful debts, depreciation, finance income, finance costs, gain on liquidation of a subsidiary company, (gain)/loss on fair value of derivative, and share of results of associates.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

35 SEGMENTAL INFORMATION (CONTINUED)

The segment information provided to the Directors for the reportable segments, is as follows:

	Engineering and construction RM'000	**Property and development RM'000**	**Investment RM'000**	**Others RM'000**	**Total RM'000**
Year ended 31 March 2013					
Segment revenue	156,369	776	10,760	-	167,905
Less: Inter-segment sales	(37,810)	-	(2,084)	-	(39,894)
Revenue from external customers	**118,559**	**776**	**8,676**	**-**	**128,011**
Results					
Segment results	(2,153)	(6,375)	1,784	(11)	(6,755)
Writeback for provision for liquidated ascertained damages	4,817	-	-	-	4,817
Allowance for doubtful debts	(41)	-	-	-	(41)
Depreciation of property, plant and equipment and investment properties	(6,368)	(147)	(194)	(1)	(6,710)
Impairment of property, plant and equipment	(6,702)	-	-	-	(6,702)
Finance income	32,067	3	560	-	32,630
Finance costs	(58,962)	-	(16,044)	-	(75,006)
Gain on disposal of available-for-sale financial assets	-	-	57	-	57
Gain on fair value of derivative	-	-	10,382	-	10,382
Share of results of associates	(3,261)	-	-	-	(3,261)
Loss before taxation	**(40,603)**	**(6,519)**	**(3,455)**	**(12)**	**(50,589)**

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

35 SEGMENTAL INFORMATION (CONTINUED)

The segment information provided to the Directors for the reportable segments, is as follows: (continued)

	Engineering and construction RM'000	Property and development RM'000	Investment RM'000	Others RM'000	Total RM'000
Year ended 31 March 2012					
Segment revenue	180,205	931	9,363	-	190,499
Less: Inter-segment sales	(2,083)	-	(1,350)	-	(3,433)
Revenue from external customers	**178,122**	**931**	**8,013**	**-**	**187,066**
Results					
Segment results	2,022	689	(7,807)	(5)	(5,101)
Writeback for provision for liquidated ascertained damages	66,077	-	-	-	66,077
Allowance for doubtful debts	(843)	-	-	-	(843)
Depreciation of property, plant and equipment and investment properties	(6,589)	(235)	(148)	(1)	(6,973)
Finance income	13,590	9	1,046	-	14,645
Finance costs	(12,508)	-	(3)	-	(12,511)
Gain on liquidation of subsidiary company	-	-	1,455	-	1,455
Loss on fair value of derivative	-	-	(32,419)	-	(32,419)
Share of results of associates	167	-	1	-	168
Profit / (loss) before taxation	**61,916**	**463**	**(37,875)**	**(6)**	**24,498**

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

35 SEGMENTAL INFORMATION (CONTINUED)

The segment information provided to the Directors for the reportable segments, is as follows: (continued)

	Engineering and construction RM'000	Property and development RM'000	Investment RM'000	Others RM'000	Total RM'000
At 31 March 2013					
Total assets:					
Segment assets	440,433	12,634	393,882	13	846,962
Investments in associates	927	-	-	-	927
	441,360	12,634	393,882	13	847,889
Add: Unallocated assets					2,964
					850,853
Total liabilities:					
Segment liabilities	377,929	671	326,637	5	705,242
Add: Unallocated liabilities					3,302
					708,544
At 31 March 2012					
Total assets:					
Segment assets	380,052	12,778	411,244	27	804,101
Investments in associates	12,341	-	-	-	12,341
	392,393	12,778	411,244	27	816,442
Add: Unallocated assets					15,381
					831,823
Total liabilities:					
Segment liabilities	280,711	686	317,484	6	598,887
Add: Unallocated liabilities					3,983
					602,870

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

35 SEGMENTAL INFORMATION (CONTINUED)

The segment information provided to the Directors for the reportable segments, is as follows: (continued)

	Engineering and construction RM'000	Property and development RM'000	Investment RM'000	Others RM'000	Total RM'000
At 1 April 2011					
Total assets:					
Segment assets	585,460	14,919	444,317	27	1,044,723
Investments in associates	15,383	-	-	-	15,383
	600,843	14,919	444,317	27	1,060,106
Add: Unallocated assets					22,962
					1,083,068
Total liabilities:					
Segment liabilities	707,129	646	91,472	4	799,251
Add: Unallocated liabilities					2,715
					801,966

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

35 SEGMENTAL INFORMATION (CONTINUED)

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
At 31 March 2013						
Segment revenue	**72,456**	**(21,915)**	**77,470**	**-**	**-**	**128,011**
Segment assets	**491,570**	**167,268**	**184,631**	**4,390**	**2,994**	**850,853**
Segment liabilities	**414,536**	**123,492**	**148,873**	**19,770**	**1,873**	**708,544**
At 31 March 2012						
Segment revenue	8,621	141,192	37,253	-	-	187,066
Segment assets	445,195	263,846	102,045	16,322	4,415	831,823
Segment liabilities	352,958	182,444	42,639	22,097	2,732	602,870
At 1 April 2011						
Segment assets	496,500	302,801	229,805	37,476	16,486	1,083,068
Segment liabilities	118,655	377,278	250,740	52,927	2,366	801,966

Total external revenue includes 4 customers (2012: 2 customers) from the engineering and construction business segment who have contributed 61%, 29%,18% and negative revenue of 17% (2012: 78% and 17%) respectively to the overall Group's revenue for the financial year ended 31 March 2013.

36 TRANSITION FROM FRS TO MFRS

The effects of the Group's and the Company's transition to MFRS as described in Note 2 are summarised as follows:

(a) MFRS 1 mandatory exceptions

(i) MFRS Estimates

MFRS estimates as at the transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) MFRS 1 exemption option

(i) Exemption for cumulative foreign exchange differences

MFRS 1 permits cumulative foreign exchange gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative foreign exchange differences in accordance with MFRS 121 "The Effects of Changes in Foreign Exchange Rates" from the date a foreign operation was acquired. The Group elected to reset all cumulative foreign exchange differences to zero in the opening accumulated losses at its transition date. At the transition date, cumulative foreign exchange differences amounted to a credit balance of RM54,007,000.

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

36 TRANSITION FROM FRS TO MFRS (CONTINUED)

The effects of the Group's and the Company's transition to MFRS as described in Note 2 are summarised as follows: (continued)

(c) Explanation of transition from FRS to MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The transition from FRS to MFRS has had no effect on the total comprehensive income, equity and the reported cash flows of the Group and the Company in the previous financial years.

However, there were certain reclassifications arising from the application of the MFRS 1 exemption option on the Group's statement of comprehensive income and the statement of changes in equity as set out below:

	As previously reported under FRS RM'000	Transitioning adjustment (Note 36(b)(i)) RM'000	As restated under MFRS RM'000
Group			
Statement of changes in equity			
As at 1 April 2011			
Foreign exchange reserve	54,007	(54,007)	-
Accumulated losses	(380,661)	54,007	(326,654)
As at 31 March 2012			
Foreign exchange reserve	51,772	(52,294)	(522)
Accumulated losses	(367,047)	52,294	(314,753)
Statement of comprehensive income			
For the financial year ended 31 March 2012			
Gain on liquidation of a subsidiary	3,168	(1,713)	1,455
Profit before taxation	26,211	(1,713)	24,498
Profit for the financial year	13,512	(1,713)	11,799
Other comprehensive loss:			
- Reclassification adjustment included in the profit or loss	(13,366)	1,713	(11,653)
Other comprehensive loss for the financial year, net of tax	(65,661)	1,713	(63,948)
Profit for the financial year attributable to equity holders of the Company	13,614	(1,713)	11,901
Basic and diluted earnings per share (sen)	2.42	(0.31)	2.11

NOTES TO **THE FINANCIAL STATEMENTS**
For the Financial Year Ended 31 March 2013 (Cont'd)

37 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits / (accumulated losses) at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- realised	**(1,185,116)**	(1,443,869)	**(470,568)**	(458,887)
- unrealised	**163,166**	24,069	**-**	-
	(1,021,950)	(1,419,800)	**(470,568)**	(458,887)
Total share of accumulated losses of the associates:				
- realised	**7,263**	10,525	**-**	-
- unrealised	**(4,763)**	(1,137)	**-**	-
	(1,019,450)	(1,410,412)	**(470,568)**	(458,887)
Less: Consolidation adjustments	**626,901**	1,095,659	**-**	-
Total consolidated accumulated losses per the financial statements	**(392,549)**	(314,753)	**(470,568)**	(458,887)

The disclosure of realised and unrealised retained profits / (accumulated losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

LIST OF PROPERTIES HELD
As at 31 March 2013

Location	Tenure	Area (sq. ft.)	Description/ Existing Use	Year of Expiry	Net Book Value (RM'000)	Age of Building (Years)	Year of Acquisition
PROPERTIES							
23rd & 24th Floor, Wisma Zelan No. 1 Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	28,244	Office use	2090	7,027	13	1995
INVESTMENT PROPERTIES							
21st Floor, Wisma Zelan No. 1 Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	21,788	Office rented to third party	2090	2,684	13	1995
Basement, 4th, 5th and 6th Floor Wisma Zelan No. 1 Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	54,370	Car park	2090	2,589	13	2005

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

As at 20 August 2013

Transacting Companies in Zelan Group	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of RRPT (RM'000)	Estimated Value of RRPT disclosed in Circular to Shareholders dated 9 September 2013 (RM'000)	Actual Value of RRPT Transacted from 24 September 2012 up to 20 August 2013 (RM'000)
Zelan Construction Sdn. Bhd.	MMC Group	Seaport Terminal (Johore) Sdn. Bhd. (STSB), Indra Cita Sdn. Bhd. (ICSB) and Tan Sri Syed Mokhtar Shah bin Syed Nor (TSSM)	Construction contracts, project management and property development	1,000,000	76,356
			Rental of office premises*	200	152
Eminent Hectares Sdn. Bhd.	Tradewind Corporation Berhad Group	Perspective Lane (M) Sdn. Bhd., Restu Jernih Sdn. Bhd., Kelana Venture Sdn. Bhd., MMC Corporation Berhad (MMC), STSB, ICSB and TSSM	Rental of office premises*	500	338

* *The rental agreement is for a period of 2 years (with an option to renew for another year) and the rent is payable on a monthly basis.*

SHAREHOLDERS' INFORMATION

As at 20 August 2013

Class of Securities	: Ordinary Shares of 50 sen each
Authorised Share Capital	: RM400,000,000
Issued and Paid Up Capital	: RM281,631,485
Voting right	: One (1) vote for every ordinary share
No. of Shareholders	: 9,594

DISTRIBUTION TABLE A
AS AT 20 AUGUST 2013

CATEGORY	NO. OF HOLDERS	%	NO. OF HOLDERS	%
Less than 100	172	1.79	3,761	0.00
100 – 1,000	763	7.95	597,291	0.10
1,001 – 10,000	4,419	46.06	26,823,908	4.76
10,001 – 100,000	3,669	38.25	129,429,130	22.98
100,001 to less than 5% of issued shares	570	5.94	185,355,494	32.91
5% and above of issued shares	1	0.01	221,053,386	39.25
TOTAL	**9,594**	**100.00**	**563,262,970**	**100.00**

ANALYSIS OF EQUITY STRUCTURE
AS AT 20 AUGUST 2013

TYPE OF OWNERSHIP	SHAREHOLDERS	%	SHAREHOLDINGS	%
1) GOVERNMENT AGENCY	1	0.01	3,020	0.00
2) BUMIPUTRA :				
a) Individuals	626	6.53	22,931,945	4.07
b) Companies	18	0.19	2,471,100	0.44
c) Nominees Company	1,036	10.80	61,044,350	10.84
3) NON-BUMIPUTRA :				
a) Individuals	6,813	71.01	191,344,285	33.97
b) Companies	55	0.57	6,039,902	1.07
c) Nominees Company	832	8.67	259,235,550	46.03
MALAYSIAN TOTAL	**9,381**	**97.78**	**543,070,152**	**96.42**
4) FOREIGN :				
a) Individuals	131	1.37	4,626,300	0.82
b) Companies	4	0.04	113,108	0.02
c) Nominees Company	78	0.81	15,453,410	2.74
FOREIGN TOTAL	**213**	**2.22**	**20,192,818**	**3.58**
GRAND TOTAL	**9,594**	**100.00**	**563,262,970**	**100.00**

SHAREHOLDERS' **INFORMATION**
As at 20 August 2013 (Cont'd)

INFORMATION SUBSTANTIAL SHAREHOLDERS
AS AT 20 AUGUST 2013

NO.	NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT HOLDINGS NO.	%
1	MMC CORPORATION BERHAD *Share held through :-* *HSBC Nominees (Tempatan) Sdn Bhd – CDS No. 206-001-043930304*	221,053,386	39.25

THIRTY LARGEST SHAREHOLDERS
AS AT 20 AUGUST 2013

No.	Names	Shareholdings	%
1	HSBC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For MMC Corporation Berhad	221,053,386	39.25
2	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Raziah Binti Mohamed Jakel	5,723,300	1.02
3	PUBLIC NOMINEES (ASING) SDN BHD Pledged Securities Account For Ole Hvass Bispelund	5,291,800	0.94
4	CITIGROUP NOMINEES (ASING) SDN BHD Exempt An For Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	4,153,000	0.74
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tiong Kiew Chiong (CEB)	3,730,000	0.66
6	TEE KIAM HENG	3,500,000	0.62
7	TA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Lim Ka Kiat	2,900,000	0.51
8	KAF NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Goh Kheng Peow	2,555,700	0.45
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Stuart Saw Teik Siew	2,150,100	0.38
10	MOHAMED FAROZ BIN MOHAMED JAKEL	2,083,000	0.37
11	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tiong Kiew Chiong	2,000,000	0.36
12	NG KIAN BING	1,804,800	0.32
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Foo Sang @ Wong Chin Lim	1,800,000	0.32
14	MOHAMED FAROZ BIN MOHAMED JAKEL	1,748,000	0.31

SHAREHOLDERS' **INFORMATION**
As at 20 August 2013 (Cont'd)

No.	Names	Shareholdings	%
15	MOHD ARIS @ NIK ARIFF BIN NIK HASSAN	1,455,100	0.26
16	KOPERASI SRI NILAM BERHAD	1,441,000	0.26
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Liu Tze Young	1,350,000	0.24
18	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Goh Kheng Peow	1,213,700	0.22
19	NG YOKE HIN	1,149,400	0.20
20	HDM NOMINEES (TEMPATAN) SDN BHD UOB Kay Hian Pte Ltd for Chen Joon Lee	1,100,000	0.20
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Goh Kheng Peow	1,071,200	0.19
22	TAN ENG HAI	1,050,000	0.19
23	HDM NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For United Teochew (Malaysia) Bhd	1,000,000	0.18
24	HLIB NOMINEES (TEMPATAN) SDN BHD Hong Leong Bank Bhd For Chen Chong Peng	1,000,000	0.18
25	LIM SENG HAI	1,000,000	0.18
26	TAN ENG SEONG	1,000,000	0.18
27	TEE JIN GEE ENTERPRISE SDN BHD	920,000	0.16
28	HSBC NOMINEES (ASING) SDN BHD Exempt An For BNP Paribas Wealth Management Singapore Branch	905,300	0.16
29	NOR AZURA BINTI ABD RAHIM	900,000	0.16
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Sin Huan Kwang	773,000	0.14

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 277,821,786
TOTAL PERCENTAGE : 49.32

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Seventh (37th) Annual General Meeting (“AGM”) of Zelan Berhad will be held at Mahkota 2, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on **Monday, 30 September 2013** at **2.30 p.m.** for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2013 together with the Reports of the Directors and Auditors thereon.
(Please refer to Note A)

2. To re-elect Cdr Mohd. Farit bin Ibrahim RMN (Retd) who retires by rotation in accordance with Article 78 of the Company’s Articles of Association. **Resolution 1**

3. To elect YBhg. Datuk Puteh Rukiah binti Abd Majid who retires in accordance with Article 85 of the Company’s Articles of Association. **Resolution 2**

4. To elect YBhg. Dato’ Sri Che Khalib bin Mohamad Noh who retires in accordance with Article 85 of the Company’s Articles of Association. **Resolution 3**

5. To consider and, if thought fit, to pass the following Resolution:

   “That pursuant to Section 129(6) of the Companies Act, 1965, YBhg. Dato’ Abdullah bin Mohd Yusof be appointed as Director of the Company to hold office until the next AGM.” **Resolution 4**

6. To approve the Director's Fees for the financial year ended 31 March 2013 amounting to RM351,271.23 (2012: RM300,656.00) **Resolution 5**

7. To re-appoint Messrs. PricewaterhouseCoopers, who are eligible and have given their consent for re-appointment as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following as Ordinary Resolutions:-

   (i) AUTHORITY TO ALLOT SHARES **Resolution 7**

   “THAT pursuant to Section 132D of the Companies Act, 1965, the Board of Directors be and is hereby empowered 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 its 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 at the time of issue 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.”

NOTICE OF **ANNUAL GENERAL MEETING**
(Cont'd)

(ii) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE WITH MMC CORPORATION BERHAD AND ITS SUBSIDIARIES AND TRADEWINDS CORPORATION 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 recurrent transactions of revenue or trading nature with MMC Corporation Berhad and its subsidiaries and Tradewinds Corporation Berhad and its subsidiaries, as set out in Section 2.3 of the Circular to Shareholders dated 9 September 2013 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 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); 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 authorised 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's annual report, the Company must provide a breakdown of the aggregate value of the recurrent transaction 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

NORLIDA BINTI JAMALUDIN
L.S. 0006467
Company Secretary

9 September 2013
Kuala Lumpur

NOTICE OF **ANNUAL GENERAL MEETING**
(Cont'd)

Note A:

This agenda item is meant for discussion only as per the provision of Section 169 (1) of the Companies Act, 1965 which does not require a formal approval of the shareholders and hence, it is not put forward for voting.

Notes:

1. A member of the Company who is entitled to attend and vote at the 37th AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be presented by each proxy. A proxy need not be a member of the Company.

2. The instrument appointing the proxy must be deposited with the Registrar's Office, Symphony Share Registrars Sdn. Bhd., at Level 6, Symphony House, Pusat Dagangan D1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time fixed for holding the 37th AGM.

3. The lodging of the Proxy Form will not preclude shareholders from attending and voting in person at the 37th AGM should they subsequently wish to do so.

Explanatory Notes to the Special Business:-

Resolution No. 4

The proposed Resolution 4 are to seek shareholders' approval for the re-appointment of Director who are of the age of 70 and above. This resolution must be passed by a majority of not less than three-fourth of such Members of the Company as being present and entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company, if passed, it will enable the Directors to hold office until the next AGM of the Company.

Malaysian Code on Corporate Governance 2012 recommends that shareholders' approval be sought in the event that the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of YBhg. Dato' Abdullah bin Mohd Yusof, who has served as an Independent, Non-Executive Director of the Company for a cumulative term of more than nine (9) years.

The Board recommends that Dato' Abdullah bin Mohd Yusof continues to act as an Independent, Non-Executive Director of the Company for the following reasons:-

(a) he fulfills the criteria as an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities, and therefore is able to bring independent and objective judgment to the Board;
(b) his vast experience in the utilities and infrastructure industry and legal background enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
(c) he understands the Company's business operations which allows him to participate actively and contribute during deliberations or discussion at the Committee and Board meetings;
(d) he devotes sufficient time and effort and attends all the Committee and Board meetings for informed and balanced decision making: and
(e) he exercises due care as an Independent Non-Executive Director of the Company and carries out his professional and fiduciary duties in the interest of the Company and shareholders.

NOTICE OF **ANNUAL GENERAL MEETING**
(Cont'd)

Resolution No. 7

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 132D of the Companies Act, 1965. 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 24 September 2012 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 such an issue of shares.

Resolution No. 8

For further information, please refer to Circular to Shareholders dated 9 September 2013.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors who are standing for re-election and re-appointment

The Directors standing for election/re-election are as follows:

(a) YBhg. Cdr Mohd. Farit bin Ibrahim RMN (Retd);
(b) YBhg. Datuk Puteh Rukiah binti Abd Majid; and
(c) YBhg. Dato’ Sri Che Khalib bin Mohamad Noh.

The Director standing for re-appointment under Section 129 (6) of the Companies Act, is YBhg. Dato’ Abdullah bin Mohd Yusof.

The profiles of the above Directors are set out on pages 15 to 17 of this Annual Report.

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ZELAN BERHAD
(Company No.: 27676-V)

PROXY FORM

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 37th Annual General Meeting of the Company to be held at Mahkota 2, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on **Monday, 30th September 2013** at **2.30 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
	Re-election of Director		
1	(a) Cdr Mohd. Farit bin Ibrahim RMN (Retd)		
2	(b) YBhg. Datuk Puteh Rukiah binti Abd Majid		
3	(c) YBhg. Dato' Sri Che Khalib bin Mohamad Noh		
	Re-appointment of Director		
4	YBhg. Dato' Abdullah bin Mohd Yusof		
5	Directors' Fees		
6	Re-appointment of Auditors		
	SPECIAL BUSINESS		
7	Ordinary Resolution - Authority to Allot Shares		
8	Ordinary Resolution - Proposed Shareholders' Mandate		

....
Signature/Common Seal of Member

Dated this .... day of 2013

NOTES:

1. This proxy form, duly signed, must be deposited at the Registrar's Office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia (Fax No: +603 7841 8151/8152) 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 as the corporation could exercise if it were an individual member of the Company.
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 2013 Annual Report 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 2013 Annual Report, please contact Cik Nur Haliza Mat Piah at telephone no: +603 91739173 (ext 814).

(ii) This Annual Report could be downloaded from the Company's website at this URL address: http://www.zelan.com.

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STAMP

TO: THE REGISTRAR
ZELAN BERHAD (27676-V)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

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56000 Kuala Lumpur
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Fax : +603 9171 8191
Email : info@zelan.com.my
website : www.zelan.com