ZELAN BERHAD
27676-V

ANNUAL REPORT 2017

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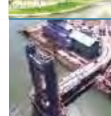
1  Material Off-Loading Facilities (MOLF), Johor, Malaysia

2  Bukit Bintang City Centre (BBCC), Kuala Lumpur, Malaysia

3  Center Of Foundation Study IIUM, Malaysia

4  Drawbridge, Terengganu, Malaysia

5  Sungai Besi - Ulu Kelang (SUKE) Elevated Expressway, Malaysia

6  Pelabuhan Tanjung Pelepas 9 & 10, Johor, Malaysia

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ZELAN BERHAD
27676-V

OUR VISION

To be the preferred engineering and construction group in Malaysia.

OUR MISSION

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

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

CORPORATE VALUES

- INTEGRITY
- CARING
- INNOVATIVE
- PROFESSIONALISM

OUR BUSINESS FOCUS

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

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2017

ANNOUNCEMENT OF RESULTS

First Quarter Ended 31 March 2017
26 May 2017

Second Quarter Ended 30 June 2017
22 August 2017

Third Quarter Ended 30 September 2017
24 November 2017

Fourth Quarter Ended 31 December 2017
19 February 2018

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of Annual General Meeting
27 April 2018

42ND ANNUAL GENERAL MEETING
31 May 2018

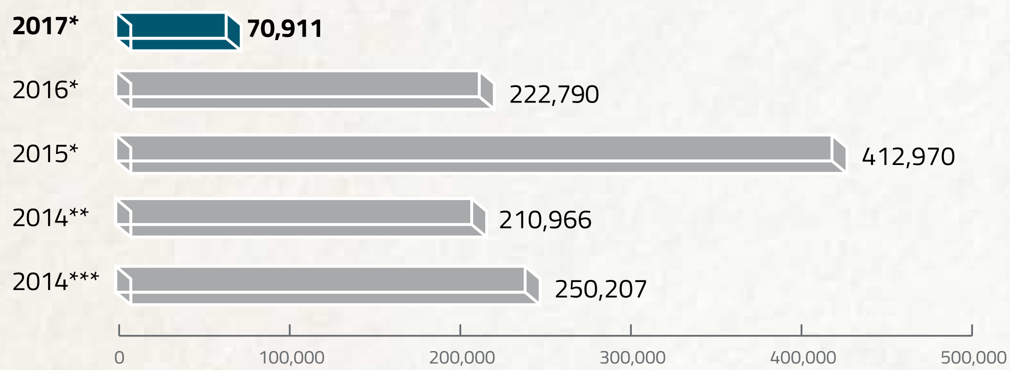
5 YEARS' FINANCIAL HIGHLIGHTS

	Financial Year ended 31.12.2017 RM'000	Financial Year ended 31.12.2016 RM'000	Financial Year ended 31.12.2015 RM'000	*Financial Period ended 31.12.2014 RM'000	Financial Year ended 31.03.2014 RM'000
Results					
Revenue	70,911	222,790	412,970	210,966	250,207
Gross (loss)/profit	(1,214)	(5,184)	36,213	39,617	(9,998)
(Loss)/profit before zakat and taxation	(71,393)	(67,056)	21,759	47,166	40,188
(Loss)/profit attributable to equity holders of the Company	(74,071)	(67,623)	30,487	38,475	35,240
Assets					
Total assets	808,259	874,681	827,119	583,523	532,790
Total assets less current liabilities	440,474	568,706	527,921	394,222	232,795
Deposits, cash and bank balances	14,008	23,871	70,607	72,370	34,000
Liabilities and shareholders funds					
Borrowings	507,943	475,726	346,325	221,940	124,635
Equity attributable to owners of the Company	69,285	131,990	205,348	176,725	136,897
Financial Ratios (%)					
Debt to equity	733.1	360.4	168.7	125.6	91.0
Pre-tax return on equity attributable to owners of the Company	(103.0)	(50.8)	10.6	26.7	29.4
Share information					
Net tangible assets per share (RM)#	0.08	0.16	0.24	0.21	0.16
Basic earnings per share (sen)#	(8)	(8)	4	5	6
Diliuted earnings per share (sen)#	(8)	(8)	3	4	6

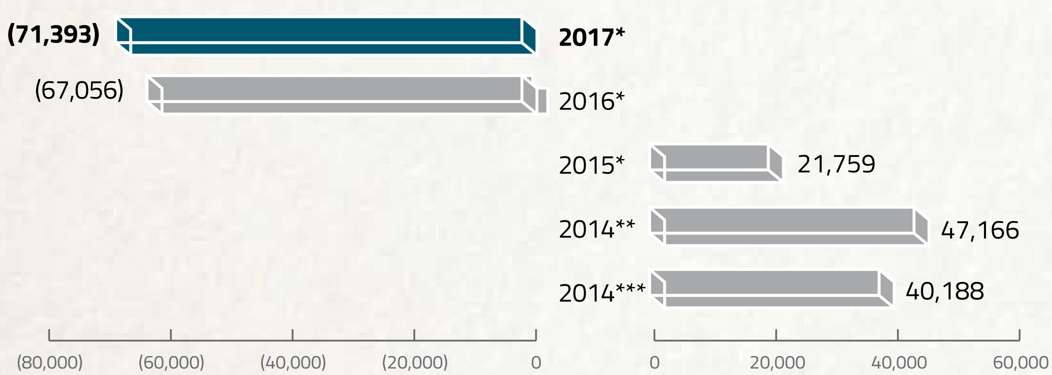
Adjusted for rights issue with warrants for the financial year ended 31 March 2014.
* Nine (9) months' period.

5 YEARS' FINANCIAL HIGHLIGHTS
(continued)

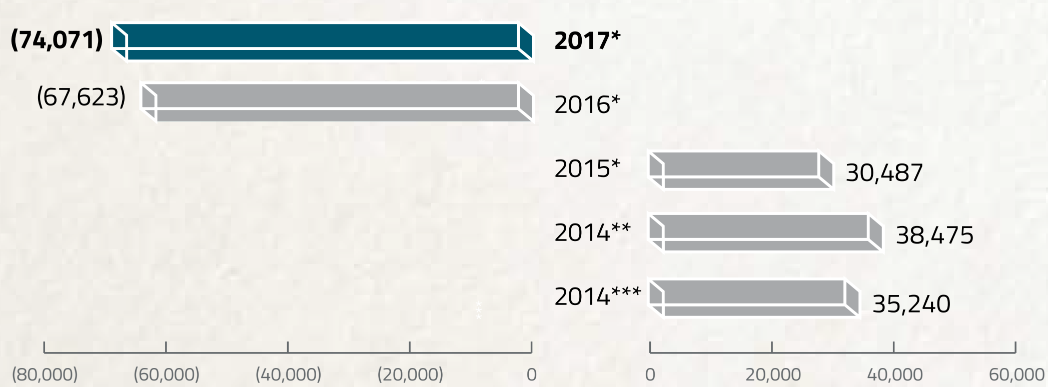
REVENUE (RM'000)



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

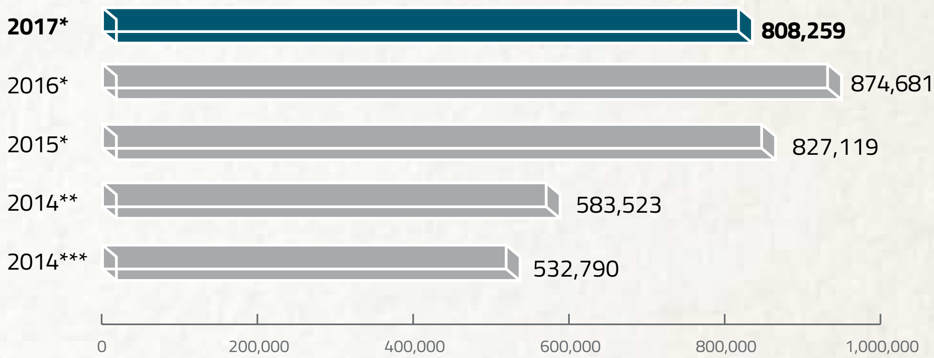


(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM'000)

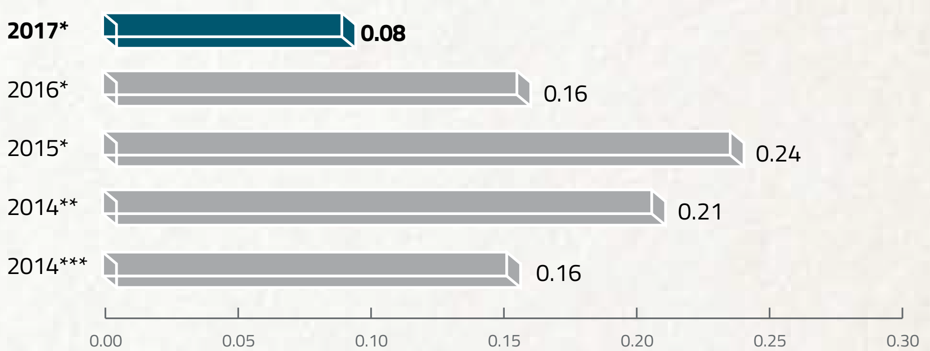


5 YEARS' FINANCIAL HIGHLIGHTS
(continued)

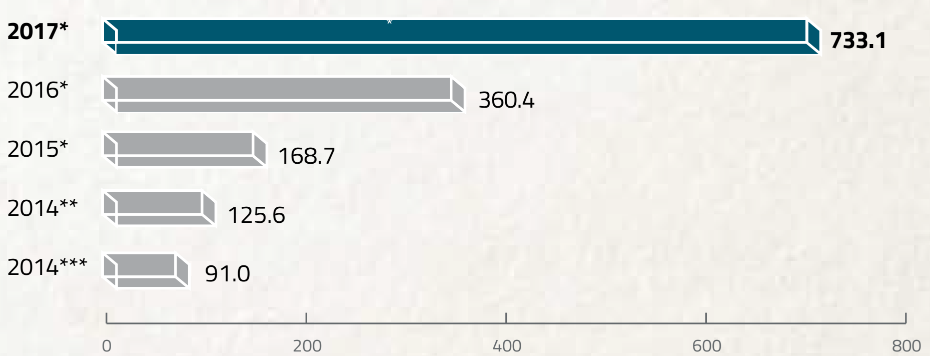
TOTAL ASSETS (RM'000)



NET TANGIBLE ASSETS PER SHARE (RM)



DEBT OF EQUITY (%)



Note:
- * for financial year ended 31 December
- ** for financial period ended 31 December
- *** for financial year ended 31 March

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,
On behalf of the Board of Directors (the "Board") of Zelan Berhad ("Zelan" or the "Company"), it is my pleasure to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017.

DATO' ANWAR BIN AJI
Chairman

OVERVIEW

The Group remains focused on executing the ongoing projects secured earlier as well as tendering for new projects whereby Zelan has the competitive edge and track records. Zelan through its wholly-owned subsidiary, Zelan Construction Sdn. Bhd. ("ZCSB") completed the construction of the Temporary Building Development Consisting Four-Storey Sales Office, Show Unit and a Single-Storey Sub-Basement on part of Lot PT 143, Section 56, Jalan Hang Tuah / Jalan Pudu, Wilayah Persekutuan Kuala Lumpur for BBCC Development Sdn. Bhd. ("BBCC Project"). The Certificate of Practical Completion was issued on 4 August 2017.

Our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn. Bhd. ("KPAG") is currently undertaking the final stage of rectification works in respect of the Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), Gambang project in Pahang ("IIUM Gambang Project") and thereafter a Certificate of Availability ("COAV") will be issued to IIUM upon completion of the said rectification works. In light of the said development, KPAG is entitled to the issuance of the Certificate of Acceptance ("COA") by IIUM based on the Concession Agreement dated 5 July 2012 entered into between the Government of Malaysia ("Government"), IIUM and KPAG. As the project is a Build-Lease-Manage-Transfer basis by way of private finance initiative ("PFI"), upon securing the COA from IIUM, KPAG will carry out the asset management services of the IIUM Gambang Project commencing from the date of the issuance of the COA until the expiry of the concession period.

The physical works are in progress for the two (2) ongoing projects undertaken by the Group namely, the construction of the Drawbridge connecting Muara North and Muara South in Terengganu ("Drawbridge Project") and the construction of the Sungai Besi-Ulu Kelang Expressway (SUKE) Package CB-2 in Kuala Lumpur ("SUKE Project"). ZCSB together with its appointed sub-contractors/consortium partner are working hand-in-hand to ensure that both of the projects will be completed within the revised contractual completion date.

In relation to Meena Plaza Mixed Use Development project in Abu Dhabi ("Meena Plaza Project"), the Confidentiality and Arbitration Proceedings Stay Agreement ("CA") dated 2 February 2017 entered into between Zelan Holdings (M) Sdn. Bhd. ("ZHSB") and Meena Holdings LLC ("MH") was uplifted, hence the arbitration proceedings have re-commenced. ZHSB and MH have finalised and executed the Terms of Reference and submitted the same to the Arbitral Tribunal of the International Court of Arbitration, International Chamber of Commerce ("ICC") in Abu Dhabi. The Procedural Timetable was agreed upon and approved by the Arbitral Tribunal of ICC. The hearing dates for the arbitration have been fixed on 6 January 2019 to 17 January 2019.

For more details on the Group's operational and financial performance for the year under review, please refer to Management Discussion & Analysis which can be found on pages 010 to 013 of this Annual Report.

Zelan Construction Sdn. Bhd. managed to complete the construction of the Temporary Building Development Consisting Four-Storey Sales Office, Show Unit and a Single-Storey Sub-Basement on part of Lot PT 143, Section 56, Jalan Hang Tuah / Jalan Pudu, Wilayah Persekutuan Kuala Lumpur for BBCC Development Sdn. Bhd.

CHAIRMAN'S STATEMENT
(continued)

GROUP RESULTS

The Group's consolidated revenue for the financial year ended 31 December 2017 ("FYE 2017") stood at RM70.9 million, representing a decline in revenue of RM151.9 million or approximately 68.1% from RM222.8 million reported last year. The Engineering and Construction business segment marked a slowdown in revenue principally due to the completion of two (2) main projects namely, Material Off Loading Facility Jetty at Tanjung Setapa, Johor and BBCC Project, coupled with the final rectification works in respect of the IIUM Gambang Project and the completion of major phases of the Drawbridge Project. Nonetheless, this decline was mitigated by the revenue from SUKE Project which was secured by the Group in August 2016.

The Group posted higher Loss After Zakat and Taxation ("LAZT") of RM74.3 million as compared to RM67.6 million reported in the preceding financial year due to lower gross loss of RM1.2 million contributed by higher finance income of RM36.8 million coupled with higher diminution in carrying value of long term receivables from Meena Plaza Project and IIUM Gambang Project of RM54.1 million, provision for impairment of amount due from an associate of RM3.6 million, unrealised foreign exchange loss of RM13.2 million and income tax of RM2.9 million. However, this is compensated by lower interest expense of RM26.7 million and refund of late payment interest on the revised tax assessment of RM11.6 million from the Group's Indonesian Operations.

DIVIDEND

In view of the current financial position of the Group, the Board does not recommend the payment of a dividend for the financial year ended 31 December 2017. The Board will continue to assess Zelan's capital structure based on the goals and strategies as well as the financial position of the Group.

BUSINESS OUTLOOK AND STRATEGIES

In Budget 2018, the Government of Malaysia forecasts that the GDP in 2018 is expected to expand between 5.0% to 5.5% led by domestic demand. The construction sector will be the ultimate beneficiary of the 11th Malaysia Plan ("11MP") as most of the development expenditure will be infrastructure-centric. The transport and logistics sector will continue to remain a crucial driver of growth; leveraging new investments in roads, rails, and air services to boost regional development.

The Engineering and Construction Business segment is poised to be the growth engine of the Group for the next few years. As part of our business plan, we will continue to pursue opportunities for both engineering and construction projects and private partnership projects locally. At present, we are optimistic that the Group will be able to secure new construction projects especially from the tenders which we have participated during the first quarter of the financial year 2018.

CORPORATE GOVERNANCE & SUSTAINABILITY

The Board is committed and focused in upholding and implementing high standards of corporate governance, compliance, business conduct, safety and environmental management, all of which are vital to the Group's performance and business sustainability. It is our belief that good corporate governance supports long-term value creation for all our stakeholders. Our Corporate Governance Overview Statement can be found on pages 023 to 030 of this Annual Report.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for the financial year under review are disclosed in Note 28 of the Notes to the Financial Statements.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my appreciation to various parties who had given Zelan their utmost support. Our sincere gratitude to valued shareholders for their continuous faith and confidence in us all these years. Our sincere thanks also to our financiers, clients, business partners, consultants and the regulatory authorities for their unwavering support and co-operation. I would also like to express my appreciation to the Board members for their contributions and unwavering support during the year. I look forward for their continued enthusiasm, wisdom and co-operation in guiding the Group through the challenges in the year ahead.

We were saddened by the loss of one of our Directors, Allahyarham Dato' Abdullah bin Mohd Yusof, who passed away on 25 April 2018. His contributions to the Company will be always be remembered. I also wish to place on record my appreciation to YBhg. Dato' Sri Che Khalib bin Mohamad Noh who has resigned from the Board for his sound advice and contributions throughout his tenure as Director of the Company.

Last but not least, I wish to convey my appreciation to the Management team and employees for their unrelenting commitment and dedication to the Group. The Board, the Management and everyone else in the Group will continue to work hand-in-hand towards our common goal to enhance the performance and value of Zelan.

Thank you.

Dato' Anwar bin Aji
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

The information in this management discussion and analysis should be read in conjunction with the Group Audited Financial Statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusions that such results, causes or trends will necessary continue in future.

OVERVIEW OF GROUP'S BUSINESS

Zelan Berhad is primarily a construction-centric investment holding company that, through its subsidiaries, provides a varied range of specialised expertise and support services comprising property development, civil engineering and building turnkey contracting, piling and civil engineering, civil technical design and construction of civil and building works, concession operator, asset and facilities management services, management and operation of motor vehicles parking facilities, contracting and supplying of building materials and construction of sewage conveyance system. The Group's activities are organised into four (4) major business segments namely Engineering and Construction, Asset Facility Management, Property and Development and Investment.

Our mission is to be competitive and at the forefront of the industry transformation by offering technologically innovative designs and solutions to the customers. We are committed to constantly achieve the highest levels of work quality and service excellence in our areas of expertise. In playing this role, we will strive to ensure our activities are beneficial to society, improve the quality of our environment and ultimately, deliver value to our shareholders as well as stakeholders.

PERFORMANCE REVIEW

Financial results

Financial year ended ("FYE") 31 December 2017 saw a decline in the Group's revenue to RM70.9 million which was comparatively lower by 68.1% from RM222.8 million recorded in the preceding financial year. The Engineering and Construction business segment contributed lower revenue largely impacted by the completion of two (2) main projects, namely Material Off-Loading Facility Jetty project in Johor and Bukit Bintang City Centre project in Kuala Lumpur ("BBCC Project"), coupled with the final rectification works in respect of the Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), Gambang project in Pahang ("IIUM Gambang Project") and the completion of major phases of Drawbridge Connecting Muara North and Muara South project ("Drawbridge Project") in Terengganu. However, this decline was mitigated by the revenue from Sungai Besi-Ulu Kelang (SUKE) Expressway Package CB2 project in Kuala Lumpur ("SUKE Project") which was secured in August 2016.

The Group posted higher Loss After Zakat and Taxation ("LAZT") of RM74.3 million as compared to RM67.6 million reported in the preceding financial year due to lower gross loss of RM1.2 million contributed by the higher finance income of RM36.8 million coupled with higher diminution in carrying value of long term receivables from Meena Plaza Project in Abu Dhabi and the IIUM Gambang Project of RM54.1 million, provision for impairment of amount due from an associate of RM3.6 million, unrealised foreign exchange loss of RM13.2 million and income tax of RM2.9 million. However, this has been mitigated by lower interest expense of RM26.7 million and refund of late payment interest on the revised tax assessment of RM11.6 million from the Group's Indonesian Operations.

Liquidity and Financial Resources

The net current liabilities of the Group as at 31 December 2017 increased to RM269.5 million as compared to RM138.9 million recorded in the last financial year. The Group has taken steps to reduce the net current liabilities vis-à-vis improve the cash flow position by initiating the following measures:

- Monitor and manage the progress of its existing construction projects which are expected to be completed within the projected timeline;
- Negotiate and defer payments to related companies of the Group for certain projects;

- Negotiate with the subcontractors on the terms and timing of settlement payments for ongoing and completed projects; and

- Actively pursue tax refunds from the Indonesian tax authorities on a completed project.

The Group continues to maintain a prudent approach towards managing its capital resources and enhancing efficiencies throughout its operations. The Group expects the financial position to be improved for the financial year ending 31 December 2018.

REVIEW OF OPERATIONS

The Engineering and Construction business segment remains the principal contributor of the Group's revenue and earnings. This business segment has a proven track record in power plant projects, high-rise buildings, university and academic institutions, airport construction and marine construction (port and jetty). The Group is also actively diversifying into other areas especially in the construction of road and highway and the construction of drawbridge.

The Group recorded revenue of RM69.8 million from the Engineering and Construction business segment in the FYE 31 December 2017, as compared to RM221.7 million recorded in the preceding year. This business segment contributed a higher Loss Before Zakat and Taxation ("LBZT") of RM65.7 million, compared with a LBZT of RM60.7 million in the FYE 2016. The performance was mainly affected by diminution in carrying value of long term receivables of RM54.1 million, finance costs of RM26.0 million and lower share of results of associates of RM1.1 million which was mitigated by finance income of RM36.4 million.

Our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn. Bhd. ("KPAG") is currently undertaking the final stage of rectification works in respect of the IIUM Gambang Project and thereafter a Certificate of Availability ("COAV") will be issued to IIUM upon completion of the said rectification works. In light of the said development, KPAG is entitled to the issuance of the Certificate of Acceptance ("COA") by IIUM based on the Concession Agreement dated 5 July 2012 entered into between the Government of Malaysia ("Government"), IIUM and KPAG. As the project is based on Build-Lease-Manage-Transfer basis by way of private finance initiative ("PFI"), KPAG will carry out the asset management services of the IIUM Gambang Project commencing from the date of the issuance of the COA until the expiry of the concession period.

Zelan Construction Sdn. Bhd., our wholly-owned subsidiary together with its consortium partner has completed major phases of the construction of the Drawbridge project during the FYE 31 December 2017 with the achievement of overall physical progress of 78.4%. The project has recorded revenue of RM31.8 million for the FYE 31 December 2017. The Group is anticipating the completion of the project in the third quarter of the financial year ending 2018. The iconic Drawbridge will become a new landmark of Kuala Terengganu and also one of the attractions of the Terengganu's tourism sector. It would also reduce congestion on the Sultan Mahmud's Bridge.

The construction of the main building works in respect of the Four-Storey Temporary Sales Office and Show Unit and Single-Storey Sub-Basement (BBCC Project) located at Jalan Hang Tuah/Jalan Pudu, Kuala Lumpur was completed on 31 May 2017.

MANAGEMENT DISCUSSION & ANALYSIS
(continued)

The Certificate of Practical Completion was issued on 4 August 2017. The Group recorded revenue of RM12.1 million for the FYE 31 December 2017 for this project.

The physical works for the SUKE Project are in progress. The contract for the project is for a period of thirty (30) months' and is expected to be completed by September 2019. SUKE Project recorded revenue of RM18.3 million for the FYE 31 December 2017.

Challenges

The construction industry has been growing within the last few years and this growth is expected to continue but with an anticipated slowdown in 2018. Despite this, sourcing for qualified workers in this industry remains a major problem. Some companies have taken measures to try to address the problem by increasing the spending on training and raising the wages for workers. Others are advancing their technology usage to offer employees new skills and growth opportunities. With the shortage of skilled workers and high accident rates, safety has become a concern as contractors have to work with a diverse, inexperienced labour force. Consequently, construction companies have to invest heavily in safety training programmes.

We faced significant competition from other construction companies in all aspects of our business. Our competitors are larger in size, well established, international in scope and have significant financial resources.

As part of the Group's mitigation measures and in view of enhancing competitiveness in pricing, the Group is considering smart partnerships with both local and overseas partners to enable the offering of required technology, machineries and equipment to meet project owners' requirements.

Unbudgeted costs and overheads will adversely affect the profit margin of the Group. Sub-contract Agreements with all the sub-contractors are arranged on a back-to-back terms and conditions of contract ("COC") with the main contract terms and COC where possible, in order to address potential cost overruns which include liquidated ascertained damages, loss and expense claims, defects rectification works and etc.

FORWARD-LOOKING STATEMENT

The Malaysian economy in 2018 continues to be positive and is largely predicated on an improving global economy and continued growth in domestic demand. The encouraging domestic demand is the main source of Malaysia's Gross Domestic Product ("GDP") growth for the year 2018, supported by robust growth in private expenditure, especially in the high technology industries. Meanwhile, public investment is expected to remain strong in 2018 with the government's continuous focus to implement major infrastructure projects throughout the country.

The outlook for the construction industry is expected to remain positive over the financial year 2018 with potential projects in the pipeline although at a relatively slow pace. The Board supports the proactive steps taken by Management to ensure that the Group is able to deliver its strategy to aggressively rebase its costs and ensure long-term sustainability of the business, thereby protecting and enhancing value for shareholders.

The Group's revenue for the next financial year will be derived from the balance of order book of the on-going local projects and the revenue from the Asset Management Services and Availability Charges from the Centre for Foundation Studies (Phase 3) of IIUM project, which will commence in the second quarter of the financial year 2018. The Group will continuously strengthen its capabilities and financial position by mitigating the increase in costs through various reduction initiatives as well as tendering for new projects.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Anwar bin Aji
Independent, Non-Executive Chairman

Dato' Abdullah bin Mohd Yusof
Senior Independent, Non-Executive Director
(Demised on 25 April 2018)

Datuk Ooi Teik Huat
Independent, Non-Executive Director

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

Encik Suhaimi bin Halim
Independent, Non-Executive Director

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

Company Secretaries
Ellis Suryanti binti Jasmi
(L.S. 0009963)
Noor Raniz bin Mat Nor
(MAICSA 7061903)

Auditors
PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
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Jalan Rakyat, Kuala Lumpur Sentral
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50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

Share Registrar
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
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Selangor
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Fax : +603-7841 8008

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

Principal Bankers
Bank Pembangunan Malaysia Berhad
Bank Kerjasama Rakyat
Malaysia Berhad
HSBC Bank Middle East Limited
Malayan Banking Berhad

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

UAE Operations
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(Regional Office) - Abu Dhabi Branch
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Company Limited
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Opposite Ministry of Affair
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+966 594 444 559 /
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3rd floor – room 307,
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Tel : +62 21 7232268
Fax : +62 21 7248867

India Operations
Zelan Construction (India)
Private Limited
Company Secretaries
F-10 Syndicate Residency
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Off South Boag Road
T. Nagar, Chennai - 600017
Tel/Fax : +9044 2433 7454

BOARD OF DIRECTORS'

1. **Dato' Anwar bin Aji**
Independent,
Non-Executive Chairman

2. **Dato' Abdullah bin Mohd Yusof**
Senior Independent, Non-Executive Director
(Demised on 25 April 2018)

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

4. **Encik Suhaimi bin Halim**
Independent, Non-Executive Director

5. **Encik Mohd Shukor bin Abdul Mumin**
Independent, Non-Executive Director

6. **Datuk Ooi Teik Huat**
Independent, Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATO' ANWAR BIN AJI

Independent, Non-Executive Chairman

Dato' Anwar bin Aji, aged 68, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Chairman on 11 December 2008. He was re-designated as Executive Chairman on 19 January 2011. On 1 December 2012, Dato' Anwar was re-designated as Non-Executive Chairman. He is also the Chairman of the Nomination and Remuneration Committee.

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

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

Dato' Anwar is currently a member of the Board of CIMB-Principal Asset Management Berhad, MBM Resources Berhad and several private limited companies.

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

Senior Independent, Non-Executive Director
(Demised on 25 April 2018)

Dato' Abdullah bin Mohd Yusof, aged 79, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 1 August 2002. He is the member of the Audit Committee and the Nomination and Remuneration Committee. Dato' Abdullah is currently the Senior Independent Director of the Board.

Dato' Abdullah holds an LLB (Honours) Degree from the University of Singapore.

Dato' Abdullah is a Partner in the legal firm of Messrs. Abdullah & Zainuddin. He is also the Chairman of Aeon Co. (M) Berhad and Aeon Credit Service (M) Berhad, and a director of MMC Corporation Berhad, THR Hotel (Selangor) Bhd and several private limited companies.

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.

(Reviewed by Allahyarham Dato' Abdullah on 8 March 2018)

BOARD OF DIRECTORS' PROFILE
(continued)

DATUK OOI TEIK HUAT

Independent, Non-Executive Director

Datuk Ooi Teik Huat, aged 58, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director of the Company on 10 July 2009. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

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

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

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

Datuk Ooi Teik Huat does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad.

DATUK PUTEH RUKIAH BINTI ABDUL MAJID

Independent, Non-Executive Director

Datuk Puteh Rukiah binti Abd Majid, aged 65, a Malaysian, female, was appointed to the Board as an Independent, Non-Executive Director on 15 April 2013. She is also a member of the Audit Committee.

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

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

Datuk Puteh Rukiah also sits on the boards of MIMOS Berhad, Pelaburan Hartanah Berhad, Gas Malaysia Berhad, Pos Malaysia Berhad and several private limited companies.

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
(continued)

ENCIK SUHAIMI BIN HALIM
Independent, Non-Executive Director

Encik Suhaimi bin Halim, aged 62, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 11 September 2014.

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

In his more than 30 years' experience, he had the opportunity to be involved in various major infrastructure projects specifically expressway and transportation sectors at both construction and operations level. His focus in the last ten (10) years of working career was mainly on expressway maintenance especially in reducing life-cycle cost of the pavement and ensuring the service levels are maintained. He retired on 30 June 2013.

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

Encik Suhaimi 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.

ENCIK MOHD SHUKOR BIN ABDUL MUMIN
Independent, Non-Executive Director

Encik Mohd Shukor bin Abdul Mumin, aged 58, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 20 January 2016.

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

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

Encik Mohd Shukor 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.

KEY SENIOR MANAGEMENT

ENCIK JOHARI BIN YAHYA

Chief Operating Officer

Malaysian, male, aged 57

Johari bin Yahya holds a Bachelor of Science Degree in Industrial Engineering from Seoul National University, South Korea. He joined Zelan Berhad ("Company") on 2 February 2017 as Chief Operating Officer.

He has more than seventeen (17) years' experience in construction management. He started his career with Malaysia Marine and Heavy Engineering Berhad as Planning Engineer before joining Motorola Malaysia in 1990. In 1991, he joined PLUS Malaysia Berhad.

He has been with MMC Corporation Berhad ("MMC") Group since 1996 and had served various Senior Management positions within MMC Group. He was the Chief Executive Officer of MMC Tepat Teknik Sdn Bhd before he assumed the position of Chief Operating Officer of the Company.

CORPORATE SERVICES

MOHD NASIR HJ. MD SAAD
Acting Head of Finance

GERARD DOMINIC FERNANDEZ
Head of Corporate Resources

INTAN NURULFAIZA YANG RAZALI
Head of Legal

OPERATIONS

KAMARUDDIN ABD KARIM
Head of Planning & Monitoring

YEE GOON HOONG
Head of Technical

International Islamic University Malaysia Gambang Campus, Pahang.

Pelabuhan Tanjung Pelepas 9 & 10, Johor, Malaysia

Sungai Besi - Ulu Kelang (SUKE) Elevated Expressway, Malaysia

CORPORATE STRUCTURE

ZELAN BERHAD
27676-V

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

Notes :
* Under Members' Voluntary Winding-Up

QUALITY, ENVIRONMENTAL, SAFETY AND HEALTH ("QESH") POLICY

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

We are determined to provide effective Construction, Engineering and Management Services that are well coordinated and controlled to satisfy our customer's requirements through the implementation of the QESH Management system. Our QESH Management system is a coherent system of ISO 9001 : 2015, ISO 14001 : 2015 and OHSAS 18001 : 2007.

The Group is dedicated and committed to:

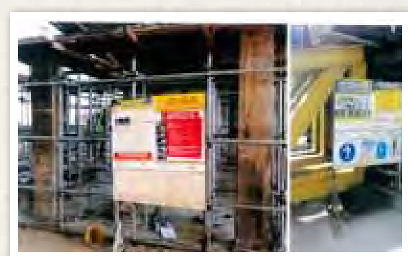
- Comply with applicable legal requirements and regulations;
- Manage our operations to prevent environmental pollution, injury and ill health; and
- Implement, control and maintain an efficient QESH Management system and continually improve the systems and business performance.

In line with our commitment, we have developed, implemented and shall continuously improve the comprehensive Integrated Management System ('IMS'). This system engages the requirements of the ISO 9001, ISO 14001, OHSAS 18001 benchmarks and is fully utilised in our practices.

The IMS has been created as a standard company guideline for implementing the quality, safety, health and environment standards in our company operations and allows us to measure progress and plan for future improvements. It is applicable to all areas of our business for efficient internal communications and the sharing of information and documentation.

QUALITY IS "DOING THE RIGHT WORK THE FIRST TIME"

We believe in achieving quality by making informed decisions based on facts, identifying issues before the occurrence, promptly fixing problems should they materialise, and inspiring every person on a project to **"DO IT RIGHT THE FIRST TIME"**. Quality work will reduce cost, improve schedule, and in doing so, satisfy our customers.



CORPORATE SOCIAL RESPONSIBILITY

Zelan Berhad ("Zelan" or "Company" or "Group") recognises the need to be a corporate citizen and not just an organisation. Zelan is fully committed in 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 communities are cared for through our conscious endeavours to integrate all our business plans and activities with corporate responsibility values.

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

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

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

Caring For Our People

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

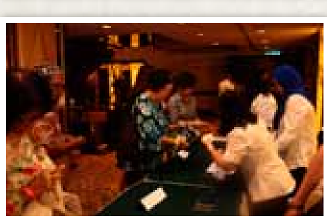
The Group values its people as its key business asset and competitive advantage. In this regard, continuous emphasis is placed on people development through adequate training and learning opportunities. In return, it is our hope that this will create a truly international workforce of diverse skills, talents and cultural backgrounds, coming together as one entity in a vibrant and dynamic workplace.

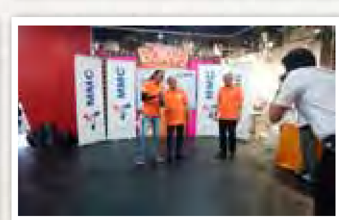
Whilst we continuously seek to keep morale high and improve the performance of our people, we also strive to create a balanced workforce whereby social gatherings activities are encouraged. These include festive celebrations, regular sports events and other intellectual pursuits.

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







CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Zelan Berhad ("Zelan" or "the Company") acknowledges the importance of good corporate governance in protecting and enhancing the interest of shareholders. As such, the Board is committed towards adherence to the principles, recommendations and best practices set out in the Malaysian Code on Corporate Governance 2017 ("the Code").

The Board believes that good corporate governance adds value to the business of the Company and its subsidiary companies ("Zelan Group" or "Group") and will ensure that this practice continues. The Board believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group's business direction and strategy.

The Board is pleased to present below the Corporate Governance Overview Statement (the "Statement") on how the Group has applied the principles of the Code and the extent of compliance with the principles and best practices advocated therein.

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

The Board assumes responsibilities in determining strategic direction, overseeing proper conduct of the Group's business, identifying principal risk and ensuring the implementation of systems to manage risks, succession planning, reviewing the adequacy and integrity of the Group's internal control systems and management information systems, establishing goals for management and monitoring achievement of these goals.

The Board Policy Manual acts as a source of reference and guideline to the Board for matters relating to the Board's organisation, responsibilities and procedures. The duties and responsibilities of the Board are as follows:

(a) Strategic Planning

- Ensure that corporate goals and strategies are well articulated by Senior Management of the Group.
- Review and adopt such strategic and business plans of the Group.
- Provide the requisite broad business direction to steer the growth and performance of the Group to enhance shareholders' value.

(b) Conduct of business

- Oversee the conduct of the Group's businesses.
- Evaluate whether the businesses are properly managed.
- Make appropriate decisions to improve as well as safeguard the financial interests and position of the Group.

(c) Risk Management

- Identify principal risks associated with the Group's businesses.
- Establish a risk management framework.
- Ensure all relevant and appropriate systems and measures are taken to manage, address and mitigate these risks in a timely manner.

(d) Investors' Relation/Shareholders' Communication Policy and Corporate Social Responsibility

- Develop and implement an investor relations programme or shareholders' communication policy of the Group.
- Develop Corporate Social Responsibility ("CSR") Framework of the Group on open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. The CSR Framework is designed to deliver sustainable value to society at large.

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.1 Board Responsibilities (cont'd)

(e) Succession Planning

- Ensure succession planning is in place for key management positions for business continuity purposes, including hiring, identifying development needs, determining remuneration packages and where appropriate, replacing the key management personnel.
- Assess, via the Nomination and Remuneration Committee, the performance of the Chief Operating Officer ("COO") for his contribution towards achieving the Group's corporate strategies and objectives.
- Review the adequacy and integrity of the Group's internal control systems and management information systems.
- Ensure that systems are in compliance with applicable laws, regulations, rules, directives and guidelines covering controls in financial, operational, compliance and risk management areas.
- Ensure that there is a satisfactory framework for reporting on internal controls and regulatory compliance to safeguard shareholders' investments and the Group's assets.

(f) Authority of Board Committees

Where the Board appoints committees, it lists down the authority of the committee and in particular, whether the committee has the authority to act on behalf of the Board or only to the extent of examining a particular issue and presenting the Board with recommendations.

(g) Other Board Approvals

Attend to and approve on-going business and corporate matters requiring Board approvals including recommendation from Board Committees.

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

1.2 Board Composition

Currently the Board has five (5) members of which all are independent directors. YBhg. Dato' Sri Che Khalib bin Mohamad Noh the only non-independent director, has resigned from the Board on 12 January 2018. The current composition of Board members complies with Practice 4.1 of Principal A of the Code, which requires the Board to comprise a majority of independent directors.

(a) Director's Training

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

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

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2 Board Composition (cont'd)

(a) Director's Training (cont'd)

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	Anti-Money Laundering & Counter Financing of Terrorism Programme	The Iclif Leadership and Governance Centre	23 January 2017
2.	Combatting Procurement Fraud in the Public & Private Sectors Forum 2017	ARAM Global Sdn. Bhd.	24 January 2017
3.	6th Annual National Conference 2017 – Mitigating Risk in Procurement	Malaysian Institute of Corporate Governance	9 March 2017
4.	Highlights of the Companies Act 2016 - Changes & Implications	Bursatra Sdn. Bhd.	28 March 2017
5.	Companies Act 2016	AEON Credit Service (M) Berhad's office, Kuala Lumpur	9 May 2017
6.	Business Challenges & Regulatory Expectations (Module 2B)	Securities Industry Development Corporation (SIDC)	16 May 2017
7.	Risk & Compliance Action Plan for Board of Directors (Module 3)	Securities Industry Development Corporation (SIDC)	16 May 2017
8.	Directors as Gatekeepers of Market Participants (Module 1)	Securities Industry Development Corporation (SIDC)	10 May 2017
9.	Current & Emerging Regulatory Issues in the Capital Market (Module 4)	Securities Industry Development Corporation (SIDC)	12 July 2017
10.	Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4)	Securities Industry Development Corporation (SIDC)	12 July 2017
11.	Cyber Security Board Awareness Session	DRB-Hicom Bhd	26 July 2017
12.	Seminar on Implementing a Risk Management & Internal Control Framework Based on the Malaysian Code on Corporate Governance 2017	ARAM Global Sdn. Bhd.	26 July 2017
13.	Corporate Directors Advanced Programme (CDAP) – Financial Language in the Board Room	Malaysian Directors Academy (MINDA)	19 September 2017-20 September 2017
14.	Insight into the Energy Transition - Presentation by Bloomberg	Malakoff Corporation Bhd.	16 October 2017
15.	Effective Internal Audit Function for Audit Committee Workshop – A Programme for Audit Committee Members	Bursa Malaysia & The Institute of Internal Auditors Malaysia	20 October 2017
16.	An Awareness Program on Malaysian Code on Corporate Governance ("MCCG") and Latest Updates on Main Market Listing Requirement ("MMLR") of Bursa Malaysia	Malakoff Corporation Bhd.	3 November 2017
17.	The Impact of Companies Act 2016 on The Malaysian Code on Corporate Governance 2017 and Director's Duties	MMC Corporation Bhd.	13 November 2017

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2 Board Composition (cont'd)

(b) Tenure of Independent Directors

Practice 4.2 of Principle A of the Code, recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the Board intends to retain an independent director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

YBhg. Dato' Anwar bin Aji has served the Board as an Independent, Non-Executive Director for more than nine (9) years cumulatively. Justifications on the continuation of YBhg. Dato' Anwar bin Aji as Independent Director is provided in the notice of Annual General Meeting.

The profile of each Director is set out on pages 016 to 018 of this Annual Report.

(c) Boardroom Diversity

The Board comprises members with relevant experiences and expertise drawn from various fields such as engineering, corporate finance, accounting, public services, and legal. 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 business direction of the Group. The composition of the Board is such that no individual or small group of individuals dominates the Board's decision-making. The skills and experience of each Director are stipulated in pages 016 to 018 of this Annual Report.

The Board encourages and supports more women participation in the Company's decision making positions whilst it continues to strive towards 30% women participation in the Board composition. Currently, there is one (1) female Director on the Board.

(d) Attendance of Meetings

During the financial year ended 31 December 2017, the Board met seven (7) times, comprising four (4) Board scheduled meetings and three (3) Special Board meetings. The record of attendance of each Director at Board and Board Committee Meetings held during the financial year ended 31 December 2017 are as follows:

Name of Director	Board	Audit Committee	Nomination & Remuneration Committee
Dato' Anwar bin Aji	7/7	N/A	1/1
Dato' Abdullah bin Mohd Yusof *(Demised on 25 April 2018)*	7/7	5/5	1/1
Datuk Ooi Teik Huat	7/7	5/5	1/1
Datuk Puteh Rukiah binti Abd Majid	7/7	5/5	N/A
Encik Suhaimi bin Halim	6/7	N/A	N/A
Encik Mohd Shukor bin Abdul Mumin	6/7	N/A	N/A
Dato' Sri Che Khalib bin Mohamad Noh *(Resigned with effect from 12 January 2018)*	6/7	N/A	N/A

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2 Board Composition (cont'd)

(e) Code of Conduct and Ethics

The Group has in place a Code of Ethics for its Management and employees which is available at http://www.zelan.com. By articulating the principles by which the Group conducts its business, the Code of Ethics allows the employees to work and make decisions confidently and in a manner that supports its vision and values. The Code of Ethics helps the Group achieve the right things in the right manner at all times.

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

(f) Whistleblowing Policy

A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The Group did not receive any allegations or complaints from whistleblowers during the financial year under review.

(g) Company Secretaries

The current Company Secretaries are qualified, competent and capable of providing support to the Board in carrying out its roles and responsibilities. The Company Secretaries have attended regular trainings and seminars to keep abreast of relevant statutory and regulatory requirements under the Company's Constitution, the Companies Act 2016, the Listing Requirements of Bursa Malaysia, the Capital Market and Services Act 2007 and the Code.

(h) Board Committees

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 ("TORs"). These Committees, which comprise selected Board members, are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments. The TORs of the two (2) Board Committees are stipulated in Board Policy Manual and made available on http://www.zelan.com.

(i) Nomination and Remuneration Committee

The Board had merged the Nomination Committee and Remuneration Committee as one committee with effect from 1 December 2012. The Nomination and Remuneration Committee comprises one (1) Non-Executive Chairman and two (2) Independent Non-Executive Directors. The membership of the Nomination and Remuneration Committee is as follows:

- Dato' Anwar bin Aji (Chairman)
- Dato' Abdullah bin Mohd Yusof (Demised on 25 April 2018)
- Datuk Ooi Teik Huat

The Nomination and Remuneration Committee is empowered by the Board and its terms of reference to recommend suitable candidates for appointment as Directors as well as reviewing the structure and remuneration policy of the Chief Operating Officer. The Nomination and Remuneration Committee is also responsible to consider and recommend measures to assess the effectiveness of the Board, its Committees and contribution of each individual Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(continued)

1 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1.2 Board Composition (cont'd)

(j) Nomination and Remuneration Committee (cont'd)

The Nomination and Remuneration Committee on an annual basis undertakes a formal and transparent process in evaluating the effectiveness of individual Directors, the Board as a whole and its committees, and the contributions of each individual director.

A questionnaire will be circulated to all Board members of which the responses will be collected and collated by the Company Secretary, on behalf of the Nomination and Remuneration Committee. The Committee, upon discussion of the results, will present the findings to the Board.

For the financial year ended 31 December 2017, the Nomination and Remuneration Committee met once.

1.3 Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Company for the financial year ended 31 December 2017 are as follows:

Directors	Fees (RM)	Meeting Allowances for Board and Board Committees (RM)	Other Allowances* (RM)	Benefit-In-Kind** (RM)	Total (RM)
Dato' Anwar Bin Haji @ Aji (Chairman)	99,000	19,000	291,000	6,198	415,198
Dato' Abdullah bin Mohd Yusof (Demised on 25 April 2018)	76,000	13,000	-	-	89,000
Datuk Ooi Teik Huat	86,000	13,000	-	-	99,000
Datuk Puteh Rukiah binti Abd Majid	60,000	12,000	-	-	72,000
Dato' Sri Che Khalib bin Mohamad Noh (#*Resigned on 12 January 2018)*	40,000	6,000#	-	-	46,000#
Encik Suhaimi bin Halim	40,000	17,000	-	-	57,000
Encik Mohd Shukor Bin Abdul Mumin	40,000	16,000	-	-	56,000
Total	**441,000**	**96,000**	**291,000**	**6,198**	**834,198**

Notes:

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

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

\# *Directors' Fees and meeting allowances are shared on an equal basis between Dato' Sri Che Khalib bin Mohamad Noh and MMC Corporation Berhad.*

(a) Remuneration of Top Five (5) Senior Management

Currently the Group is operating with a minimum number of employees headed by the Chief Operating Officer being the only senior officer of the Group and supported by middle management from the commercial and operations department.

2 PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

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

- Datuk Ooi Teik Huat (Chairman)
- Dato' Abdullah bin Mohd Yusof (Demised on 25 April 2018)
- Datuk Puteh Rukiah binti Abd Majid

The terms of reference and summary of activities of the Audit Committee are reported on pages 031 to 033 of the Annual Report. For the financial year ended 31 December 2017, the Audit Committee met five (5) times.

2.2 Risk Management and Internal Control

The Board is responsible for the total process of risk management and has endorsed an ongoing risk management and internal control framework which applies throughout the Group to determine, evaluate and manage significant risks.

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 undertake reviews which cover the financial, operational and compliance control as well as risk management.

The Group's Internal Control Statement is set out on page 036 to 038 of this Annual Report.

2.3 Board Task Force Committee

The Board Task Force Committee was established on 20 May 2016 and comprises the Non-Executive Chairman and two (2) Independent, Non-Executive Directors. The membership of the Task Force Committee is as follows:

- Dato' Anwar bin Aji (Chairman)
- Encik Suhaimi bin Halim
- Encik Mohd Shukor bin Abdul Mumin

The Board Task Force Committee is empowered by the Board and its terms of reference is to provide assistance and guidance to the Management in respect of all the ongoing projects undertaken by the Group including but not limited to:

(a) monitor key issues of the projects and the financial impact on the Group;
(b) explore, evaluate and recommend options and/or plans to mitigate the associated risks;
(c) review and revise the action/mitigation plans whenever necessary; and
(d) review and recommend for approval by the Board on tender submission, acceptance of tender and appointment of subcontractors.

For the financial year ended 31 December 2017, the Board Task Force Committee met eleven (11) times.

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

3.1 Dialogue Between Company and Investors

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

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

3.2 Conduct of General Meetings

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.

The Company had served twenty one (21) days' prior notice to its shareholders for its forthcoming 42nd Annual General Meeting which will be held on 31 May 2018. The service of the notice is within the requirement stipulated by the Companies Act 2016 and the Listing Requirements of Bursa Malaysia. The notice included details and explanations of the resolutions to be tabled. Details of resolutions proposed along with any background information and reports or recommendations that are relevant were also provided in the notice for Annual General Meeting.

This Corporate Governance Overview Statement is made in accordance with the Resolution of the Board dated 30 April 2018.

AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist the Board of Directors ("Board") in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The Board of Zelan Berhad ("Company" or "the Group") is pleased to present the Audit Committee Report for the Group's financial year ended 31 December 2017.

1 COMPOSITION AND MEETINGS

The Audit Committee, is appointed by the Board from amongst the Non-Executive Directors and comprises three (3) members, all of whom are Independent Non-Executive Directors. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2017. The Chief Operating Officer, Head of Finance, Head of Internal Audit and representatives of the external auditors were in attendance to present the relevant reports and proposals to the Audit Committee at the meetings which included inter alia, the auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial year ended 31 December 2017. The Audit Committee had also held two (2) private sessions with the external auditors without the presence of Management during the financial year under review.

Details of the composition of the Audit Committee and record of meetings attended by the members of Audit Committee are appended below:

Name of Director	Membership/Designation	No. of Meetings Attended
Datuk Ooi Teik Huat	Chairman / Independent Non-Executive Director	5/5
Dato' Abdullah bin Mohd Yusof *(Demised on 25 April 2018)*	Member / Senior Independent Non-Executive Director	5/5
Datuk Puteh Rukiah binti Abd Majid	Member / Independent Non-Executive Director	5/5

In carrying out its duties, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Audit Committee's meetings and where appropriate, made necessary recommendations to the Board.

2 TERMS OF REFERENCE

2.1 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 amongst their members who shall be an Independent Director. An alternate director must not be appointed as a member of the Audit Committee. At least one (1) member of the Audit Committee:

(a) must be a member of the Malaysian Institute of Accountants ("MIA"); or

(b) if he is not a member of the MIA, he must have at least three (3) years' working experience, and

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

2 TERMS OF REFERENCE (cont'd)

2.1 Membership (cont'd)

(ii) 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) fulfils such other requirements as prescribed or approved by the Bursa Malaysia.

2.2 Meetings and Minutes

Audit Committee members shall meet not less than four (4) times a year, and Audit Committee meetings will normally be attended by the external auditors and/or Management as and when required by the Audit Committee. Other board members may attend the meetings upon the invitation of the Audit Committee.

At least twice (2) a year the Audit Committee shall meet with the external auditors without any executive of the Group being present. Both internal and external auditors may request a meeting with the Audit Committee 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.

2.3 Quorum

A quorum shall be two (2) and shall comprise independent directors.

2.4 Secretary

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

2.5 Authority

The Audit Committee shall in accordance with the procedure empowered by the Board and at the cost of the Group have authority to investigate any matters within its Terms of Reference; to have full access to the resources which are required to perform its duties; to have full, free and unrestricted access to any information, records, properties and personnel of the Company and Group; to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity; to obtain independent professional or any other advice where necessary; and to convene meetings with the external auditors, the internal auditors or both, without the presence of Management of the Company, whenever deemed necessary.

2.6 Duties

The duties of the Audit Committee are as follows:

(a) to consider the appointment of the external and internal Auditors, the audit fee and any questions of resignation or dismissal, and inquiry into staffing and competence of the external and internal auditors in performing their work;

(b) 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;

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

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

2. TERMS OF REFERENCE (cont'd)

2.6 Duties (cont'd)

(e) to review the quarterly and year-end financial statements prior to the approval by 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.

(f) to discuss issues 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);

(g) to review the assistance given by the employees to the external auditors;

(h) to ensure adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;

(i) to review the annual audit plan, consider the major findings of internal audit investigations and Management's response and ensure co-ordination between the internal and external Auditors;

(j) to keep under review the effectiveness of internal control systems and in particular, review the external auditors' reports;

(k) to consider any related party transactions that may arise within the Company or Group;

(l) to review all prospective information provided to the regulators and/or the public;

(m) to report promptly to Bursa Malaysia on any matter reported by Audit Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia's Listing Requirements; and

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

3 SUMMARY OF ACTIVITIES

In line with the Terms of Reference of the Audit Committee, the following activities were carried out by Audit Committee during the financial year ended 31 December 2017:

3.1 Overseeing Financial Reporting

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

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

3 SUMMARY OF ACTIVITIES (cont'd)

3.2 External Audit (cont'd)

(a) Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2017, outlining their audit team, audit timeline, recent development of the Group, key areas of audit focus, communication of other significant audit matters, other updates such as Companies Act 2016 and amendments to the Listing Requirements of Bursa Malaysia.

(b) Reviewed the results of the audit, the external auditors' reports, including all key audit matters raised, and the management letter, including Management's response to the external auditor.

(c) Deliberated on the external auditors' report at its meeting with regards to the relevant disclosures in the annual audited financial statements for financial year ended 31 December 2017.

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

3.3 Internal Audit

(a) Reviewed and approved the internal audit plan and budget for the financial year ended 31 December 2017.

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

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

(d) Reviewed and assessed the internal audit function.

3.4 Related Party Transactions

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

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

3.5 Annual Report

Reviewed the Corporate Governance Report, Corporate Governance Overview Statement, Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report.

4 INTERNAL AUDIT FUNCTION

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

4 INTERNAL AUDIT FUNCTION (cont'd)

The Head of Internal Audit reports directly to the Audit Committee and undertakes the audit activities within the Group covering all business units and operations, including corporate functions at the head office. For the financial year ended 31 December 2017, audit assignments and follow-up reviews were carried out on the respective operation units and subsidiaries of Zelan Berhad in accordance with the approved annual audit plan. The internal audit reports were forwarded to the relevant parties for their attention and corrective actions and presented to the Audit Committee subsequently.

During the financial year ended 31 December 2017, IAD had undertaken the following activities:

1. Prepared the annual audit plan and budget for approval by the Audit Committee;
2. Performed risk-based internal audit in accordance with the approved annual audit plan including follow-up on matters arising from previous audit reports;
3. Issued internal audit reports to the management on risk management, internal control and governance issues identified from the audit assignments together with recommendations for improvements;
4. Presented the audit reports and status of audit activities to the Audit Committee on a quarterly basis; and
5. Conducted ad-hoc tasks and special assignments as and when requested by the Management and/or Audit Committee.

The total cost incurred in undertaking the internal audit function during the financial year ended 31 December 2017 is approximately RM295,968.50.

This Audit Committee Report is made in accordance with the Resolution of the Board dated 30 April 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

1. BOARD'S RESPONSIBILITY

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

The adequacy and effectiveness of the internal control system were reviewed by the Audit Committee ("AC") pursuant to the audit conducted by the Internal Audit ("IA") during the year under review. Audit issues and actions taken by Management to address the issues tabled by the IA were deliberated during the AC meetings.

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

2. KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

2.1 Risk Management

The Group has established the Enterprise Risk Management ("ERM") Policy and Framework ("ERM Policy and Framework") which has been approved by the Board on 21 November 2014. The ERM Policy and Framework sets out the process for managing risks and outlines how the Company ensure risks are managed effectively and efficiently across the Group.

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

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

2. KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (cont'd)

2.1 Risk Management (cont'd)

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

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

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

2.2 Board and Board Committees

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

2.3 Internal Audit Function

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

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

2.4 Other Key Elements of Internal Control

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

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

2. KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (cont'd)

2.4 Other Key Element of Internal Control (cont'd)

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

- scope of works involved;
- expertise level required;
- level of monitoring and supervision;
- management and supporting staff requirement;
- duration of project;
- periodical review by the IA; and
- compliance with the requirements of MS ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Safety and Health Management System.

The Board has reviewed the adequacy and integrity of the Group's internal control system and management information system. In addition, feasibility studies will continuously be evaluated internally, and the required due diligence review will be carried out before 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 are carefully assessed.

3. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

4. CONCLUSION

The Board is of the view that the current risk management and internal control system in place within the Group is sufficient and effective to safeguard the Group's interests. In addition, improvement of risk management and internal control is an ongoing process and the Board will continue to take steps to strengthen and enhance the current systems. All internal control weaknesses identified during the period under review have been or are being addressed by the Management. There was no major risk management and internal control weaknesses that requires disclosure in the Company's annual report. The Board has received assurance from the Chief Operating Officer and Acting Head of Finance on the above declaration.

The Board will consistently review the effectiveness of the Group's risk management and internal control in order to safeguard the shareholders' interest and the Group's assets at all times.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board dated 30 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

Conflict of Interest

None of the Directors have any family relationship with other Directors or major shareholders of the Company. 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.

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.

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 December 2017, a non-audit fee of RM116,550 was paid by the Company to the External Auditors, Messrs. PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Malaysia for services rendered in connection with the review of the Company’s quarterly results and other assurance work.

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.

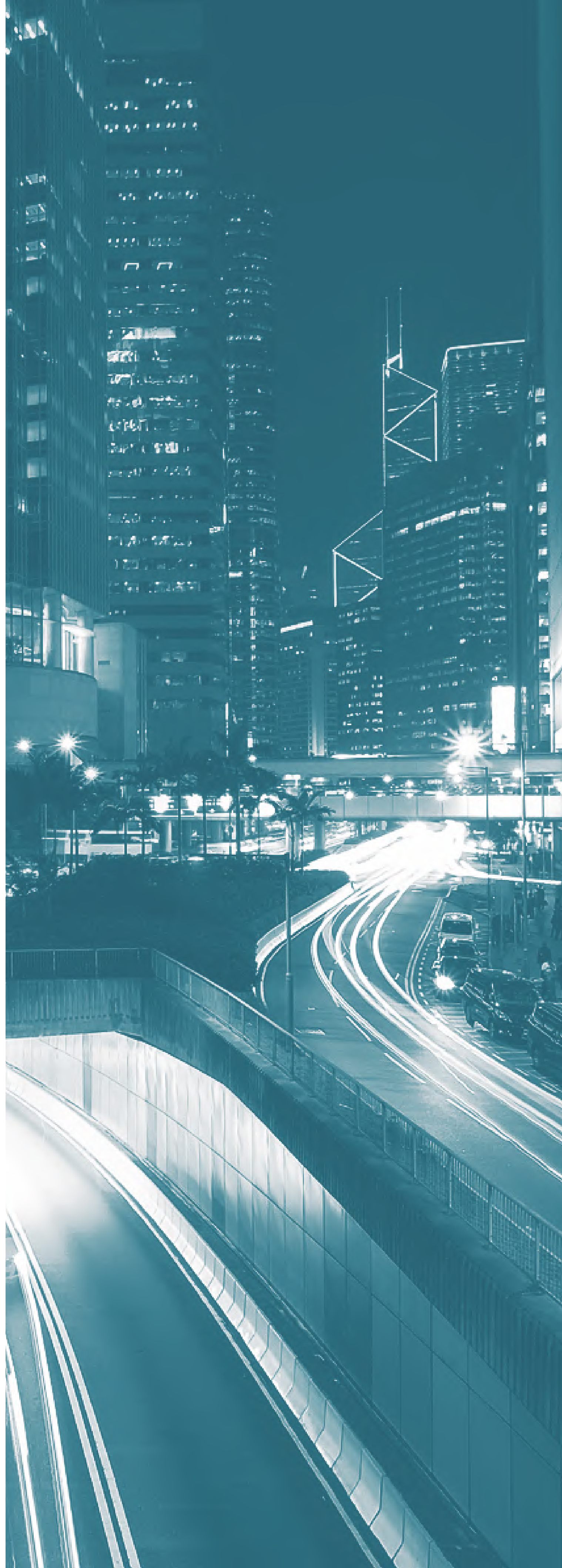
Material Contracts

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

Contracts Relating to Loan

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

FINANCIAL STATEMENTS



DIRECTORS' REPORT

For The Financial Year Ended 31 December 2017

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year attributable to:		
- equity holders of the Company	(74,071)	(2,218)
- non-controlling interests	(187)	-
	(74,258)	(2,218)

DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2017.

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

Dato' Anwar bin Haji @ Aji	
Dato' Abdullah bin Mohd. Yusof	(demised on 25 April 2018)
Datuk Ooi Teik Huat	
Datuk Puteh Rukiah binti Abd Majid	
Suhaimi bin Halim	
Mohd Shukor bin Abdul Mumin	
Dato' Sri Che Khalib bin Mohamad Noh	(resigned on 12 January 2018)

DIRECTORS' BENEFITS

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

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

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonesty or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM50,171.

DIRECTORS' INTERESTS IN SHARES

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

DIRECTORS' REMUNERATION

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, 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 provision for impairment of trade receivables and satisfied themselves that all known bad debts had been written off and that adequate provision for impairment had been made for trade receivables; and
(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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 provision for impairment of trade receivables in the financial statements of the Group and 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 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 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 the Company to meet their obligations as and when they fall due.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

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

(a) any charge on the assets of the Group or 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 the Company which has arisen since the end of the financial year.

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; 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 and the Company for the financial year in which this report is made.

LIST OF DIRECTORS OF SUBSIDIARIES

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

Dato' Anwar bin Haji @ Aji
Johari Bin Yahya
Rohafizah Binti Ismail
Rezlan Bin Goon
Gerard Dominic Fernandez
Adnan Bin Mohammad
Ahmad Nasaruddin Bin Mohammed Amin
Yap Leng Khim

SUBSIDIARIES

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

AUDITORS

The audit fees for services rendered by the auditors to the Group and the Company for the financial year ended 31 December 2017 are disclosed in Note 11 to the financial statements. The Group does not indemnify its auditors.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 April 2018.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat, two of the Directors of Zelan Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 50 to 125 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 30 April 2018.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

STATUTORY DECLARATION

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

I, Mohd Nasir bin Hj. Md Saad, the Officer primarily responsible for the financial management of Zelan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD NASIR BIN HJ. MD SAAD

Subscribed and solemnly declared by the abovenamed Mohd Nasir bin Hj. Mohd Saad, at Kuala Lumpur, Malaysia on 30 April 2018.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ZELAN BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Zelan Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 125.

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group and the Company incurred a net loss after taxation of RM74.3 million and RM2.2 million respectively for the financial year ended 31 December 2017 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM269.5 million and RM47.4 million respectively. These events and conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZELAN BERHAD

(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
Financial impact of the project in Abu Dhabi The Group terminated its project in Abu Dhabi, United Arab Emirates, on 1 October 2015 and entered into an arbitration proceeding with the project owner. The hearing dates for the arbitration have been fixed on 6 to 17 January 2019. As at 31 December 2017, the Group recorded a total receivable balance of AED174.8 million (approximately RM192.6 million) due from the project owner in the Consolidated Statement of Financial Position. The Directors are of the view that the Group has rightfully and validly terminated its employment under the contract with the project owner. The Directors have made an assessment and concluded that the total receivable balance is fully recoverable based on advice from the independent claim consultant and external solicitors. The Group also has ongoing litigation and arbitration proceeding with its subcontractor, and a counter claim from the project owner arising from this project. The Directors have not provided for the claims made by the project owner as there is no sufficient evidence to support these claims based on the advice from the external solicitors. The Directors have provided for, in their view, the amount payable to the subcontractor to the extent that the liabilities have been incurred by the Group based on the terms of the contract agreement entered into with the subcontractor. This is a key audit matter due to the uncertainty relating to the outcome of the arbitrations and litigation proceedings in relation to this project and the consequent implications to the financial statements, as well as the materiality of the receivable balance to the financial statements of the Group. Refer to Note 3(i), Note 3(iii) on critical accounting estimates and assumptions, Note 2(r), Note 2(s) and Note 2(w) on summary of significant accounting policies, Note 19(vi) and Note 29(b) to the financial statements.	We discussed with management and the external solicitors to understand the status and the legal position of these arbitrations and litigation proceedings. Recoverability of the receivable balance We read the legal opinions from the external solicitors engaged by management and obtained an understanding of the merits of the claims via discussions with the solicitors. We also obtained an understanding of the solicitors' assessments of the claim consultant's report in order to evaluate management's assessment of the outcome of the arbitration. We assessed the objectivity, capabilities and competencies of these experts by considering their professional background, reputation, experience in similar industries and discussions with the experts. We have also discussed with the external solicitors in respect of the expected period of the arbitration process and subsequent recovery of the receivable balance. Based on the above information, we evaluated management's assessment on the likelihood of the claims entitled by the Group. We have also performed sensitivity analysis on the amount recoverable from the project owner by considering the chances of success for each head of claim. Liabilities relating to the arbitrations We read the correspondences between the Group and the external solicitor in order to obtain an understanding of the status of the litigation, arbitration proceedings and claims by the project owner and subcontractor. We also read the written opinions from the external solicitors engaged by management and carried out discussions with the solicitors on the merits of the claims by the subcontractor and project owner and the position of the Group on these proceedings. We assessed the adequacy of the Group's disclosures and the Directors' assessment of the probabilities of an outflow of resources arising from ongoing litigations and arbitrations. We agreed the quantum of the amount payable to the subcontractor in the financial statements to the progress certifications issued by the Group to the subcontractor and agreements with the project owner. Based on the procedures performed above, we noted no material exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key audit matters (cont'd)

Key audit matters	**How our audit addressed the key audit matters**
Revenue and costs recognition - construction contracts The Group recognises revenue from construction contracts in the Consolidated Statement of Comprehensive Income using the stage of completion method. The stage of completion is measured by reference to the proportion to the actual costs incurred for work performed to date to the estimated total costs of the project. The Group recognised revenue and gross loss from construction contracts of RM69.8 million and RM20.6 million respectively for the financial year ended 31 December 2017 as disclosed in Note 5 and Note 32 to the financial statements. Construction contracts accounting is inherently complex and we focused on this area because there are significant management estimates and judgements involved in determining the: ▪ Stage of completion ▪ Extent of the construction costs incurred to date; ▪ Estimated total construction costs; and ▪ Estimated liquidated ascertained damages ("LAD") on projects where the estimated completion dates are beyond the contractual completion dates. Refer to Note 3(ii) on critical accounting estimates and assumptions, Note 2(j) on summary of significant accounting policies and Note 20 to the financial statements.	We tested the operating effectiveness of the key controls in respect of the review and approval of project budgets to assess the reliability of these budgets. We identified and assessed the significant estimates and judgements made by management in the recognition of revenue and costs arising from construction contracts. This was performed by corroborating the stage of completion and extent of costs incurred to date on major projects by agreeing to internal or external quantity surveyors' latest valuations. We have also agreed, on a sample basis, costs incurred to the supporting documentation; i.e. subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of major projects by agreeing to supporting documentation; i.e. approved budgets, quotations, correspondences, contracts and variation orders with subcontractors. We discussed with management on their basis for recognising LAD for on-going projects which were expected to be completed beyond the contractual completion dates, and tested management's estimates of the LAD to correspondences with the project owners for the expected delays in completing the projects and progress reports from the project managers on the expected completion dates of these projects. Based on the procedures performed, we noted no material exceptions.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Financial Highlights, Corporate Social Responsibility, Statement of Corporate Governance, Audit Committee Report, Statement on Risk Management and Internal Control, Directors' Report and other sections of the 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

HEW CHOOI YOKE
03203/07/2019 J
Chartered Accountant

Kuala Lumpur
30 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	5	70,911	222,790	-	-
Cost of sales	6	(72,125)	(227,974)	-	-
Gross loss		(1,214)	(5,184)	-	-
Administrative expenses:					
- staff costs		(11,295)	(11,456)	(3,172)	(2,592)
- professional fees and arbitration fees		(4,805)	(1,497)	(170)	(155)
- others		(2,447)	(4,574)	(1,305)	(2,610)
		(18,547)	(17,527)	(4,647)	(5,357)
Other operating (expenses)/income:					
- unrealised foreign exchange (loss)/gain, net		(13,232)	5,681	-	-
- reversal of impairment charge on property, plant and equipment		-	790	-	-
- impairment of inventories		(410)	-	-	-
- write back of penalty on revised tax assessment		-	234	-	-
- write back of provision for impairment of receivables		340	2,376	-	-
- provision for impairment of receivables		(74)	(1)	-	-
- provision for impairment of amount due from an associate		(3,578)	-	-	-
- write back of provision for impairment of amounts due from subsidiaries		-	-	2,811	53,729
- provision for impairment of amounts due from subsidiaries		-	-	-	(291)
- provision for impairment of investments in subsidiaries		-	-	-	(44,714)
- diminution in carrying value of long term receivables		(54,055)	(34,483)	-	-
- other operating expenses		(2,322)	(6,364)	(65)	(120)
- other operating income		1,250	3,449	42	-
- refund of late payment interest on revised tax assessment		11,552	-	-	-
Finance income	7	36,762	25,186	327	466
Finance costs	7	(26,726)	(39,515)	(686)	(1,062)
Share of results of associates	17	(1,139)	(1,698)	-	-
(Loss)/profit before zakat and taxation	8	(71,393)	(67,056)	(2,218)	2,651
Taxation	12	(2,865)	(556)	-	-
Net (loss)/profit for the financial year		(74,258)	(67,612)	(2,218)	2,651

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2017
(continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences:					
- net movement during the financial year		11,398	(5,731)	-	-
Other comprehensive income/(loss) for the financial year, net of taxation		11,398	(5,731)	-	-
Total comprehensive (loss)/income for the financial year		(62,860)	(73,343)	(2,218)	2,651
Net (loss)/profit for the financial year attributable to:					
- equity holders of the Company		(74,071)	(67,623)	(2,218)	2,651
- non-controlling interests		(187)	11	-	-
Net (loss)/profit for the financial year		(74,258)	(67,612)	(2,218)	2,651
Total comprehensive (loss)/income attributable to:					
- equity holders of the Company		(62,705)	(73,358)	(2,218)	2,651
- non-controlling interests		(155)	15	-	-
Total comprehensive (loss)/income for the financial year		(62,860)	(73,343)	(2,218)	2,651
Loss per share attributable to the equity holders of the Company during the financial year:					
		Sen	Sen		
Basic loss per share	13(a)	(8.77)	(8.00)		

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	7,113	8,088	12	77
Investment properties	15	4,598	4,740	-	-
Investments in subsidiaries	16	-	-	74,323	74,323
Investments in associates	17	3,332	3,332	-	-
Receivables, deposits and prepayments	19	690,333	681,213	-	-
Amounts due from subsidiaries	19	-	-	77,384	76,196
Deposits, cash and bank balances (restricted)	21	4,574	10,195	3,212	8,685
		709,950	707,568	154,931	159,281
CURRENT ASSETS					
Inventories	22	8,555	8,965	-	-
Receivables, deposits and prepayments	19	77,900	144,085	160	107
Tax recoverable		2,420	387	-	-
Deposits, cash and bank balances	21	9,434	13,676	4,651	10,268
		98,309	167,113	4,811	10,375
LESS: CURRENT LIABILITIES					
Financial payables	23	219,657	257,039	1,421	1,393
Other liabilities	23	5,087	6,935	-	-
Amounts due to subsidiaries	23	-	-	42,483	44,979
Borrowings	24	139,593	42,001	8,272	13,500
Current tax liabilities		3,448	-	-	-
		367,785	305,975	52,176	59,872
NET CURRENT LIABILITIES		(269,476)	(138,862)	(47,365)	(49,497)
TOTAL ASSETS LESS CURRENT LIABILITIES		440,474	568,706	107,566	109,784

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

(continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
Share capital	25	84,489	84,489	84,489	84,489
Reserves	26	(15,204)	47,501	23,077	25,295
		69,285	131,990	107,566	109,784
Non-controlling interests		(327)	(172)	-	-
TOTAL EQUITY		68,958	131,818	107,566	109,784
NON-CURRENT LIABILITIES					
Borrowings	24	368,350	433,725	-	-
Deferred tax liabilities	27	3,166	3,163	-	-
		371,516	436,888	-	-
TOTAL EQUITY AND NON-CURRENT LIABILITIES		440,474	568,706	107,566	109,784

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	Attributable to equity holders of the Company								
	Share capital RM'000	Warrants reserve# RM'000	Foreign exchange reserve RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumu-lated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818
Net loss for the financial year	-	-	-	-	-	(74,071)	(74,071)	(187)	(74,258)
Other comprehensive income:									
Currency translation differences:									
- net movement during the financial year	-	-	11,366	-	-	-	11,366	32	11,398
Total comprehensive income/ (loss) for the financial year	-	-	11,366	-	-	(74,071)	(62,705)	(155)	(62,860)
At 31 December 2017	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958
At 1 January 2016	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161
Net (loss)/income for the financial year	-	-	-	-	-	(67,623)	(67,623)	11	(67,612)
Other comprehensive (loss)/income:									
Currency translation differences:									
- net movement during the financial year	-	-	(5,735)	-	-	-	(5,735)	4	(5,731)
Total comprehensive (loss)/ income for the financial year	-	-	(5,735)	-	-	(67,623)	(73,358)	15	(73,343)
At 31 December 2016	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818

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

This reserve relates to issuance of free detachable warrants.

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	← Non-distributable			→		
	Share capital RM'000	Warrants reserve# RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumu-lated losses RM'000	Total equity RM'000
At 1 January 2017	84,489	14,082	18,456	3,258	(10,501)	109,784
Total comprehensive loss for the financial year	-	-	-	-	(2,218)	(2,218)
At 31 December 2017	84,489	14,082	18,456	3,258	(12,719)	107,566
At 1 January 2016	84,489	14,082	18,456	3,258	(13,152)	107,133
Total comprehensive income for the financial year	-	-	-	-	2,651	2,651
At 31 December 2016	84,489	14,082	18,456	3,258	(10,501)	109,784

* These reserves relate to net gain from disposals of investment in shares.
# This reserve relates to issuance of free detachable warrants.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Net (loss)/profit for the financial year attributable to equity holders of the Company		(74,071)	(67,623)	(2,218)	2,651
Adjustments for:					
Taxation		2,865	556	-	-
Finance income		(36,762)	(25,186)	(327)	(466)
Finance costs		26,726	39,515	686	1,062
Diminution in carrying value of long term receivables		54,055	34,483	-	-
Non-controlling interests		(187)	11	-	-
Write back of penalty on revised tax assessment		-	(234)	-	-
Depreciation of investment properties		142	142	-	-
Provision for impairment of receivables		74	1	-	-
Provision for impairment of amount due from an associate		3,578	-	-	-
Provision for impairment of amounts due from subsidiaries		-	-	-	291
Write back of provision for impairment of receivables		(340)	(2,376)	-	-
Bad debts recovered		-	(1,827)	-	-
Write back of provision for impairment of amounts due from subsidiaries		-	-	(2,811)	(53,729)
Provision for impairment of investments in subsidiaries		-	-	-	44,714
Impairment loss of inventories		410	-	-	-
Loss on disposal of investments in subsidiaries		-	-	-	48
Net loss/(gain) on unrealised foreign exchange		13,232	(5,681)	-	-
Property, plant and equipment:					
- gain on disposals		(368)	(5)	(37)	-
- reversal of impairment charge		-	(790)	-	-
- depreciation		813	1,192	65	72
- written off		-	1	-	-
Share of results of associates		1,139	1,698	-	-
		(8,694)	(26,123)	(4,642)	(5,357
Changes in working capital:					
Receivables, deposits and prepayments		36,005	30,263	(53)	(32)
Payables		(46,270)	(50,295)	(286)	(1,029)
Amount due to joint venture partners		471	-	-	-
Amount due to a related company		14,813	-	-	-
Amount due to an associate		(512)	-	-	-
Cash from operations		(4,187)	(46,155)	(4,981)	(6,418)
Tax paid		(2,055)	(7,439)	-	(673)
Tax refund		16	16,945	-	-
Net cash flows used in operating activities		(6,226)	(36,649)	(4,981)	(7,091)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017
(continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
INVESTING ACTIVITIES					
Proceeds from disposals of plant and equipment		554	862	37	-
Proceeds from disposal of subsidiary		-	1,000	-	1,000
Interest received from deposits and investment		864	1,331	327	466
Purchases of property, plant and equipment		(29)	(525)	-	(3)
Advances to associates		(386)	-	-	-
Advances to related companies		(23)	-	-	-
Net repayment by subsidiaries		-	-	1,623	-
Net cash flows generated from investing activities		980	2,668	1,987	1,463
FINANCING ACTIVITIES					
Interest paid		(655)	(1,068)	(622)	(1,062)
Repayments of borrowings		(32,730)	(34,907)	(27,000)	(13,500)
Drawdown of borrowings		29,254	24,200	21,708	13,500
Repayment of hire purchase creditors		(500)	(556)	-	-
Advances received from subsidiaries		-	-	27,450	9,640
Repayment to subsidiaries		-	-	(29,946)	-
Advances received from related companies		314	-	314	-
Upliftment of/(additional) deposits pledged as security		11,471	3,071	11,264	(4,723)
Net cash flows generated from/(used in) from financing activities		7,154	(9,260)	3,168	3,855
Net movement in cash and cash equivalents		1,908	(43,241)	174	(1,773)
Cash and cash equivalents at the beginning of the financial year		3,624	47,289	275	2,048
Currency translation differences		(300)	(424)	-	-
Cash and cash equivalents at the end of the financial year	21	5,232	3,624	449	275

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

(continued)

A. Non-cash transactions

There were no non-cash transactions for the financial year ended 31 December 2017.

In the financial year ended 31 December 2016, the non-cash transactions were in relation to the following:

(i) The borrowings drawndown includes performance bond and rectification bond of RM113.0 million (AED95.2 million) which were drawndown directly by a project owner at the Group level.

(ii) Zelan Holdings (M) Sdn. Bhd. transferred its entire interest in Zelan Construction Sdn. Bhd., Zelan Corporation Sdn. Bhd. and Zelan Enterprise Sdn. Bhd. to the Company for a consideration of RM53.7 million, which was settled in full via set off of the Company's amount due for Zelan Holdings (M) Sdn. Bhd.

(iii) Zelan Construction Sdn. Bhd. transferred its entire interest in Zelan AM Services Sdn. Bhd. to the Company for a consideration of RM308,000, which was settled in full via set off of the amount due by the Company to Zelan Construction Sdn. Bhd.

B. Reconciliation of liabilities arising from financing activities

	Term loan RM'000	Islamic-financing RM'000	Hire purchase RM'000	Amounts due to related companies RM'000	Total RM'000
Group					
At 1 January 2017	94,872	379,845	1,009	383	476,109
Financing activities:					
- repayments during the year	(5,730)	(27,000)	(500)	-	(33,230)
- drawdown during the year	-	29,254	-	-	29,254
- interest paid	-	(622)	(33)	-	(655)
- advances received during the year	-	-	-	314	314
Operating activity:					
- payment on behalf during the year	-	-	-	14,813	14,813
Non-cash changes:					
Foreign exchange movement	(9,275)	-	-	-	(9,275)
Interest payable	15,844	30,279	-	-	46,123
At 31 December 2017	95,711	411,756	476	15,510	523,453
Company					
At 1 January 2017	-	13,500	44,979	383	58,862
Financing activities:					
- pepayments during the year	-	(27,000)	-	-	(27,000)
- drawdown during the year	-	21,708	-	-	21,708
- interest paid	-	(622)	-	-	(622)
- advances received during the year	-	-	27,450	314	27,764
- repayment of advances during the year	-	-	(29,946)	-	(29,946)
Non-cash changes:					
Interest payable	-	686	-	-	686
At 31 December 2017	-	8,272	42,483	697	51,452

1 GENERAL INFORMATION

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

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

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

The address of the registered office of the Company is 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur. The address of the principal place of business is 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 30 April 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

Cash flows of the Group and the Company

The Group and the Company incurred a net loss after taxation of RM74.3 million and RM2.2 million for the financial year ended 31 December 2017. As at the same date, the Group and the Company's current liabilities exceeded the current assets by RM269.5 million and RM47.4 million respectively.

The losses incurred by the Group for the financial year ended 31 December 2017, the net current liabilities of the Group as at that date, the ability of the Group to generate positive cash flows from the on-going projects and make timely repayments for borrowings of the Group, the outcome of the negotiation with a financial institution to refinance its existing facility, the timeliness of the receipt of tax refunds from the Indonesian tax authorities on a completed project, and the uncertainty of the outcome of arbitration process 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 going concerns, and therefore, the Group and the Company may be unable to realise the assets and discharge the liabilities in the normal course of business.

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

- Monitor and manage the progress of its existing construction projects which are expected to be completed within the projected timeline;
- Negotiate and defer payments to related companies of the Group for certain projects;
- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects; and
- Actively pursue tax refunds from the Indonesian tax authorities on a completed project.

In addition to the above, the Group also intends to dispose certain properties and inventories of the Group. The Group will put in place the necessary processes to identify potential buyers for these properties and inventories.

During the financial year and subsequent to the reporting date, the Group has also successfully negotiated with certain financial institutions to restructure the timing and monthly instalments payable by the Group. There were no changes to the financial covenant requirements as a result of the restructuring. The Group will continue to undertake such negotiations with the financial institutions where necessary.

Subsequent to the reporting date, the Group has engaged a financial institution to issue a debt instrument which will be used to repay an existing credit facility and for working capital purposes.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to MFRSs 2014 - 2016 Cycle: MFRS 12 "Disclosures of Interests in Other Entities"

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods of the Group and the Company.

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below:

- Amendments to MFRS 140 "Classification on 'Change in Use' - Assets transferred to, or from, Investment Properties" (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meet, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction. The Group does not anticipate the amendments to MFRS 140 to result in a material financial impact to the Group.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company **(cont'd)**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below: (cont'd)

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018) (cont'd)

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.The Group does not anticipate the application of IC Interpretation 22 to result in a material financial impact to the Group.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - for financial liabilities classified as fair value through profit or loss, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss; and

  - when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company (cont'd)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below: (cont'd)

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) (cont'd)

  The Group has undertaken an accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The indicative impacts of adopting MFRS 9 on the Group are as follows:

  <u>Classification and measurement on financial assets and financial liabilities</u>
  MFRS 9 establishes a principles-based approach to determine whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the assets and business model in which the asset is held. The Group anticipates that the classification and measurement basis for its financial assets will be largely unchanged under this model.

  <u>Impairment of financial assets and financial liabilities</u>
  Based on the Group's initial assessment, the introduction of the 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

  <u>Presentation and disclosure of financial assets and financial liabilities</u>
  MFRS 9 allows reclassification of financial assets from one category to another only when an entity changes its business model for managing financial assets. As the Group does not intend to change its business model, it does not expect any material changes in presentation and disclosure of financial instruments.

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of a good or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligation; and
  - Recognise the revenue as each performance obligation is satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company **(cont'd)**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below: (cont'd)

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) (cont'd)

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few; and
  - As with any new standard, there are also increased disclosures.

  Impact of initial application of MFRS 15 "Revenue from Contract with Customers"
  The Group does not expect the adoption of the new revenue recognition standard to change the timing and measurement of revenue. The new standard however, introduces expanded disclosure requirements and changes in presentation. This includes:

  - Disaggregation of revenue into categories that depict the nature, amount, timing and uncertainty of revenue.
  - Separate disclosure of contract assets and liabilities, if any.

  The Group will incorporate these disclosures in the year of adoption of the new accounting standard.

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company (cont'd)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below: (cont'd)

- MFRS 16 "Leases" (effective from 1 January 2019) (cont'd)

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The Group is still in the midst of assessing the impact of the adoption of MFRS 16.

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

  The Group does not anticipate the application of IC Interpretation 23 to result in a material financial impact to the Group.

- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures" (effective from 1 January 2019) clarify that an entity should apply MFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

  The Group does not anticipate the amendments to MFRS 128 to result in a material financial impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards and amendments that have been issued but not yet effective for the Group and the Company **(cont'd)**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect to the financial statements of the Group and the Company, except the following set out below: (cont'd)

- Amendments to MFRS 9 "Prepayment Features with Negative Compensation" (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

  The Group does not anticipate the amendments to MFRS 9 to result in a material financial impact to the Group.

- Annual Improvements to MFRSs 2015 - 2017 Cycle:

  Amendments to MFRS 3 "Business Combinations" (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  Amendments to MFRS 11 "Joint Arrangements" (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  Amendments to MFRS 112 "Income Taxes" (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  Amendments to MFRS 123 "Borrowing Costs" (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

  The Group does not anticipate the amendments to MFRS 123 to result in a material financial impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Economic entities in the Group

(i) Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Subsidiaries **(cont'd)**

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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

(ii) Associates

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Associates (cont'd)

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

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

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

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

(iii) Joint arrangements

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

<u>Joint ventures</u>

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

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

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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

(iii) Joint arrangements (cont'd)

Joint ventures (cont'd)

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

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

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

Joint operations

In relation to the Group's interest in the joint operation, the Group recognises its direct right to the assets, liabilities, revenue and expenses.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are subsequently stated at historical cost. 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.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

(d) Investment properties

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 a significant portion of the risks and rewards of ownership retained by the lessor 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 profit or loss over the lease term on a straight- line basis.

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

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

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

(g) Goodwill

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment of non-financial assets

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

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

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

(i) Inventories

Completed properties

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

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

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Construction contracts (cont'd)

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 to be recoverable.

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) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are classified as loans and receivables. Refer to accounting policy Note 2(w) on financial assets.

(l) Cash and cash equivalents

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

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

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

(m) Share capital

Classification

Ordinary shares are classified as equity.

Dividends distribution

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(o) Borrowings and borrowing costs

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 amount is recognised in 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.

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 drawndown. 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.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits

Short-term employee benefits

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

Post-employment benefits - defined contribution plan

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

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

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

(q) Current and deferred income tax

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Current and deferred income tax (cont'd)

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

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

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

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

(r) Provisions

Provisions are recognised when:

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

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

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

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

(s) Contingent liabilities and contingent assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Contingent liabilities and contingent assets (cont'd)

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

(t) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Group entities

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Revenue recognition

Revenue is measured at 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, rebates and discounts and amounts collected on behalf of third parties 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.

<u>Sale of goods and services</u>

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.

<u>Interest income</u>

Interest income from deposits at licensed financial institutions are recognised in 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.

<u>Investment income</u>

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

<u>Construction contracts</u>

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

<u>Other income</u>

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) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Financial assets

Classification

The Group classifies its financial assets as loans and receivables.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprises 'trade and other receivables' and 'cash and cash equivalents' as disclosed in Notes 19 and 21 to the financial statements.

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 that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

Subsequent measurement - impairment

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 carrying amount of the asset is reduced and the amount of the loss is recognised in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Financial assets (cont'd)

Subsequent measurement - impairment (cont'd)

Assets carried at amortised cost (cont'd)

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 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.

Derecognition

Financial assets are derecognised 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.

(x) 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 liabilities to pay for goods or services provided to the Group prior to the end of the financial year which are unpaid.

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

Trade 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.

(y) Offsetting financial instruments

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

(z) Warrants reserve

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) Zakat

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

(ab) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

<u>Critical accounting estimates and assumptions</u>

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

(i) Recoverability of receivables and liabilities in the Group's project in Abu Dhabi

As disclosed in Note 19(vi) to the financial statements, the total receivable balance due from a project owner in Abu Dhabi amounted to AED174.8 million (approximately RM192.6 million) as at 31 December 2017.

The Directors have made an assessment and concluded that the total receivable balance is fully recoverable based on advice from the independent consultant and external solicitors whereby the Group has rightfully and validly terminated its employment under the contract with the project owner. In making this assessment, the Directors have considered the Group's entitlement to claims on amounts incurred for work done and materials supplied pursuant to the contract, interest and other costs and loss of opportunity of profit which the Group had suffered as a result of the termination.

The Directors have also considered the expected period of the arbitration process and the subsequent recovery which may take more than two years in arriving at the carrying value of the receivables.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Critical accounting estimates and assumptions (cont'd)

(i) Recoverability of receivables and liabilities in the Group's project in Abu Dhabi (cont'd)

The Directors have not provided for the counterclaims made by the project owner as there is no sufficient evidence to support these claims based on the advice from the external solicitors.

The recovery of the outstanding balance from the project owner will be dependent on the outcome of the arbitration process.

In the event that the arbitration process and the subsequent recovery of the receivable is delayed by three months, the impact to the profit or loss is a further charge of RM5.1 million.

In the event the judgement in the arbitration is not in favour of the Group, the exposure of the Group to the profit or loss, on a worst case scenario, is the total receivable balance due from the project owner and the claims by the project owner against the Group as awarded by the tribunal at the arbitration.

(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 judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract costs, the profitability of the contracts, including the foreseeable losses, potential claims (variation orders) to owners of the project and counter claims from subcontractors and liquidated ascertained damages based on expected completion dates of the contracts. In making this judgement, the Directors took into consideration the current circumstances and relied on input from the Group's project managers, external consultants, where appropriate, and past experience.

(iii) Contingent liabilities

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

(iv) Uncertain tax position on Indonesian Branch Profit Tax ("BPT") refund

The Group is subject to income taxes in the jurisdictions in which the Group operates. Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due.

During the financial year, based on the advice of the external tax consultant, the Group has submitted an application of BPT refund to the tax authorities in Indonesia on a completed project. The Directors are confident that the Group will be successful in recovering the BPT refund based on the advice from the external tax consultant in the next financial year.

BPT is an additional income tax imposed by the Directorate General of Taxes of the Indonesian tax authority on foreign companies that earn profits from their business operations in Indonesia. Foreign companies pay BPT in addition to the normal income tax on their profits in Indonesia.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Foreign currency exchange risk

The Group and the Company do not apply hedge accounting.

The Company is not exposed to any significant foreign currency exchange risk.

The Group's exposure to foreign currencies in respect of its financial assets and financial liabilities as at the reporting date is as follows:

	Denominated in currency other than functional currency			
	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group				
At 31 December 2017				
Financial assets				
Cash and cash equivalents	7	4	20	31
Less:				
Financial liabilities				
Trade and other payables	(28)	-	-	(28)
Net financial (liabilities)/assets	(21)	4	20	3
Currency exposure	(21)	4	20	3
At 31 December 2016				
Financial assets				
Cash and cash equivalents	126	41	21	188
Less:				
Financial liabilities				
Trade and other payables	(30)	-	-	(30)
Net financial assets	96	41	21	158
Currency exposure	96	41	21	158

As at the reporting date, the Group is not significantly affected by fluctuation in the foreign currencies to the functional currency.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Interest rate risk

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

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

- The Group's and the Company's borrowings

  Borrowings issued at variable interest rates expose the Group and the Company to interest rate risk which is partially offset by interest income earned by the Group's deposit placement at variable rates. As at 31 December 2017 and 31 December 2016, the Group's borrowings are denominated in Ringgit Malaysia ("RM") and Arab Emirates Dirham ("AED") and the Company's borrowings are denominated in RM.

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

	Impact on profit or loss	
	2017	**2016**
	RM'000	**RM'000**
Group		
Borrowings denominated in AED	893	729
Borrowings denominated in RM	88	133
Company		
Borrowings denominated in RM	88	133

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Liquidity risk

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:

	Group				
	Less than 1 year RM'000	Between 1 and 3 years RM'000	Between 3 and 5 years RM'000	More than 5 years RM'000	Total RM'000
2017					
Financial liabilities					
Trade payables	182,182	-	-	-	182,182
Amounts due to related companies	15,510	-	-	-	15,510
Amount due to a joint venture	531	-	-	-	531
Amounts due to associates	13,030	-	-	-	13,030
Other payables and accruals	8,404	-	-	-	8,404
Borrowings	165,249	55,594	166,190	308,018	695,051
	384,906	55,594	166,190	308,018	914,708
2016					
Financial liabilities					
Trade payables	239,028	-	-	-	239,028
Amounts due to related companies	383	-	-	-	383
Amount due to a joint venture	60	-	-	-	60
Amounts due to associates	12,403	-	-	-	12,403
Other payables and accruals	5,165	-	-	-	5,165
Borrowings	86,313	179,909	96,397	308,703	671,322
	343,352	179,909	96,397	308,703	928,361

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Liquidity risk (cont'd)

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: (cont'd)

	Company	
	Less than 1 year RM'000	**Total RM'000**
2017		
Financial liabilities		
Amounts due to subsidiaries	42,483	42,483
Amounts due to related companies	697	697
Other payables and accruals	724	724
Borrowings	8,920	8,920
	52,824	52,824
2016		
Financial liabilities		
Amounts due to subsidiaries	44,979	44,979
Amounts due to related companies	383	383
Other payables and accruals	1,010	1,010
Borrowings	14,569	14,569
	60,941	60,941

As at 31 December 2017, the Group's and the Company's current liabilities exceeded the current assets by RM269.5 million and RM47.4 million respectively.

As at that date, the Group did not meet the repayment instalment for a term loan in accordance with the repayment schedule agreed with the financial institution. Accordingly, the carrying value of this term loan facility of RM79.9 million was classified as current liabilities as at 31 December 2017. The shortfall in the term loan repayment as at 31 December 2017 was settled in full by the Group in January 2018.

In order to monitor the cash flows of the Group, the Directors carry out periodic review of the cash flow projections prepared by management. As at the reporting date, management prepared a cash flow forecast for the next eighteen months, details of which are set out in Note 2 to the financial statements.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk

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

At the reporting date, the Group has no significant concentration of credit risk other than two corporate debtors which represent 91% (2016: 94%) of the Group's total trade receivables, in which these balances are monitored closely. 12% (2016: 13%) of these trade receivables mainly relates to retention sums receivable from the owners of the Group's projects. The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

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

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

Exposure to credit risk

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

Bank balances and deposits are placed with creditworthy financial institutions and the risks arising therefrom are minimised in view of the financial strength of these financial institutions.

Other than the bank balances and deposits placed with licensed banks, the Group and the Company's financial assets that are neither past due nor impaired amounted to RM68,272,000 (2016: RM95,765,000) and RM77,544,000 (2016: RM76,303,000) respectively as at the reporting date.

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

The Group's financial assets that are past due but not impaired as at the reporting date amounted to RM17,000 (2016: RM19,000) and are between 3 to 6 months overdue. The Company does not have financial assets that are past due but not impaired.

(c) Financial assets that are impaired

The Group and the Company's financial assets that are impaired as at the reporting date amounted to RM699,892,000 (2016: RM719,032,000) and RM462,732,000 (2016: RM465,543,000) respectively.

The Group's financial assets that are impaired are mainly in respect of two projects of the Group for which the completion of the projects have been delayed. The diminution in the carrying value of these receivables has been recorded in the profit or loss. Refer to Note 19(v) and Note 19(vi) for further details.

The Company's financial assets that are impaired are mainly related to the amounts due from subsidiaries.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

(c) Financial assets that are impaired **(cont'd)**

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Other receivables and deposits				
At the beginning of financial year	2,414	4,793	-	-
Provision made	74	1	-	-
Write back against provisions	(340)	(2,376)	-	-
Write off against provisions	-	(4)	-	-
At the end of financial year (Note 19)	2,148	2,414	-	-
Amounts due from subsidiaries				
At the beginning of financial year	-	-	465,543	522,240
Provision made	-	-	-	291
Write back against provisions	-	-	(2,811)	(53,729)
Write off against provisions	-	-	-	(3,259)
At the end of financial year (Note 19)	-	-	462,732	465,543
Amount due from an associate				
At the beginning of financial year	-	-	-	-
Provision made	3,578	-	-	-
At the end of financial year (Note 19)	3,578	-	-	-

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

(v) Capital management

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(vi) Fair value

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

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<u>At 31 December 2017</u>				
<u>Financial assets</u>				
Receivables				
- trade receivables	624,094	624,094	-	-
- amounts due from contract customers	63,640	63,640	-	-
Amounts due from subsidiaries	-	-	77,384	71,705
Amount due from an associate	2,599	2,130	-	-
<u>At 31 December 2016</u>				
<u>Financial assets</u>				
Receivables				
- trade receivables	596,215	596,215	-	-
- amounts due from contract customers	79,207	79,207	-	-
Amounts due from subsidiaries	-	-	76,196	70,604
Amount due from an associate	5,791	4,746	-	-

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

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

The carrying values of the long term borrowings approximate the fair value at the reporting date as these borrowings are floating rate borrowings.

5 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction contracts	69,803	221,671	-	-
Others	1,108	1,119	-	-
	70,911	222,790	-	-

Others include car park income and rental income.

6 COST OF SALES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction contract costs	71,951	227,785	-	-
Others	174	189	-	-
	72,125	227,974	-	-

Construction contract costs comprise staff costs, subcontractors' costs, consultancy fees, insurance expenses and other construction related expenses.

7 FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income				
Interest income	558	1,165	21	300
Profit from Islamic deposits	306	166	306	166
Accretion of interest on trade receivables	35,898	23,855	-	-
	36,762	25,186	327	466
Finance costs				
Interest expense	12,544	11,755	686	1,062
Unwinding of discounts on trade payables	14,215	27,798	-	-
Less: Interest expense included in cost of sales (Note 20)	(33)	(38)	-	-
	26,726	39,515	686	1,062

8 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bad debts recovered	-	(1,827)	-	-
Auditors' remuneration - statutory audit (Note 11)	480	517	101	126
Depreciation of investment properties	142	142	-	-
Directors' remuneration (Note 10)	834	1,688	834	1,688
Property, plant and equipment:				
- depreciation	813	1,192	65	72
- reversal of impairment charge	-	(790)	-	-
- gain on disposals	(368)	(5)	(37)	-
- written off	-	1	-	-
Gain on unrealised foreign exchange	(4,002)	(7,292)	-	-
Loss on foreign exchange:				
- realised	233	28	-	-
- unrealised	17,234	1,611	-	-
Rental of land and premises	191	438	17	17
Rental income on office equipment	(369)	(369)	-	-
Rental income on premises	(1,790)	(1,810)	-	-
Staff costs (Note 9)	14,837	18,662	3,172	2,592
Penalty on revised tax assessment	233	-	-	-
Write back of penalty on revised tax assessment	-	(234)	-	-
Loss on disposal of investments in subsidiaries	-	-	-	48

9 STAFF COSTS

Staff costs excluding Directors' remuneration, are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	10,772	12,674	2,501	1,875
Defined contribution retirement plan	1,526	2,233	372	438
Other employee benefits	2,539	3,755	299	279
	14,837	18,662	3,172	2,592
Staff costs for the financial year are allocated as follows:				
- administrative expenses	11,295	11,456	3,172	2,592
- cost of sales (Note 20)	3,542	7,206	-	-
	14,837	18,662	3,172	2,592

10 DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Executive Directors:				
- fees	441	439	441	439
- other emoluments	393	390	393	390
	834	829	834	829
Executive Director:				
- salaries	-	720	-	720
- defined contribution retirement plan	-	106	-	106
- other employee benefits	-	33	-	33
	-	859	-	859
	834	1,688	834	1,688

11 AUDITORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
PricewaterhouseCoopers Malaysia				
- statutory audit	375	400	101	126
- others	117	135	117	127
	492	535	218	253
Firms other than member firms of PricewaterhouseCoopers International Limited				
- statutory audit	105	117	-	-
- others	-	21	-	21
	105	138	-	21

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2017
(continued)

12 TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax				
Malaysian tax:				
- Current financial year	2,270	893	-	-
- Under accrual in the prior financial year	592	158	-	-
	2,862	1,051	-	-
Foreign tax:				
- Current financial year	-	42	-	-
- Over accrual in the prior financial year	-	(661)	-	-
	-	(619)	-	-
Deferred tax				
- Origination and reversal of temporary differences (Note 27)	3	124	-	-
Tax expense	2,865	556	-	-
The explanation of the relationship between tax expense and (loss)/profit before taxation and after zakat is as follow:				
(Loss)/profit before taxation and after zakat	(71,393)	(67,056)	(2,218)	2,651
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	(17,134)	(16,093)	(532)	636
Tax effects of:				
- share of results of associates	(273)	(408)	-	-
- expenses not deductible for tax purposes	26,283	21,316	1,217	12,260
- income not subject to tax	(10,862)	(7,999)	(685)	(12,896)
- temporary differences and tax losses not recognised	4,259	4,243	-	-
- under/(over) accruals in prior financial year	592	(503)	-	-
Tax expense	2,865	556	-	-

13 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share of the Group is calculated by dividing the net loss attributable to the ordinary equity holders of the Company for the financial year of RM74,071,000 (2016: RM67,623,000) by the weighted average number of ordinary shares in issue during the financial year of 844,895,000 (2016: 844,895,000).

	Group	
	2017 RM'000	**2016 RM'000**
Net loss attributable to equity holders of the Company	(74,071)	(67,623)
	'000	**'000**
Weighted average number of ordinary shares in issue	844,895	844,895
	Sen	**Sen**
Basic loss per share attributable to equity holders of the Company	(8.77)	(8.00)

(b) Diluted

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

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

In assessing the dilution in earnings per share arising from the warrants issued, the warrants are assumed to have been converted into ordinary shares as at 31 December 2017. A calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined at the average share price of the Company's shares) based on the exercise price of the warrants. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution.

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

14 PROPERTY, PLANT AND EQUIPMENT

	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 January 2017	6,450	15	980	462	-	25	156	8,088
Additions	-	-	28	1	-	-	-	29
Disposals	-	-	(183)	(3)	-	-	-	(186)
Depreciation charge	(154)	(15)	(310)	(250)	-	(16)	(68)	(813)
Translation differences	-	-	-	(5)	-	-	-	(5)
At 31 December 2017	6,296	-	515	205	-	9	88	7,113
At 31 December 2017								
Cost	8,425	1,177	3,074	6,640	12,394	1,515	15,144	48,369
Accumulated depreciation and impairment loss	(2,129)	(1,177)	(2,559)	(6,435)	(12,394)	(1,506)	(15,056)	(41,256)
Net book value	6,296	-	515	205	-	9	88	7,113
Net book value								
At 1 January 2016	6,604	84	1,108	654	29	58	219	8,756
Additions	-	-	454	66	-	-	5	525
Disposals	-	-	-	(2)	(855)	-	-	(857)
Write off	-	-	-	(1)	-	-	-	(1)
Reversal of impairment charge	-	-	-	-	790	-	-	790
Depreciation charge	(154)	(69)	(582)	(258)	(28)	(33)	(68)	(1,192)
Translation differences	-	-	-	3	64	-	-	67
At 31 December 2016	6,450	15	980	462	-	25	156	8,088
At 31 December 2016								
Cost	8,425	1,177	4,977	6,666	12,394	1,515	15,144	50,298
Accumulated depreciation and impairment loss	(1,975)	(1,162)	(3,997)	(6,204)	(12,394)	(1,490)	(14,988)	(42,210)
Net book value	6,450	15	980	462	-	25	156	8,088

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Company					
Net book value					
At 1 January 2017	–	–	77	–	77
Depreciation charge	–	–	(65)	–	(65)
At 31 December 2017	–	–	12	–	12
At 31 December 2017					
Cost	40	–	632	30	702
Accumulated depreciation	(40)	–	(620)	(30)	(690)
Net book value	–	–	12	–	12
Net book value					
At 1 January 2016	–	–	146	–	146
Additions	–	–	3	–	3
Depreciation charge	–	–	(72)	–	(72)
At 31 December 2016	–	–	77	–	77
At 31 December 2016					
Cost	40	316	632	30	1,018
Accumulated depreciation	(40)	(316)	(555)	(30)	(941)
Net book value	–	–	77	–	77

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administrative expenses	415	719	65	72
Cost of sales (Note 20)	398	473	-	-
	813	1,192	65	72

The net book value of certain assets of the Group which were acquired under hire purchase arrangements at the end of the reporting period amounted to RM488,000 (2016: RM954,000).

The properties with net book values amounting to RM6,296,000 (2016: RM6,450,000) have been pledged against the Group's borrowings at the end of the reporting period.

15 INVESTMENT PROPERTIES

	Group	
	2017 RM'000	2016 RM'000
Cost	6,350	6,350
Less: Accumulated depreciation	(1,752)	(1,610)
Net book value	4,598	4,740

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

	Group	
	2017 RM'000	2016 RM'000
Net book value		
At the beginning of the financial year	4,740	4,882
Less: Depreciation charge	(142)	(142)
At the end of the financial year	4,598	4,740

The fair value of the investment properties, categorised under Level 2 of the fair value hierarchy, was estimated at RM10,646,000 (2016: RM10,220,000) based on the valuations by an independent professionally qualified valuer. Valuations were based on open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms.

Direct operating expenses arising from investment properties of the Group were RM264,000 (2016: RM265,000). Rental income arising from investment properties of the Group was RM1,108,000 (2016: RM1,119,000).

The investment properties with net book values amounting to RM4,598,000 (2016: RM4,740,000) have been pledged against the Group's borrowings as at the end of the reporting period.

16 INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares in Malaysia, at cost	199,462	199,462
Amount due from a subsidiary	60,000	60,000
	259,462	259,462
Less: Accumulated impairment losses	(185,139)	(185,139)
	74,323	74,323

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 2017 %	Group's effective interest 2016 %	Principal activities
Zelan Holdings (M) Sdn. Bhd.#	Malaysia	100	100	Investment holding, civil engineering and building turnkey contractor
Konsesi Pusat Asasi Gambang Sdn. Bhd.#	Malaysia	100	100	Concession operator
Zelan Corporation Sdn. Bhd.#	Malaysia	100	100	Property development and management and operation of motor vehicles parking facilities
Zelan Enterprise Sdn. Bhd.#	Malaysia	100	100	Contracting and supplying of building materials
Zelan Construction Sdn. Bhd.#	Malaysia	100	100	Piling and civil engineering contractor
Zelan AM Services Sdn. Bhd.# ^	Malaysia	100	100	Asset and facilities management services
Subsidiary of Zelan Corporation Sdn. Bhd.				
Zelan Development Sdn. Bhd.#	Malaysia	100	100	Property development

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

The shares of all subsidiaries are held directly by the Company unless as indicated below. Details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Group's effective interest 2017 %	Group's effective interest 2016 %	Principal activities
Subsidiaries of Zelan Holdings (M) Sdn. Bhd.				
Sejara Bina Sdn. Bhd.*	Malaysia	100	100	Investment holding
PT Zelan Indonesia*	Indonesia	95	95	Civil technical design and construction of civil and building works
Zelan Construction (India) Private Limited*	India	100	100	Civil technical design and construction of civil and building works
Zelan Construction Arabia Co. Ltd.*	Saudi Arabia	100	100	Civil technical design and construction of civil and building works
Subsidiaries of Zelan Enterprise Sdn. Bhd.				
Vispa Sdn. Bhd.*	Malaysia	100	100	Dormant
Eminent Hectares Sdn. Bhd.*	Malaysia	100	100	Investment holding
Subsidiary of Zelan Construction Sdn. Bhd.				
Zelan ICOP Consortium Sdn. Bhd.*	Malaysia	100	100	Construction of sewage conveyance system

Note:
Audited by PricewaterhouseCoopers PLT, Malaysia.
* Audited by a firm other than the member firm of PricewaterhouseCoopers International Limited.

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

Transactions in 2016

On 15 April 2016, Zelan Holdings (M) Sdn. Bhd. transferred its entire interest in Zelan Construction Sdn. Bhd., Zelan Corporation Sdn. Bhd. and Zelan Enterprise Sdn. Bhd. to the Company for a consideration of RM53,729,000. The consideration for the transfer was settled in full via set off of the Company's amount due from Zelan Holdings (M) Sdn. Bhd. Arising from this transaction, the Company had written back provision of impairment which was previously provided on the amount due from Zelan Holdings (M) Sdn. Bhd. of RM53,729,000 for the financial year ended 31 December 2016.

On 15 April 2016, Zelan Construction Sdn. Bhd. transferred its entire interest in Zelan AM Services Sdn. Bhd. to the Company for a consideration of RM308,000. The consideration for the transfer was settled in full via amount due by the Company to Zelan Construction Sdn. Bhd.

17 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares in Malaysia, at cost	385	385	10	10
Less: Accumulated impairment losses	(10)	(10)	(10)	(10)
	375	375	-	-
Unquoted shares outside Malaysia, at cost	1,971	1,971	-	-
Group's share of post-acquisition reserves	986	986	-	-
	3,332	3,332	-	-

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

	Group	
	2017 RM'000	2016 RM'000
Loss after taxation/Total comprehensive loss (including non-controlling interests)	(1,139)	(1,698)

	Group	
	2017 RM'000	2016 RM'000
Current assets	37,106	41,725
Current liabilities	(42,078)	(45,558)
Net liabilities	(4,972)	(3,833)

17 INVESTMENTS IN ASSOCIATES (cont'd)

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

During the financial year, the Group recognised share of losses of an associates of RM1,139,000 (2016: RM1,093,000) in excess of the respective cost of investment for a loss-making associate. The liabilities have been included within amounts due to associates in Note 23 to the financial statements.

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

Name of company	Country of incorporation	Group's effective interest 2017 %	Group's effective interest 2016 %	Principal activities
MMC Zelan Sdn. Bhd. #	Malaysia	40	40	Dormant
Associates of Zelan Holdings (M) Sdn. Bhd.				
IJM-Sunway Builders-Zelan-LFE Engineering Consortium	Malaysia	25	25	Design, execution and completion of towers
Zelan Arabia Co. Ltd.	Saudi Arabia	40	40	Civil technical design and construction of civil and building works
Associate of Sejara Bina Sdn. Bhd.				
Essential Amity Sdn. Bhd. @	Malaysia	50	50	Turnkey contractor and property development

Note:

\# On 16 January 2018, the Group announced that a special resolution was passed to wind up the associate company under the Members' Voluntary Liquidation ("Liquidation") pursuant to Section 439(1)(b) of the Companies Act 2016. Refer to Note 33 to the financial statements for further details.

@ Applied for Members' Voluntary Liquidation from Companies Commission of Malaysia pursuant to Section 439(1)(b) of the Companies Act 2016 on 23 December 2017.

18 INVESTMENTS IN JOINT OPERATIONS

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

Name of company	Principal activities	Share of interest 2017 %	2016 %
Zelan BEC Consortium	Design and construction of chimney	51	51

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

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

	Group 2017 RM'000	2016 RM'000
(Loss)/profit after taxation	(1)	71

	Group 2017 RM'000	2016 RM'000
Non-current assets	177	171
Current assets	1,371	1,434
Current liabilities	(1,464)	(1,520)
Net assets	84	85

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial receivables				
Non-current				
Trade receivables	624,094	596,215	-	-
Amounts due from contract customers (Note 20)	63,640	79,207	-	-
Amount due from an associate	6,177	5,791	-	-
Less: Provision of impairment	(3,578)	-	-	-
	2,599	5,791	-	-
Receivables, deposits and prepayments	690,333	681,213	-	-
Amounts due from subsidiaries	-	-	540,116	541,739
Less: Provision of impairment	-	-	(462,732)	(465,543)
	-	-	77,384	76,196
Current				
Trade receivables	56,920	65,840	-	-
Amounts due from related companies	45	22	-	-
Other receivables and deposits	7,751	14,032	160	107
Less: Provision of impairment	(2,148)	(2,414)	-	-
	5,603	11,618	160	107
Advances to subcontractors	3,881	10,012	-	-
Amounts due from contract customers (Note 20)	9,554	53,709	-	-
Prepayments	1,897	2,884	-	-
	77,900	144,085	160	107
Total receivables, deposits and prepayments	768,233	825,298	77,544	76,303

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

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

(iii) Included in the non-current trade receivables of the Group is the retention sum on contracts of RM52.1 million (2016: RM60.9 million), inclusive of RM37.9 million (2016: RM47.2 million) which is due from a project owner of the Group's project in Abu Dhabi.

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

(v) Trade receivables of the Group includes concession income receivable from a project owner in Malaysia amounting to RM489.6 million (2016: RM466.1 million), of which RM446.3 million (2016: RM435.7 million) is expected to be received after twelve months from the end of the financial year. Accordingly, the amount of RM446.3 million (2016: RM435.7 million) has been classified as a non-current receivable. These receivables will be received over the remaining concession period. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables.

(vi) In respect of the Group's project in Abu Dhabi, United Arab Emirates ("UAE"), the Group issued a notice of termination to the project owner in Abu Dhabi, UAE, on 17 September 2015, to terminate the Group's employment following the defaults by the project owner, who failed to pay an amount of AED27.6 million (approximately RM30.5 million), being the certified amounts of works done and materials at site owing by the project owner to the Group under the certificates of payment in accordance with the provisions of the contract and the project owner's continuous interference with the valuation and/or certification of the Group's progress claims.

As provided under the contract with the project owner, the termination took effect on 1 October 2015, being 14 days after the issuance of the notice of termination.

On 17 December 2015, the Group was notified that the guarantor of the performance bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM45.2 million) and performance bond of AED51.5 million (approximately RM56.8 million) respectively. On 3 January 2016, the guarantor of the bonds released the full amount of the rectification bond and performance bond to the project owner.

On 18 August 2016, the Group received International Chamber of Commerce ("ICC")'s acceptance of its Revised Request for Arbitration against the project owner in relation to the breaches and defaults of the project owner, amounting to the claim sum of AED452.3 million (approximately RM498.4 million).

In October 2016, the Group was notified by the ICC of the project owner's Revised Answer to Request for Arbitration for a counterclaim of AED591.0 million (approximately RM651.2 million) for the costs and losses, in which include repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

(vi) On 11 July 2017, the Group revised the claim sum against the project owner from AED452.3 million (approximately RM498.4 million) to AED555.9 million (approximately RM612.5 million). Consequently, on 9 November 2017, the project owner revised the counterclaim sum against the Group from AED591.0 million (approximately RM651.2 million) to AED654.3 million (approximately RM721.0 million).

The hearing dates for the arbitration have been fixed on 6 to 17 January 2019.

The Group has engaged a claim consultant to carry out a review of the costs incurred for the project and the amounts claimable against the project owner based on the Group's entitlement under the terms of the contract. The Group has also obtained a legal opinion from the external solicitor in February 2018 and an updated opinion in April 2018 from another external solicitor on the validity of the termination of its employment under the contract with the project owner and the merits and prospects of the claims made by the Group, as well as the counterclaims made by the project owner.

As at 31 December 2017, the Group recorded a total receivable balance of AED174.8 million (approximately RM192.6 million) due from the project owner, including certified and uncertified amounts of work done and materials on site, retention sums and performance bond and rectification bond drawndown by the project owner in January 2016. Based on the advice from the claim consultant and the external solicitors, the Directors are of the view that the Group has valid contractual basis to recover the outstanding receivable balances from the project owner as the Group has rightfully and validly terminated its employment under the contract with the project owner. The Group is in the midst of proceeding with the arbitration process to recover fully the outstanding amounts under the provisions of the contract. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables.

The Directors have not provided for the counterclaims made by the project owner as there is no sufficient evidence to support these claims based on the advice from the external solicitors.

20 CONSTRUCTION CONTRACTS

	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs incurred to-date	7,522,917	7,980,880
Add: Attributable profits	224,903	234,066
Less: Foreseeable losses	(638,066)	(709,728)
	7,109,754	7,505,218
Less: Progress billings	(7,036,560)	(7,373,805)
	73,194	131,413
Amounts due from contract customers (Note 19)		
- non-current	63,640	79,207
- current	9,554	53,709
	73,194	132,916
Amounts due to contract customers (Note 23)	-	(1,503)
	73,194	131,413

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

	Group 2017 RM'000	Group 2016 RM'000
Rental of plant and machinery	-	302
Rental of premises	53	372
Depreciation of property, plant and equipment (Note 14)	398	473
Interest expense on hire purchase (Note 7)	33	38
Staff costs (Note 9)	3,542	7,206

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

	Group 2017 %	Group 2016 %
Hire purchase liabilities	2.35 - 10.00	2.37 - 10.00

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	8,776	20,247	7,414	18,678
Cash and bank balances	5,232	3,624	449	275
Deposits, cash and bank balances	14,008	23,871	7,863	18,953
Less: Deposits pledged as security	(8,776)	(20,247)	(7,414)	(18,678)
Cash and cash equivalents	5,232	3,624	449	275
Deposits, cash and bank balances are between:				
Current:				
- Restricted	4,334	10,182	4,202	9,993
- Not restricted	5,100	3,494	449	275
	9,434	13,676	4,651	10,268
Non-current:				
- Restricted	4,574	10,195	3,212	8,685
	14,008	23,871	7,863	18,953

Included in deposits placed with licensed banks of the Group and the Company are amounts of RM8,776,000 (2016: RM20,247,000) and RM7,414,000 (2016: RM18,678,000) respectively, which have been pledged to secure banking facilities, primarily for performance guarantee facilities granted to the Group and the Company as at the reporting date.

Included in the cash and bank balances of the Group is RM132,000 (2016: RM130,000) held under Housing Development Account (opened and maintained under Section 7A of the Housing Development (Contract and Licensing) Act, 1966) that may only be used in accordance with the said Act.

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Deposits placed with licensed banks	3.24	3.12	3.13	3.12
Bank balances	1.61	2.63	-	2.63

22 INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Completed properties for sale	8,555	8,965

Inventories where the net realisable value is expected to be below the carrying amount were written down. During the financial year, the Group wrote down the carrying amount of the inventories by RM410,000 (2016: Nil) based on the latest market valuation.

23 PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial payables				
Trade payables	182,182	239,028	-	-
Amounts due to related companies	15,510	383	697	383
Amounts due to joint venture partners	531	60	-	-
Amounts due to associates	13,030	12,403	-	-
Other payables and accruals	8,404	5,165	724	1,010
	219,657	257,039	1,421	1,393
Other liabilities				
Amounts due to contract customers (Note 20)	-	1,503	-	-
Advances received on contract customers	5,070	5,414	-	-
Others	17	18	-	-
	5,087	6,935	-	-
Amounts due to subsidiaries	-	-	42,483	44,979

Advances received from the contract customers are secured by advance payment bonds issued by the financial institutions. The advances are interest free and repayable by deducting from the progress billings certified by the contract customers.

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

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

24 BORROWINGS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current:					
Hire purchase liabilities (unsecured)	(a)	290	513	-	-
Islamic financing (secured)	(b)	368,060	354,950	-	-
Term loan (secured)	(c)	-	78,262	-	-
		368,350	433,725	-	-
Current:					
Hire purchase liabilities (unsecured)	(a)	186	496	-	-
Islamic financing (secured)	(b)	43,696	24,895	8,272	13,500
Term loan (secured)	(c)	95,711	16,610	-	-
		139,593	42,001	8,272	13,500
Total:					
Hire purchase liabilities (unsecured)	(a)	476	1,009	-	-
Islamic financing (secured)	(b)	411,756	379,845	8,272	13,500
Term loan (secured)	(c)	95,711	94,872	-	-
		507,943	475,726	8,272	13,500

(a) Hire purchase liabilities (unsecured)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Analysis of hire purchase liabilities:				
Payable within one year	204	534	-	-
Payable between one and three years	225	374	-	-
Payable between three and five years	84	176	-	-
	513	1,084	-	-
Less: Finance charges	(37)	(75)	-	-
	476	1,009	-	-
Present value of hire purchase liabilities:				
Payable within one year	186	496	-	-
Payable between one and three years	208	345	-	-
Payable between three and five years	82	168	-	-
	476	1,009	-	-

24 BORROWINGS (cont'd)

(b) Islamic financing (secured)

(i) In November 2012, the Group 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.

General working capital line (Group and Company)

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 capital line is secured by a first charge over the properties owned by the Group.

On 3 August 2017, the financial institution approved the Group's application on the renewal of the general working capital line facility of RM13.5 million, for the availability period of 54 months.

Project financing line (Group)

The project financing line was secured by the assignment of contract proceeds received from the project owner. The facility was fully settled in 2016 due to the completion of the project.

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

This facility is segregated into three parts of which:

- BIS 1 is used to finance the road electrical works related to the project;
- BIS 2 is used to finance the reimbursable cost of the project; and
- BIS 3 is used to finance the construction of the project.

The facility is secured by:

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

The profit rate of the facility is charged based on the cost of funds plus a fixed margin.

24 BORROWINGS (cont'd)

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

The repayment terms of this Islamic financing facility is as follows:

- BIS 1 is repayable in a single bullet repayment upon the expiry of the moratorium period which is a period up to forty two months from the first disbursement date or upon receive of the initial payment from the project owner, whichever is earlier;

- BIS 2 is repayable in a single bullet repayment upon the expiry of the moratorium period which is a period up to fifty four months from the first disbursement date or upon receive of the initial payment from the project owner, whichever is earlier; and

- BIS 3 is repayable on a monthly instalment commencing on the first day of the following or subsequent month after the expiry of the moratorium period which is a period up to forty two months including thirty six months during the construction period and six months during the asset management services period. The monthly instalments will be repayable over a period of 10.5 years.

The moratorium period has not expired as at 31 December 2017 as the six months asset management services period (which is the second component of the moratorium period) will commence after the issuance of the certificate of acceptance by the project owner. As at 31 December 2017, the Group has not received the certificate of acceptance or the initial payment of the asset management services from the project owner.

In December 2017, the Group obtained approval from the financial institution to defer the repayment of BIS 2 Facility of RM10.9 million, which was due on 28 December 2017 to 30 June 2018.

In February 2018, the Group obtained approval from the financial institution to defer the repayment of BIS 1 Facility of RM3.7 million which was due on 28 February 2018 to 30 June 2018 or upon receipt of initial payment from the project owner, whichever is earlier provided that the certificate of acceptance is issued by the project owner.

(c) Term loan (secured)

In 2016, the Group restructured the rectification bond and performance bond drawdown in January 2016 by a project owner in Abu Dhabi of AED92.5 million (approximately RM101.9 million) into a secured term loan amounting to AED87.2 million (approximately RM96.1 million).

The term loan of the Group is secured by:

- 100% cash margin against the financial or labour guarantees issued;
- RM55.0 million assignment of proceeds by Zelan Berhad from the exercise of the attached warrants under the January 2014 rights issuance; and
- Assignment of cash flows from certain local projects of the Group and the Indonesian tax refunds.

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

24 BORROWINGS (cont'd)

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

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

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Hire purchase liabilities	2.35 - 10.00	2.37 - 10.00	-	-
Islamic financing	7.75 - 7.83	7.80 - 7.92	7.83	7.92
Term loan	10.00	9.25	-	-

25 SHARE CAPITAL

	Company			
	Number of ordinary shares		Amount	
	2017	**2016**	**2017**	**2016**
	'000	**'000**	**RM'000**	**RM'000**
Authorised:				
Ordinary shares at 1 January	4,000,000	4,000,000	400,000	400,000
Abolishment of the concept of authorised share capital on 31 January 2017	(4,000,000)	-	(400,000)	-
At 31 December	-	4,000,000	-	400,000
Issued and fully paid:				
Ordinary shares with no par value (2016: par value of RM0.10 each)	844,895	844,895	84,489	84,489

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

26 RESERVES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Warrants reserve	(a)	14,082	14,082	14,082	14,082
Foreign exchange reserve	(b)	11,342	(24)	-	-
Capital reserve	(c)	35,457	35,457	18,456	18,456
General reserve	(c)	4,254	4,254	3,258	3,258
Accumulated losses		(80,339)	(6,268)	(12,719)	(10,501)
		(15,204)	47,501	23,077	25,295

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

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

No warrants were exercised during the financial year ended 31 December 2017. As at the end of the reporting date, 281,631,485 warrants remained unexercised.

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

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

27 DEFERRED TAX LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities	3,166	3,163	-	-
Movement during the financial year is as follows:				
At start of the financial year	3,163	3,039	-	-
(Credited)/charged to profit or loss (Note 12):				
- property, plant and equipment	(20)	147	-	-
- trade and other receivables	23	(23)	-	-
	3	124	-	-
At end of the financial year	3,166	3,163	-	-
Subject to income tax:				
Deferred tax assets (before offsetting)				
- trade and other receivables	-	23	-	-
Offsetting	-	(23)	-	-
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	3,166	3,186	-	-
Offsetting	-	(23)	-	-
Deferred tax assets (after offsetting)	3,166	3,163	-	-

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unabsorbed capital allowances	22,110	18,115	-	-
Tax losses	70,386	56,636	-	-
	92,496	74,751	-	-

No deferred tax asset has been recognised as these subsidiaries are not expected to have sufficient future taxable profits which could be utilised against the deductible temporary differences and tax losses.

28 SIGNIFICANT RELATED PARTY DISCLOSURES

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

(i) Significant related party transactions

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental of office premises receivable from a subsidiary of a corporate shareholder of the Company (non-trade):				
- MMC Engineering Services Sdn. Bhd.	283	277	-	-
Rental of office premises receivable from a related party of a corporate shareholder of the Company (non-trade):				
- Tradewinds Corporation Berhad	33	33	-	-
- Tradewinds Properties Sdn. Bhd.	15	15	-	-
- Tradewinds Premium Good Sdn. Bhd.	27	27	-	-
Rental fee payable to a subsidiary (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	(17)	(17)
Advances given to/(repayment of advances from) subsidiaries (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	(2,836)	(9,661)
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	525	4,000
- Zelan Construction Sdn. Bhd.	-	-	2,496	(3,618)
- Zelan Corporation Sdn. Bhd.	-	-	-	(2)
- Zelan AM Services Sdn. Bhd.	-	-	688	(650)
- Zelan ICOP Consortium Sdn. Bhd.	-	-	-	291
Interest receivable from an associate (non-trade):				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	512	841	-	-

28 SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows: **(cont'd)**

(ii) Significant financial year end related party balances

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Amounts due from subsidiaries				
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	75,911	75,385
- Zelan Holdings (M) Sdn. Bhd.	-	-	-	26
- Zelan AM Services Sdn. Bhd.	-	-	1,471	783
- Others	-	-	2	2
	-	-	77,384	76,196
Amounts due to subsidiaries				
- Zelan Constructions Sdn. Bhd.	-	-	39,861	42,357
- Sejara Bina Sdn. Bhd.	-	-	2,148	2,148
- Others	-	-	474	474
	-	-	42,483	44,979
Amounts due from related companies				
- MMC Corporation Berhad	18	22	-	-
- MMC Engineering Services Sdn. Bhd.	27	-	-	-
	45	22	-	-
Amounts due to related companies				
- MMC Corporation Berhad	466	383	466	383
- MMC Tepat Teknik Sdn. Bhd.	231	-	231	-
- MMC Engineering Services Sdn. Bhd.	14,813	-	-	-
	15,510	383	697	383

28 SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows: **(cont'd)**

(ii) Significant financial year end related party balances **(cont'd)**

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Amounts due to associates				
- Zelan Arabia Co. Ltd.	4,726	5,238	-	-
- MMC Zelan Sdn. Bhd.	-	25	-	-
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	8,304	7,140	-	-
	13,030	12,403	-	-
Amount due from an associate				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	6,177	5,791	-	-
Amounts due to joint venture partners				
- Balanced Engineering & Construction Pte Ltd	60	60	-	-
- ICOP Consortium Sdn. Bhd.	471	-	-	-
	531	60	-	-

The outstanding balances arising from the above related party transactions have been disclosed in Note 19 and Note 23 to the financial statements.

28 SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Key management personnel refer to the Directors of the Company (Note 10 to the financial statements) and other senior management personnel.

The aggregate amount of compensation received/receivable by key management personnel of the Group and the Company during the financial year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and bonuses	929	2,025	929	1,628
Defined contribution retirement plan	128	317	128	249
	1,057	2,342	1,057	1,877
Estimated monetary value of benefits-in-kind	19	92	19	74
	1,076	2,434	1,076	1,951

29 MATERIAL LITIGATIONS RELATING TO THE PROJECT IN ABU DHABI

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

(a) In March 2013, a contractor of a subsidiary's branch in Abu Dhabi ("Branch") filed a claim against the Branch at Abu Dhabi Court of First Instance for a sum of AED51.7 million (approximately RM57.0 million) and the return of its performance bond bank guarantee in relation to a project in Abu Dhabi where the Branch was the main contractor. The Court appointed three technical experts (collectively "Expert Committee") to, inter alia, value the work done by the contractor at site and to determine if the work had been carried out in accordance with the contract.

On 23 December 2014, the Court of First Instance delivered its judgement and ordered, inter alia, that the contract entered into between the contractor and the Branch was cancelled and the Branch was to pay the contractor a total sum of AED5.8 million (approximately RM6.4 million), out of which AED3.0 million (approximately RM3.3 million) was for work done and materials supplied by the contractor and AED2.8 million (approximately RM3.1 million) was compensation for the termination of the contract by the Branch.

The Branch had filed an appeal at the Court of Appeal against the Court of First Instance's finding that the termination was made by the Branch and the award of AED2.8 million (approximately RM3.1 million) as compensation in favour of the contractor. The contractor had also filed an appeal seeking for a higher compensation. On 16 June 2015, the Court of Appeal instructed the Expert Committee to review the objections raised by the contractor in its appeal against the compensation recommended in its earlier report and to submit a supplementary report.

29 MATERIAL LITIGATIONS RELATING TO THE PROJECT IN ABU DHABI (cont'd)

Details of the significant litigations during the financial year are as follows: **(cont'd)**

(a) On 5 April 2016, the Court of Appeal delivered its judgement upholding the Court of First Instance's judgement and increasing the compensation in favour of the contractor to AED7.2 million (approximately RM7.9 million) based on the recommendation made by the Expert Committee in its supplementary report.

On 23 June 2016, the Cassation Court allowed the Branch's application to stay or stop the subcontractor from executing the said judgement pending the Cassation Court's final decision.

On 26 January 2017, the Cassation Court dismissed the Branch's appeal, hence the Court of Appeal's judgement of increasing the monetary award to AED7.2 million (approximately RM7.9 million) is maintained.

The Group has made a provision of AED7.2 million (approximately RM7.9 million) within payables in the financial statements for the financial year ended 31 December 2017.

(b) In relation to the project in Abu Dhabi as disclosed in Note 19(vi), on 24 November 2016, a wholly-owned subsidiary of the Company received from the ICC a Request for Arbitration from the claimant which is a nominated sub-contractor for the project. The claimant claimed against the subsidiary for a sum of AED16.2 million (approximately RM17.8 million).

On 24 January 2017, the subsidiary submitted its Answer to Request for Arbitration ("Answer") to the ICC. In its Answer, the subsidiary had, inter alia, raised a jurisdictional challenge that the claimant had not satisfied the contractual procedures and pre-conditions to commence the arbitration proceedings.

On 23 February 2017, ICC appointed a sole arbitrator for the arbitration proceedings. The first case management conference was fixed on 28 March 2017. Both parties have agreed to submit to ICC and exchange the written submissions on the jurisdictional challenge in April 2017.

On 18 August 2017, the subsidiary received the Arbitral Tribunal's Final Award dated 15 August 2017 in favour of the subsidiary from the Secretariat of the International Court of Arbitration ("Court") ICC, whereby the Arbitral Tribunal, inter alia: (a) declares that it has no jurisdiction to determine the substantive dispute in the arbitration since the claims as filed by the claimant in the present arbitration are premature and (b) orders the claimant to bear 100% of the fees and expenses of the Arbitral Tribunal and ICC's administrative expenses fixed by the Court at USD0.15 million (approximately RM0.61 million); and (c) orders the claimant to reimburse the subsidiary the amount of USD0.02 million (approximately RM0.08 million) which represents the partial payment made by the subsidiary of its share of the advance on costs; and (d) orders the claimant to reimburse the subsidiary 100% of the legal fees and disbursements it has incurred, which amounted to RM0.2 million.

On 16 April 2018, the subsidiary received from the ICC a Request for Arbitration from the claimant to revise the claim sum from AED16.2 million (approximately RM17.8 million) to AED15.2 million (approximately RM16.7 million) against the subsidiary. The subsidiary is required to file its Answer to the Request for Arbitration and to respond to the claimant proposal on the appointment of sole arbitrator within 30 days from the receipt of the said Request i.e. on or before 16 May 2018. The subsidiary is taking all necessary steps to defend or safeguard the subsidiary's interests in the arbitration proceedings, including but not limited to seeking legal advice on the merits of the claims by the claimant.

The Group has made a provision of AED9.1 million (approximately RM10.1 million) within payables in the financial statements for the financial year ended 31 December 2017. Based on the advice from the external solicitors, the Directors are of the opinion that no further provision for claims is necessary on the basis that the remaining claim sum made by the claimant is not supportable.

30 PERFORMANCE BONDS

In the ordinary course of business, the Company has given guarantees amounting to RM20,132,000 (2016: RM55,954,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects. In January 2016, guarantees of RM113.0 million relating to the performance bond and rectification bond for a project in Abu Dhabi were drawndown by the project owner. The Company does not anticipate any other outflows of economic benefits arising from these undertakings.

31 COMMITMENTS

(a) Capital commitments

There is no capital expenditure which were authorised but not contracted for, as at the reporting date.

(b) Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2017 RM'000	2016 RM'000
Less than one year	108	191

The operating lease commitments relates to leases of office and land under non-cancellable operating lease agreement. The leases have varying terms and renewal rights.

32 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports received by the Directors that are used to make strategic decisions. The Directors consider the business from products perspective as the reportable operating segments derive their revenues primarily from its main business segments, are as follows:

(a) Engineering and construction
(b) Property and development
(c) Asset facility management
(d) Investment

The engineering and construction business segment includes the Group's projects in Indonesia, Middle East and Malaysia.

The property and development business segment includes rental income, car park income and management fees. Investment business segment includes rental income and other segment which is not within the reportable operating segments provided to the Directors. Interest income and interest expenses are not allocated to the segments because this is managed centrally by the Group.

Inter-segment revenue comprise construction of buildings for property development segment and purchase of raw materials for the engineering and construction segment.

In determining the geographical segments of the Group, sales are based on the region in which the customer is located. Segment assets (which exclude deferred tax assets and tax recoverable) and capital expenditure are determined based on where the assets are located. Segment liabilities (which exclude deferred tax liabilities and current tax liabilities) are determined based on where the liabilities arise. The amount provided to the Directors with respect to the total assets (which exclude deferred tax assets and tax recoverable) and total liabilities (which exclude deferred tax liabilities and current tax liabilities) are measured in a manner which is consistent with the financial statements.

Segment results are defined as operating income before provision of impairment for receivables, depreciation, diminution in carrying value of long term receivables, finance income, finance costs and share of results of associates.

32 SEGMENTAL INFORMATION (cont'd)

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

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
Financial year ended 31 December 2017					
Segment revenue	69,803	785	660	650	71,898
Less : Inter-segment sales	-	-	(660)	(327)	(987)
Revenue from external customers	69,803	785	-	323	70,911
Results					
Segment result	(20,644)	679	(1,178)	(4,535)	(25,678)
Depreciation of property, plant and equipment and investment properties	(294)	(112)	(1)	(150)	(557)
Diminution in carrying value of long term receivables	(54,055)	-	-	-	(54,055)
Finance income	36,431	4	-	327	36,762
Finance costs	(26,040)	-		(686)	(26,726)
Share of results of associates	(1,139)	-	-	-	(1,139)
(Loss)/profit before zakat and taxation	(65,741)	571	(1,179)	(5,044)	(71,393)
Financial year ended 31 December 2016					
Segment revenue	236,260	796	660	650	238,366
Less: Inter-segment sales	(14,589)	-	(660)	(327)	(15,576)
Revenue from external customers	221,671	796	-	323	222,790
Results					
Segment result	(10,484)	519	(645)	(5,309)	(15,919)
Depreciation of property, plant and equipment and investment properties	(579)	(124)	(1)	(157)	(861)
Diminution in carrying value of long term receivables	(34,483)	-	-	-	(34,483)
Write back of penalty on revised tax assessment	234	-	-	-	234
Finance income	24,715	5	-	466	25,186
Finance costs	(38,453)	-	-	(1,062)	(39,515)
Share of results of associates	(1,698)	-	-	-	(1,698)
(Loss)/profit before zakat and taxation	(60,748)	400	(646)	(6,062)	(67,056)

32 SEGMENTAL INFORMATION (cont'd)

The segment information provided to the Directors for the reportable segments, is as follows: **(cont'd)**

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
At 31 December 2017					
Total assets:					
Segment assets	780,309	11,421	343	10,434	802,507
Investments in associates	3,332	-	-	-	3,332
	783,641	11,421	343	10,434	805,839
Add: Unallocated assets					2,420
					808,259
Total liabilities:					
Segment liabilities	722,479	389	53	9,766	732,687
Add: Unallocated liabilities					6,614
					739,301
At 31 December 2016					
Total assets:					
Segment assets	837,265	11,879	189	21,629	870,962
Investments in associates	3,332	-	-	-	3,332
	840,597	11,879	189	21,629	874,294
Add: Unallocated assets					387
					874,681
Total liabilities:					
Segment liabilities	724,037	686	58	14,919	739,700
Add: Unallocated liabilities					3,163
					742,863

32 SEGMENTAL INFORMATION (cont'd)

The geographical segment information provided to the Directors for the reportable segments, is as set out below.

The Group's business segments are managed in four main geographical areas:

(i) Malaysia - engineering and construction
(ii) Indonesia - engineering and construction
(iii) United Arab Emirates ("UAE") - engineering and construction
(iv) Kingdom of Saudi Arabia ("KSA") - engineering and construction

	Malaysia RM'000	Indonesia RM'000	UAE RM'000	KSA RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2017						
Segment revenue	70,911	-	-	-	-	70,911
At 31 December 2017						
Segment assets	608,080	78	200,070	10	21	808,25
Segment liabilities	539,545	5,334	175,336	18,962	124	739,301
For the financial year ended 31 December 2016						
Segment revenue	222,790	-	-	-	-	222,790
At 31 December 2016						
Segment assets	625,742	942	247,894	12	91	874,681
Segment liabilities	521,684	6,467	186,573	28,100	39	742,863

Total external revenue includes 4 customers (2016: 3 customers) from the engineering and construction business segment who have contributed 98% (2016: 89%) respectively to the overall Group's revenue for the financial year ended 31 December 2017.

33 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

On 16 January 2018, MMC Zelan Sdn Bhd ("MMCZ"), a joint venture company between the Company and MMC Corporation Berhad ("MMC"), passed a special resolution to wind up MMCZ vide Members' Voluntary Liquidation pursuant to Section 439(1)(b) of the Companies Act 2016 ("Liquidation"). MMCZ has not commenced any operations since its incorporation. The liquidation does not have any material impact to the financial results of the Group and the Company for the financial year ended 31 December 2017.

LIST OF PROPERTIES HELD

As at 31 December 2017

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	6,296	18	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	2,283	18	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	2,315	18	2005

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

As at 31 December 2017

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 28 April 2017 (RM'000)	Actual Value of RRPT Transacted from 22 May 2017 up to 31 December 2017 (RM'000)
Zelan Group	MMC Corporation Berhad ("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	13,974
			Provision of general agreement / contract	300	-
			Rental of office premises*	300	189
Zelan Group	DRB-HICOM Berhad Group	Etika Strategi Sdn. Bhd. and TSSM	Construction contracts, project management and property development	1,000,000	1,000
Zelan Group	Tradewinds Corporation Berhad Group	Perspective Lane (M) Sdn. Bhd., Restu Jernih Sdn. Bhd., Kelana Venture Sdn. Bhd., MMC, STSB, ICSB and TSSM	Construction contracts, project management and property development	1,000,000	-
			Rental of office premises*	200	50

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

SHAREHOLDERS INFORMATION
As at 30 March 2018

Class of Securities	:	Ordinary Shares of 10 sen each
Authorised Share Capital	:	RM400,000,000
Issued and Paid Up Capital	:	RM844,894,455
Voting Right	:	One (1) vote for every ordinary share
No. of Shareholders	:	9,180

No.	Names	Shareholdings	%
1.	MMC CORPORATION BERHAD	331,580,079	39.25
2.	OLE HVASS BISPELUND	22,514,800	2.66
3.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	6,936,700	0.82
4.	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	5,700,000	0.67
5.	TEE KIAM HENG	5,000,000	0.59
6.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YONG YUNG TIONG	4,607,800	0.55
7.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YEW MING SIE	4,235,000	0.50
8.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG (CEB)	3,300,000	0.39
9.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN	3,211,800	0.38
10.	BIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ZULKARNIN BIN ARIFFIN	3,200,000	0.38
11.	NG KIAN BING	3,075,000	0.36
12.	TAN OI LAI	2,920,600	0.35
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING (CEB)	2,920,000	0.35
14.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE LI SEE	2,900,000	0.34
15.	LIAN FONG CHEE	2,550,000	0.30
16.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM KA KIAT	2,400,000	0.28
17.	GOH POH CHEE	2,114,000	0.25
18.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MD. SHAH BIN ABU HASAN	2,100,000	0.25
19.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHAM MU CHOY	2,000,000	0.24
20.	SENG SIAW WEI	2,000,000	0.24
21.	TEE JIN GEE ENTERPRISE SDN. BHD.	2,000,000	0.24

No.	Names	Shareholdings	%
22.	TAN ENG HAI	1,910,800	0.23
23.	LIM CHUN SEEN	1,906,500	0.23
24.	ONG SI TENG	1,884,800	0.22
25.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR STUART SAW TEIK SIEW	1,813,200	0.21
26.	TEE KIAM HENG	1,800,000	0.21
27.	NG SEA BU	1,750,000	0.21
28.	KOK JIN KHUM	1,700,100	0.20
29.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.	1,690,316	0.20
30.	MD. SHAH BIN ABU HASAN	1,630,000	0.19

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 433,351,495
TOTAL PERCENTAGE : 51.29

WARRANT HOLDERS INFORMATION

As at 30 March 2018

No. of Warrants in issued	:	281,631,485
Exercise Price for Warrants	:	RM0.25
Expiry Date of Warrants	:	25 January 2019
Voting Right	:	One (1) vote per warrant held

No.	Names	Holdings	%
1.	MMC CORPORATION BERHAD	110,526,693	39.25
2.	OLE HVASS BISPELUND	9,563,500	3.40
3.	UNION HUB TECHNOLOGY SDN. BHD.	4,380,000	1.56
4.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	3,170,700	1.13
5.	LIM KEN HONG	2,969,100	1.05
6.	ANG SWEE KUANG	2,375,600	0.84
7.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR AZMI BIN MUHAMMAD	2,071,800	0.74
8.	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE LEE KOK	2,000,000	0.71
9.	NOR HAYATI BINTI OTHMAN	2,000,000	0.71
10.	HLIB NOMINEES (TEMPATAN) SDN. BHD. HONG LEONG BANK BHD FOR YEE GOH TIONG	1,934,600	0.69
11.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR TAN AH MOI	1,820,000	0.65
12.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANG HOOI KHENG	1,600,000	0.57
13.	CHEAH ENG LAI	1,533,900	0.54
14.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN	1,375,000	0.49
15.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHUA YONG SONG	1,374,200	0.49
16.	LOH LEAN KANG	1,361,000	0.48
17.	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH KIM CHOON	1,342,500	0.48
18.	NG KOO MENG	1,300,000	0.46
19.	NG KIAN BING	1,270,200	0.45
20.	YONG FAN HING	1,268,700	0.45
21.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM TEONG LEONG	1,200,000	0.43
22.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR UOB KAY HIAN PTE LTD	1,157,912	0.41

WARRANT HOLDERS INFORMATION

As at 30 March 2018
(continued)

No.	Names	Holdings	%
23.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAH KEAN EONG	1,100,000	0.39
24.	CHENG KOK SIONG	1,100,000	0.39
25.	CHEN KHIN TING	1,010,000	0.36
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI CHEE MENG	1,002,800	0.36
27.	FOO FOOK MIN	1,000,000	0.36
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAM KIAN KWANG	964,900	0.34
29.	MOHD HAFIZ HAZWAN BIN ROSLI	915,700	0.33
30.	LEE SEW PONG	900,000	0.32

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 165,588,805
TOTAL PERCENTAGE : 58.80

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting ("AGM") of Zelan Berhad ("Company") will be held at Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on Thursday, 31 May 2018 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire by rotation in accordance with Article 78 of the Company's Constitution and who being eligible offer themselves for re-election:

   (i) YBhg. Datuk Puteh Rukiah binti Abd Majid **Resolution 1**
   (ii) Encik Mohd Shukor bin Abdul Mumin **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM441,000 to the Non-Executive Directors ("NEDs") of the Company for the financial year ended 31 December 2017. **Resolution 3**

4. To approve the payment of Directors' fees amounting to RM371,159 to the NEDs of the Company for the financial year ended 31 December 2018 and to authorise the Directors to apportion the aforesaid fees and make payment in the manner as the Directors may determine. **Resolution 4**

5. To approve the payment of remuneration payable to the NEDs amounting to RM379,500 from 1 June 2018 until the conclusion of the next AGM of the Company. **Resolution 5**

6. To re-appoint Messrs. PricewaterhouseCoopers PLT ("PwC"), (LLP0014401-LCA & AF1146) having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to determine their remuneration. **Resolution 6**

SPECIAL BUSINESS

PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

7. "THAT authority be and is hereby given to YBhg. Dato' Anwar bin Aji who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director and to hold office until the conclusion of the next AGM. **Resolution 7**

8. AUTHORITY TO ALLOT AND ISSUE SHARES **Resolution 8**

   "THAT subject always to the Companies Act, 2016 ("Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to issue and allot shares of the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Board may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being AND THAT the Board is also empowered to obtain the approval of Bursa Malaysia Securities Berhad and any other relevant approvals as may be necessary for the listing of and quotation for the additional shares to be issued."

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE WITH MMC CORPORATION BERHAD AND ITS SUBSIDIARIES, TRADEWINDS CORPORATION BERHAD AND ITS SUBSIDIARIES AND DRB-HICOM BERHAD AND ITS SUBSIDIARIES ("PROPOSED SHAREHOLDERS' MANDATE")** **Resolution 9**

"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, Tradewinds Corporation Berhad and its subsidiaries and DRB-HICOM Berhad and its subsidiaries, as set out in Section 2 of the Circular to Shareholders dated 30 April 2018 which are subject to the renewal and obtaining the shareholders' mandate, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms' length basis on normal commercial terms, which are consistent with the Group's normal business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

(i) the conclusion of the next AGM of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such AGM;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier AND THAT the Directors and/or any of them be and are hereby 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 transactions made during the financial period, amongst others, based on the following information:

(i) the type of the recurrent transactions entered into; and

(ii) the names of the related parties involved in each type of the recurrent transaction made and their relationship with the Company."

BY ORDER OF THE BOARD

ELLIS SURYANTI BINTI JASMI
NOOR RANIZ BIN MAT NOR
Company Secretaries

27 April 2018
Kuala Lumpur

NOTES:

Proxy

1. A member of the Company who is entitled to attend and vote at the 42nd 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 twenty-four (24) hours before the time fixed for holding the 42nd AGM.

3. The lodging of the Proxy Form will not preclude shareholders from attending and voting in person at the 42nd AGM should they subsequently wish to do so.

4. Pursuant to Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 42nd AGM will be put to vote by poll.

Audited Financial Statements for financial year ended 31 December 2017

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1, which does not require shareholders' approval and hence, will not be put forward for voting.

NOTES ON THE ORDINARY BUSINESSES:

Section 230(1) of the Act provides that the fees of the Directors and any benefits payable to Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Resolution 4 - Payment of Directors' fees for the financial year ended 31 December 2018

The proposed Directors' fees for financial year ended 31 December 2018 is similar to the fees made throughout financial years 2016 and 2017 respectively. The breakdown of the aforesaid fees is as follows:

	Directors' fees 2016 (RM)	**Directors' fees 2017 (RM)**
Chairman of the Board	75,000	75,000
Member of the Board	40,000	40,000
Chairman of Audit Committee	30,000	30,000
Member of Audit Committee	20,000	20,000
Chairman of Nomination and Remuneration Committee	24,000	24,000
Member of Nomination and Remuneration Committee	16,000	16,000

The estimated amount of Directors' fees sought is **RM371,159** based on the following factors:

- The resignation of YBhg. Dato' Sri Che Khalib bin Mohamad Noh from the Board effective from 12 January 2018; and
- The proposed appointment of a new Board member cum member of Board Committees.

In the event that the proposed payment of Directors' fees is insufficient (e.g. due to more meetings or enlarged board size, etc.), approval will be sought at the next AGM for the additional fees to meet the shortfall. Ordinary Resolution 4, if passed, will facilitate the payment of Directors' fees on the current financial year basis.

Resolution 5 – Payment of remuneration payable to the NEDs from 1 June 2018 until the conclusion of the next AGM ("Relevant Period")

The payment of remuneration comprises allowance and other emoluments/benefits payable to the Non-Executive Chairman and the NEDs at Board and Board Committees level. In determining the estimated payment of remuneration payable to the NEDs of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

In the event that the proposed payment of remuneration is insufficient (e.g. due to more meetings or enlarged board size, etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

The proposed remuneration if passed will be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the payment of remuneration to be paid to the NEDs in such manner as they have discharged their responsibilities and rendered their services throughout the Relevant Period.

Details of the estimated payment of remuneration (excluding Directors' fees and Board Committees' fees) payable to the NEDs for the Relevant Period are set out below:

Directors	Meeting Allowances for Board and Board Committees (RM)	*Other Allowance (RM)	**Benefit-in-Kind (RM)	Total (RM)
Dato' Anwar bin Aji (Chairman)	18,000	291,000	13,500	322,500
Datuk Ooi Teik Huat	12,000	-	-	12,000
Datuk Puteh Rukiah binti Abd Majid	11,000	-	-	11,000
Encik Suhaimi bin Halim	17,000	-	-	17,000
Encik Mohd Shukor bin Abdul Mumin	17,000	-	-	17,000
Total	**75,000**	**291,000**	**13,500**	**379,500**

The estimated directors' remuneration quoted above is based from those received by NEDs in the previous year.

Notes:
- * Other Allowance to the NEDs comprises director's allowance, car allowance and entertainment allowance.
- ** Benefits-in-kind comprises company driver, petrol and mobile phone bill (based on average monthly usage for the Relevant Period).

NOTES ON THE SPECIAL BUSINESSES:

Resolution 7 – Proposed continuation in office as Independent Non-Executive Director

The Malaysian Code on Corporate Governance 2017 ("Code") recommends that the tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board as a non-independent director. However, the Code further provides that if the board intends to retain an independent director beyond nine (9) years, it should justify and seek annual shareholders' approval.

YBhg. Dato' Anwar bin Aji is the Chairman of the Board and Nomination and Remuneration Committee and has served as an Independent, Non-Executive Director for a cumulative term of more than nine (9) years. In view thereof, the Board has assessed the independence of YBhg. Dato' Anwar bin Aji and recommended the approval of the shareholders be sought to re-appoint him to continue to act as Independent, Non-Executive Director of the Company based on the following justifications:

- Fulfilled the criteria of an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- Continuously bringing strong independent viewpoints and objective judgement to Board deliberations and decision making, besides seeking clarifications and challenging Management on the conduct of the Group's business and other issues raised at various Board and Board Committee meetings;
- Provided leadership for the Board and facilitates the Board to perform its responsibilities effectively through his independent and objective chairmanship. In addition, the insight and good understanding of the Group's core business operations acquired by YBhg. Dato' Anwar bin Aji enables him to discharge the duties and role as an Independent Director effectively; and
- Provide objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party.

Resolution 8 – Authority to allot and issue shares

The proposed Resolution 8, if passed, will provide 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 centum (10%) of the issued and paid-up capital of the Company pursuant to Sections 75 and 76 of the Act. This authority, unless revoked or verified at a general meeting will expire at the next AGM of the Company.

No new shares in the Company were issued as at the date of this Notice, pursuant to the mandate granted to the Directors at the last AGM held on 22 May 2017 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. The passing of this resolution would avoid any delay and cost involved in convening a general meeting to specifically approve the issuance of the new shares.

Resolution 9 – Proposed Shareholders' Mandate for Recurrent Related Party Transactions

For further information, please refer to Circular to Shareholders dated 30 April 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election or are set out in the Board of Directors' Profile at pages 16 to 18 of this Annual Report.

ADMINISTRATIVE DETAILS

ADMINISTRATIVE DETAILS for the 42nd Annual General Meeting ("AGM") of Zelan Berhad will be held at Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on Thursday, 31 May 2018 at 2.30 p.m.

PARKING

Parking for visitors is available at the parking bays of the Hotel. Parking fee will be borne by the Company.

REGISTRATION

1. Registration will start at 12.30 p.m. and will remain open until the conclusion of the meeting or such time as may be determined by the Chairman of the meeting.

2. Please read the signage to ascertain the registration area to register yourself for the meeting and join the queue accordingly.

3. Please produce your original Identity Card ("IC") to the registration staff for verification and make sure you collect your IC thereafter.

4. You will be given an identification wristband and no person will be allowed to enter the meeting hall without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.

5. After registration, please leave the registration area immediately.

6. No person will be allowed to register on behalf of another person even with the original IC of that other person.

REFRESHMENT

1. Light refreshment will be served outside Mahkota II before the commencement of the meeting.

2. Take away box will be distributed after registration or such time as may be determined by Management.

DOOR GIFTS/MEAL VOUCHERS

A shareholder who is also proxies to other shareholders is entitled to a maximum of 2 corporate gifts and 2 take away boxes vouchers only. Vouchers will be distributed during registration.

ENTITLEMENTS TO ATTEND AND VOTE

Only a Depositor registered in the Register of Members/Record of Depositors and whose name appears on the Register of Members/Record of Depositors as at 24 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on their behalf in respect of the number of shares registered in their name at that time.

PROXY FORM

CDS Account No.	No. of shares held

I/We, ________________________________ (NRIC/Passport No ____________________)
of ______________________________________ Tel. No. ________________
being a member/members of ZELAN BERHAD ("Company") 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 42nd Annual General Meeting of the Company to be held at **Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur** on **Thursday, 31 May 2018** 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
1	To re-elect YBhg. Datuk Puteh Rukiah binti Abd Majid pursuant to Article 78 of the Constitution of the Company.		
2	To re-elect Encik Mohd Shukor bin Abdul Mumin pursuant to Article 78 of the Constitution of the Company.		
3	To approve the payment of Directors' fees of RM441,000 to the Non-Executive Directors ("NEDs") of the Company for the financial year ended 31 December 2017.		
4	To approve the payment of Directors' fees of RM371,159 to the NEDs of the Company for the financial year ending 31 December 2018.		
5	To approve the payment of remuneration payable to the NEDs of the Company amounting to RM379,500 from 1 June 2018 until the conclusion of the next Annual General Meeting.		
6	To re-appoint Messrs. PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) as Auditors of the Company.		
RESOLUTION	SPECIAL BUSINESS		
7	To re-appoint YBhg. Dato' Anwar bin Aji to continue to act as Independent Non-Executive Director.		
8	Ordinary Resolution - Authority to Allot and Issue Shares.		
9	Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature.		

____
Signature/Common Seal of Member

Dated this _______ day of _______ 2018

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 twenty-four (24) 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 Annual Report 2017 to the shareholder within four (4) market days from the date of receipt of the shareholder's verbal or written request.
(ii) Our website address is: http://www.zelan.com. In case of any requests/queries regarding our Annual Report 2017, please contact Puan Ellis Suryanti Jasmi at telephone no: +603 9173 9173 (ext. 813).
(iii) This Annual Report can be downloaded from the Company's website at this URL address: http://www.zelan.com.

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ZELAN BERHAD
42nd AGM
30 April 2018

STAMP

TO: THE REGISTRAR

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

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ZELAN BERHAD 27676-V
24th Floor, Wisma Zelan, No.1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras , 56000 Kuala Lumpur

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Email : info@zelan.com.my **Website** : www.zelan.com