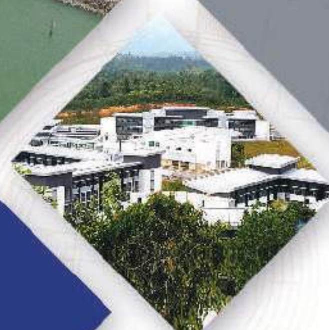
ZELAN BERHAD
27676-V



ANNUAL REPORT 2018

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

OUR VISION

To be the preferred engineering and construction group in Malaysia.

OUR MISSION

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

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

CORPORATE VALUES

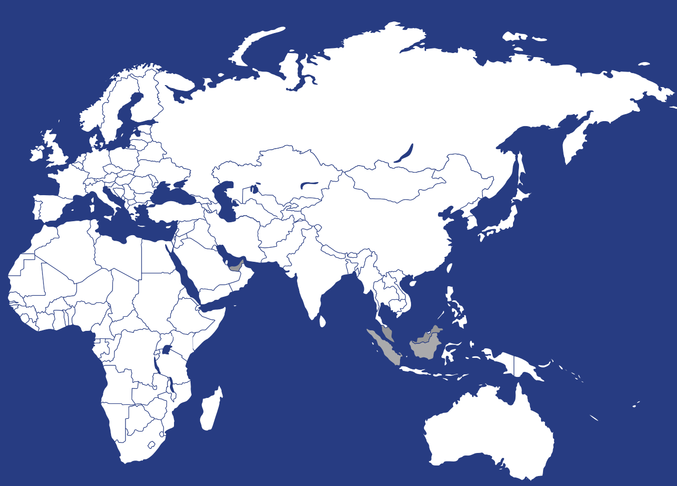
Integrity

Caring

Innovative

Professionalism

ZELAN'S PRESENCE



Malaysia

Indonesia

United Arab Emirates

CONTENTS

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2018

ANNOUNCEMENT OF RESULTS

First Quarter Ended 31 March 2018
25 May 2018

Second Quarter Ended 30 June 2018
27 August 2018

Third Quarter Ended 30 September 2018
30 November 2018

Fourth Quarter Ended 31 December 2018
28 February 2019

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of 43rd Annual General Meeting
30 April 2019

43rd ANNUAL GENERAL MEETING

11 JUNE 2019

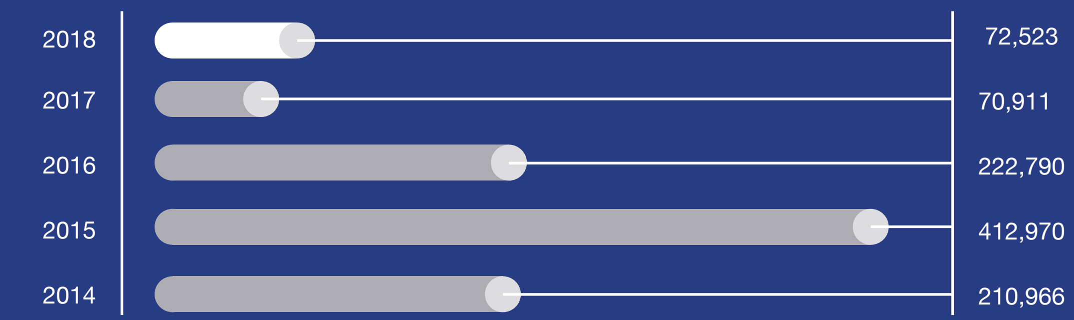
5 YEARS' FINANCIAL HIGHLIGHTS

	Financial Year ended 31.12.2018 RM'000	Financial Year ended 31.12.2017 RM'000	Financial Year ended 31.12.2016 RM'000	Financial Year ended 31.12.2015 RM'000	*Financial Period ended 31.12.2014 RM'000
Results					
Revenue	72,523	70,911	222,790	412,970	210,966
Gross (loss)/profit	(4,739)	(1,214)	(5,184)	36,213	39,617
(Loss)/profit before zakat and taxation	(19,230)	(71,393)	(67,056)	21,759	47,166
(Loss)/profit attributable to equity holders of the Company	(23,591)	(74,071)	(67,623)	30,487	38,475
Assets					
Total assets	818,807	808,259	874,681	827,119	583,523
Total assets less current liabilities	402,833	440,474	568,706	527,921	394,222
Deposits, cash and bank balances	5,045	14,008	23,871	70,607	72,370
Liabilities and shareholders funds					
Borrowings	540,039	507,943	475,726	346,325	221,940
Equity attributable to owners of the Company	44,251	69,285	131,990	205,348	176,725
Financial Ratios (%)					
Debt to equity	1,220.4	733.1	360.4	168.7	125.6
Pre-tax return on equity attributable to owners of the Company	(43.5)	(103.0)	(50.8)	10.6	26.7
Share information					
Net tangible assets per share (RM)	0.05	0.08	0.16	0.24	0.21
Basic earnings per share (sen)	(2)	(8)	(8)	4	5
Diliuted earnings per share (sen)	(2)	(8)	(8)	3	4

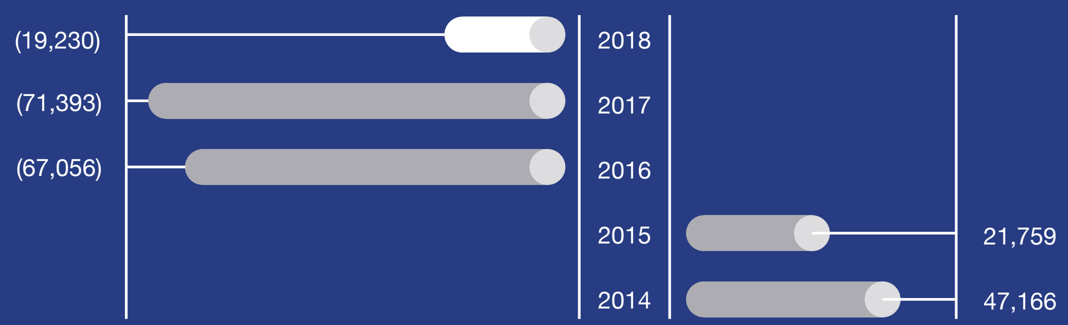
* Nine (9) months' period.

5 YEARS' FINANCIAL HIGHLIGHTS

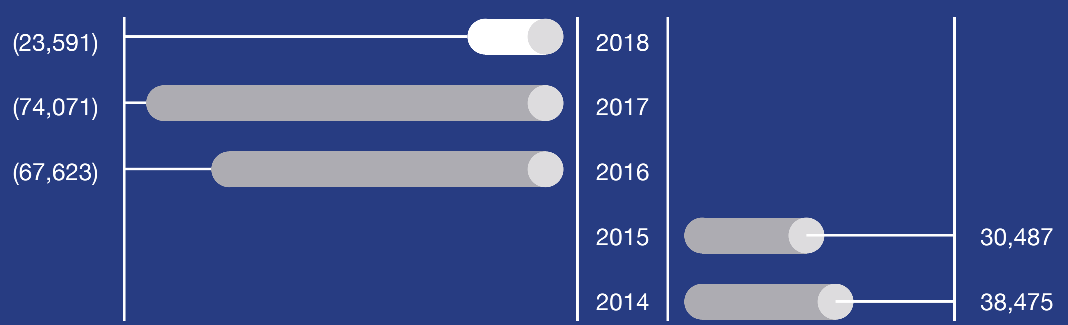
REVENUE (RM'000)



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

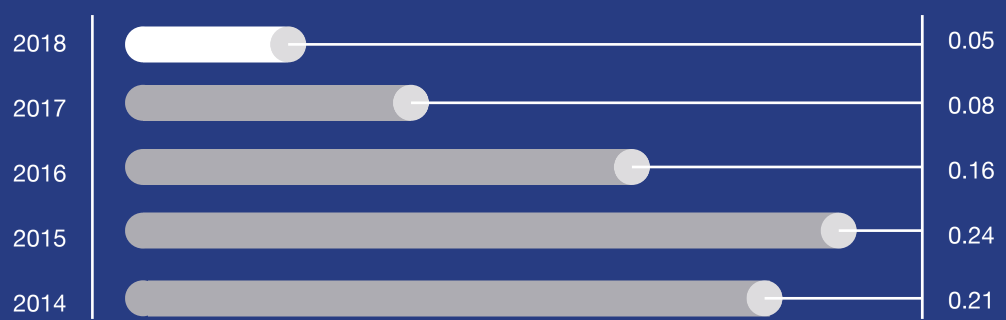


(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM'000)

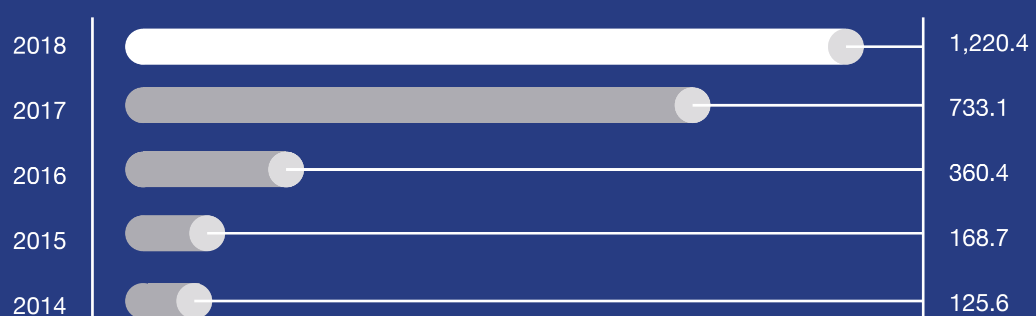


TOTAL ASSETS (RM'000)

NET TANGIBLE ASSETS PER SHARE (RM)



DEBT TO EQUITY (%)



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 2018."

DATO' ANWAR BIN HAJI @ AJI
Chairman

OVERVIEW

Throughout financial year 2018, the Group remains focused on executing the ongoing projects secured earlier as well as tendering for new projects where Zelan has the competitive edge and track record.

The physical works 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") are in progress. Zelan Construction Sdn Bhd ("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.

The Drawbridge project is expected to be completed by second quarter of financial year ending 2019 while the completion date for the SUKE Project is on 25 September 2019.

Our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn Bhd ("KPAG") has been issued with the Certificate of Acceptance ("COA") on 5 April 2019 by International Islamic University Malaysia ("IIUM") in respect of the Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), effective 1 December 2018. As the project is based on Build-Lease-Manage-Transfer basis by way of private finance initiative ("PFI"), upon securing the COA from IIUM, KPAG will carry out the asset and facilities management services of the Gambang Project for the remaining concession period of approximately 17 years.

In relation to Meena Plaza Mixed Use Development Project in Abu Dhabi ("Meena Plaza Project"), as of to-date, the Arbitration has reached an advanced stage as the evidentiary hearing for the Arbitration was held from 6 January 2019 to 16 January 2019. All written submissions were exhausted on 24 March 2019 and, save for a minor deliverable remaining under the procedural milestones in order for the Tribunal to deliver its decision. In this regard, the International Chamber of Commerce has set 31 May 2019 as the deadline for the issuance of the Arbitral Award.

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 10 to 13 of this Annual Report.

"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")."

GROUP RESULTS

Financial year ended ("FYE") 31 December 2018 saw an increase in the Group's revenue to RM72.5 million which was slightly higher by 2.3% from RM70.9 million recorded in the preceding financial year. The Engineering and Construction business segment had contributed revenue mainly from major phases of Drawbridge Connecting Muara North and Muara South project ("Drawbridge Project") in Terengganu and revenue from Sungai Besi-Ulu Kelang ("SUKE") Expressway Package CB2 project. In addition, there is revenue recognised arising from the Centre for Foundation Studies (Phase 3) of the IIUM Project, for the Asset Management Services amounted to RM2.1 million as the Certificate of Acceptance has been issued by client on 5 April 2019 effective 1 December 2018.

The Group posted lower Loss After Zakat and Taxation ("LAZT") of RM23.6 million as compared to RM74.3 million reported in the preceding financial year due to gross loss of RM4.7 million, higher finance cost of RM39.3 million, lower finance income of RM9.2 million, provision for impairment of investment in associates of RM3.3 million, provision for impairment of long term receivables from Meena Plaza Project in Abu Dhabi of RM12.5 million and income tax of RM4.4 million. However, this has been mitigated by reversal of diminution in carrying amount value of long term receivable from Centre for Foundation Studies (Phase 3) of the IIUM Project of RM26.3 million, refund of late payment interest on the revised tax assessment of RM5.9 million from the Group's Indonesian Operations, write back of provision for impairment of receivables due from our associates of RM1.2 million and unrealised foreign exchange gain of RM1.0 million.

DIVIDEND

In view of the current financial position of the Group, the Board does not recommend payment of dividend for the financial year ended 31 December 2018. 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 2019, the construction sector is expected to improve marginally following an increase in new planned supply in the affordable homes and industrial segments. It is estimated the growth of the construction sector will moderate to 4.9% in 2019 from 4.5% in 2018 (*Economic Report 2019 by Ministry of Finance (MoF)*).

The civil engineering, petrochemical and power plant and mix-used development sectors are expected to support the growth of the construction sector. As per report by Department of Statistics Malaysia, for quarter four 2018, the private sector continues to propel the construction activity with 56.2% as compared to the public sector with 43.8%.

In view of the risk to purely focusing on construction business which is cyclical and volatile in nature, the Group will explore other opportunities as our strategy to increase our recurring income stream. The Group will focus on the domestic construction market by bidding for more projects.

We look forward to continuous support from all our stakeholders as we pursue our course to maintain the going concern of the Group and thereafter in turning this Group back into profitability. With your support, the Group will overcome this difficulties and hopefully to post an improved performance in the future.

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. Zelan endeavours at all times to comply with, where practicable, the principles of the Malaysian Code of Corporate Governance 2017, Corporate Governance Guide of Bursa Malaysia Securities Berhad and had been and will continue to be compliant with the Main Market Listing Requirements issued by Bursa Malaysia. 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 33 to 39 of this Annual Report.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for the financial year under review are disclosed in Note 29 of the Notes to the Financial Statements.

ACKNOWLEDGEMENTS

On behalf of my colleagues on the Board, I wish to pay special tribute to each and every one of our employees who has remained loyal and dedicated to the Company and continue to persevere during the year. To the Management Team, I would like to express my utmost appreciation for their dedication and unrelenting commitment to steer the Group and to make sure the sustainability of the Company.

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.

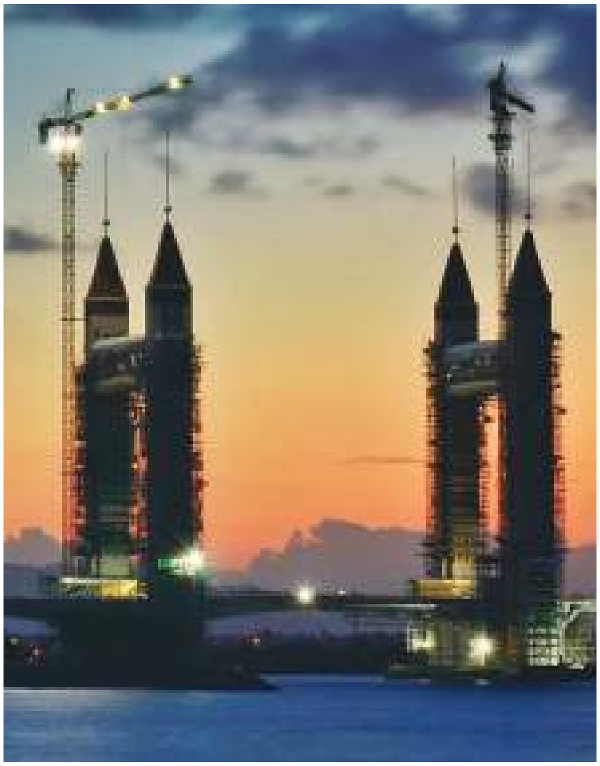
I would also like to express my appreciation to my esteemed colleagues on the Board for your wise counsel, astute financial insight and broad strategic thinking. I look forward for your continued enthusiasm, wisdom and co-operation in guiding the Group through the challenges in the year ahead.

With that being said, let us together work hand-in-hand towards our goal to enhance the performance and value of Zelan.

Thank you.

Dato' Anwar bin Haji @ Aji
Chairman

MANAGEMENT DISCUSSION & ANALYSIS



This Management Discussion and Analysis enlightens the shareholders with an overview of the business operations, the financial review for financial year ended 31 December 2018 and the Group's expectation on the business for year 2019.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Zelan Berhad is an investment holding company with its subsidiaries principally involved in Engineering and Construction, Asset Facility Management, Property and Development and Investment.

Although the Group faces various challenges in financial year ended 2018, it remained focus in meeting its mission to be competitive and be part of the industrial transformation by offering technologically innovative designs and solutions to the customers. We are committed to constantly achieve the highest quality of work and service excellence in our areas of expertise.

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 construction of bridge.

REVIEW OF OPERATING ACTIVITIES

The construction of the Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), Pahang Project ("Gambang Project") was completed in 2016 and all major defects rectification works had been completed by our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn Bhd ("KPAG"). A joint inspection had been carried out with IIUM in May 2018 and IIUM had on 5 April 2019 issued the Certificate of Acceptance ("COA") which is effective from 1 December 2018. As the project is based on Build-Lease-Manage-Transfer basis by way of private finance initiative ("PFI"), KPAG will carry out the asset and facilities management services of the Centre for Foundation Studies (Phase 3) of IIUM for the next seventeen (17) years where it will receive the Asset Management Services Charges. KPAG will also receive the Availability Charges from IIUM from 1 December 2018 based on the Concession Agreement dated 5 July 2012 entered into between the Government of Malaysia ("Government"), IIUM and KPAG. However, such payment will be released to KPAG after the finalisation and execution of the Supplemental Agreement to the Concession Agreement and the sub-lease agreements between the parties.

The construction of the Drawbridge Connecting Muara North and Muara South in Terengganu has reached the overall physical work progress of approximately 98.31% during the first quarter of the financial year ended 2019 and is expected to be completed by Q2 2019. The project has contributed revenue of RM42.8 million during the FYE 31 December 2018. The iconic Drawbridge will become a new landmark of Kuala Terengganu and also will be one of the attractions of the Terengganu's tourism sector. Besides it provides alternative route to current Sultan Mahmood Airport, it could also reduce congestion on the current route to airport through Sultan Mahmood bridge.

The overall physical progress for the Sungai Besi – Ulu Kelang (SUKE) Expressway Package CB2 project has reached 61% during the first quarter of the financial year ended 2019. The original contract for the project is for thirty (30) months' period to be completed by February 2019. However, the project has since been granted with extension of time with a new completion date by 25 September 2019.

REVIEW OF FINANCIAL PERFORMANCE

Financial year ended ("FYE") 31 December 2018 saw an increase in the Group's revenue to RM72.5 million which was slightly higher by 2.3% from RM70.9 million recorded in the preceding financial year. The Engineering and Construction business segment had contributed revenue mainly from major phases of Drawbridge Connecting Muara North and Muara South project ("Drawbridge Project") in Terengganu and revenue from Sungai Besi-Ulu Kelang ("SUKE") Expressway Package CB2 project. In addition, there is revenue recognised arising from the Centre for Foundation Studies (Phase 3) of the IIUM Project, for the Asset Management Services amounted to RM2.1 million as the Certificate of Acceptance has been issued by client on 5 April 2019 effective 1 December 2018.

The Group posted lower Loss After Zakat and Taxation ("LAZT") of RM23.6 million as compared to RM74.3 million reported in the preceding financial year due to gross loss of RM4.7 million, higher finance cost of RM39.3 million, lower finance income of RM9.2 million, provision for impairment of investment in associates of RM3.3 million, provision for impairment of long term receivables from Meena Plaza Project in Abu Dhabi of RM12.5 million and income tax of RM4.4 million. However, this has been mitigated by reversal of diminution in carrying amount value of long term receivable from Centre for Foundation Studies (Phase 3) of the IIUM Project of RM26.3 million, refund of late payment interest on the revised tax assessment of RM5.9 million from the Group's Indonesian Operations, write back of provision for impairment of receivables due from our associates of RM1.2 million and unrealised foreign exchange gain of RM1.0 million.

Liquidity and Financial Resources

The net current liabilities of the Group as at 31 December 2018 increased to RM315.7 million as compared to RM269.5 million recorded in the last financial year. In order to overcome the financial constraints, the Group will undertake the following measures to manage and strengthen the Group's cash flow position:

- Monitor and manage on the payment to be received from the Centre for Foundation Studies (Phase 3) of the IIUM Gambang Project, for the partial settlement of outstanding payment to sub-contractors;
- Monitor and manage the progress of its existing construction projects in order to minimise the exposure to potential Liquidated Ascertained Damages if any;
- 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;
- Actively pursue proceeds to be received from the disposal of properties for ISZL Consortium in Abu Dhabi;
- Dispose certain properties and inventories of the Group; and
- Negotiate with the banks to restructure the timing and repayment of monthly instalments payable by the Group for a loan taken for oversea project.

Subsequent to the financial year end, the Group has successfully negotiated with a bank to restructure the loan taken for the International Islamic University Malaysia, Gambang ("IIUM") 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 2019.

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 2019. Despite this, finding skilled workers in the industry remains a major problem. Some companies have taken measures to address the constraint such as increasing budget on training and raising workers' salary. Other initiatives include to upgrade the technology usage, to offer employees with new skills and growth opportunities.

We faced significant competition from other construction companies which are larger in capacity, well established, and significant financial resources. As part of mitigation measures and in view of enhancing competitiveness in pricing, the Group will also consider a smart partnership or collaborations with both local and overseas partners to enable the offering of required technology, expertise, machineries and equipment to meet project owners' requirements.

PROSPECT

The Group's revenue for the current financial year ending 31 December 2019 will be principally derived from the balance of the order book for two local projects, the Drawbridge project and SUKE project as well as the revenue from the concession income from the Gambang project under the provisions of the Concession Agreement vide the issuance of Certificate of Acceptance for this project effective from 1 December 2018. The income of Gambang project which will commence in the second quarter of 2019 will enable the Group to have a stable income stream for the tenure of the concession.

The Group is also pursuing to secure prospects on construction contracts whilst continuously implementing strategies to control cost. The Management will continue to manage the business with diligence and remain cautious of its future prospects.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Datuk Ooi Teik Huat
Senior Independent, Non-Executive Director

Encik Suhaimi bin Halim
Independent, Non-Executive Director

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

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

Company Secretaries

Nur Haliza binti Mat Piah
(*L.S. 0009913*)
Noor Raniz bin Mat Nor
(*MAICSA 7061903*)

Auditors

PricewaterhouseCoopers PLT
(LLP0014401 - LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

Share Registrar

BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : +603-7841 8054
Fax : +603-7841 8151/8152

Registered Office

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

Principal Bankers

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

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad
Stock Code: 2283

UAE Operations

Zelan Holdings (M) Sdn. Bhd.
(Regional Office) - Abu Dhabi Branch
Office No. 22, 13th Floor, West 5,
Plot 17 MISMAC Property Building,
Corniche Street, Abu Dhabi UAE
P.O. Box 106813,
Abu Dhabi, UAE
Tel : +971 507214576

Indonesia Operations

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

BOARD OF DIRECTORS

from left to right:
Encik Suhaimi bin Halim, **Datuk Puteh Rukiah binti Abd Majid**, **Dato' Anwar bin Haji @ Aji** (Chairman), **Datuk Ooi Teik Huat**, **Encik Mohd Shukor bin Abdul Mumin**

BOARD OF DIRECTORS' PROFILE

DATO' ANWAR BIN HAJI @ AJI
Independent, Non-Executive Chairman
Male | aged 69 | Malaysian

Dato' Anwar bin Haji @ Aji, 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 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 the Company. Dato' Anwar has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Anwar attended all 9 board meetings held during the financial year ended 31 December 2018.

DATUK OOI TEIK HUAT
Senior Independent,
Non-Executive Director
Male | aged 59 | Malaysian

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

Datuk Ooi 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, Malakoff Corporation Berhad, Gas Malaysia Berhad, Johor Port Berhad, Tradewinds (M) Berhad and several private limited companies.

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

Datuk Ooi Teik Huat attended all 9 board meetings held during the financial year ended 31 December 2018.

Datuk Puteh Rukiah binti Abd Majid, 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 was appointed as a member of Nomination and Remuneration Committee with effect from 26 November 2018.

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 Pelaburan Hartanah Berhad, Gas Malaysia Berhad, Pos Malaysia Berhad and MIF Investments Ltd.

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 the Company. Datuk Putih Rukiah has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Datuk Puteh Rukiah attended all 9 board meetings held during the financial year ended 31 December 2018.

DATUK PUTEH RUKIAH BINTI ABD MAJID
Independent, Non-Executive Director
Female | aged 66 | Malaysian

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

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

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

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

Encik Suhaimi 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 the Company. Encik Suhaimi has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Encik Suhaimi attended 7 out of 9 board meetings held during the financial year ended 31 December 2018.

ENCIK SUHAIMI BIN HALIM
Independent, Non-Executive Director
Male | aged 63 | Malaysian

ENCIK MOHD SHUKOR BIN ABDUL MUMIN
Independent, Non-Executive Director
Male | aged 59 | Malaysian

Encik Mohd Shukor bin Abdul Mumin, 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 the Company. Encik Mohd Shukor has no conviction for any offences within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Encik Mohd Shukor attended 8 out of 9 board meetings held during the financial year ended 31 December 2018.

MANAGEMENT TEAM

from left: Mohd Nasir Hj. Md Saad, Gerard Dominic Fernandez, Intan Nurulfaiza Yang Razali, Kamaruddin Abd Karim

KEY SENIOR MANAGEMENT

PUAN INTAN NURULFAIZA YANG RAZALI
Chief Operating Officer
Female | aged 42 | Malaysian

Puan Intan Nurulfaiza Yang Razali holds a Master of Laws from University of Malaya. She joined Zelan Berhad ("Company") on 17 April 2018.

She has more than approximately sixteen (16) years of experience in legal profession (having handled corporate, commercial, banking, capital market and real estate matters) and more than 8 years of experience in corporate sector.

Puan Intan Nurulfaiza Yang Razali started her career in legal field and had been with several law firms since 2003. In 2006, she left the legal practice to serve Telekom Malaysia as Corporate Counsel until 2008. She then joined Malaysian Communications and Multimedia Commission and Multimedia Development Corporation, prior to joining Zelan Berhad in 2010. During her tenure in Zelan Berhad, she held various positions with her last position as Head of Legal, Zelan Berhad in 2014. She subsequently joined Tradewinds Corporation Berhad as the Assistant Director, Legal from August 2014 until May 2018, prior to rejoining Zelan Berhad as Head of Legal and has been appointed as Acting Chief Operating Officer on 1 December 2018.

Puan Intan Nurulfaiza Yang Razali was confirmed in her position as Chief Operating Officer on 1st March 2019.

CORPORATE SERVICES

MR GERARD DOMINIC FERNANDEZ
Head of Corporate Resources

ENCIK MOHD NASIR HJ. MD SAAD
Head of Finance

OPERATIONS

ENCIK KAMARUDDIN ABD KARIM
Head of Planning & Monitoring

PUAN EFFI NIZA MUHAMMAD FITRI
Assistant General Manager, Planning

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 CORPORATION SDN. BHD.
  - 100% ZELAN DEVELOPMENT SDN. BHD.
- **100%** ZELAN AM SERVICES SDN. BHD.
- **100%** ZELAN ENTERPRISE SDN. BHD.
  - 100% VISPA SDN. BHD.
  - 100% EMINENT HECTARES SDN. BHD.
- **100%** KONSESI PUSAT ASASI GAMBANG SDN. BHD.

Notes :
* Under Members' Voluntary Winding-Up

Statement Overview

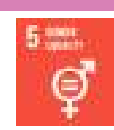
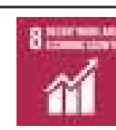
The Board is pleased to present our Sustainability Statement for the Group in accordance with the Main Market Listing Requirements (MMLR) issued by Bursa Malaysia Securities Berhad (Bursa Malaysia) in October 2015. This Sustainability Statement is to present the Group sustainability performance in 2018 based on the UN Sustainable Development Goals (SDGs), the recommendations of the Task Force on Climate – Related Financial Disclosures (TCFD) which has given due consideration to the Economic, Environmental and Social (EES) impacts arising from its operations. These are being seen as measures to generate long term benefits in terms of business continuity and value creation.

The Sustainability Statement has been prepared in accordance with international reporting frameworks including the Global Reporting Initiative (GRI) Standards in addition to meeting the requirements by Bursa Malaysia. The scope of this Statement covers only Zelan Group's business operations in Malaysia.

This Sustainability Statement defines our governance, environment and social performance for the period 1 January 2018 to 31 December 2018.

Top 4 Material Topics and Supporting SDG's

Zelan adopts supporting SDG's that corresponds to items of the priorities identified in the SDGs to face economic, social and environmental challenges in future. We only focus on construction and asset facility management that corresponds to several of the priorities in the SDGs.

Top 4 Material Topics	Statement Section	Supporting SDG's
Corporate Governance	• Equal opportunity given resulting in men and women receiving similar pay despite being in a male – dominated industry. • Representation of women on the Board of Directors and in Top Management.	
	• Equal opportunity provided for all races and meritocracy is promoted. • Culturally diverse employees. • Managing excellence for employees based on verifiable and quantifiable KPI / KRA.	
	• Strong and diverse Board of Directors.	
Profitability	• Zelan supports the country's vision of building the infrastructure landscape by participating in Sungai Besi – Ulu Kelang Elevated Expressway (SUKE) and Kuala Terengganu City Centre Drawbridge.	

Top 4 Material Topics and Supporting SDG's (cont'd)

Top 4 Material Topics	Statement Section	Supporting SDG's
Health and Safety	• Ensuring a fair, inclusive and safe workplace. • Promote work-life balance and emphasise employees' well-being.	3
	• Annual customer satisfaction survey and sub-contractor/supplier survey are conducted to obtain feedback and improve our service offering.	17
Product or Service Quality	• System formwork usage has reduced cycle time and timber wastage. • Value Engineering (VE) to reduce potential delays and cost optimization due to the expected influx of demand for pre-tensioned U12 beams from existing factories.	9
	• Proper management of construction waste by recycling • Sound safety initiatives to ensures staff working at construction site are aware of risk surrounding them and potential risk prone areas are well managed • Good dengue prevention programme at all sites	12
	• Annual customer satisfaction survey and subcontractor/supplier survey are conducted to obtain feedback and improve our service offering	17

Sustainability Governance

Sustainability Committee Structure

Board of Directors

Group Executive Committee (GEC)

Chief Operating Officer

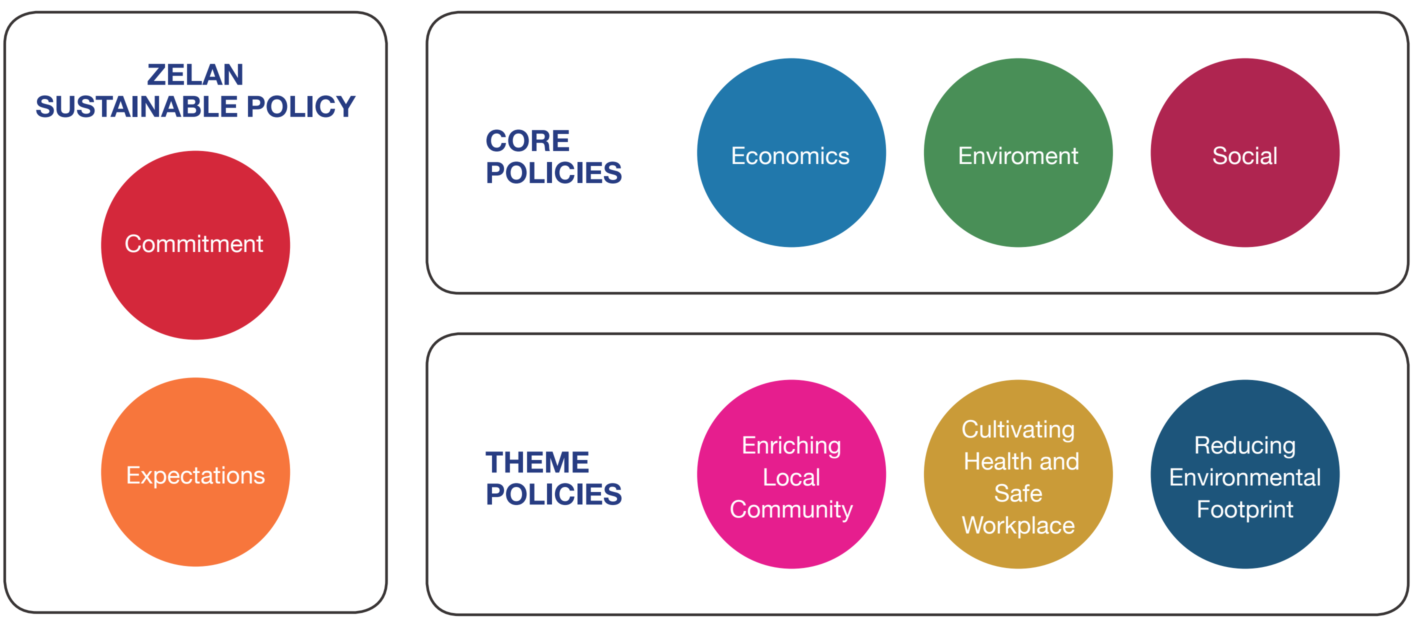
Sustainability Working Committee (SWC)

Risk Manager

Sustainability Governance (cont'd)

Roles and Responsibilities

SWC (Sustainable Working Committee)	GEC (Group Executive Committee)	Board of Directors
• Identify EES risks and opportunities • Prepare and recommend sustainability standards and procedures to the GEC • Implement sustainability related strategies for managing the EES risks and opportunities within their departments • Collect data, record and monitor EES risks • Report the result / status of the action plan to the GEC on periodical basis • Assess the sustainability material matters and effort to address the material sustainability issues • Ensures the disclosure of the Sustainability Statement in the Annual Report is in accordance with MMLR by Bursa Malaysia	• Identify and recommend any changes in sustainability initiatives and strategies • Review and endorse the prioritisation and ranking of the selected sustainability material issues conducted by the SWC • Review and endorse significant EES risks and mitigation measures proposed by the SWC • Provide guidance to the SWC on the implementation of sustainability related strategies • Review and endorse the standards and procedures proposed by SWC	• Approve the sustainability standards and procedures • Approve sustainability initiatives and strategies proposed by GEC • Review the Group's sustainability performance and initiatives • Approve the sustainability report and its content



Our Commitments

In line with our commitment to sustainable development, in our day to day activities and throughout Zelan we commit to:-

- Protect and respect the environment and workplace.
- Avoid causing or contributing to adverse social and environmental impacts.
- Engage for continuous improvement and promote co-operation between authorities, clients and other stakeholders.

Our Expectations

Zelan believes that sustainability is not an option but a condition for future prosperity. We aim to:-

- Not causing or contribute to adverse social and environmental impacts.
- Commit to time bound plans to achieve progression of sustainability commitments.
- Comply with all applicable local, national and international ratified laws and regulations and other statutory requirements and be able to show the legality of their operations.

ECONOMICS

Vibrant Marketplace

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

Corporate Governance

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

Engaging Stakeholders

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

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

ECONOMICS (cont'd)

Sustainability Progress

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

Our contribution to the industry

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

- Minority Shareholders Watch Group ("MSWG")
- Construction Industry Development Board ("CIDB")
- Master Builders Association Malaysia ("MBAM")
- National Institute of Occupational Safety and Health ("NIOSH")
- Malaysian Employers Federation ("MEF")

Target	Financial Year	Progress
Corporate Establish a Group sustainability roadmap	2018	In progress. Targeted to resolve in FY2020 to comprehensively address our diverse business activities.
Environment • Perform carbon footprint assessment	2018	In progress.
• Environmental Monitoring	2018	Achieved. We have conducted environmental monitoring at our project worksites on monthly and quarterly basis.
• Waste Management	2018	In progress. Targeted to resolve in FY2019.
Community	2018	In progress. We will conduct more Corporate Social Responsibility (CSR) in future.
Workplace Zero fatalities at the workplace	2018	Achieved. There were no fatalities at our worksites in FY2018.

Risk Management

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

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

In the line with the Group's commitment to ensure business sustainability, the key risk areas identified were re-aligned with Zelan Berhad corporate key business objectives. The risk strategic outcomes were deliberated at both Management and Board level with the following processes carried out in 2018.

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

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

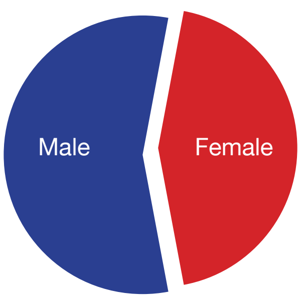
CULTIVATING HEALTHY AND SAFE WORKPLACE

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

Diverse and Balance Workforce

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

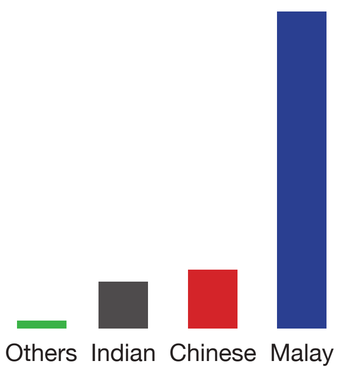
Figure 1: Employee Breakdown by Gender



As at 31 December 2018, male employees who make up to 55% of the total workforce in the Group. Our workforce continues to be male dominated given the nature of work involved in construction.

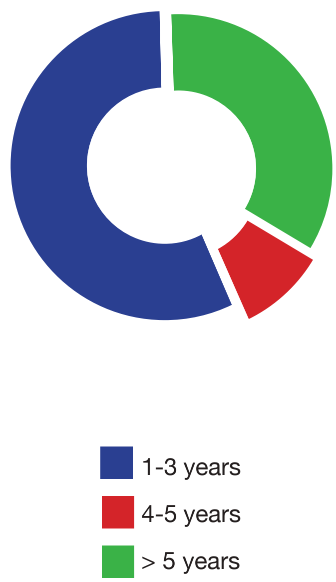
Bumiputra employee makes up 87% of our workforce followed by 6% Chinese and 5% Indian respectively.

Figure 2 : Employee Breakdown by Race



37% of our workforce has been with Zelan for more than 5 years.

Figure 3: Employees by length of service.



Women on Board

We believe in an inclusive workplace and this includes promoting and improving gender equality in Zelan. Women make up 45% of our total labour force.

Figure 4: Women representation by employment category.

Achieving Employee Well-Being

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

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

Learning and Development

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

Anti-Corruption

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

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

OCCUPATIONAL SAFETY & HEALTH

Zelan has a strict Occupational Health and Safety Policy which sets out the guidelines to safeguard health and safety at all projects. The Company's Occupational Health and Safety Management System, certified under the OHSAS 18001 standard, currently covers 100% of its activities. This policy reflects the Company's fundamental trust towards inculcating total quality, environmental, safety and health management principles, practices and values. It is the policy of Zelan Group of Companies to meet and satisfy our client's requirements through the implementation of the QESH Management system.

Zelan Commitment to OSH

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.

Workplace Accidents

In 2018, we achieved our project safety objectives "Zero Loss Time Injury (LTI) " with record of no on-site fatalities reported.

Zelan documented a total of four cases of incident across all projects during the reporting period of 2018. The accidents are categorized as property damage with no injury and fatality recorded.

Full investigations and follow-up actions were taken following each incidents. Incidents reporting have been equipped with reviewed Hazard Identification, Risk Assessment and Risk Control (HIRARC) and proper immediate and mitigation action taken.

OCCUPATIONAL SAFETY & HEALTH (cont'd)

HSE Awareness, Trainings And Initiatives

Providing Comprehensive Competency Training

We enhance our employees' capabilities by providing a wide range of soft skills and technical trainings, including HSE. These trainings are also applicable to our sub-contractors, who are given adequate awareness on HSE and On-Job-Training. In FY2018, serial On-Job-Trainings were conducted at project sites on topics such as emergency response, scheduled waste management, sediment and erosion control, plant and machinery handling as well as environmental management systems. We prepare employees to be constantly alert and respond quickly in the event of an emergency. Possible types of emergency situations such as fire and explosion, chemical spillage and slope failure have been identified for project sites and series of drills were conducted to test the effectiveness of the site-specific Emergency Preparedness and Response Plan.

Health, Safety and Environment (HSE) Committee

In compliance with OSHA 1994, HSE Committees are formed at all Zelan work sites. The committee, led by the project manager as committee chairman, is responsible for reviewing workplace HSE performance. The chairman is assisted by the secretary, who is a competent SHO, with both Zelan representatives, business partners and sub-contractors being part of the committee. The ESH committee meets at least once every month.

Raising HSE Standards through Friendly Competition

HSE team has organized competitive spirits to raise awareness and improve safety practices. The top-performing sections are acknowledged at the culmination of the competition during weekly toolbox.

Zelan has also standardized its safety practices which include:

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

Zero Larvae, Zero Dengue

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

ENVIRONMENT

Reducing Environment Footprint

Zelan is aware that its core business sectors (building and infrastructure construction) have an impact on the Earth's natural resources in terms of material, soil, water, air and biodiversity. We emphasized on assessing our environmental data, such as energy use, carbon emissions, water consumption, waste production and material use.

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

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

Potential Environmental Impacts from our operations

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

<u>Environmental Monitoring</u>

A. Pollution Control

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

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

B. Air Monitoring

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

Total Suspended Particles (µg/m3)

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

ENVIRONMENT (cont'd)

Reducing Environment Footprint (cont'd)

C. Water Monitoring

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

Total Suspended Solids (mg/l)

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

Immediate actions were taken to address the high readings at all project sites. Discussions were held with representatives from neighbouring project at MRT V205 to prevent recurrence. The damaged gabion wall was also repaired at Parcel F and a check dam was installed at SMC 4. Silt traps and check dam, which are measures to control erosion and sedimentation, will be maintained more frequently to ensure the limits are not exceeded.

D. Noise Monitoring

Noise is unavoidable in construction sites, especially in areas that were quiet beforehand. Zelan minimises this nuisance for neighbours by installing noise barriers at receptive areas. Real-time noise levels were taken in the day and night at several stations at each of our construction sites. Weekly or quarterly readings are submitted to the DOE as required by the Environmental Assessment Plan. Both the daytime and night-time noise levels were not significantly higher than the baseline at any project sites.

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

The baseline noise levels, which represent the ambient reading, exceeded DOE limits at many of our project sites prior to work commencement. This may be due to activities surrounding our project sites. Zelan ensures that its noise levels are within the tolerable limit. Our average readings show that our boundary noise levels do not deviate far from the baseline noise levels.

WASTE MANAGEMENT

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

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

A. Scheduled Waste

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

Scheduled Waste Generated Off in 2018

WASTE TYPE	SCHEDULED WASTE CODE	AMOUNT (KG)
Spent Lubricant Oil	SW 305	-
Spent Hydraulic Oil	SW 306	18.00
Contaminated soil, debris or matter resulting from cleaning-up of a spill of chemical, mineral oil or scheduled wastes	SW 408	484.10
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	SW 409	5.00
TOTAL		507.10

WATER MANAGEMENT

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

Water-Saving Initiatives

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

SOCIAL

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.

SOCIAL (cont'd)

Corporate Social Responsibility (cont'd)

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

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

This Statement serves as a compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read together with the CG Report of the Company for the financial year ended 31 December 2018 published in the Company's website at http://www.zelan.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible for the strategic direction, overseeing proper conduct of the Group's business, identifying principal risks 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 is guided by the Board Policy Manual which acts as a source of reference and guideline for matters relating to the Board's organisation, responsibilities and procedures. The duties and responsibilities of the Board among others are as follows:

(a) Overseeing and evaluating the Group's strategic business plans, policies and performance;
(b) Formulating succession plan for members of the Board and senior management;
(c) Oversee and evaluate the conduct of business of the Company and the Group;
(d) Ensuring the integrity and effectiveness of the governance process of the Group as set out in the Malaysian Code of Corporate Governance;
(e) Ensuring that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
(f) Ensuring that the Company's and the Group's financial statements are true and fair and conform to the Companies Act 2016 ("Act") and accounting standards;
(g) Ensuring an appropriate investor relations and communication policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagement with shareholders;
(h) Ensuring that the Group adheres to high standards of ethics and corporate behaviour; and
(i) Review and ensure that transactions entered into with a related parties are fair, reasonable and not to the detriment of minority shareholders.

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

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

2. Separation of the Positions of Chairman and the Management

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

3. 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 Act, the MMLR, the Capital Market and Services Act 2007 and the Code.

4. Access to Information and Advice

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

5. Board Meetings

During the financial year ended 31st December 2018, the Board met nine (9) times, comprising four (4) Board scheduled meetings and five (5) Special Board meetings. The record of attendance of each Director at Board meetings held during the financial year ended 31 December 2018 is as follows:

Name of Director	Attendance
Dato' Anwar bin Haji @ Aji	9/9
Dato' Abdullah bin Mohd Yusof *(Demised on 25 April 2018)*	2/3
Datuk Ooi Teik Huat	9/9
Datuk Puteh Rukiah binti Abd Majid	9/9
Suhaimi bin Halim	7/9
Mohd Shukor bin Abdul Mumin	8/9

6. 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 efficiently and in a manner that supports the Group's vision and values. The Code of Ethic help the Group achieves 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.

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

7. Whistleblowing Policy

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

8. Board Composition

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

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

Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat have served the Board as Independent, Non-Executive Directors for more than nine (9) years cumulatively. Justifications on the continuation of Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat as Independent Directors are provided in the notice of Annual General Meeting.

The profile of each Director is set out on pages 16 to 18 of this Annual Report.

Following the demise of Allahyarham Dato' Abdullah bin Mohd Yusof on 25 April 2018, the Senior Independent Director position became vacant. The Board identified Datuk Ooi Teik Huat to be the new Senior Independent Director based on his expertise and vast experience in the Board. He was appointed as the Senior Independent Director of the Company with effect from 26 November 2018.

9. 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 on pages 16 to 18 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.

10. Board Committees

In order to ensure orderly and effective execution of the roles and responsibilities of the Board, the Board has delegated specific functions to the following two (2) committees:

(i) Audit Committee ("AC"); and
(ii) Nomination and Remuneration Committee ("NRC").

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

10. Board Committees (cont'd)

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 Terms of Reference ("TOR")s of the two (2) Board Committees are stipulated in Board Policy Manual and made available on the website at http://www.zelan.com.

The summary of activities of the AC are reported on pages 40 to 42 of the Annual Report.

As for NRC, during the financial year ended 2018, the NRC has undertaken the following activities in the discharge of its duties:

(a) conducted evaluation to assess the effectiveness of the Board as a whole and Board Committees;
(b) assessed the appointment and performance of Chief Operating Officer;
(c) reviewed the independence of the Independent Directors and assessed the ability to bring independent and objective judgement for Board deliberations; and
(d) reviewed the revised TOR of NRC.

During the financial year ended 31 December 2018, the NRC had met three (3) times.

11. Director's Training

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

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

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	MBMR Directors Training -Corporate Liability Provision under MACC (Amendment) Act 2018	MBMR / MIRA	9 October 2018
2.	Energy Transition-Trends and Opportunity by AT Kearney	Malakoff Corporation Bhd	18 October 2018
3.	Energy Sector Outlook by RHB Research Institute	Malakoff Corporation Bhd	18 October 2018
4.	Understanding Blockchain Technology and Its Potential within the context of MMC's Business Portfolio	MMC Corporation Bhd	29 October 2018
5.	Corporate Governance Briefing Session: MSSG Reporting and CG Guide	Bursa Malaysia Berhad	1 March 2018
6.	Sustainability Engagement Series for Directors / Chief Executive Officers	Bursa Malaysia Berhad	5 July 2018
7.	Sustainability Directors Programme: The Essence Of Independence	Bursa Malaysia Berhad	29 October 2018
8.	Anti - Corruption Summit 2018: Good Governance and Integrity For Sustainable Business Growth	Bursa Malaysia Berhad and ICLIF	30 October 2018
9.	Board Evaluation and Board Effectiveness Assessment Seminar	Malaysian Institute of Corporate Governance	28 November 2018
10.	Remuneration Committee : Attracting and Retaining the Best Talents	Bursatra Sdn Bhd	13 November 2018

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

12. Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Company for the financial year ended 31 December 2018 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	17,000	291,000	12,416	419,416
Dato' Abdullah bin Mohd Yusof *(Demised on 25 April 2018)*	23,737	4,000	-	-	27,737
Datuk Ooi Teik Huat	86,000	17,000	-	-	103,000
Datuk Puteh Rukiah binti Abd Majid	61,578	14,000	-	-	75,578
#Dato' Sri Che Khalib bin Mohamad Noh *(Resigned on 12 January 2018)*	#1,315	-	-	-	#1,315
Suhaimi bin Halim	51,452	13,000	-	-	64,452
Mohd Shukor bin Abdul Mumin	40,000	13,000	-	-	53,000
Total	363,082	78,000	291,000	12,416	744,498

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.

13. Remuneration of Top Five (5) Senior Management

Currently the Group's operation is headed by the Puan Intan Nurulfaiza Binti Yang Razali as the Chief Operating Officer of the Company. The Board opted not to disclose on a named basis the remuneration of the senior management of the Company.

The following are the senior management's remuneration for the financial year ended 31 December 2018:

	GROUP (RM)
Salaries and Bonus	
Chief Operating Officer	526,731
Head of Finance	261,186
Head of Legal	194,678
Head of Corporate Resources	274,704
Project Key Personnel	237,993
Other Emoluments	
Chief Operating Officer	11,387
Head of Finance	3,928
Heah of Legal	3,959
Head of Corporate Resources	8,573
Project Key Personnel	6,137

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

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

Chairman : Datuk Ooi Teik Huat *(Senior Independent Non-Executive Director)*
Members : Datuk Puteh Rukiah binti Abd Majid *(Independent Non-Executive Director)*
Suhaimi bin Halim *(Independent Non-Executive Director) (appointed on 6 June 2018)*

The TOR and summary of activities of the AC are reported on pages 40 to 41 of the Annual Report. For the financial year ended 31 December 2018, the Audit Committee met five (5) times.

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 43 to 45 of this Annual Report.

3. Board Task Force

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

Chairman : Dato' Anwar bin Haji @ Aji *(Independent Non-Executive Chairman)*
Members : Suhaimi bin Halim *(Independent Non-Executive Director)*
Mohd Shukor bin Abdul Mumin *(Independent Non-Executive Director)*

The Board Task Force is empowered by the Board and to provide assistance and guidance to the Management in respect of all the ongoing projects undertaken by the Group.

For the financial year ended 31 December 2018, the Board Task Force met five (5) times.

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

1. Dialogue Between Company and Investors

The Board values its dialogue with both institutional shareholders and private investors and ensures timely dissemination of information on the Company's and the Group's performance and its operations 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.

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 eight (28) days' prior notice to its shareholders for its forthcoming 43rd Annual General Meeting which will be held on 11 June 2019. The service of the notice is within the requirement stipulated by the Act and the MMLR of Bursa Malaysia. The notice included details and explanations of the resolutions to be tabled. Details of resolutions proposed along with any background information and reports or recommendations that are relevant were also provided in the notice for Annual General Meeting.

This Corporate Governance Overview Statement is made in accordance with the Resolution of the Board dated 30 April 2019.

AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee ("AC") 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 AC Report for the Group's financial year ended 31 December 2018.

COMPOSITION AND MEETINGS

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

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

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

Members	Directorship	No. of Meetings Attended
Datuk Ooi Teik Huat (Chairman)	Senior Independent Non-Executive Director	5/5
Datuk Puteh Rukiah binti Abd Majid	Independent Non-Executive Director	5/5
Suhaimi bin Halim *(Appointed w.e.f. 6 June 2018)*	Independent Non-Executive Director	1/2
Dato' Abdullah bin Mohd Yusof *(Demised on 25 April 2018)*	Senior Independent Non-Executive Director	1/2

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

TERMS OF REFERENCE ("TOR") OF THE AC

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

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

SUMMARY OF ACTIVITIES

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

1. Financial Reporting

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

SUMMARY OF ACTIVITIES (cont'd)

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

2. External Audit

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

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

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

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

3. Internal Audit

(a) Reviewed and approved the internal audit plan and budget for the financial year ended 31 December 2018.

(b) Reviewed the internal auditors' reports and assessed the internal auditors' findings, recommendations, together with Management's responses and/or actions 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.

4. Related Party Transactions

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

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

5. Annual Report

Reviewed the Corporate Governance Report, Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018.

TRAINING

During the period under review, all of the AC members have attended various seminars, training programmes and conferences. The list of trainings attended is disclosed in the Corporate Governance Overview Statement on page 36 of the Annual Report.

INTERNAL AUDIT FUNCTION

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

The Head of Internal Audit reports directly to the AC and undertakes the audit activities within the Group covering all business units and operations, including corporate functions at head office. For the year ended 31 December 2018, audit assignments and follow-up reviews were carried out on the respective operation units and subsidiaries of Zelan Berhad in accordance with the approved annual audit plan. The internal audit reports were forwarded to the relevant parties and presented to the AC for their attention and deliberation.

During the financial year ended 31 December 2018, IAD had undertaken the following activities:

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

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

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

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

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

The total cost incurred in undertaking the internal audit function during the financial year ended 31 December 2018 is RM78,930.17.

This AC Report is made in accordance with the Resolution of the Board dated 30 April 2019.

STATEMENT ON RISK MANAGEMENT & 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 2018 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in accordance with the Principles as stipulated in the Malaysian Code on Corporate Governance 2017 ("Code") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board 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"). Audit issues and actions taken by Management to address the issues tabled by the Internal Audit ("IA") were deliberated during the AC meetings.

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

KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

Risk Management

The Group has established the Enterprise Risk Management ("ERM") Policy and Framework ("ERM Policy and Framework") 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 risk assessment; and
- provide centralised consolidation of risk management data and reporting.

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

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

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

Risk Management (cont'd)

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

Board and Board Committees

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

Internal Audit Function

The Internal Audit Function ("IA") 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.

Other Key Elements of Internal Control

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

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

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

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

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

Other Key Elements of Internal Control (cont'd)

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

CONCLUSION

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 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 2019.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

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

Share Buy-Back

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

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 2018, a non-audit fee of RM116,550 was paid by the Company to the External Auditors, Messrs. PricewaterhouseCoopers PLT, Malaysia for services rendered in connection with the review of the Company's quarterly results, tax and other technical and accounting advisory works.

Profit Estimation, Forecast or Projection

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

Profit Guarantee

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

Material Contracts

There 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 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements and comprise investment holding, 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	(23,591)	(106,774)
- non-controlling interests	(11)	-
	(23,602)	(106,774)

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures for the financial year ended 31 December 2018.

ISSUE OF SHARES AND DEBENTURES (cont'd)

Subsequent to the end of the financial year, the Company had on 31 January 2019, announced the allotment and issuance of 26,250 new ordinary shares for cash by virtue of the exercise of warrants at the exercise price of RM0.25 per warrant. These shares were listed on 4 February 2019 and ranked pari passu in all respects with the existing ordinary shares of the Company. See Note 27 to the financial statements.

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 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

The Directors and officers of the Group and of the Company are covered by Directors and Officers Liability Insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid by the Company during the financial year amounted to RM47,710.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2018.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 11 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (cont'd)

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

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

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

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

(c) At the date of this report:

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

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

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

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

(f) In the opinion of the Directors:

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

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

LIST OF DIRECTORS OF SUBSIDIARIES

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

Dato' Anwar bin Haji @ Aji	
Gerard Dominic Fernandez	
Intan Nurulfaiza Yang Razali	(appointed on 1 December 2018)
Rezlan Bin Goon	(resigned on 14 February 2018)
Johari Bin Yahya	(resigned on 30 June 2018)
Kamaruddin Abdul Karim	(appointed on 1 July 2018 and resigned on 1 December 2018)

SUBSIDIARIES

Details of the subsidiaries are set out in Note 17 to the financial statements.

AUDITORS

The audit fees for services rendered by the auditors to the Group and to the Company for the financial year ended 31 December 2018 are disclosed in Note 12 to the financial statements. The Group does not indemnify its auditors.

This report was approved by the Board of Directors on 30 April 2019. Signed on behalf of the Board of Directors:

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK PUTEH RUKIAH BINTI ABD MAJID
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

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

We, Dato' Anwar bin Haji @ Aji and Datuk Puteh Rukiah binti Abd Majid, 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 58 to 139 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 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 30 April 2019.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK PUTEH RUKIAH BINTI ABD MAJID
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 58 to 139 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
MIA No.14568

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur, Malaysia on 30 April 2019.

Before me:

COMMISSIONER FOR OATHS

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 2018, 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 as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 139.

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 RM23.6 million and RM106.8 million respectively for the financial year ended 31 December 2018 and, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM315.7 million and RM11.4 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 of 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.

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
Recoverability of the receivable balance from a project owner of the Group's project in Abu Dhabi The Group terminated its project in Abu Dhabi, United Arab Emirates, on 1 October 2015 and entered into an arbitration with the project owner. The evidentiary hearings took place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE and the International Chamber of Commerce ("ICC") had set 31 May 2019 as the deadline for the issuance of the arbitral award. The Directors are of the view that the Group is entitled to and has validly terminated its employment under the contract with the project owner. The Directors made an assessment of the carrying value of the total receivable balance by taking into consideration the prospect of success of the Group's heads of claims and counter claims from the project owner based on advice from the external solicitor and information obtained during the evidentiary hearings and the closing submission documents submitted by both the Group and the project owner. Following from the Directors' assessment, the carrying value of the receivable balance has been estimated to be RM184.0 million. Accordingly, an impairment of RM12.8 million has been recognised on the carrying value of the receivable during the financial year ended 31 December 2018. The above is a key audit matter due to the inherent uncertainty and significance of the amounts involved in relation to the potential outcome of the arbitration proceedings for the project. Refer to Note 4(i) on critical accounting estimates and assumptions, Note 2(r) and Note 2(w) on summary of significant accounting policies and Note 20(vi) to the financial statements.	We discussed with management and the external solicitor to understand the status and the legal position of the arbitration proceeding. We read the legal opinion from the external solicitor engaged by management and had discussions with the external solicitors to obtain an understanding on the following: - the merits of the heads of claims and counter claims - the external solicitor's assessment of reports issued by the claim consultants engaged by both the Group and the project owner, information obtained during the evidentiary hearings and the closing submission documents - the potential reimbursement of arbitration costs - the expected period of the arbitration process and the timing of subsequent recovery of the receivable balance. In addition, we also discussed with the external solicitor on the basis of probability used by management in respect of the prospects of success for each head of claim by the Group and counter claims by the project owner in determining the carrying value of the receivable balance due from the project owner. We assessed the objectivity, capabilities and competencies of the external solicitor and the claim consultants by considering their professional background, reputation and experience in similar industries. We assessed the reasonableness of the estimates made by the Directors in respect of the potential liabilities of the Group in relation to the counter claims which have a prospect of success to be awarded to the project owner based on the legal opinion from the external solicitor and the closing submission documents submitted by both the Group and the project owner. We obtained the claim consultants' reports and checked the amount for each head of claim by the Group and counter claims by the project owner to the legal opinion from the external solicitor. We checked the adequacy of the Group's disclosures in relation to the receivable balance relating to the arbitration proceeding. 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 over time in the Consolidated Statement of Comprehensive Income. Progress of completion is measured using input method which is based on the contract costs incurred up to the end of the reporting period as a percentage of estimated total costs of the project. The Group recognised revenue and gross loss from construction contracts of RM68.9 million and RM7.0 million respectively for the financial year ended 31 December 2018. Revenue recognition of a construction contract is inherently complex and we focused on this area because there are significant management estimates and judgements involved in determining the: • Stage of completion; • Extent of the construction costs incurred to date; • Estimated total construction costs; and • Estimated liquidated ascertained damages ("LAD") on projects where the estimated completion dates are beyond the contractual completion dates. Refer to Note 4(ii) on critical accounting estimates and judgements, Notes 2(j) and 2(u) on summary of significant accounting policies and Note 21 to the financial statements.	We tested the operating effectiveness of the key controls in respect of the review and approval of project budgets to assess the reliability of these budgets. We identified and assessed the significant estimates and judgements made by management in the recognition of revenue and costs arising from construction contracts. This was performed by corroborating the stage of completion and extent of costs incurred to date on major projects by agreeing to internal or external quantity surveyors' latest valuations. We have also agreed, on a sample basis, costs incurred to the supporting documentation such as subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of major projects by agreeing to supporting documentation such as approved budgets, quotations, correspondences, contracts and variation orders with sub-contractors. 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. With regards to projects whereby actual progress is behind planned progress, we understood the cause of the delays, inspected correspondences with project owners and corroborated key judgement applied by management in assessing the LAD to determine the transaction price of the contract. Based on the procedures performed, we noted no material exceptions.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and other sections of the 2018 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)

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 (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 17 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 2019

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	6	72,523	70,911	-	-
Cost of sales	7	(77,262)	(72,125)	-	-
Gross loss		(4,739)	(1,214)	-	-
Administrative expenses:					
- staff costs	10	(8,628)	(11,295)	(2,567)	(3,172)
- professional fees and arbitration fees		(4,367)	(4,805)	(250)	(170)
- others		(2,458)	(2,447)	(1,341)	(1,305)
		(15,453)	(18,547)	(4,158)	(4,647)
Other operating (expenses)/income:					
- unrealised foreign exchange gain/(loss), net		1,035	(13,232)	-	-
- impairment of inventories		(226)	(410)	-	-
- write back of provision/(provision) for impairment of amount due from an associate		1,202	(3,578)	-	-
- provision for impairment of investment in associates		(3,306)	-	-	-
- provision for impairment of investments in subsidiaries	17	-	-	(62,144)	-
- net (provision)/write back of provision for impairment of amounts due from subsidiaries	20	-	-	(40,092)	2,811
- net write back of provision/(provision) for impairment of receivables and contract assets	20, 21	13,300	(53,789)	-	-
- other operating expenses		(3,676)	(2,322)	(6)	(65)
- other operating income		2,472	1,250	-	42
- refund of late payment interest on revised tax assessment		5,855	11,552	-	-
Finance income	8	9,186	36,762	162	327
Finance costs	8	(39,345)	(26,726)	(536)	(686)
Share of results of associates	18	14,465	(1,139)	-	-
Loss before zakat and taxation	9	(19,230)	(71,393)	(106,774)	(2,218)
Taxation	13	(4,372)	(2,865)	-	-
Net loss for the financial year		(23,602)	(74,258)	(106,774)	(2,218)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive (loss)/ income:					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Currency translation differences:					
- net movement during the financial year		(1,432)	11,398	-	-
Other comprehensive (loss)/income for the financial year, net of taxation		(1,432)	11,398	-	-
Total comprehensive loss for the financial year		(25,034)	(62,860)	(106,774)	(2,218)
Net loss for the financial year attributable to:					
- equity holders of the Company		(23,591)	(74,071)	(106,774)	(2,218)
- non-controlling interests		(11)	(187)	-	-
Net loss for the financial year		(23,602)	(74,258)	(106,774)	(2,218)
Total comprehensive loss attributable to:					
- equity holders of the Company		(25,034)	(62,705)	(106,774)	(2,218)
- non-controlling interests		-	(155)	-	-
Total comprehensive loss for the financial year		(25,034)	(62,860)	(106,774)	(2,218)
Loss per share attributable to the equity holders of the Company during the financial year:					
		Sen	Sen		
Basic loss per share	14(a)	(2.79)	(8.77)		

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 (restated)	Group 01.01.2017 RM'000 (restated)	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	15	2,663	7,113	8,088	6	12
Investment properties	16	8,420	4,598	4,740	-	-
Investments in subsidiaries	17	-	-	-	12,179	74,323
Investments in associates	18	6,187	3,332	3,332	-	-
Receivables, deposits and prepayments	20	646,965	626,693	602,006	-	-
Amounts due from subsidiaries	20	-	-	-	-	77,384
Contract assets	21	52,256	63,640	79,207	-	-
Deposits, cash and bank balances (restricted)	22	1,124	4,574	10,195	-	3,212
Deferred tax assets	28	898	-	-	-	-
		718,513	709,950	707,568	12,185	154,931
CURRENT ASSETS						
Inventories	23	8,329	8,555	8,965	-	-
Receivables, deposits and prepayments	20	84,191	68,346	90,376	11	160
Amount due from a subsidiary	20	-	-	-	35,968	-
Contract assets	21	2,693	9,554	53,709	-	-
Tax recoverable		1,160	2,420	387	-	-
Deposits, cash and bank balances	22	3,921	9,434	13,676	2,046	4,651
		100,294	98,309	167,113	38,025	4,811
LESS: CURRENT LIABILITIES						
Financial payables	24	209,923	219,657	257,039	1,604	1,421
Other liabilities	24	5,178	5,087	5,432	-	-
Amounts due to subsidiaries	24	-	-	-	38,880	42,483
Contract liabilities	21	12,319	-	1,503	-	-
Borrowings	25	184,277	139,593	42,001	8,934	8,272
Current tax liabilities		4,277	3,448	-	-	-
		415,974	367,785	305,975	49,418	52,176
NET CURRENT LIABILITIES		(315,680)	(269,476)	(138,862)	(11,393)	(47,365)
TOTAL ASSETS LESS CURRENT LIABILITIES		402,833	440,474	568,706	792	107,566

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 (restated)	Group 01.01.2017 RM'000 (restated)	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:						
Share capital	26	84,489	84,489	84,489	84,489	84,489
Reserves	27	(40,238)	(15,204)	47,501	(83,697)	23,077
		44,251	69,285	131,990	792	107,566
Non-controlling interests		(327)	(327)	(172)	-	-
TOTAL EQUITY		43,924	68,958	131,818	792	107,566
NON-CURRENT LIABILITIES						
Borrowings	25	355,762	368,350	433,725	-	-
Deferred tax liabilities	28	3,147	3,166	3,163	-	-
		358,909	371,516	436,888	-	-
TOTAL EQUITY AND NON-CURRENT LIABILITIES		402,833	440,474	568,706	792	107,566

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	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 2018	84,489	14,082	11,342	35,457	4,254	(80,339)	69,285	(327)	68,958
Net loss for the financial year	-	-	-	-	-	(23,591)	(23,591)	(11)	(23,602)
Other comprehensive (loss)/income:									
Currency translation differences:									
- net movement during the financial year	-	-	(1,443)	-	-	-	(1,443)	11	(1,432)
Total comprehensive loss for the financial year	-	-	(1,443)	-	-	(23,591)	(25,034)	-	(25,034)
At 31 December 2018	84,489	14,082	9,899	35,457	4,254	(103,930)	44,251	(327)	43,924
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

* *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 2018

		Non-distributable				
	Share capital RM'000	Warrants reserve# RM'000	Capital reserve* RM'000	General reserve* RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2018	84,489	14,082	18,456	3,258	(12,719)	107,566
Total comprehensive loss for the financial year	-	-	-	-	(106,774)	(106,774)
At 31 December 2018	84,489	14,082	18,456	3,258	(119,493)	792
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

* 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 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES				
Net loss for the financial year attributable to equity holders of the Company	(23,591)	(74,071)	(106,774)	(2,218)
Adjustments for:				
Taxation	4,372	2,865	-	-
Finance income	(9,186)	(36,762)	(162)	(327)
Finance costs	39,345	26,726	536	686
Net (write back of provision)/provision for impairment of receivables and contract assets	(13,300)	53,789	-	-
Non-controlling interests	(11)	(187)	-	-
Depreciation of investment properties	241	142	-	-
(Write back)/Provision for impairment of amount due from an associate	(1,202)	3,578	-	-
Provision for impairment of investment in associates	3,306	-	-	-
Provision for impairment of investment in subsidiaries	-	-	62,144	-
Net provision/(write back of provision) for impairment of amounts due from subsidiaries	-	-	40,092	(2,811)
Impairment loss of inventories	226	410	-	-
Net (gain)/loss on unrealised foreign exchange	(1,035)	13,232	-	-
Property, plant and equipment:				
- gain on disposals	-	(368)	-	(37)
- depreciation	401	813	6	65
Share of results of associates	(14,465)	1,139	-	-
	(14,899)	(8,694)	(4,158)	(4,642)
Changes in working capital:				
Receivables, deposits and prepayments	(15,668)	(23,717)	149	(53)
Contract assets	18,245	59,722	-	-
Payables	(6,761)	(44,767)	(191)	(286)
Contract liabilities	12,319	(1,503)	-	-
Amounts due to joint venture partners	-	471	-	-
Amount due to a related company	-	14,813	-	-
Amount due to an associate	2,713	(512)	-	-
Cash from operations	(4,051)	(4,187)	(4,200)	(4,981)
Tax paid	(314)	(2,055)	-	-
Tax refund	120	16	-	-
Net cash flows used in operating activities	(4,245)	(6,226)	(4,200)	(4,981)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
INVESTING ACTIVITIES					
Proceeds from disposals of plant and equipment		-	554	-	37
Interest received from deposits and investment		583	864	162	327
Purchases of property, plant and equipment		(14)	(29)	-	-
Repayment from/(Advances to) associates		-	(386)	-	-
Repayment from/(Advances to) related companies		45	(23)	-	-
Repayment by subsidiaries		-	-	1,324	1,623
Net cash flows generated from investing activities		614	980	1,486	1,987
FINANCING ACTIVITIES					
Interest paid		(558)	(655)	(540)	(622)
Repayments of borrowings		(11,044)	(32,730)	(4,626)	(27,000)
Drawdown of borrowings		5,579	29,254	5,292	21,708
Repayment of hire purchase creditors		(167)	(500)	-	-
Advances received from subsidiaries		-	-	10,076	27,450
Repayment to subsidiaries		-	-	(13,679)	(29,946)
(Repayment to)/Advances received from related companies		(142)	314	374	314
Upliftment of deposits pledged as security		7,518	11,471	7,414	11,264
Net cash flows generated from financing activities		1,186	7,154	4,311	3,168
Net movement in cash and cash equivalents		(2,445)	1,908	1,597	174
Cash and cash equivalents at the beginning of the financial year		5,232	3,624	449	275
Currency translation differences		1,000	(300)	-	-
Cash and cash equivalents at the end of the financial year	22	3,787	5,232	2,046	449

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2018

Reconciliation of liabilities arising from financing activities:

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

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

Company	Islamic-financing RM'000	Amounts due to subsidiaries RM'000	Amounts due to related companies RM'000	Total RM'000
At 1 January 2018	8,272	42,483	697	51,452
Repayments during the year	(4,626)	-	-	(4,626)
Drawdown during the year	5,292	-	-	5,292
Interest paid	(540)	-	-	(540)
Advances received during the year	-	10,076	374	10,450
Repayment of advances during the year	-	(13,679)	-	(13,679)
Non-cash changes:				
Interest payable	536	-	-	536
At 31 December 2018	8,934	38,880	1,071	48,885
At 1 January 2017	13,500	44,979	383	58,862
Repayments 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 17 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 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 April 2019.

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 4 to the financial statements.

<u>Cash flows of the Group and the Company</u>

The Group and the Company incurred a net loss after taxation of RM23.6 million and RM106.8 million for the financial year ended 31 December 2018. As at the same date, the Group's and the Company's current liabilities exceeded the current assets by RM315.7 million and RM11.4 million respectively.

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

(a) Basis of preparation (cont'd)

Cash flows of the Group and the Company (cont'd)

The losses incurred by the Group and the Company for the financial year ended 31 December 2018, the net current liabilities of the Group and of the Company as at that date, the ability of the Group to generate positive cash flows from the on-going projects and make timely repayments for borrowings of the Group, 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 proceedings 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. The Group will engage the project owners on potential extension of time for the on-going projects which may be delayed;
- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects;
- During the financial year, the Group received tax refund amounting to IDR7.4 million (RM2.0 million) from the Indonesian tax authorities on a completed project. The Group will actively pursue the balance of tax refunds from the Indonesian tax authorities;
- The Group has secured buyers for six units of office lots at Wisma Zelan. These transactions are expected to be completed by June 2019. The Group will continue to identify potential buyers for certain properties and inventories of the Group; and
- Negotiate with a financial institution to restructure the repayment terms for the term loan of the Group which will be payable within the next twelve months from the reporting date as described in Note 25(c) to the financial statements.

Subsequent to the reporting date, the Group has successfully negotiated with a financial institution to restructure the facility taken for a concession project in Malaysia as disclosed in Note 25(b)(ii) to the financial statements.

In addition, on 5 April 2019, the Group received the Certificate of Acceptance ("CoA") issued by the project owner in respect of a concession project. Based on the CoA, the project owner confirms the acceptance of the availability of the Facilities and Infrastructure of the project with effect from 1 December 2018. As such, the Availability Charges and Asset Management Services for the concession project will commence retrospectively from 1 December 2018 for the remaining concession period of approximately 17 years. Payments from the Availability Charges, Asset Management Services and payment for road and electrical works of the project are expected to be received upon signing of the Supplemental Agreement to the Concession Agreement.

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 140 "Investment Property – Transfers of Investment Property"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 "Investments in Associates and Joint Ventures"

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies.

The Group has applied MFRS 9 retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139.

The Group has also applied MFRS 15 retrospectively. The Group carried out a detailed review of the recognition criteria for revenue by applying the requirements of MFRS 15 to assess the impact of adopting this new standard. Arising from this assessment, MFRS 15 does not have a material impact on the amount or timing of recognition of reported revenue as the Group's current accounting policy conforms to the requirements of MFRS 15, other than the reclassification of contract assets and contract liabilities as described in Note 3 to the financial statements.

The detailed impact of changes in accounting policies are set out in Note 3 to the financial statements.

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

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect to the financial statements of the Group, except the following set out below:

- 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.

  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.

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

(a) Basis of preparation (cont'd)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect to the financial statements of the Group, except the following set out below (cont'd):

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 will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group is currently assessing all of its leasing arrangements in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Group's operating leases, which comprise mainly the operating leases for land and building.

- 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 is 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, amendments to published standards and interpretations to existing standards that have been issued but not yet effective for the Group (cont'd)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect to the financial statements of the Group, 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 'hold 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 for 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 above amendments 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, amendments to published standards and interpretations to existing standards that have been issued but not yet effective for the Group (cont'd)

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect to the financial statements of the Group, except the following set out below (cont'd):

- Amendments to MFRS 3 "Definition of a Business" (effective from 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

  The Group does not anticipate the amendments to MFRS 3 to result in a material financial impact to the Group.

(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.

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

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

(i) Subsidiaries

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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.

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

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

(ii) Associates

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

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

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

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

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

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

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

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

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

(iii) Joint arrangements

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

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

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

(iii) Joint arrangements (cont'd)

Joint ventures

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.

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

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

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

Joint operations

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

(c) Property, plant and equipment

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

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

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

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.

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.

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

(d) Investment properties (cont'd)

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.

(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.

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

(g) Goodwill (cont'd)

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

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

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

(h) Impairment of non-financial assets

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

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

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

(i) Inventories

Completed properties

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

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

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

(j) Contract assets and contract liabilities

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

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

(k) Trade and other receivables

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

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

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

(l) Cash and cash equivalents

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

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

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

(m) Share capital

Classification

Ordinary shares are classified as equity.

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/loss per share

(i) Basic earnings per share

Basic earnings/loss per share is calculated by dividing:

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

(ii) Diluted earnings/loss per share

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

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

(o) Borrowings and borrowing costs

(i) Borrowings

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

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

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

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

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

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

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

(ii) Borrowing costs

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

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

(p) Employee benefits

Short-term employee benefits

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

Post-employment benefits - defined contribution plan

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

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

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

(q) Current and deferred income tax

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

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

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

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

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

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

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

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

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

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

(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.

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

(s) Contingent liabilities and contingent assets

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

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

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

(t) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Group entities

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

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

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

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

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

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

(u) Revenue and other income

Revenue from contracts with customers

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

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

(i) Revenue from construction contracts

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

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

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

(ii) Revenue from sale of completed properties

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

(iii) Revenue from concession arrangement

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

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

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

Revenue from contracts with customers (cont'd)

Revenue earned by the Group is recognised in the following basis (cont'd) :

(iv) Car park rental income

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

Other income

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

- Interest income

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

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

- Rental income

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

(v) Segment reporting

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

(w) Financial assets

Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets as amortised cost.

(ii) Recognition and derecognition

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

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

(w) Financial assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(iii) Measurement

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

Debt instruments - amortised cost

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

The Group measures its debt instruments at amortised cost.

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

(iv) Subsequent measurement – impairment

Impairment for debt instruments

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

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

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

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

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

The measurement of ECL reflects:

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

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

(w) Financial assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

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

Impairment for debt instruments (cont'd)

The ECL approach can be classified into the categories below:

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

  At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 5(iv) sets out the measurement details of ECL.

- Simplified approach for trade receivables and contract assets

  The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 5(iv) sets out the measurement details of ECL.

Significant increase in credit risk

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

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

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

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

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

(w) Financial assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

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

Definition of default and credit-impaired financial assets

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

- Quantitative criteria

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

- Qualitative criteria

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

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

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

- Individual assessment

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

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

(v) Write-off

Trade receivables and contract assets

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

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

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

(w) Financial assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(v) Write-off (cont'd)

Other receivables and intercompany balances

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

Accounting policies applied until 31 December 2017

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 20 and 22 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.

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

(w) Financial assets (cont'd)

<u>Accounting policies applied until 31 December 2017 (cont'd)</u>

<u>Subsequent measurement - impairment (cont'd)</u>

<u>Assets carried at amortised cost (cont'd)</u>

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.

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.

<u>Derecognition</u>

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) Offsetting financial instruments

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

(y) Trade and other payables

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

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

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

(z) Warrants reserve

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

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

(aa) Zakat

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

3. CHANGES IN ACCOUNTING POLICIES

(a) MFRS 9 Financial Instruments

As disclosed in Note 2(a)(i) to the financial statements, the Group and the Company adopted MFRS 9 retrospectively. The adoption of this accounting standard resulted in changes in accounting policies as disclosed in Note 2(w) to the financial statements.

The main changes arising from the adoption of MFRS 9 are as follows:

Impairment

Until 31 December 2017, the Group and the Company assessed the impairment of loan and receivables based on the incurred impairment loss model. Note 2(w) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company apply expected credit loss ('ECL') model to determine impairment on investment in debt instruments that are measured at amortised cost. The new accounting policies for impairment under MFRS 9 are set out in Note 2(w).

- Trade receivables and contract assets

  For all trade receivables and contract assets, the Group applies the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. There is no additional loss allowances required over trade receivables and contract assets following this change in accounting policy at the Group.

- Other receivables and intercompany receivables

  Other receivables and intercompany receivables that are repayable on demand and interest-free are classified as amortised cost in the consolidated financial statements of the Group and in the Company's separate financial statements because the Group's or the Company's business model is to hold and collect the contractual cash flows and those cash flows represent solely payment of principal and interest. The Group and Company applied the general 3-stage approach when determining ECL for these other receivables and intercompany receivables.

  No additional loss allowance is recognised on the other receivables on 1 January 2018 upon adoption of MFRS 9 as all strategies indicate that the Group and the Company could fully recover the outstanding balance at that point in time.

  As at the previous financial year end, the Company has presented an amount due from a subsidiary of RM60 million within investment in subsidiaries. Upon adoption of MFRS 9, the Company has assessed the classification of the amount and has presented this amount within "receivables, deposits and prepayments" (non-current) as at 31 December 2018. This amount has been impaired in full as at 31 December 2017.

3. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) MFRS 9 Financial Instruments (cont'd)

Impairment (cont'd)

- Other receivables and intercompany receivables (cont'd)

  The Company has also assessed the ECL for the intercompany balances in its separate financial statements as at 31 December 2018, using the general 3-stage approach. No additional loss allowance is recognised on the intercompany balance on 1 January 2018 upon adoption of MFRS 9 as the strategies indicate that the Company would recover the outstanding balances at that point in time.

(b) MFRS 15 Revenue from Contracts with Customers

As disclosed in Note 2(a)(i) to the financial statements, the Group adopted MFRS 15 retrospectively. The adoption of this accounting standard resulted in changes in accounting policies as disclosed in Note 2(u) to the financial statements.

The adoption of MFRS 15 has resulted in the reclassification of amounts due from/(to) contract customers, as disclosed below:

Statement of financial position

Group	As previously stated RM'000	Reclassification arising from adoption of MFRS 15 RM'000	As restated RM'000
At 31 December 2017			
Non-current assets:			
Receivables, deposits and prepayments	690,333	(63,640)	626,693
Contract assets	-	63,640	63,640
Current assets:			
Receivables, deposits and prepayments	77,900	(9,554)	68,346
Contract assets	-	9,554	9,554
At 1 January 2017			
Non-current assets:			
Receivables, deposits and prepayments	681,213	(79,207)	602,006
Contract assets	-	79,207	79,207
Current assets:			
Receivables, deposits and prepayments	144,085	(53,709)	90,376
Contract assets	-	53,709	53,709

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

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

As disclosed in Note 20(vi) to the financial statements, the total receivable balance due from a project owner in Abu Dhabi amounted to AED163.4 million (approximately RM184.0 million) as at 31 December 2018. The evidentiary hearings took place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE and the International Chamber of Commerce ("ICC") had set 31 May 2019 as the deadline for the issuance of the arbitral award.

Based on the advice from the independent claim consultants and the external solicitor, the Directors are of the view that the Group is entitled to and has validly terminated its employment under the contract with the project owner.

The Directors have also assessed the merits of its heads of claims and the counter claims from the project owner based on the information obtained during the evidentiary hearings and the closing submission documents submitted by both the Group and the project owner, as set out below:

- The Directors have included an amount of AED194.3 million (approximately RM218.9 million), net of payments received from the project owner in the previous years on the basis that the termination of the contractual arrangement with the project owner was valid. In determining the recoverable amount, the Group has applied probability on the prospect of success for each head of claim by the Group and counter claims by the project owner, of which the external solicitor has advised the Group that these heads of claims have good or reasonable prospect of success. In addition, the Directors have assessed the credit risk of the project owner in determining the recoverability of this amount.

- The Directors have also assessed the counter claims from the project owner arising from this project, and included an amount of AED31.0 million (approximately RM34.9 million) as potential counter claims which have a prospect of success to be awarded to the project owner, based on the advice from the external solicitor, as it would be difficult for the Group to dispute liability for some of the defects. In deriving this estimate, the Group had applied judgement as the amounts of certain counter claims presented by the project owner during the arbitration process were not based on competitive tendering nor were the quotations supported by the project owner.

Arising from the above assessment, an impairment loss of RM12.8 million has been recognised in the financial statements for the financial year ended 31 December 2018. The expected timing of the receipt has been considered in arriving at the classification of the net receivables. The Directors are confident of the eventual recovery of the receivable balance in the event that the outcome of the arbitration is favourable to the Group.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Critical accounting estimates and assumptions (cont'd)

(ii) Construction contracts

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

(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 30 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. As disclosed in Note 2(a) to the financial statements, during the current financial year, the Group recovered BPT refund from the tax authorities amounting to IDR7.4 million (RM2.0 million) which was recognised in the Statement of Comprehensive Income when received. The Directors are confident that the Group will be successful in recovering the remaining BPT refund.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Foreign currency exchange risk

The Group and the Company do not apply hedge accounting.

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

(ii) Interest rate risk

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Interest rate risk (cont'd)

The Group and the Company are exposed to cash flow interest rate risk arising from the following (cont'd):

- 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 2018 and 31 December 2017, the Group's borrowings are denominated in Ringgit Malaysia ("RM") and Arab Emirates Dirham ("AED") and the Company's borrowings are denominated in RM.

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

	Group		Company	
(Increase)/decrease in loss after taxation and (decrease)/increase in equity	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Borrowings denominated in AED				
- Increase of 100 basis points	(770)	(893)	-	-
- Decrease of 100 basis points	770	893	-	-
Borrowings denominated in RM				
- Increase of 100 basis points	(3,368)	(3,129)	(67)	(88)
- Decrease of 100 basis points	3,368	3,129	67	88

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Liquidity risk

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

Group	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
2018					
Financial liabilities					
Trade payables	174,683	-	-	-	174,683
Amounts due to related companies	15,368	-	-	-	15,368
Amounts due to joint venture partners	531	-	-	-	531
Amount due to an associate	4,828	-	-	-	4,828
Other payables and accruals	14,513	-	-	-	14,513
Advances received from contract customers	5,168	-	-	-	5,168
Borrowings	185,021	126,271	126,381	290,521	728,194
	400,112	126,271	126,381	290,521	943,285
2017					
Financial liabilities					
Trade payables	182,182	-	-	-	182,182
Amounts due to related companies	15,510	-	-	-	15,510
Amounts due to joint venture partners	531	-	-	-	531
Amounts due to associates	13,030	-	-	-	13,030
Other payables and accruals	8,404	-	-	-	8,404
Advances received from contract customers	5,070	-	-	-	5,070
Borrowings	165,616	110,963	110,822	310,580	697,981
	390,343	110,963	110,822	310,580	922,708

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Liquidity risk (cont'd)

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

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

As at 31 December 2018, the Group's and the Company's current liabilities exceeded the current assets by RM315.7 million and RM11.4 million respectively.

As at the reporting date, the Group did not meet the repayment instalments for certain credit facilities in accordance with the repayment schedules agreed with the financial institutions as disclosed in Note 25(b)(i) and Note 25(c) to the financial statements. Accordingly, the carrying values of these financing facilities of RM105.5 million were classified as current liabilities as at 31 December 2018. Subsequent to the end of the reporting period, the financial institutions granted indulgence to the Group to repay the outstanding amounts in arrears by 30 May 2019 and 31 May 2019 respectively, as disclosed in Note 25(b)(i) and Note 25(c) to the financial statements.

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

(iv) Credit risk

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

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

<u>Measurement of Expected Credit Loss ("ECL")</u>

(a) Trade receivables and contract assets using simplified approach

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

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

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

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

(c) Cash and cash equivalents

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

Credit risk concentration profile

At the reporting date, the Group has no significant concentration of credit risk other than two corporate debtors which represent 89% (2017: 91%) of the Group's total trade receivables, in which these balances are monitored closely. 12% (2017: 12%) of these trade receivables mainly relates to retention sums receivable from the owners of the Group's projects. The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

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

Exposure to credit risk and loss allowance assessment

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

Group	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
31 December 2018				
Trade receivables	-	-	742,371	742,371
Contract assets	-	-	105,117	105,117
	-	-	847,488	847,488
Loss allowance	-	-	(75,236)	(75,236)
Net carrying amount	-	-	772,252	772,252

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

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

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Group				
31 December 2018				
Amount due from an associate	-	-	3,566	3,566
Loss allowance	-	-	(2,376)	(2,376)
Net carrying amount	-	-	1,190	1,190
Other receivables and deposits	7,089	-	2,148	9,237
Loss allowance	-	-	(2,148)	(2,148)
Net carrying amount	7,089	-	-	7,089
Company				
31 December 2018				
Amounts due from subsidiaries	-	35,968	562,824	598,792
Loss allowance	-	-	(562,824)	(562,824)
Net carrying amount	-	35,968	-	35,968
Other receivables and deposits	11	-	-	11
Loss allowance	-	-	-	-
Net carrying amount	11	-	-	11

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

The accumulated impairment for trade receivables, contract assets, related party balances and other receivables and deposits using the general 3-stage approach as at 31 December 2018 reconciles to opening accumulated impairment for that provision as follows:

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Group				
Trade receivables and contract assets				
At 1 January 2018	-	-	88,536	88,536
Write back of provision for impairment	-	-	(13,300)	(13,300)
At 31 December 2018	-	-	75,236	75,236
Amount due from an associate				
At 1 January 2018	-	-	3,578	3,578
Write back of provision for impairment	-	-	(1,202)	(1,202)
At 31 December 2018	-	-	2,376	2,376
Other receivables and deposits				
At 1 January 2018	-	-	2,148	2,148
Additional impairment during the year	-	-	-	-
At 31 December 2018	-	-	2,148	2,148
Company				
Amounts due from subsidiaries				
At 1 January 2018	-	-	462,732	462,732
Provision for impairment made for amount due from subsidiary, previously presented within investments in subsidiaries	-	-	60,000	60,000
Additional impairment during the year	-	-	40,092	40,092
At 31 December 2018	-	-	562,824	562,824

During the financial year, the Group assessed the recoverability of the receivable from a concession project following the issuance of the Certificate of Acceptance by the project owner. Based on the expected cash flows that the Group will receive over the remaining concession period of approximately 17 years, the Group has reversed the provision for impairment on receivables of RM26.1 million in respect of the concession project during the financial year.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

During the financial year, the Group has also assessed the recoverability of the receivable balance from a project owner in Abu Dhabi, as disclosed in Note 4(i) to the financial statements. Arising from the assessment, the Group has recognised an impairment of RM12.8 million in respect of the project in Abu Dhabi during the financial year.

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

In the previous financial years, the Group and the Company assessed impairment based on incurred impairment loss model. Individual gross trade receivables, contract assets, related party balances and other receivables and deposits are categorised into neither past due nor impaired, past due but not impaired and impaired as follows:

(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 and RM77,544,000 respectively as at 31 December 2017.

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

The Group's financial assets that are past due but not impaired as at 31 December 2017 amounted to RM17,000 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 31 December 2017 amounted to RM699,892,000 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 provision impairment of these receivables has been recorded in the profit or loss.

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk (cont'd)

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

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

	Group 31.12.2017 RM'000	Company 31.12.2017 RM'000
Other receivables and deposits		
At the beginning of financial year	2,414	-
Provision made	74	-
Write back against provisions	(340)	-
At the end of financial year (Note 20)	2,148	-
Amounts due from subsidiaries		
At the beginning of financial year	-	465,543
Write back against provisions	-	(2,811)
At the end of financial year (Note 20)	-	462,732
Amount due from an associate		
At the beginning of financial year	-	-
Provision made	3,578	-
At the end of financial year (Note 20)	3,578	-

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

Maximum exposure to credit risk

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

(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.

5. 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
At 31 December 2018				
Financial assets				
Receivables				
- trade receivables	645,775	645,775	-	-
Amount due from an associate	1,190	976	-	-
At 31 December 2017				
Financial assets				
Receivables				
- trade receivables	624,094	624,094	-	-
Amounts due from subsidiaries	-	-	77,384	71,705
Amount due from an associate	2,599	2,130	-	-

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

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

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

6. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers:				
Construction contracts	68,893	69,803	-	-
Asset management service income	2,103	-	-	-
Car park rental income	766	785	-	-
	71,762	70,588	-	-
Revenue from other sources:				
Rental income	761	323	-	-
	72,523	70,911	-	-

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

7. COST OF SALES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction contract costs	75,845	71,951	-	-
Asset management service costs	1,224	-	-	-
Others	193	174	-	-
	77,262	72,125	-	-

Construction contract costs for the financial year include the following:

	2018 RM'000	2017 RM'000
Rental of premises	48	53
Depreciation of property, plant and equipment (Note 15)	244	398
Interest expense on hire purchase (Note 8)	18	33
Staff costs (Note 10)	4,018	3,542

8. FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Finance income</u>				
Interest income	421	558	-	21
Profit from Islamic deposits	162	306	162	306
Accretion of interest on trade receivables	8,603	35,898	-	-
	9,186	36,762	162	327
<u>Finance costs</u>				
Interest expense	36,087	12,544	536	686
Unwinding of discounts on trade payables	3,276	14,215	-	-
Less: Interest expense included in cost of sales (Note 7)	(18)	(33)	-	-
	39,345	26,726	536	686

9. LOSS BEFORE ZAKAT AND TAXATION

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Auditors' remuneration - statutory audit (Note 12)	429	480	101	101
Depreciation of investment properties	241	142	-	-
Directors' remuneration (Note 11)	744	834	744	834
Property, plant and equipment:				
- depreciation	401	813	6	65
- gain on disposals	-	(368)	-	(37)
Gain on unrealised foreign exchange	(2,891)	(4,002)	-	-
Loss on foreign exchange:				
- realised	-	233	-	-
- unrealised	1,856	17,234	-	-
Rental of land and premises	168	191	11	17
Rental income on office equipment	(320)	(369)	-	-
Rental income on premises	(687)	(682)	-	-
Staff costs (Note 10)	12,646	14,837	2,567	3,172
Penalty on revised tax assessment	-	233	-	-

10. STAFF COSTS

Staff costs excluding Directors' remuneration, are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Wages and salaries	8,853	10,772	2,052	2,501
Defined contribution retirement plan	1,288	1,526	308	372
Other employee benefits	2,505	2,539	207	299
	12,646	14,837	2,567	3,172
Staff costs for the financial year are allocated as follows:				
- administrative expenses	8,628	11,295	2,567	3,172
- cost of sales (Note 7)	4,018	3,542	-	-
	12,646	14,837	2,567	3,172

11. 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Executive Directors:				
- fees	363	441	363	441
- other emoluments	381	393	381	393
	744	834	744	834

12. AUDITORS' REMUNERATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PricewaterhouseCoopers PLT Malaysia				
- statutory audit	375	375	101	101
- others	117	117	117	117
	492	492	218	218
Firms other than member firms of PricewaterhouseCoopers International Limited				
- statutory audit	54	105	-	-

13. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Current tax</u>				
Malaysian tax:				
- Current financial year	2,113	2,270	-	-
- Under accrual in the prior financial year	3,176	592	-	-
	5,289	2,862	-	-
<u>Deferred tax</u>				
- Origination and reversal of temporary differences (Note 28)	(917)	3	-	-
Tax expense	4,372	2,865	-	-

The explanation of the relationship between tax expense and loss before taxation and after zakat is as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Loss before taxation and after zakat	(19,230)	(71,393)	(106,774)	(2,218)
Tax calculated at the Malaysian tax rate of 24 % (2017: 24%)	(4,615)	(17,134)	(25,626)	(532)
Tax effects of:				
- share of results of associates	(3,472)	273	-	-
- expenses not deductible for tax purposes	19,505	25,570	26,096	1,217
- income not subject to tax	(11,431)	(10,695)	(470)	(685)
- temporary differences and tax losses not recognised	1,209	4,259	-	-
- under accruals in prior financial year	3,176	592	-	-
Tax expense	4,372	2,865	-	-

14. 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 RM23,591,000 (2017: RM74,071,000) by the weighted average number of ordinary shares in issue during the financial year of 844,895,000 (2017: 844,895,000).

Group	2018 RM'000	2017 RM'000
Net loss attributable to equity holders of the Company	(23,591)	(74,071)
	'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	(2.79)	(8.77)

(b) Diluted

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Plant and machinery RM'000	Renovation RM'000	Tools and equipment RM'000	Total RM'000
Net book value								
At 1 January 2018	6,296	-	515	205	-	9	88	7,113
Additions	-	-	-	14	-	-	-	14
Reclassified to investment properties (Note 16)	(4,063)	-	-	-	-	-	-	(4,063)
Depreciation charge	(55)	-	(201)	(97)	-	(2)	(46)	(401)
At 31 December 2018	2,178	-	314	122	-	7	42	2,663
At 31 December 2018								
Cost	3,057	1,177	3,074	6,654	12,394	1,515	15,144	43,015
Accumulated depreciation and impairment loss	(879)	(1,177)	(2,760)	(6,532)	(12,394)	(1,508)	(15,102)	(40,352)
Net book value	2,178	-	314	122	-	7	42	2,663
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

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Administrative expenses	157	415	6	65
Cost of sales (Note 7)	244	398	-	-
	401	813	6	65

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 RM296,000 (2017: RM488,000).

The Group's properties with net book values amounting to RM2,178,000 (2017: RM6,296,000) have been pledged against the Group's borrowings at the end of the reporting period.

16. INVESTMENT PROPERTIES

	Group 2018 RM'000	Group 2017 RM'000
Cost	11,719	6,350
Less: Accumulated depreciation	(3,299)	(1,752)
Net book value	8,420	4,598

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

	Group 2018 RM'000	Group 2017 RM'000
Net book value		
At the beginning of the financial year	4,598	4,740
Transferred from property, plant and equipment (Note 15)	4,063	-
Less: Depreciation charge	(241)	(142)
At the end of the financial year	8,420	4,598

The fair value of the investment properties, categorised under Level 2 of the fair value hierarchy, was estimated at RM15,786,000 (2017: RM10,646,000) 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 RM340,000 (2017: RM264,000). Rental income arising from investment properties of the Group was RM1,527,000 (2017: RM1,108,000). The investment properties with net book values amounting to RM8,420,000 (2017: RM4,740,000) have been pledged against the Group's borrowings as at the end of the reporting period.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost:		
At 1 January	74,323	74,323
Less: Impairment during the financial year	(62,144)	-
At 31 December	12,179	74,323
Unquoted shares in Malaysia, at cost	199,462	199,462
Amount due from a subsidiary	-	60,000
	199,462	259,462
Less: Accumulated impairment losses	(187,283)	(185,139)
	12,179	74,323

17. INVESTMENTS IN SUBSIDIARIES (cont'd)

As disclosed in Note 3(a) to the financial statements, the Company has assessed the classification of the amount due from a subsidiary of RM60 million upon adoption of MFRS 9. Accordingly, this amount, together with the accumulated impairment losses of RM60 million, is now presented within "receivables, deposits and prepayments" (non-current) as at 31 December 2018.

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 2018 %	Group's effective interest 2017 %	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
<u>Subsidiary of Zelan Corporation Sdn. Bhd.</u>				
Zelan Development Sdn. Bhd.#	Malaysia	100	100	Property development
<u>Subsidiaries of Zelan Holdings (M) Sdn. Bhd.</u>				
Sejara Bina Sdn. Bhd.*	Malaysia	100	100	Investment holding
PT Zelan Indonesia*	Indonesia	95	95	Civil technical design and construction of civil and building works
Zelan Construction (India) Private Limited*	India	100	100	Civil technical design and construction of civil and building works
Zelan Construction Arabia Co. Ltd.*	Saudi Arabia	100	100	Civil technical design and construction of civil and building works
<u>Subsidiaries of Zelan Enterprise Sdn. Bhd.</u>				
Vispa Sdn. Bhd.*	Malaysia	100	100	Dormant
Eminent Hectares Sdn. Bhd.*	Malaysia	100	100	Investment holding

17. 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 2018 %	Group's effective interest 2017 %	Principal activities
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.

Impairment assessment of investments in subsidiaries

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

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

18. INVESTMENTS IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia, at cost	385	385	-	10
Less: Accumulated impairment losses	(385)	(10)	-	(10)
	-	375	-	-
Unquoted shares outside Malaysia, at cost	1,971	1,971	-	-
Less: Accumulated impairment	(1,971)	-	-	-
	-	1,971	-	-
Group's share of post-acquisition reserves	6,187	986	-	-
	6,187	3,332	-	-

18. INVESTMENTS IN ASSOCIATES (cont'd)

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 2018 RM'000	Group 2017 RM'000
Profit/(loss) after taxation/Total comprehensive income/(loss) (including non-controlling interests)	14,465	(1,139)
Current assets	16,727	37,106
Current liabilities	(10,540)	(42,078)
Net assets/(liabilities)	6,187	(4,972)

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

During the financial year, the Group recognised share of profit of an associate of RM14,465,000 (2017: loss of RM1,139,000). The net liabilities of this investment of RM8,304,000 in the previous year was included within amounts due to associates in Note 24 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 2018 %	Group's effective interest 2017 %	Principal activities
MMC Zelan Sdn. Bhd. #	Malaysia	-	40	Strike off
Associates of Zelan Holdings (M) Sdn. Bhd.				
IJM-Sunway Builders- Zelan-LFE Engineering Consortium	Malaysia	25	25	Design, execution and completion of towers
Zelan Arabia Co. Ltd. $	Saudi Arabia	40	40	Under Liquidation
Associate of Sejara Bina Sdn. Bhd.				
Essential Amity Sdn. Bhd. @	Malaysia	50	50	Under Liquidation

18. INVESTMENTS IN ASSOCIATES (cont'd)

Note:

On 16 January 2018, MMC Zelan Sdn Bhd ("MMCZ") was wound up following the special resolution to wind up MMCZ vide Members' Voluntary Liquidation pursuant to Section 439(1)(b) of the Companies Act 2016. 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 of the Company for the financial year ended 31 December 2018.

@ 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.

$ On 30 November 2018, a resolution was passed to liquidate the entity.

19. INVESTMENTS IN JOINT OPERATIONS

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

Name of company	Principal activities	Share of interest 2018 %	Share of interest 2017 %
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 2018 RM'000	Group 2017 RM'000
Loss after taxation	-	(1)
Non-current assets	179	177
Current assets	1,371	1,371
Current liabilities	(1,466)	(1,464)
Net assets	84	84

20. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**01.01.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
<u>Financial receivables</u>					
<u>Non-current</u>					
Trade receivables	666,067	670,683	630,698	-	-
Less: Provision of impairment	(20,292)	(46,589)	(34,483)	-	-
	645,775	624,094	596,215	-	-
Amount due from an associate	3,566	6,177	5,791	-	-
Less: Provision of impairment	(2,376)	(3,578)	-	-	-
	1,190	2,599	5,791	-	-
Receivables, deposits and prepayments	646,965	626,693	602,006	-	-
Amounts due from subsidiaries	-	-	-	562,824	540,116
Less: Provision of impairment	-	-	-	(562,824)	(462,732)
	-	-	-	-	77,384
<u>Current</u>					
Trade receivables	76,304	61,165	65,840	-	-
Less: Provision of impairment	(4,776)	(4,245)	-		
	71,528	56,920	65,840	-	-
Amounts due from related companies	-	45	22	-	-
Other receivables and deposits	9,237	7,751	14,032	11	160
Less: Provision of impairment	(2,148)	(2,148)	(2,414)	-	-
	7,089	5,603	11,618	11	160
Advances to subcontractors	3,916	3,881	10,012	-	-
Prepayments	1,658	1,897	2,884	-	-
Receivables, deposits and prepayments	84,191	68,346	90,376	11	160
Amount due from a subsidiary	-	-	-	35,968	-

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

20. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

As disclosed in Note 3(a) to the financial statements, the Company has assessed the classification of the amount due from a subsidiary of RM60 million which was previously presented within investment in subsidiaries upon adoption of MFRS 9. Accordingly, this amount together with the accumulated impairment loss of RM60 million is now presented within "receivables, deposits and prepayments" (non-current) as at 31 December 2018.

(iii) Included in the non-current trade receivables of the Group is the retention sum on contracts of RM56.4 million (2017: RM50.6 million), inclusive of RM38.8 million (2017: RM37.9 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 include concession income receivable from a project owner in Malaysia amounting to RM515.9 million (2017: RM489.6 million), of which RM459.6 million (2017: RM446.3 million) is expected to be received after twelve months from the end of the financial year. Accordingly, the amount of RM459.6 million (2017: RM446.3 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. Refer to Note 5 to the financial statements on disclosure on the write back of the provision for impairment of receivables and contract assets.

(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 RM31.1 million), being the certified amounts of works done and materials at site owing by the project owner to the Group under the certificates of payment in accordance with the provisions of the contract and the project owner's continuous interference with the valuation and/or certification of the Group's progress claims.

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 RM46.2 million) and performance bond of AED51.5 million (approximately RM58 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 RM509.3 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 RM665.5 million) for the costs and losses, which include repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

On 11 July 2017, the Group revised the claim sum against the project owner from AED452.3 million (approximately RM509.3 million) to AED555.9 million (approximately RM625.9 million). Consequently, on 9 November 2017, the project owner revised the counterclaim sum against the Group from AED591.0 million (approximately RM665.5 million) to AED654.3 million (approximately RM736.7 million).

20. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

(vi) As at 31 December 2018, the Group recorded a total receivable balance due from a project owner in Abu Dhabi amounted to AED163.4 million (approximately RM184.0 million) as at 31 December 2018. The evidentiary hearings took place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE and the International Chamber of Commerce ("ICC") had set 31 May 2019 as the deadline for the issuance of the arbitral award.

Based on the advice from the claim consultants and external solicitor, the Directors are of the view that the Group is entitled to and validly terminated its employment under the contract with the project owner.

The Directors have also assessed the merits of its heads of claim, and the counter claims from the project owner based on the information obtained during the evidentiary hearings and the closing submission documents submitted by both the Group and the project owner. Arising from this assessment, an impairment loss of RM12.8 million has been recognised in the financial statements for the year ended 31 December 2018. The expected timing of the receipt has been considered in arriving at the classification of the receivable balance.

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

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

Group	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	01.01.2017 RM'000 (Restated)
Contract assets from construction contracts	105,117	110,896	132,916
Less: Provision for impairment	(50,168)	(37,702)	-
	54,949	73,194	132,916
Non-current	52,256	63,640	79,207
Current	2,693	9,554	53,709
	54,949	73,194	132,916
Contract liabilities from construction contracts	(12,319)	-	(1,503)

(a) Contract value yet to be recognised as revenue

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

	2019 RM'000	Total RM'000
Construction contracts	124,394	124,394

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (cont'd)

(b) Significant changes

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	1,258	8,776	-	7,414
Cash and bank balances	3,787	5,232	2,046	449
Deposits, cash and bank balances	5,045	14,008	2,046	7,863
Less: Deposits pledged as security	(1,258)	(8,776)	-	(7,414)
Cash and cash equivalents	3,787	5,232	2,046	449
Deposits, cash and bank balances are analysed as follows:				
Current:				
- Restricted	134	4,202	-	4,202
- Not restricted	3,787	5,232	2,046	449
	3,921	9,434	2,046	4,651
Non-current:				
- Restricted	1,124	4,574	-	3,212
	5,045	14,008	2,046	7,863

Included in deposits placed with licensed banks of the Group and the Company are amounts of RM1,258,000 (2017: RM8,776,000) and RM Nil (2017: RM7,414,000) 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 RM134,000 (2017: RM132,000) 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.

22. CASH AND CASH EQUIVALENTS (cont'd)

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

	Group		Company	
	2018 RM'000 %	**2017 RM'000 %**	**2018 RM'000 %**	**2017 RM'000 %**
Deposits placed with licensed banks	1.88	3.24	-	3.13
Bank balances	0.86	1.61	-	-

23. INVENTORIES

	Group	
	2018 RM'000	**2017 RM'000**
Completed properties for sale	8,329	8,555

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 RM226,000 (2017: RM410,000) based on the latest market valuation.

24. PAYABLES

	Group			Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**01.01.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Current					
Trade payables	174,683	182,182	239,028	-	-
Amounts due to related companies	15,368	15,510	383	1,071	697
Amounts due to joint venture partners	531	531	60	-	-
Amounts due to associates	4,828	13,030	12,403	-	-
Other payables and accruals	14,513	8,404	5,165	533	724
	209,923	219,657	257,039	1,604	1,421
Other liabilities					
Advances received from contract customers	5,168	5,070	5,414	-	-
Others	10	17	18	-	-
	5,178	5,087	5,432	-	-
Amounts due to subsidiaries	-	-	-	38,880	42,483

24. PAYABLES (cont'd)

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

Amounts due to related companies, subsidiaries, associates and joint venture partners are unsecured, interest-free, trade and non-trade in nature and repayable on demand. Included in the amounts due to associates at the end of the previous financial year was an amount of RM8.3 million, which was the Group's liabilities to the IJM-Sunway Builders-Zelan-LFE Engineering Consortium ("Consortium"), arising from the Group's contractual obligations to recognise its share of loss in the Consortium in excess of the Group's interest in the Consortium.

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

25. BORROWINGS

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Hire purchase liabilities (unsecured)	(a)	168	290	-	-
Islamic financing (secured)	(b)				
- Between 1 and 3 years		126,179	110,738	-	-
- Between 3 and 5 years		104,954	97,744	-	-
- More than 5 years		124,461	159,578	-	-
		355,594	368,060	-	-
		355,762	368,350	-	-
Current:					
Hire purchase liabilities (unsecured)	(a)	123	186	-	-
Islamic financing (secured)	(b)	87,571	43,696	8,934	8,272
Term loan (secured)	(c)	96,583	95,711	-	-
		184,277	139,593	8,934	8,272
Total:					
Hire purchase liabilities (unsecured)	(a)	291	476	-	-
Islamic financing (secured)	(b)	443,165	411,756	8,934	8,272
Term loan (secured)	(c)	96,583	95,711	-	-
		540,039	507,943	8,934	8,272

25. BORROWINGS (cont'd)

(a) Hire purchase liabilities (unsecured)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Analysis of hire purchase liabilities:				
Payable within 1 year	133	204	-	-
Payable between 1 and 3 years	93	225	-	-
Payable between 3 and 5 years	84	84	-	-
	310	513	-	-
Less: Finance charges	(19)	(37)	-	-
	291	476	-	-
Present value of hire purchase liabilities:				
Payable within 1 year	123	186	-	-
Payable between 1 and 3 years	86	208	-	-
Payable between 3 and 5 years	82	82	-	-
	291	476	-	-

(b) Islamic financing (secured)

(i) General working capital line (Group and Company)

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.

The Company had utilised the facility amount of RM8.9 million during the financial year (2017: RM8.3 million). At the end of the reporting period, the Group did not meet the repayment requirement of the facility which was classified as current liability at that date. Subsequent to the end of the reporting period, the financial institution granted indulgence to the Group to repay the facility by 31 May 2019.

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

(ii) In December 2012, the Group secured 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:

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

BIS 1 and BIS 2 are repayable on 31 January 2019. The BIS 3 facility of RM63.1 million (2017: RM 21.0 million) is repayable within 12 months from the end of the financial year.

25. BORROWINGS (cont'd)

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

(ii) The facility is secured by:

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

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

Subsequent to the financial year end, on 22 January 2019, the Group obtained approval from the financial institution to restructure the facility and consolidate the three parts of the facility into a Tawarruq Facility amounting to RM448.6 million. The moratorium period of the facility will expire upon receipt of the Availability Charges or up to 31 May 2019, whichever is earlier. Management expects the moratorium period to expire in May 2019. Thereafter, the facility will be paid on a monthly basis over a period of 15.7 years. The profit rate of the facility during the moratorium period is based on Base Financing Rate plus a fixed margin of 1.20% per annum and after the expiry of moratorium period, the profit rate will be based on Cost of Fund plus a fixed margin of 0.55% per annum.

(c) Term loan (secured)

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

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

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

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

At the end of the reporting period, the Group did not meet the repayment instalment of the term loan. Accordingly, the carrying value of the term loan of RM96.6 million was classified as a current liability at 31 December 2018. Subsequent to the end of reporting period, the financing institution granted indulgence to the Group to repay the outstanding amounts in arrears by 30 May 2019. The Group is also currently in discussions with the financial institution to restructure the loan repayment terms which will be payable within the next twelve months from the reporting date.

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.

25. BORROWINGS (cont'd)

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

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Hire purchase liabilities	2.35 - 2.87	2.35 - 10.00	-	-
Islamic financing	7.08 - 8.15	7.75 - 7.83	7.08	7.83
Term loan	6.59	10.00	-	-

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018	2017	2018	2017
Company	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares at 1 January	-	4,000,000	-	400,000
Abolishment of the concept of authorised share capital on 31 January 2017	-	(4,000,000)	-	(400,000)
At 31 December	-	-	-	-
Issued and fully paid:				
Ordinary shares with no par value effective 31 January 2017	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.

27. RESERVES

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Warrants reserve	(a)	14,082	14,082	14,082	14,082
Foreign exchange reserve	(b)	9,899	11,342	-	-
Capital reserve	(c)	35,457	35,457	18,456	18,456
General reserve	(c)	4,254	4,254	3,258	3,258
Accumulated losses		(103,930)	(80,339)	(119,493)	(12,719)
		(40,238)	(15,204)	(83,697)	23,077

27. RESERVES (cont'd)

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

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

The Company had, on 31 January 2019, announced an allotment and issuance of 26,250 new ordinary shares pursuant to the warrant holders exercising their warrant rights. These rights shares were listed on 4 February 2019. The remaining 281,605,235 warrants which are not exercised are lapsed and removed from the official list of Bursa Securities from thereon.

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

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

28. DEFERRED TAX

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets	898	-	-	-
Deferred tax liabilities	(3,147)	(3,166)	-	-
	(2,249)	(3,166)	-	-
Movement during the financial year is as follows:				
At start of the financial year	(3,166)	(3,163)	-	-
Credited/(Charged)to profit or loss (Note 13):				
- property, plant and equipment	19	20	-	-
- unutilised tax losses	887	-	-	-
- other payables and accruals	11	(23)	-	-
	917	(3)	-	-
At end of the financial year	(2,249)	(3,166)	-	-
<u>Subject to income tax:</u>				
Deferred tax assets (before and after offsetting)				
- unutilised tax losses	887	-	-	-
- other payables and accruals	11	-	-	-
	898	-	-	-
Deferred tax liabilities (before and after offsetting)				
- property, plant and equipment	(3,147)	(3,166)	-	-

28. DEFERRED TAX (cont'd)

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unabsorbed capital allowances	20,387	18,133	-	-
Unutilised tax losses	73,375	70,592	-	-
	93,762	88,725	-	-

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

29. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental of office premises receivable from a subsidiary of a corporate shareholder of the Company (non-trade):				
- MMC Engineering Services Sdn. Bhd.	520	283	-	-
Rental of office premises receivable from a related party of a corporate shareholder of the Company (non-trade):				
- Tradewinds Corporation Berhad	34	33	-	-
- Tradewinds Properties Sdn. Bhd.	2	15	-	-
- Tradewinds Premium Good Sdn. Bhd.	28	27	-	-
Rental fee payable to a subsidiary (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	(11)	(17)

29. 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):

(i) Significant related party transactions (cont'd)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Advances given to/(repayment of advances from) subsidiaries (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	(1,949)	(2,836)
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	345	525
- Zelan Construction Sdn. Bhd.	-	-	3,893	2,496
- Zelan Corporation Sdn. Bhd.	-	-	(90)	-
- Zelan AM Services Sdn. Bhd.	-	-	291	688
- Eminent Hectares Sdn. Bhd.	-	-	(200)	-
Interest receivable from an associate (non-trade):				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	414	512	-	-

(ii) Significant financial year end related party balances

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
<u>Amounts due from subsidiaries</u>				
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	35,968	75,911
- Zelan AM Services Sdn. Bhd.	-	-	-	1,471
- Others	-	-	-	2
	-	-	35,968	77,384
<u>Amounts due to subsidiaries</u>				
- Zelan Constructions Sdn. Bhd.	-	-	35,968	39,861
- Sejara Bina Sdn. Bhd.	-	-	2,148	2,148
- Others	-	-	764	474
	-	-	38,880	42,483

29. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts due from related companies				
- MMC Corporation Berhad	-	18	-	-
- MMC Engineering Services Sdn. Bhd.	-	27	-	-
	-	45	-	-
Amounts due to related companies				
- MMC Corporation Berhad	840	466	840	466
- MMC Tepat Teknik Sdn. Bhd.	231	231	231	231
- MMC Engineering Services Sdn. Bhd.	14,297	14,813	-	-
	15,368	15,510	1,071	697
Amount due from an associate				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	1,190	2,599	-	-
Amounts due to associates				
- Zelan Arabia Co. Ltd.	4,828	4,726	-	-
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	-	8,304	-	-
	4,828	13,030	-	-
Amounts due to joint venture partners				
- Balanced Engineering & Construction Pte Ltd	60	60	-	-
- ICOP Consortium Sdn. Bhd.	471	471	-	-
	531	531	-	-

The outstanding balances arising from the above related party transactions have been disclosed in Note 20 and Note 24 to the financial statements.

29. 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 11 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and bonuses	1,301	929	1,301	929
Defined contribution retirement plan	191	128	191	128
	1,492	1,057	1,492	1,057
Estimated monetary value of benefits-in-kind	38	19	38	19
	1,530	1,076	1,530	1,076

30. LITIGATIONS

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

(a) Project in Abu Dhabi

(i) 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 RM58.2 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 RM6.6 million), out of which AED3.0 million (approximately RM3.4 million) was for work done and materials supplied by the contractor and AED2.8 million (approximately RM3.2 million) was for 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 RM3.2 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.

On 5 April 2016, the Court of Appeal delivered its judgement upholding the Court of First Instance's judgement and increased the compensation in favour of the contractor to AED7.2 million (approximately RM8.1 million) based on the recommendation made by the Expert Committee in its supplementary report.

30. LITIGATIONS (cont'd)

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

(a) Project in Abu Dhabi (cont'd)

(i) 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 RM8.1 million) was maintained. This amount has been provided for and recognised within payables in the financial statements for the financial year ended 31 December 2018.

(ii) In relation to the project in Abu Dhabi as disclosed in Note 20(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 RM18.2 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) declared that it had no jurisdiction to determine the substantive dispute in the arbitration since the claims as filed by the claimant in the present arbitration were premature and (b) ordered 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) ordered 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) ordered the claimant to reimburse the subsidiary 100% of the legal fees and disbursements it had 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 RM18.2 million) to AED15.2 million (approximately RM17.1 million) against the subsidiary.

Subsequently on 14 June 2018, ICC appointed the sole arbitrator and the subsidiary filed its Answer to the Request for Arbitration. On 1 August 2018, the subcontractor and the subsidiary submitted the agreed Terms of Reference to the ICC. The Procedural Timetable was agreed upon and approved by the Tribunal, and the hearing dates for the arbitration have been fixed from 8 to 11 April 2019.

Based on the advice from the external solicitor, the Directors are of the opinion that the Group has made adequate provision in the financial statements for the financial year ended 31 December 2018.

30. LITIGATIONS (cont'd)

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

(b) Project in Indonesia

In relation to a project in Indonesia, the Company's subsidiary, Zelan Holdings (M) Sdn Bhd ("ZHSB"), received a Notice of Arbitration dated 4 October 2018 from a subcontractor in respect of disputes and differences arising from the Settlement Agreement dated 30 June 2014, between the subcontractor and ZHSB in relation to the Indonesian Project. The subcontractor was claiming the balance outstanding of USD1.1 million (approximately RM4.5 million), interest, cost and other reliefs deemed fit. ZHSB submitted its Response to the Notice of Arbitration on 12 November 2018. On 1 February 2019, the subcontractor submitted its Statement of Claim. Accordingly, ZHSB submitted its Statement of Defence on 15 February 2019 and on 22 February 2019, the subcontractor submitted its Statement of Reply. The parties are now complying to the procedural timetable for the arbitration proceedings.

The Group has made a provision of USD1.1 million (approximately RM4.5 million) within payables in the financial statements for the financial year ended 31 December 2018.

(c) Projects in Malaysia

(i) In relation to a project in Malaysia, the Company's subsidiary, Zelan Construction Sdn Bhd ("ZCSB"), was informed by its solicitors that on 22 November 2018 the Arbitral Tribunal had issued its award after the full trial of the matter wherein the Arbitral Tribunal ordered as follows:-

a) It is declared that ZCSB had terminated the contracts;
b) ZCSB was to pay the claimant a sum of RM2.7 million including GST of 6% thereon;
c) ZCSB was to pay interest at the rate of 5% per annum on the sum of RM2.7 million from 30 June 2016 until full payment;
d) ZCSB was to pay 90% of the costs to be assessed to the claimant; and
e) ZCSB's counterclaim was dismissed without costs.

The assessment of costs in respect of item (d) above amounted to RM0.5 million based on the decision of the Arbitral Tribunal on 20 February 2019.

The Group has made a provision of RM3.7 million within payables in the financial statements for the financial year ended 31 December 2018.

(ii) In relation to a project in Malaysia, the Company's subsidiary, Zelan Construction Sdn Bhd ("ZCSB"), issued a Notice of Arbitration dated 25 March 2019 to a subcontractor in respect of disputes and differences arising from the Contract Agreement dated 21 August 2013 between the subcontractor and ZCSB in relation to the project.

ZCSB was claiming for the following:

a) Declaration that the subcontractor has breached the Contract by failing to carry out its obligation under the Contract;
b) Declaration that the subcontractor has failed to achieve practical completion of the works in accordance with the Contract;
c) Declaration that ZCSB was entitled to step-in as provided under Clause 40A of the contract;
d) Declaration that the Certificate of Practical Completion was issued as a result of the subcontractor fraudulent and/or negligent misrepresentation;

30. LITIGATIONS (cont'd)

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

(c) Projects in Malaysia (cont'd)

(ii) ZCSB was claiming for the following (cont'd):

e) Payment for direct costs, losses, expenses and/or damages for which ZCSB incurred pursuant to ZCSB's measures to prevent or minimize the subcontractor's delay through step-in exercise as provided under Clause 40A.3(a) of the Contract amounting to RM37.8 million;
f) Costs, losses, expenses or damages arising from or in connection with the subcontractor's delay as provided under Clause 40A.3(b) of the Contract;
g) Payment for the refund on value of cost savings to IIUM for items deviated from original specifications amounting to RM6.0 million that results from the breaches committed by the subcontractor;
h) Payment for the cost of joint inspections carried out resulting from the breaches committed by the subcontractor amounting to RM0.1 million;
i) Costs for payment of consultant fee, electricity bills and petty cash amounting to RM4.1 million that incurred as a result of the breaches committed by the subcontractor;
j) Costs for payment of site overhead, accommodation and other operational cost amounting to RM2.4 million that incurred as a result of the breaches committed by the subcontractor;
k) Damages suffered by ZCSB for the breach of Contract by the subcontractor;
l) Damages for fraudulent and/or negligent misrepresentation by the subcontractor;
m) Indemnity for all damages, losses and expenses for which ZCSB is held liable under the Project;
n) General damages to be assessed or such a sum deemed reasonable by the Tribunal;
o) Liquidated damages or such a sum assessed by the Tribunal;
p) All cost of the Arbitration, including pre-Award interest and to reimburse all the arbitration and legal costs on a full indemnity basis;
q) Any other further directions, order and/or other reliefs that Tribunal deems appropriate.

(ii) The Group has recognised RM36.8 million (2017: RM36.2 million) within receivables in the financial statements for the financial year ended 31 December 2018. Based on the advice from the solicitor, the Directors are of the opinion that the amount is recoverable.

(iii) In relation to a project in Malaysia, the Company's subsidiary, Zelan Construction Sdn Bhd ("ZCSB"), issued a Notice of Adjudication dated 28 March 2019 to a project owner in respect of the outstanding payment of RM3.3 million.

ZCSB was claiming for the following relief against the project owner:

a) Payment of the outstanding sum of RM3.3 million, or any such amount deem fit and reasonable by the Adjudicator;
b) Interest on the adjudicated amount based on 5% simple interest per annum from the due date for payment and the date on which payment is finally made;
c) Cost for the preparation of the adjudication claim;
d) Costs arising from and/or in connection with the adjudication proceedings;
e) All other incidental costs; and
f) Such further and other reliefs that the Adjudicator may deem fit.

The Group has recognised RM3.3 million (2017: RM3.8 million) within receivables and contract assets in the financial statements for the financial year ended 31 December 2018. Based on the advice from the external solicitor, the Directors are of the opinion that the amount is recoverable.

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	
	2018	**2017**
	RM'000	**RM'000**
Less than one year	108	108

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

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. Asset facility management business segment are asset management services provided for the concession agreement. Investment business segment includes rental income and other segment which is not within the reportable operating segments provided to the Directors. Interest income and interest expenses are not allocated to the segments because this is managed centrally by the Group.

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

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

Segment results are defined as operating income before provision of impairment for receivables, depreciation, provision for impairment of receivables and contract assets, finance income, finance costs and share of results of associates.

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 2018					
Segment revenue	68,893	766	(2,763)	979	73,401
Less:					
Inter-segment sales	-	-	(660)	(218)	(878)
Revenue from external customers	68,893	766	(2,103)	761	72,523
Results					
Segment result	(12,390)	554	263	(4,865)	(16,438)
Depreciation of property, plant and equipment and investment properties	(201)	(104)	(1)	(92)	(398)
Write back of provision for impairment of receivables and contract assets	13,300	-	-	-	13,300
Finance income	9,021	3	-	162	9,186
Finance costs	(38,808)	-	-	(537)	(39,345)
Share of results of associates	14,465	-	-	-	14,465
(Loss)/Profit before zakat and taxation	(14,613)	453	262	(5,332)	(19,230)
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	(20,910)	679	(1,178)	(4,535)	(25,944)
Depreciation of property, plant and equipment and investment properties	(294)	(112)	(1)	(150)	(557)
Provision for impairment of receivables and contract assets	(53,789)	-	-	-	(53,789)
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)

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 2018					
Total assets:					
Segment assets	792,620	11,110	2,439	4,393	810,652
Investments in associates	6,187	-	-	-	6,187
	798,807	11,110	2,439	4,393	816,749
Add: Unallocated assets					2,058
					818,807
Total liabilities:					
Segment liabilities	755,082	443	1,269	10,665	767,459
Add: Unallocated liabilities					7,424
					774,883
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

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 2018						
Segment revenue	72,523	-	-	-	-	72,523
At 31 December 2018						
Segment assets	624,307	80	188,203	6,197	20	818,807
Segment liabilities	582,321	5,815	167,229	19,370	148	774,883
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	808,259
Segment liabilities	539,545	5,334	175,336	18,962	124	739,301

Total external revenue includes 5 customers (2017: 4 customers) from the engineering and construction business segment who have contributed 98% (2017: 98%) to the overall Group's revenue for the financial year ended 31 December 2018.

Revenue from two major customer, with revenue equal to or more than 10% of the Group's revenue, amounting to RM78,891,000 (2017: RM50,066,000) arose from the engineering and construction business segment.

33. FINANCIAL INSTRUMENTS BY CATEGORY

	Group			Company	
	31.12.2018 RM'000	31.12.2017 RM'000	01.01.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Financial assets					
Financial assets at amortised cost:					
Trade receivables	717,303	681,014	662,055	-	-
Other receivables	7,089	5,603	11,618	11	160
Advance to subcontractors	3,916	3,881	10,012	-	-
Amount due from an associate	1,190	2,599	5,791	-	-
Amounts due from subsidiaries	-	-	-	35,968	77,384
Deposits, cash and bank balances	5,045	14,008	23,871	2,046	7,863
	734,543	707,105	713,347	38,025	85,407

33. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

	Group			Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**01.01.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Financial liabilities					
Financial liabilities at amortised cost:					
Trade payables	174,683	182,182	239,028	-	-
Amounts due to subsidiaries	-	-	-	38,880	42,483
Amounts due to related companies	15,368	15,510	383	1,071	697
Amounts due to joint venture partners	531	531	60	-	-
Amounts due to associates	4,828	13,030	12,403	-	-
Other payables and accruals	14,513	8,404	5,165	533	724
Advances received from contract customers	5,168	5,070	5,414	-	-
Borrowings	540,039	507,943	475,726	8,934	8,272
	755,130	732,670	738,179	49,418	52,176

34. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

(a) The Group had, on 22 January 2019, obtained approval from a financial institution to restructure one of the Group's facilities. See Note 25(b)(ii) to the financial statements.

(b) The Company had, on 31 January 2019, announced an allotment and issuance of 26,250 new ordinary rights shares pursuant to the warrant holders exercising their warrant rights. These rights shares were listed on 4 February 2019. See Note 27(a) to the financial statements.

(c) The Group had, on 5 April 2019 received the Certificate of Acceptance ("COA") issued by a project owner in respect of a concession project. Based on the COA, the project owner confirms the acceptance of the availability of the Facilities and Infrastructure of the Project with effect from 1 December 2018.

The following payments shall be on the date of signing of the Supplemental Agreement to the Concession Agreement and Sub-Lease Agreement thereto:

(i) the payment for the road and electrical works ("Initial Payment");
(ii) the sub-lease rental for the availability of the Facilities and Infrastructure ("Availability Charges"); and
(iii) the payment for the provision of the asset management services ("AMS Charges").

The Availability Charges and Asset Management Services of the concession will commence retrospectively from 1 December 2018 for the remaining concession period of approximately 17 years.

LIST OF PROPERTIES HELD

As at 31 December 2018

Location	Tenure	Area (sq. ft.)	Description/ Existing Use	Year of Expiry	Net Book Value (RM'000)	Age of Building (Years)	Year of Acquisition
PROPERTIES							
24th Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	10,718	Office use	2090	2,178	19	1995
INVESTMENT PROPERTIES							
21st Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	23,444	Office rented to third party	2090	2,198	19	1995
Basement, 4th, 5th and 6th Floor Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	48,855	Car park	2090	2,258	19	2005
23rd Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	22,122	Office rented to third party	2090	3,964	19	1995

DETAILS OF THE RRPT TO BE ENTERED INTO BY ZELAN GROUP WITH THE RELATED PARTIES

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of RRPT	Actual Value of RRPT Transacted from 1 January 2018 up to 31 March 2019 (RM'000)
Zelan Group	MMC Group	STSB, ICSB and/or TSSM	Construction contracts, project management and property development	-
			Provision of general agreement /contract	-
			Provision of *lease/**rental of office premises	723
Zelan Group	TCB Group	PLSB, RJSB, MMC and/or TSSM	Construction contracts, project management and property development	-
			**Rental of office premises	92
Zelan Group	DRB-HICOM Group	ESSB and/or TSSM	Construction contracts, project management and property development	-
			TOTAL	**815**

* *The lease agreement (if any) is for a period exceeding three (3) years and payable on an equal pro-rated monthly or annual instalments basis.*

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

***Note**: The estimated value of transactions from 11 June 2019 (date of this AGM) to the date of the next AGM are based on best estimates by Management using historical trends and projected business transaction growth. The actual transacted value may vary, exceed or be lower than, the estimates shown above.*

SHAREHOLDERS INFORMATION
As at 1 April 2019

Class of Securities	:	Ordinary Shares of 10 sen each
Authorised Share Capital	:	400,000,000
Issued and Paid Up Capital	:	844,920,705
Voting Right	:	One (1) vote for every ordinary share
No. of Shareholders	:	9,195

DISTRIBUTION SCHEDULE OF ORDINARY SHAREHOLDERS

CATEGORY	NO. OF HOLDERS	%	NO. OF HOLDINGS	%
Less than 100	239	2.60	5,479	0.00
100 – 1,000	697	7.58	460,646	0.06
1,001 – 10,000	3,171	34.49	18,875,279	2.24
10,001 – 100,000	4,228	45.98	160,729,627	19.02
100,001 - 42,246,034 (*)	859	9.34	333,269,595	39.44
42,246,035 and Above (**)	1	0.01	331,580,079	39.24
TOTAL	9,195	100.00	844,920,705	100.00

Remark : (*) - less than 5% of issued holdings
(**) - 5% and above the issued holdings

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS
None of the Directors has any direct or indirect interest in the Company or in a related corporation.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

NO.	NAMES OF SUBSTANTIAL SHAREHOLDERS	NRIC / REGISTRATION NO.	DIRECT HOLDINGS NO.	%
1	MMC CORPORATION BERHAD	30245H	331,580,079	39.24

THIRTY LARGEST SHAREHOLDERS

No.	Names	Shareholdings	%
1.	MMC CORPORATION BERHAD	331,580,079	39.24
2.	OLE HVASS BISPELUND	24,993,900	2.96
3.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	6,936,700	0.82
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	6,200,000	0.73
5.	TEE KIAM HENG	5,000,000	0.59
6.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG (CEB)	3,300,000	0.39
7.	PUBLIC NOMINEES (TEMPATAN) SDN BHDPLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN (TJJ/KEN)	3,211,800	0.38

THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Names	Shareholdings	%
8.	NG KIAN BING	3,075,000	0.36
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LI SEE (SOLARIS-CL)	3,030,000	0.36
10.	LIAN FONG CHEE	2,550,000	0.30
11.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KA KIAT	2,400,000	0.28
12.	HIEW HOCK NGAN	2,300,000	0.27
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN SOO KHIM (E-TWU/LDU)	2,300,000	0.27
14.	LIM CHUN SEEN	2,230,500	0.26
15.	GOH POH CHEE	2,114,000	0.25
16.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MD. SHAH BIN ABU HASSAN	2,100,00	0.25
17.	TEE JIAN GEE ENTERPRISE SDN BHD	2,000,000	0.24
18.	TAN ENG HAI	1,910,800	0.23
19.	ONG SI TENG	1,884,800	0.22
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR STUART SAW TEIK SIEW	1,813,200	0.21
21.	TEE KIAM HENG	1,800,000	0.21
22.	NG SEA BU	1,750,000	0.21
23.	KOK JIN KHUM	1,700,100	0.20
24.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,682,890	0.20
25.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	1,670,316	0.20
26.	HANG TUAH BIN AMIN TAJUDIN	1,667,900	0.20
27.	MD. SHAH BIN ABU HASAN	1,630,000	0.19
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING HENG SEEK (8120306)	1,547,200	0.18
29.	LIM HOCK HUAT	1,513,200	0.18
30.	CHAN KIM HOON	1,500,000	0.18

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 427,392,385
TOTAL PERCENTAGE : 50.56

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting ("AGM") of Zelan Berhad will be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur on Tuesday, 11 June 2019 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. "THAT the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon be and are hereby received." **Please refer to Note A**

2. "THAT Dato' Anwar bin Haji @ Aji, who retires in accordance with Article 78 of the Company's Constitution, be and is hereby re-elected a Director of the Company." **Resolution 1**

3. "THAT Encik Suhaimi bin Halim, who retires in accordance with Article 78 of the Company's Constitution, be and is hereby re-elected a Director of the Company." **Resolution 2**

4. "THAT the Directors' fees for the financial year ending 31 December 2019 amounting to RM361,000.00, be and is hereby approved." **Resolution 3**

5. "THAT the payment of Directors Remuneration (excluding directors' fees and Board committee fees) at the capping amount of RM400,000.00 to the Non-Executive Directors from 12 June 2019 until the conclusion of the next AGM of the Company ("Relevant Period") be and is hereby approved." **Resolution 4**

6. "THAT Messrs. Afrizan Tarmili Khairul Azhar (AFTAAS), having consented to act, be and are hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs. PricewaterhouseCoopers PLT, and to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Board." **Resolution 5**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution:

7. **PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   (i) "THAT authority be and is hereby given to Dato' Anwar bin Haji @ Aji who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM." **Resolution 6**

   (ii) "THAT authority be and is hereby given to Datuk Ooi Teik Huat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company 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 Board be and are hereby authorised pursuant to Section 75 and 76 of the Act, to issue and allot shares of the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Board may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10.0%) of the issued and paid-up share capital of the Company for the time being AND THAT the Board is also empowered to obtain the approval of Bursa Malaysia Securities Berhad and any other relevant approvals as may be necessary for the listing of and quotation for the additional shares so issued."

9. **PROPOSED 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 the recurrent transactions of revenue or trading nature with MMC Corporation Berhad and its subsidiaries, Tradewinds Corporation Berhad and its subsidiaries and DRB-HICOM Berhad and its subsidiaries, as set out in Section 2, Part A of the Circular to Shareholders dated 30 April 2019 which are subject to the renewal and obtaining the shareholders' mandate, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms' length basis on normal commercial terms, which are consistent with the Group's normal business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

(i) the conclusion of the next AGM of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at such AGM;
(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier AND THAT the Directors and/or any of them be and are hereby authorized to do all such acts and things (including, without limitation, to execute all such documents) in the interest of the Company to give full effect to the aforesaid shareholders' mandate and any transaction contemplated under this Ordinary Resolution,

AND THAT in making the appropriate disclosure of the aggregate value of recurrent transactions conducted pursuant to the shareholders' mandate in the Company'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."

To consider and if thought fit, to pass the following Special Resolution:

10. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY** **Resolution 10**

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company and in place thereof, the proposed new Constitution of the Company as set out in the Appendix III to the shareholders dated 30 April 2019 accompanying the Company's Annual Report 2018 for the financial year ended 31 December 2018 be and is hereby adopted as the new Constitution of the Company with immediate effect AND THAT the Directors of the Company be and are hereby authorized to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

BY ORDER OF THE BOARD

NUR HALIZA BINTI MAT PIAH
NOOR RANIZ BIN MAT NOR
Company Secretaries

30 April 2019
Cheras, Kuala Lumpur

Notes:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia and there shall be no restriction as to qualification of the proxy.

2. A member shall be entitled to appoint up to two (2) proxies to vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. In case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorized on its behalf. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

4. In the case of joint holders, the signature of any one of them will suffice.

5. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

6. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.

7. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority must be deposited with the Registrar's Office, Boardroom Share Registrars Sdn Bhd, at 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 appointed for the meeting or any adjournment thereof.

8. Registration of members/proxies attending the meeting will commence at 12.00 noon on the day of the meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. Members/proxies are required to produce identification documents for registration.

9. Only members whose name appears on the Record of Depositors as at 3 June 2019 shall be entitled to attend the 43rd AGM or appoint a proxy (ies) to attend and/or vote on their behalf.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 43rd AGM will be put to vote by poll.

EXPLANATORY NOTES ON ORDINARY BUSINESS

Note A

This agenda item is meant for discussion only as per the provision of Section 340(1)(a) of the Act, the Audited Financial Statements do not require the formal approval of shareholders, and hence, the matter will not be put forward for voting.

Resolution 3 – Payment of Directors' Fees for financial year ending 31 December 2019

With the enforcement of Section 230(1) of the Act with effect from 31 January 2017, the listed company is required to table, amongst others, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries for the shareholders' approval at a general meeting.

The breakdown of the Directors' fees for financial year ending 31 December 2019 is as follows:

Membership	Board of Directors (RM)	Audit Committee (RM)	Nomination and Remuneration Committee (RM)
Chairman	75,000.00	30,000.00	24,000.00
Member	40,000.00	20,000.00	16,000.00

The total amount of Directors' fees payable to the Non-Executive Directors ("NEDs") is estimated to be up to RM361,000.00 for the period from 1 January 2019 to 31 December 2019.

Resolution 4 – Payment of Directors' remuneration and benefits

The total amount of remuneration and benefits payable to the Directors is estimated to be up to RM400,000.00 for the period from 12 June 2019 until the conclusion of the next AGM of the Company.

Details of the estimated Directors' remuneration and benefits (excluding Directors' fees and Board committee fees) for NEDs are set out below:

Directors	Meeting Allowances for Board and Board Committees (RM)	Other Allowances (RM)	Benefit-in-Kind (RM)	Total (RM)
Dato' Anwar bin Haji @ Aji (Chairman)	17,000	291,000[1]	12,416[2]	320,416
Datuk Ooi Teik Huat	17,000	-	-	17,000
Datuk Puteh Rukiah binti Abd Majid	14,000	-	-	14,000
Suhaimi bin Halim	13,000	-	-	13,000
Mohd Shukor bin Abdul Mumin	13,000	-	-	13,000
Total	**74,000**	**291,000**	**12,416**	**377,416 (capped at 400,000)**

The estimated directors' remunerations quoted above are based from those received by NEDs in the previous year.

Notes:

[1] *Other Allowances to the NEDs comprising director's allowance, car allowance and entertainment allowance.*

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

Resolution 5 – Appointment of Messrs. Afrizan Tarmili Khairul Azhar (AFTAAS) as Auditors of the Company

The Company has on 15 April 2019, received a notice in writing from Messrs PricewaterhouseCoopers PLT on their intention not to seek re-appointment during the 43rd AGM of the Company to be held on 11 June 2019. The resignation is on voluntary basis and the Board is not aware of any matters that need to be brought to the attention of the shareholders of the Company.

The Company has received a written consent to act as Auditors of the Company from Messrs Afrizan Tarmili Khairul Azhar (AFTAAS) pursuant to Section 264(5) of the Act.

Resolution 6 and 7 – Continuation in office as Independent Non-Executive Directors

The Malaysian Code on Corporate Governance 2017 ("Code") recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. However, the Code further provides that the shareholders may, in exceptional cases and subject to the assessment of the Nomination and Remuneration Committee, decide that an independent director can remain as an independent director after serving a cumulative term of nine (9) years. In such a situation, the Board must make a recommendation and provide strong justification to the shareholders in a general meeting.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat, who have served as an Independent, Non-Executive Directors of the Company for a cumulative term of more than nine (9) years.

The Board recommends that Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat continues to act as an Independent, Non-Executive Directors of the Company based on the following justifications:

(a) They fulfill the criteria of an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(b) They are able to provide the Board with sound advice and guidance based on their immense experiences;
(c) They have been a dedicated and committed Board members, having attended almost all the Committee and Board meetings since their appointment to the Board;
(d) They being the longest serving Board member of the Company, possesses sound knowledge and understanding of the Company's business activities and history which enable them to participate actively and contribute during deliberations at the Committee and Board meetings; and
(e) They exercise due care as an Independent Non-Executive Directors of the Company and carry out their professional and fiduciary duties in the interests of the Company and shareholders.

Resolution 8 – Authority to allot shares

The proposed Resolution 8, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, to allot and issue ordinary shares in the Company up to and not exceeding in total ten per cent (10.0%) of the issued and paid-up capital of the Company pursuant to Section 75 of the Companies Act, 2016. This authority, unless revoked or verified at a general meeting will expire at the next AGM of the Company.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 31 May 2018 which will lapse at the conclusion of the forthcoming AGM.

The Board continues to consider opportunities to expand the Company's business. In the event of a new allotment of shares pursuant to such opportunity, the proceeds will be utilised as working capital of the Company. The passing of this resolution would avoid any delay and cost involved in convening a general meeting to specifically approve the issuance of the shares.

Resolution 9 – Proposed Shareholders' Mandate for Recurrent Related Party Transactions

For further information, please refer to Circular to Shareholders dated 30 April 2019.

Resolution 10 – Proposed Adoption of New Constitution of the Company

The proposed adoption is to be in line with the Companies Act 2016, the updated provisions of the Listing Requirements and other prevailing statutory and regulatory requirements.

The new Constitution shall take effect once the proposed Resolution 10 is approved by a majority of not less than 75% of such members who are entitled to attend and vote at the Company's 43rd AGM.

For further information, please refer to Circular to Shareholders dated 30 April 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking election as a Director at the forthcoming 43rd AGM of the Company.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS

We are pleased to invite you to the 43rd Annual General Meeting ("AGM") of Zelan Berhad to be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia on Tuesday, 11 June 2019 at 2.00 p.m. The Board considers the AGM to be an important event in our calendar as it provides us with an opportunity to present the Group's performance to shareholders and listen and respond to your concern.

LOCATION

The GPS Coordinates of Le Quadri Hotel is 3.0854 N, 101.7382 E for your reference.

There is ample metered parking available in the surrounding area of the Le Quadri Hotel.

REGISTRATION

1. Registration will start at 12.00 noon 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.

VOTING PROCEDURE

1. The voting at the AGM will be conducted on a poll.
2. Boardroom Corporate Service Sdn. Bhd. is appointed as Poll Administrator to conduct the polling process.
3. All attendees at the AGM will be briefed and/or guided accordingly by the Poll Administrator before the commencement of and during the voting process.

FOOD AND BEVERAGE

1. Light refreshments will be served from 12.00 noon to 2.00 pm, and members are encouraged to arrive earlier for networking.
2. Take away box will be distributed after registration or such time as may be determined by Management.

DOOR GIFTS/TAKE AWAY BOX VOUCHERS

A shareholder who is also proxies to other shareholders is entitled to a maximum of 2 corporate gifts and 2 take away box 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 3 June 2019 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.

ZELAN BERHAD
(Company No.: 27676-V)

PROXY FORM

CDS Account No.	No. of shares held

I/We, ____ (NRIC/Passport No ____________________)

of ____ Tel. No. ____________________
being a member/members of ZELAN BERHAD hereby appoint:-

Full Name	NRIC No./ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and / or (*delete if not applicable)

Full Name	NRIC No./ Passport No.	Proportion of Shareholdings	
		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 43rd Annual General Meeting of the Company to be held at **Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpu**r on **Tuesday, 11 June 2019** at **2.00 p.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of the Annual General Meeting.

(Please indicate with a check mark ("√") in the appropriate box on how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

RESOLUTION	ORDINARY BUSINESS	FOR	AGAINST
1	To re-elect Dato' Anwar bin Haji @ Aji pursuant to Article 78 of the Company's Constitution		
2	To re-elect Encik Suhaimi bin Halim pursuant to Article 78 of the Company's Constitution		
3	To approve the Directors' Fees		
4	Payment of Directors' remuneration (excluding Directors' fees and Board committee fees) to the Non-Executive Directors from 12 June 2019 until the conclusion of the next annual general meeting of the Company at the capping amount of RM400,000.00		
5	To appoint Messrs. Afrizan Tarmili Khairul Azhar (AFTAAS) as Auditors of the Company		
RESOLUTION	**SPECIAL BUSINESS**		
6	To re-appoint and to continue to act as Independent Non-Executive Director of the Company – Dato' Anwar bin Haji @ Aji		
7	To re-appoint and to continue to act as Independent Non-Executive Director of the Company – Datuk Ooi Teik Huat		
8	Ordinary Resolution - Authority to Allot Shares		
9	Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		
10	Special Resolution - Proposed Adoption of New Constitution		

……………………………………..
Signature/Common Seal of Member

Dated this ……… day of ………….….. 2019

NOTES:

1. This proxy form, duly signed, must be deposited at the Registrar's Office at BoardRoom Share Registrars Sdn. Bhd., 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.
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 2018 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 2018, please contact Cik Nur Haliza Mat Piah at telephone no: +603 9173 9173
(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
43rd AGM
11 JUNE 2019

STAMP

BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

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www.zelan.com

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