Zelan Berhad 197601001688 (27676-V)

ANNUAL REPORT 2020

45th Annual General Meeting

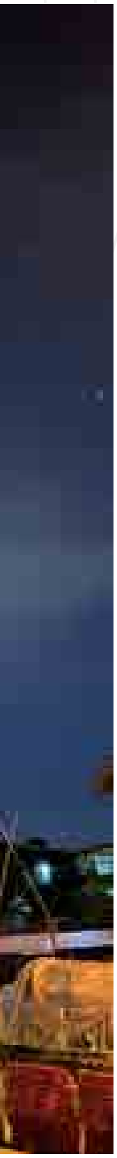
BROADCAST VENUE
Boardroom of Zelan Berhad,
24th Floor, Wisma Zelan,
No. 1, Jalan Tasik Permaisuri 2,
Bandar Tun Razak, Cheras,
56000 Kuala Lumpur

DATE & TIME
Thursday, 15 July 2021 at 2.00 p.m.

Table of Contents

1 Our Vision & Mission
2 Financial Calendar
3 5 Years' Financial Highlights
8 Management Discussion & Analysis
14 Corporate Information
15 Board of Directors
16 Board of Directors' Profile
19 Management Team
21 Corporate Structure
24 Sustainability Statement

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



ZELAN'S PRESENCE

Our Vision

To be the preferred engineering and construction group in Malaysia.

Our Mission

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

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

Corporate Values

- Integrity
- Caring
- Innovative
- Professionalism

46 Corporate Governance Overview Statement
54 Audit Committee Report
58 Statement on Risk Management and Internal Control
62 Additional Compliance Information
63 Financial Statements
164 List of Properties Held
165 Disclosure of Recurrent Related Party Transactions
166 Shareholders Information
168 Notice of Annual General Meeting
174 Statement Accompanying Notice of Annual General Meeting
175 Administrative Details
• Proxy Form

Financial Calendar

FINANCIAL YEAR ENDED 31 DECEMBER 2020

ANNOUNCEMENT OF RESULTS

First Quarter Ended 31 March 2020
30 June 2020

Amended First Quarter Ended 31 March 2020
15 July 2020

Second Quarter Ended 30 June 2020
28 August 2020

Third Quarter Ended 30 September 2020
24 November 2020

Fourth Quarter Ended 31 December 2020
31 March 2021

Amended Fourth Quarter Ended 31 December 2020
06 April 2021

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of the 45th Annual General Meeting
31 May 2021

45TH ANNUAL GENERAL MEETING

15 July 2021

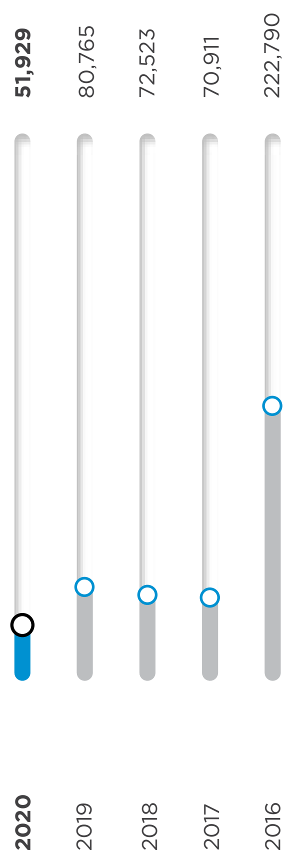
5 Years' Financial Highlights

	Financial Year ended 31.12.2020	Financial Year ended 31.12.2019	Financial Year ended 31.12.2018	Financial Year ended 31.12.2017	Financial Year ended 31.12.2016
Results					
Revenue	51,929	80,765	72,523	70,911	222,790
Gross profit/(loss)	22,851	26,748	(4,739)	(1,214)	(5,184)
Profit/(loss) before zakat and taxation	42,101	13,155	(19,230)	(71,393)	(67,056)
Profit/(loss)/profit attributable to equity holders of the Company	36,205	10,276	(23,591)	(74,071)	(67,623)
Assets					
Total assets	847,688	801,852	818,807	808,259	874,681
Total assets less current liabilities	583,652	559,575	402,833	440,474	568,706
Deposits, cash and bank balances	32,788	20,355	5,045	14,008	23,871
Liabilities and shareholders funds					
Borrowings	526,982	547,715	540,039	507,943	475,726
Equity attributable to owners of the Company	88,002	47,104	44,251	69,285	131,990
Financial Ratios (%)					
Debt to equity	599	1,162.8	1,220.4	733.1	360.4
Pre-tax return on equity attributable to owners of the Company	48	27.9	(43.5)	(103.0)	(50.8)
Share information					
Net tangible assets per share (RM)	0.10	0.06	0.05	0.08	0.16
Basic earnings per share (sen)	0.3	0.3	(2.8)	(7.9)	(8.0)
Diliuted earnings per share (sen)	0.3	0.3	(2.8)	(7.9)	(8.0)

5 Years' Financial Highlights

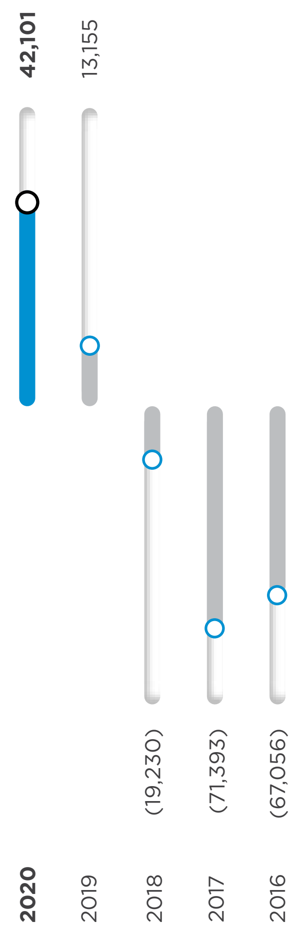
Revenue
(RM'000)

51,929



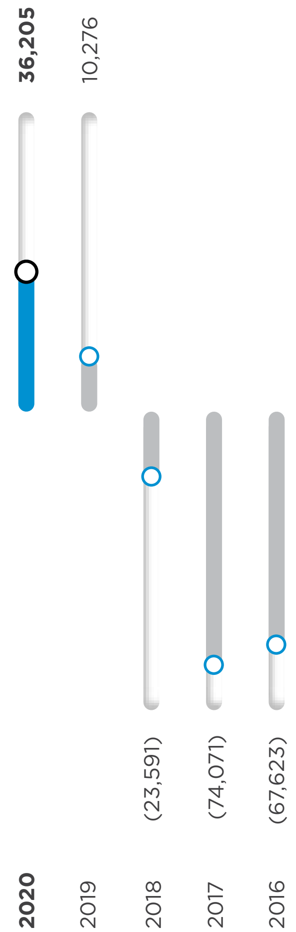
Profit/(loss) before zakat and taxation
(RM'000)

42,101



Profit/(loss)/profit attributable to equity holders of the Company
(RM'000)

36,205



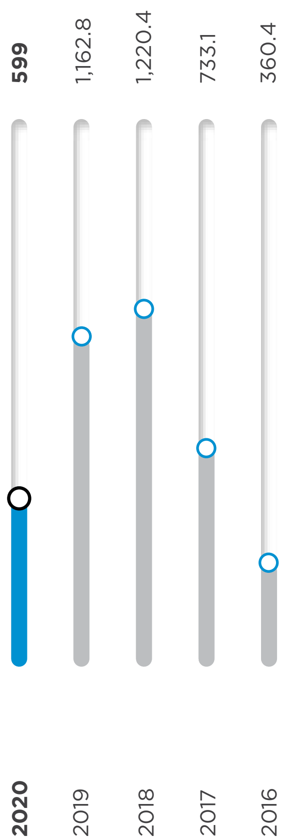
5 Years' Financial Highlights

Total assets
(RM'000)

847,688

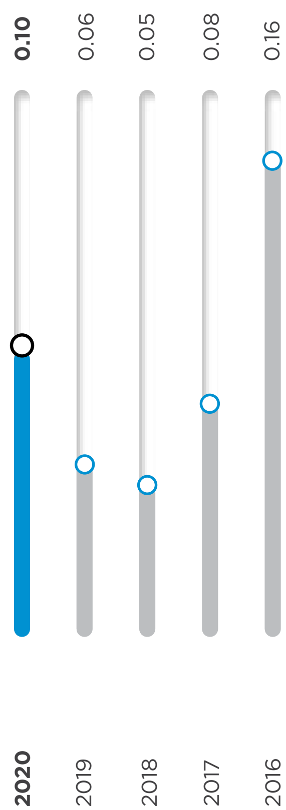
Debt to equity
(%)

599



Net tangible assets per share
(RM)

0.10



INFRASTRUCTURE ENGINEERING & CONSTRUCTION

Kuala Terengganu Drawbridge

Management Discussion & Analysis

Dear Valued Shareholders,

The year 2020 presented challenges more than opportunity for Zelan Berhad.

Dato' Anwar Bin Haji @ Aji
Chairman

Profit After Zakat Tax (RM)

36,215 MILLION

Group's revenue (RM)

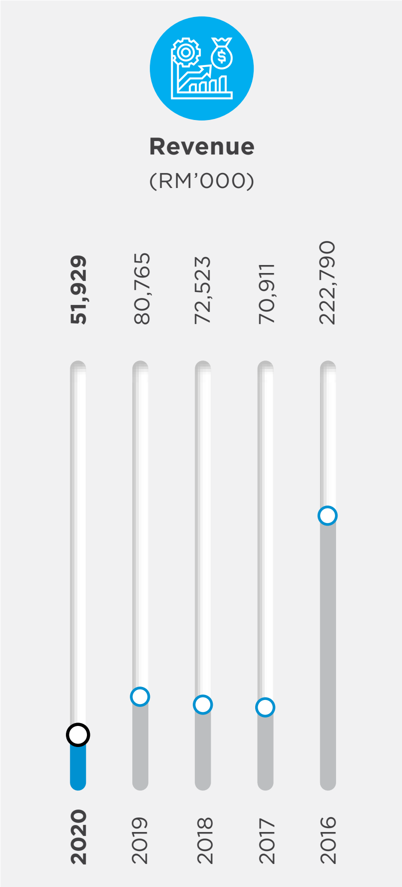
51.929 MILLION

The year 2020 presented challenges more than opportunities for Zelan Berhad ("Zelan"), an investment holding company and its subsidiaries ("the Group") principally involved in Engineering and Construction, Asset Facility Management and Property and Development. Although the Malaysian economy is expected to be on track for recovery in 2021, negative growth was recorded for year 2020 due to the COVID-19 pandemic. According to the Department of Statistics of Malaysia, Malaysia's economy recovered from the record low of -17.1% in the second quarter of 2020 to -2.7% in the third quarter of 2020. Nevertheless, despite Malaysia's resilient economic fundamentals to support its economic growth, an inevitable further decline of Malaysia's economy in the fourth quarter of 2020 led to a worse contraction in gross domestic product ("GDP") where, the overall GDP shrank by 5.6% in 2020, being the biggest contraction recorded since the 1998 Asian Financial Crisis. Notwithstanding this, a rebound of GDP growth is expected to be driven by the anticipated improvement in the global growth and international trade. As an industry player of the construction and engineering industry, the Group expects that the Construction Industry would be able to regain its momentum and improves to enable us to achieve our vision to be the preferred engineering and construction group in Malaysia.

KEY DEVELOPMENTS IN THE GROUP

The COVID-19 pandemic and several Movement Control Orders (MCO) imposed by the Government in the year 2020 had resulted in constant work suspensions on the on-going construction of the Group, except for certain works deemed critical for public safety. Although construction work had

Management Discussion & Analysis



resumed during the Conditional MCO, the level of activities on site was generally lower as the Group adopted more stringent preventive measures for staff safety under the strict standard operating procedures ("SOPs") outlined by the Government.

Despite contraction of the economy, our wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn Bhd ("KPAG") which had been issued with the Certificate of Acceptance on 5 April 2019 by the project owner, International Islamic University Malaysia ("IIUM") in respect of the concession project known as Centre for Foundation Studies (Phase 3) of IIUM, Gambang Campus, Pahang, continues to perform its Asset Management Services diligently, providing a recurring income for KPAG for the remaining balance of 14 years concession period.

Apart from the project mentioned above, in respect of the local highway project, the physical works for the ongoing project undertaken by the Group namely, the construction of the Sungai Besi-Ulu Kelang Expressway ("SUKE") Package CB-2 in Kuala Lumpur ("SUKE Project") are still in progress although nearing to its completion. Zelan Construction Sdn Bhd ("ZCSB") together with its consortium partner and the appointed sub-contractors are working together to overcome construction issues while making sure that the SUKE Project would be completed within its contractual completion date, without any risk of liquidated ascertain damages being imposed due to delay in completion.

The Engineering and Construction business segment will be the growth engine of the Group for the next few years. The Group has a proven track record in the construction of power plants, high-rise buildings, university and academic institutions, marine construction (port and jetty) and airport. The Group is also actively bidding for projects especially in

Drawbridge

Management Discussion & Analysis


SUKE Highway

the construction of road, highway and major infrastructure, as well as venturing into asset facilities management services. In line with our commitment to comply with stringent quality, safety, and environmental standards, we have obtained multiple certifications such as ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and OHSAS 18001:2007 Occupational Health and Safety Management System.

The other key development in the Group is in relation to the International Chamber of Commerce ("ICC") arbitration between the Group's wholly-owned subsidiary, Zelan Holdings (M) Sdn Bhd ("ZHSB") and the project owner, Meena Holdings LLC, due to disputes and differences between parties during the implementation of Meena Plaza Mixed Use Development Project in Abu Dhabi ("Meena Plaza Project"). Pursuant to the ICC Arbitral Tribunal final award dated 25 July 2019 ("Award"), the Arbitral Tribunal had declared that the termination by ZHSB is valid and awarded ZHSB a total of sum of approximately AED270 million plus interest. The litigation battle between ZHSB and the project owner resumed in 2020 as the project owner continued to challenge and dispute the validity of the Award, until finally the Abu Dhabi Cassation Court ruled in favour of ZHSB by rejecting the project owner's application to nullify the Award on 30 April 2020 and dismissing the project owner's application for Grievance on 25 October 2020.

Although the building site of Meena Plaza Project, including its four towers was demolished on 27 November 2020 by the Department of Municipalities and Transport of Abu Dhabi, this will not dilute the right of ZHSB to recover the awarded sum from the project owner. Further, the Award has been successfully registered and recognised in the Court of Abu Dhabi.

Management Discussion & Analysis

GROUP RESULTS

The Group posted Profit After Zakat Tax ("PAZT") of RM36.205 million for the current financial year under review, as opposed to a PAZT of RM10.276 million reported in the corresponding financial year mainly attributable to the surplus from the recognition Award sum of RM67.705 million.

Financial year ended ("FYE") 31 December 2020 saw a decreased in the Group's revenue to RM51.9 million which was lower by 35.7% from RM80.8 million recorded in the preceding financial year. The decreased in revenue is mainly due to the completion of Drawbridge Connecting Muara North and Muara South project ("Drawbridge Project") in Terengganu in June 2019. The Engineering and Construction business segment had contributed revenue mainly from the SUKE Project and the balance revenue is contributed from the Asset Facility Management segment.

BUSINESS OUTLOOK AND STRATEGIES

While it is anticipated that the economy for the year 2021 will improve as primarily supported by the expected vaccine roll-outs and global economy recovery, the risks associated with COVID-19 pandemic continue to remain. The local property market is expected to remain challenging. The key issues of price affordability, the overhang of high priced homes, rising cost of living and tight financing conditions are expected to hamper increase in demand.

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

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

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

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

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

SUKE Highway

SERVICE EXCELLENCE

Iium Gambang Campus

Corporate Information

Board of Directors

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

2 **Datuk Ooi Teik Huat**
Senior Independent,
Non-Executive Director

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

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

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

COMPANY SECRETARY

Yusrenawati binti Mohd Yusof
(MIA 33348)

AUDITORS

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

SHARE REGISTRAR

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Code: 2283

UAE OPERATIONS

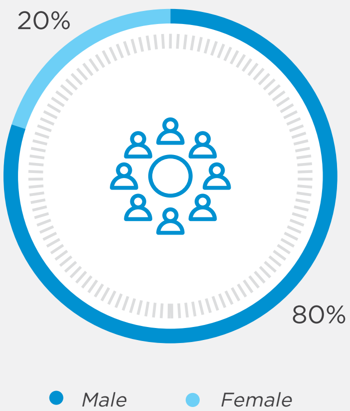
Zelan Holdings (M) Sdn. Bhd. (Regional Office) - Abu Dhabi Branch
Office No. 22, 13th Floor,
West 5, Plot 17
MISMAC Property Building,
Corniche Street, Abu Dhabi UAE
P.O. Box 106813,
Abu Dhabi, UAE
Tel : +971 507214576

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

BOARD GENDER



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

Datuk Ooi Teik Huat
Senior Independent,
Non-Executive Director

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

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

Encik Suhaimi bin Halim
Independent,
Non-Executive Director

Board of Directors' Profile

Dato' Anwar bin Haji @ Aji

Independent, Non-Executive Chairman
Malaysian, aged 71
Appointed to the Board on 11 December 2008

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 bin Haji @ Aji was re-designated as Non-Executive Chairman. He was re-designated as Independent, Non-Executive Chairman on 2 December 2014. He is also the Chairman of the Nomination and Remuneration Committee.

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

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

Dato' Anwar bin Haji @ Aji is a Chairman of Audit and Risk Management Committee of MBM Resources Berhad and member of Nominating and Remuneration Committee and Long Term Incentive Plan Committee of MBM Resources Berhad.

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

Dato' Anwar bin Haji @ Aji attended all 5 board meetings held during the financial year ended 31 December 2020.

Datuk Ooi Teik Huat

Senior Independent, Non-Executive Director
Malaysian, aged 61
Appointed to the Board on 10 July 2009

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 offence within the past five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during financial year.

Datuk Ooi Teik Huat attended all 5 board meetings held during the financial year ended 31 December 2020.

Board of Directors' Profile

Datuk Puteh Rukiah binti Abd Majid

Independent, Non-Executive Director

Malaysian, aged 68

Appointed to the Board on 15 April 2013

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 Puteh 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 5 board meetings held during the financial year ended 31 December 2020.

Encik Suhaimi bin Halim

Independent, Non-Executive Director

Malaysian, aged 65

Appointed to the Board on 11 September 2014

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 eleven (11) 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., 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 all 5 board meetings held during the financial year ended 31 December 2020.

Board of Directors' Profile

Encik Mohd Shukor bin Abdul Mumin

Independent, Non-Executive Director

Malaysian, aged 61

Appointed to the Board on 20 January 2016

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 5 board meetings held during the financial year ended 31 December 2020.

Management Team

KEY SENIOR OFFICER

Encik Hazimi bin Baharum
Chief Executive Officer

Encik Hazimi bin Baharum aged 52, a Malaysian, male, was appointed as Chief Executive Officer of the Company on 15 September 2020. He joined Zelan Berhad in March 2010 as Head of Special Projects and was promoted as Chief Operating Officer on 1 February 2012. He was previously the General Manager leading the Building and Environment Business Unit at Opus International (M) Berhad ("Opus"). Prior to joining Opus, he has also worked as a Project Manager for Zainuddin Parson and Brinckerhoff Sdn Bhd and Telekom Malaysia Berhad. He holds a Bachelor of Science in Civil Engineering from Lamar University, Texas, United States of America. He is a Project Management Professional certified by the Project Management Institute with more than 29 years of vast experience in Engineering Services and Construction Industry.

Puan Intan Nurulfaiza binti Yang Razali
Chief Operating Officer

Puan Intan Nurulfaiza aged 44, a Malaysian, female, was appointed as Chief Operating Officer of the Company on 1 December 2018. She holds a LL.M (Masters of Laws) from University of Malaya and also LL.B (Hons) – Bachelor in Law (Honours) from University of Technology Mara (UiTM) Shah Alam.

She has approximately eighteen (18) years of experience in legal profession having handled corporate, commercial, banking, capital market and real estate matters.

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

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

Management Team

MANAGEMENT TEAM

Corporate Services

Gerard Dominic Fernandez
Head of Corporate Resources

Yusrenawati Mohd Yusof
General Manager, Finance

Operations

Kamaruddin Abd Karim
Head of Planning & Monitoring

Mohd Nasir Md Saad
Head of Internal Audit

Nazihah Mohd Rashid
Head of Facilities Management

Corporate Structure

ZELAN BERHAD
197601001688 (27676-V)

- Zelan Holdings (M) Sdn Bhd — 100%
  - Sejara Bina Sdn Bhd — 100%
    - Essential Amity Sdn Bhd* — *50%
  - Zelan Construction Arabia Co Ltd — 100%
  - Zelan Construction (India) Pte Ltd — 100%
  - PT Zelan Indonesia — 95%
  - Zelan Arabia Co Ltd — 40%
  - Abu Dhabi Branch
  - Dubai Branch
  - Indonesian Branch
- Konsesi Pusat Asasi Gambang Sdn Bhd — 100%
- Zelan Construction Sdn Bhd — 100%
  - Zelan ICOP Consortium Sdn Bhd — 100%
- Zelan Enterprise Sdn Bhd — 100%
  - Vispa Sdn Bhd — 100%
  - Eminent Hectares Sdn Bhd — 100%
- Zelan Corporation Sdn Bhd — 100%
  - Zelan Development Sdn Bhd — 100%
- Zelan AM Services Sdn Bhd — 100%

Notes:
* Under Members Voluntary Winding-Up

WORK QUALITY

SUKE Highway


AMAN JOHAN
Dornseif
Dornseif
Dornseif

Sustainability Statement

STATEMENT OVERVIEW

The Zelan Group of Companies (the "Group") is committed to achieving its Sustainable Development Goals ("SDG"). The Board of Directors ("Board") is pleased to update on the progress of the sustainability initiatives implemented throughout the financial year ended 31 December 2020 based on the United Nations Sustainable Development Goals. The initiatives and practices undertaken are available under various sections of this Sustainability Statement ("Sustainability Statement").

Our Sustainability Statement presents sustainability matters that are material to the Group's stakeholders and business. The Sustainability Statement should be read in conjunction with the Annual Report 2020. It is prepared based on the international reporting frameworks including Global Reporting Initiatives ("GRI") Standards and the requirements of Bursa Malaysia Securities Berhad.

The key material sustainability agenda remained the same for the financial year ended 31 December 2020 such as Corporate Governance, Profitability, Health and Safety and Product or Service Quality. The Group's resilience in overpowering the challenges brought by the COVID-19 pandemic is a result of our long standing commitment to manage the Group's business in a sustainable, responsible and holistic manner, particularly in the focused areas.

TOP 4 MATERIAL TOPICS AND SUPPORTING SDGS

The Group reinforces SDGs that are related to the priority item as listed in the SDGs to counter various challenges including economic, social and environmental challenges.

In the financial year ended 31 December 2020, the significant issue faced by the Group was in relation to the COVID-19 pandemic, its economic consequences as well as changes in the authoritative policies relating to this. The top four most material topics were:-

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

Sustainability Statement

SUSTAINABILITY GOVERNANCE

OUR COMMITMENTS

In line with the commitment to sustainable development in our daily operational activities and throughout Group, we commit to:-

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

OUR EXPECTATIONS

The Group believes that sustainability is not an option but a condition for future prosperity. Thus, we aim to:-

- Not cause or contribute to adverse social and environmental impacts;
- Commit to time bound plans to achieve progression of sustainability commitments; and
- Comply with all applicable local, national and international ratified laws and regulations and other statutory requirements.

Sustainability Statement

Vibrant Marketplace

The Group's drive for sustainable growth is achieved not only through shared values but also through the synergies across the Group.

Corporate Governance

The Group continues to be committed to maintain good corporate governance by constantly having in place an effective Corporate Governance framework which is in line with the Malaysian Code on Corporate Governance 2017 ("Code"). The Principles and Practices of the Code are carried out across the Group to ensure that high standards of transparency, accountability and integrity are achieved in managing the Group's business. The Board believes that having a strong corporate governance framework is the key to enhancing shareholders' value and the Group's financial performance sustainably, as well as protecting stakeholders' interests.

Engaging Stakeholders

The Group recognises the importance of effective and open communication with shareholders and investors. Information on the Group's business activities and financial performance is disseminated through various mediums including announcements of quarterly results, annual report, annual general meeting and other company activities. It helps us in addressing the concerns raised and identifies areas that need improvement.

Sustainability Statement

The Diverse group of stakeholders are shown as below:-

Stakeholders/Areas of Interest	Methods of Engagement	Frequency
Investors, Lenders & Shareholders • Group's financial and operational performance.	• Annual General Meeting; • Quarterly financial results announcement; • Corporate website; • Annual report; and • Press release.	• Annually • Quarterly • Throughout the year • Annually • As and when required
Board of Directors • Group's financial and operational performance; • Corporate Governance and compliance; • Socio-environmental practices and commitments; and • Risk Management.	• Quarterly Board and Audit Committee Meetings; • Directors' training ; and • On-going communications.	• Quarterly • As and when required • Throughout the year
Clients and Customers • Timely delivery of projects/ services; • Sustainability management i.e. ISO Certification; • Quality of deliverables; and • Project progress.	• Corporate website; • Regular meeting with Clients; • Events and site visits; and • Clients' satisfaction surveys	• Throughout the year • As and when required • Throughout the year • Annually
Government Agency/Regulator • Compliance with regulations; • Approval and permit; • Annual reporting; and • Certification/awards	• Regular meetings with regulators; • Periodic site visits and audit; and • Compliance and certification exercise.	• Throughout the year • Throughout the year • As and when required
Media • Industry outlook; • Company reputation; and Company events and activities;	• Press release.	• As and when required
Subcontractors and suppliers • Contractual terms agreement; • Quality and timely delivery; and • Subcontractors/suppliers' compliance, capabilities and commitment.	• Tender evaluation and qualification; • Contract negotiation; • Site visits; • Factory visits; • Independent testing laboratories; and • Events, briefing and training.	• Throughout the year • Throughout the year • Throughout the year • Throughout the year • Throughout the year • Throughout the year

Sustainability Statement

Stakeholders/Areas of Interest	Methods of Engagement	Frequency
Employees • Career development; • Learning and development; • Welfare and benefits; and Safety and Health at workplace.	• Staff e-portal; • Annual performance appraisal; and • Work safety training on site.	• Throughout the year • Annually • Throughout the year

Sustainability Progress

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

Target	Financial Year	Progress
Corporate		
Establish a Group sustainability roadmap	2020	In progress. Targeted to resolve in FY2021 to comprehensively address our diverse business activities.
Environment		
Perform carbon footprint assessment	2020	In progress. Targeted to resolve in FY2021 to comprehensively address our diverse business activities.
Environmental Monitoring	2020	Done. The environmental monitoring is being conducted at the project worksites on monthly and quarterly basis.
Waste Management	2020	Completed.
Community		
Corporate Social Responsibility ("CSR")	2020	On-going commitment. We will conduct more CSR initiatives in future.
Workplace		
Zero fatalities at the workplace	2020	Achieved. There were no fatalities at our worksites in FY2020.

Our Participation in Industry

The Group has actively participated in industry association activities to learn, develop and contribute towards best practices for the construction industry. The list of associations we participated in are as below:-

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

Sustainability Statement

Risk Management

Risk Management is important to avoid unexpected events that could affect the objectives of the Group. This is essential in ensuring the sustainability of the Group's business and operational performance.

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

In line with the Group's pledge to ensure business sustainability, the key risk areas identified are aligned with the Group's corporate key business objectives. The risk strategic outcomes were deliberated at both management and Board levels with the following processes carried out throughout 2020.

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

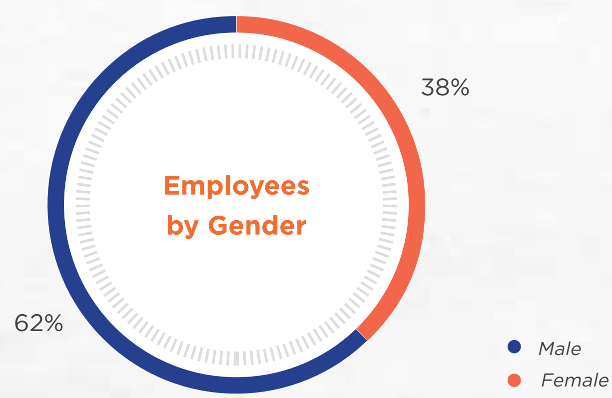
The Group has established a comprehensive Risk Register which outlines various risk factors and the mitigation efforts put in place. Information about the Group's risk management approach is as disclosed in the Statement of Risk Management and Internal Control of this Annual Report.

With the rich diversity in the background of our people, an environment that draws from a wealth of knowledge, experience and multiple perspectives is created to enhance the Group's culture and business operations. The Group ensures that all employees work together as "One" by sharing a common understanding of the corporate culture, leadership values and behaviours and professional competencies required to achieve both individual and business goals. Our corporate core values are keys to achieve this balance. It also reinforces the Group's commitment to Integrity, Health Safety Environment ("HSE"), Quality, Excellence and Competency. The Group values diversity and promotes the proactive exchange of knowledge and experience to continually develop the Group's workforce.

Diverse and Balance Workforce

The Group welcomes diversity in proficiency and background of workforce. It is through the different perspectives of each individual in our dynamic workforce, that spurs creativity, allowing the Group to pave the way for innovative solutions. The graphs beside and below illustrate the Group's employee distribution by gender, by race and by length of service.

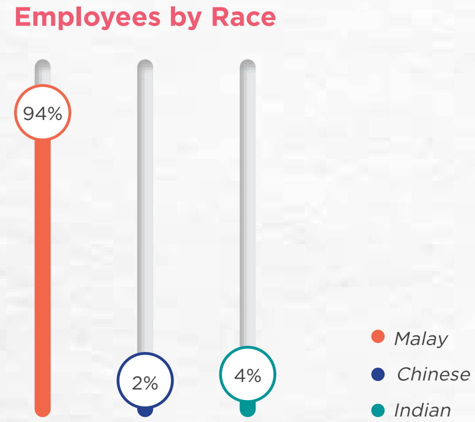
Figure 1: Employee Breakdown by Gender



Sustainability Statement

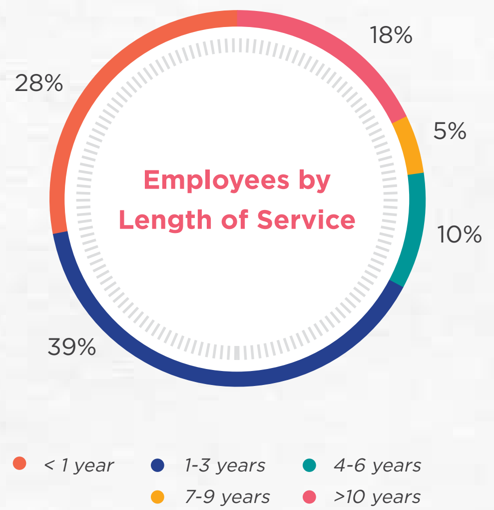
In the financial year ended 31 December 2020, given the physically demanding nature of the work at the project sites, 62% of our employees comprised men. Our workforce continues to be male dominated given the nature of work involved in construction. Nonetheless, the Group believes in an inclusive workplace and this includes promoting and improving gender equality in the Group. In our efforts to achieve gender balance, we encourage our female employees to actively plan their careers and take ownership of their development.

Figure 2: Employee Breakdown by Race



The breakdown of our workforce by ethnicity is Malay (94%); Chinese (2%) and Indian (4%).

Figure 3: Employees by Length of Service



For the Financial Year ended 31 December 2020, our workforce is varied in terms of length of service. About 39% of the workforce have worked for the Group between 1 to 3 years, while 28% of the workforce are new hires and have worked less than one year. The new hires are predominantly for asset facilities management at International Islamic University Malaysia ("IIUM") Phase 3 in Gambang. While, 18% of our workforce have been with Group for more than 10 years.

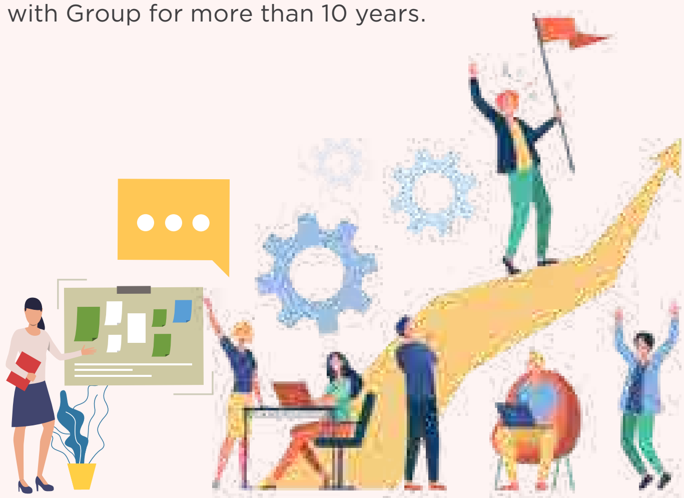


Figure 4: Employees by Ranking Level

In terms of workforce breakdown, Management level is at 15%, Executive Level is at 72% and Non-Executive Level is 13%.

Types of benefit	Details
Leaves	Annual Leave, No Pay Leave, Sick or Hospitalisation Leave, Marriage Leave, Paternity Leave, Maternity Leave, Examination Leave, Compassionate Leave, Prolonged Illness Leave
Flexi-Wellness	Outpatient Treatment, Hospitalisation, Additional Pre and Post Natal Expenses, Dental Treatment
Insurance	Group Term Life Insurance, Surgical and Hospitalisation Insurance, Personal Accident Insurance
Others	Mileage Claims, Hotel Accommodation & Air Travel Transfer Allowance, Mobile Phone Bill, Parking Subsidy, Car Allowance and Petrol Card

Achieving Employee Well-Being

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

The Group implements HSE best practices at our workplace to ensure safety of our workforce and minimise the risk of accidents, injuries and exposures to health risks. Welfare facilities such as conducive workplace, clean pantry, sanitary facilities, wash basins and prayer rooms are made available and accessible to all workers for clean and condusive workplace.

Learning and Development

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

Whistleblowing

The Group acknowledge the importance of providing a safe and trusted channel for our employees to escalate issues and any wrongdoing such as bullying and harassment. As such, we have implemented a whistleblowing policy which spells out our stand and procedure for reporting corruption and other wrongdoings.

QUALITY, ENVIRONMENT, SAFETY AND HEALTH (“QESH”)

The Company QESH Policy demonstrate our commitment to stakeholders with respect to QESH. Our aim is to set and maintain standards of QESH management, to ensure the wellbeing of the project quality, staff and others who may be affected by the Group activities. The Company’s Quality, Environment, Safety and Health Management System (“QESHMS”) certified under the ISO9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and ISO45001:2018 (Occupational Health & Safety Management System) standards, currently cover 100% of its activities. This system reflects the Company’s fundamental thrust towards inculcating total QESH management principles, practices and values and we strive to continuously improve our QESH performance.

Group Commitment to QESH

The Company has expressed its commitment towards quality, environment, safety and health in its QESH Policy. This ensures that the QESH Policy is regularly updated and enhanced as a result of our on-going monitoring and review of operations and activities.

Sustainability Statement

QESH POLICY

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

By

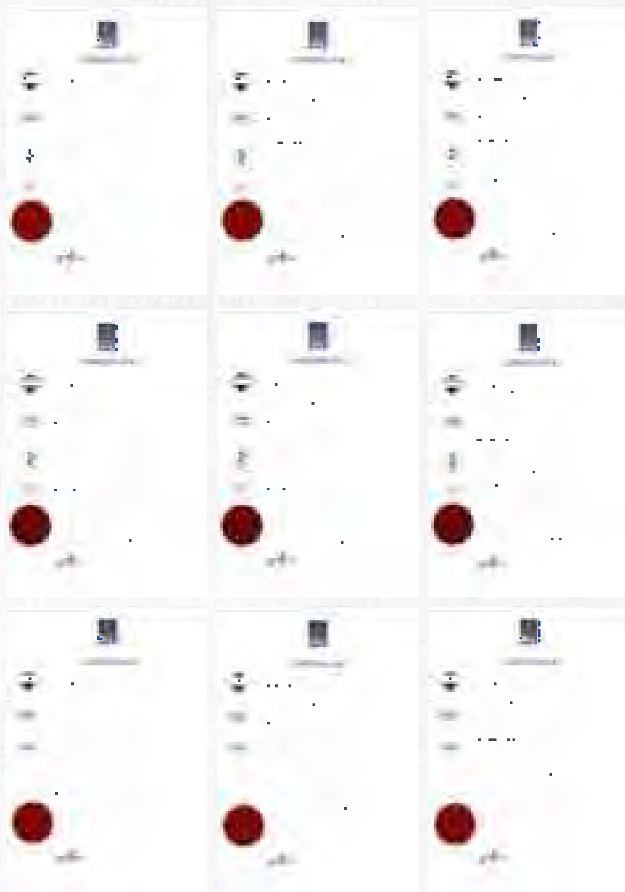
Zealously pursuing compliance to all interested parties' requirements.

Ensuring all work is initiated only after risk and opportunities assessment is conducted.

Liaising with all stakeholders in producing the QESHMS and continuously improving it.

Assuring prevention of defects, reworking, pollution, accidents and conservation of resources for all projects.

Not tolerating any breaches of the Company's management system requirements that will cause any losses, bad reputation, incidents that cause safety and health issues and pollution.



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

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

Ensuring our employees are in a safe workplace is a main focus of the Group. It is our policy to place the health and safety of our employees, contractors and visitors as one of our top priorities. We continuously strive to improve our OSH performance through the implementation of various programmes. We provide adequate and relevant training to ensure that people responsible for tasks involving significant safety hazards have the necessary training and skills.

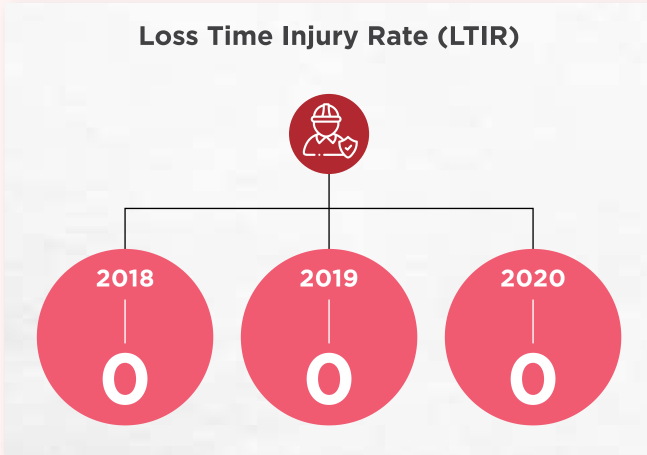
Sustainability Statement

i) Workplace Accidents

In the financial year 2020, we achieved our project safety objective of zero "Loss Time Injury Rate (LTIR)" with record of no on-site fatality reported. Group documented a total of zero case of incident across all projects during the reporting period of 2020.

LTIR Number of work-related employee and contractor fatalities over the last 3 years are as follows:

OSH Audit by Department of Occupational Safety and Health ("DOSH") at IIUMCFS Gambang



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

** *Loss Time Injury Rate is defined as the number of Lost Time Injuries per million man-hours worked. Lost Time Injuries is further defined as a work related injury or illness which renders the injured person unable to perform his/her normal duties on any day immediately following the day of the incident. It includes fatality, permanent total disability, permanent partial disability and loss of workday case. The Lost Time Injury Rate is based on aggregated Employee and Contractor man-hours*

ii) OSH Awareness, Trainings And Initiatives

At Zelan, safety and health are of utmost importance. OSH training and development programmes are imperative to keep abreast with current relevant regulatory requirements and to equip employees and sub-contractors with the necessary skills to carry out project development. We provide both internal and external training throughout the year to monitor employees and subcontractors. We enhance our employees' and sub-contractors' capabilities by providing a wide range of soft skills and technical trainings, including OSH. In FY2020, On-Job-Trainings were conducted at project sites on topics such as emergency response, scheduled waste management, sediment and erosion control, plant and machinery handling as well as environmental management systems. We prepare employees to be constantly alert and to respond quickly in the event of an emergency. Possible types of emergency situations such as fire and explosion, chemical spillage and slope failure have been identified for project sites and series of drills were conducted to test the effectiveness of the site-specific Emergency Preparedness and Response Plan.

Sustainability Statement

Safety Briefing at SUKE Project

Safety Briefing at SUKE Project

Safety and Security Training For Security Management at IIUM CFS Gambang

HSE Committee Meeting at SUKE Project

iii) Health, Safety and Environment ("HSE") Committee

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

Sustainability Statement

iv) Zero Larvae, Zero Dengue

We continue to promote our "Zero Larvae, Zero Dengue" programme at our workplaces through the implementation of scheduled fogging activity. This activity is continually being done on site, not only to protect our workers, but also the community around us.

Fogging Activity at IIUM CFS Gambang

v) COVID-19 Response

Zelan adheres to all regulations and guidelines issued by the Government of Malaysia in response to the COVID-19 outbreak to safeguard our employees and communities from the disease. At the early onset of the COVID-19 outbreak, the Company's immediate priority was to protect the health and safety of our employees, and preventive steps were taken to manage the risk of exposure and infection. These included business travel restrictions and temperature monitoring at key sites. Since then, we have proactively implemented additional procedures and safety measures at all our operational sites. These measures include mandatory wearing of masks, regular sanitisation of premises, physical segregation, testing, split team and working from home arrangements. We will continue to monitor the situation, and will as a minimum, adhere to the laws and guidelines by local authorities. The safety of our staff, their families, and our wider network of partners and customers remain our top priority.

COVID-19 Task Force Team established by Dean of IIUM CFS Gambang

Sustainability Statement

Reducing Environment Footprint

The Group recognises that climate change poses a significant long term risk to the environment and the business. Hence, the Group is committed to operating responsibly to ensure we minimise our impact to the environment, taking into consideration the energy consumption, greenhouse gas emissions, the protection of biodiversity, water consumption, waste management and prevention of pollution. We emphasised 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 includes land use, materials and energy, which produce greenhouse gas emissions and other wastes. Construction also negatively affects flora and fauna to some extent. However, we have set key targets to prevent environmental pollution, manage construction waste and conserve resources. A systematic environmental aspects-impacts evaluation combined with implementing operational controls and training help minimise this irreversible environmental damage.

Our Environmental Management System ("EMS") helps us to comply with Management Standard International Organisation for Standardisation for Environmental Management System ("ISO 14001:2015") 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.

Sustainability Statement

Potential Environmental Impacts from Our operations

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

ENVIRONMENTAL MONITORING

A. Pollution Control

Construction sites cause a significant impact to environment and the Group minimises the environmental damage it causes with the following initiatives:-

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

Tyre cleaning at the entrance before entering public road

Maintenance of Project Hoarding

B. Air Monitoring

The Group monitors the air quality by establishing air quality monitoring programmes in place to ensure compliance with the emission limits stipulated by the Department of Environment ("DOE") and to minimise the impact of our construction activities (land clearing, operation of diesel engines and other dust generating activities) on the ambient air quality. Total Suspended Particles must not exceed the DOE limit of 120.0 to 260.0 $\mu g/m^3$ for all our project sites. Our readings ranged from 19.0 to 93.0$\mu g/m^3$. All were within the DOE limits.

Sustainability Statement

Total Suspended Particles (μg/m³)

Project	Limit	Baseline	Minimum	Maximum	Average
SUKE	120.00	27.00	19.00	93.00	42.82

C. Water Monitoring

Our construction activities generate surface water runoff which is discharged into water bodies within or adjacent to project sites. We conduct monthly monitoring of total suspended solid ("TSS") at final discharge points to ensure its levels are within DOE limit or Conditions of Approval's compliance limit.

Total Suspended Solids (mg/l)

Project	Limit	Baseline	Minimum	Maximum	Average
SUKE	50.00	34.00	07.00	358.00*	38.97

* High reading arise from one-off event due to upstream activity at SUKE and monsoon season

D. Noise Monitoring

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

Project	Noise Monitoring (Day)					Noise Monitoring (Night)				
	Base Line	Min	Max	Ave Rage	Limit	Base Line	Min	Max	Ave Rage	Limit
Suke	66.70	42.90	62.2	56.40	60	60.75	48.9	63.80	58.52	70

WASTE MANAGEMENT

Waste management is an important part of the infrastructure as it ensures the protection of the environment and of human health. The characterisations of waste are key factors that affect environmental sustainability. In support of green initiatives, our employees continue to practice simple daily routines such as separating and recycling waste, and minimising printing by using both sides of paper as well as using recycled paper. We continue to practice the 3R (Reduce, Reuse, Recycle) approach to manage wastes generated by our operations. On the other hand, we use Life Cycle Analysis ("LCA") to assess the environmental impacts of the waste generated from our activity in accordance with ISO14001:2015.

Sustainability Statement

Waste disposal bin located at the project site

Scheduled Waste

Scheduled waste generated in our sites is managed according to Environmental Quality (Scheduled Wastes) Regulations 2005. Scheduled waste generated is properly stored and labelled at our project sites and disposed when it reaches a certain quantity or duration. We only appoint contractors who are licensed by the DOE to collect and transport the scheduled waste for treatment prior to disposal.

Scheduled Waste Generated Off in 2020

Waste Type	Scheduled Waste Code	Amount (Kg)
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	847.10
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	SW 409	133.5
Rags, plastics, papers, or filters contaminated with scheduled wastes.	SW 410	1
TOTAL		**999.6**

WATER MANAGEMENT

Water management plays an important role in the assessment of a construction project's impact on the environment, particularly in civil engineering works. A large amount of water is typically used in the construction process — for cooling, general cleaning and many others. Therefore, Group minimise the negative impact of our projects on the environment, we seek to reuse and recycle the water at our construction sites as much as possible. 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 utilised for activities such as wheel washing and dust suppression which reduces carbon emissions as river water does not require purification or present problems of leaking or long distance pumping.

Sustainability Statement

CORPORATE RESPONSIBILITY STATEMENT

We consider the Group as a responsible business entity that not only focuses on the business performance but also strives to fulfil its corporate social responsibility to local communities, especially the communities at the Group's significant location of operation. In fulfilling its role as a good corporate citizen, the Group is fully committed to practicing 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.

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

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

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

Sustainability Statement

Business Governance & Ethics

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

Customer Satisfaction

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

We aspire towards full realisation of the ISO standards throughout our operations and the application of established quality practices and policies. We are at present accredited with the MS ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupational Health & Safety Management) for Provision of Design and Construction Services for Building and Civil Engineering Works including related Construction Management activities.

Investors Relations

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

Our People

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

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

Sustainability Statement

Members of the Board present at Boardroom of Zelan Berhad during 44th Virtual Annual General Meeting.

Caring for the Communities

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

Management & Auditor during 44th Virtual Annual General Meeting

Sustainability Statement

Caring for the Environment

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

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

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Zelan Berhad (or "the Company") is pleased to present this Corporate Governance Overview Statement ("Statement") to provide investors with an overview of the extent of compliance with the three (3) Principles as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") by the Company throughout the financial year ended 31 December 2020. This Statement also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Corporate Governance Report is available on the website of Bursa Malaysia together with the Annual Report 2020 and is also posted on the Company's website at www.zelan.com. The Board of Directors remains committed to ensuring that good corporate governance principles continue to be developed and implemented throughout the Group with the ultimate objective of enhancing shareholders' value, whilst taking into account the interests of shareholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board sets the strategic direction of the Group, establishes mission and vision for the management and diligently monitors its performance so as to protect and enhance shareholders' value. The Board is responsible for the preparation of the Company's and Group's financial statements in accordance with the provisions of the Companies Act 2016 ("Act") and the applicable approved accounting standards in Malaysia, overall strategic planning, risk management, system of internal controls, succession planning, investor relations programme, sustainability as well as the corporate governance within the Group.

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

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

Corporate Governance Overview Statement

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

2. The Roles and Responsibilities of the Chairman and the Chief Executive Officer

The roles of the Non-Executive Chairman and the Chief Executive Officer ("CEO") are distinct and separate, and the positions are held by different individuals, in order to ensure that there is a balance of power and authority. The responsibilities of the Non-Executive Chairman and the CEO are set out in the Board Policy Manual 2018.

3. Company Secretary

The Board is supported by a competent and qualified Company Secretary to provide sound governance advice, ensure adherence to Board policies, rules and procedures, and advocate adoption of corporate governance best practices. The Company Secretary advises the Board on corporate governance related matters and the Board policies and procedures, and ensures the Board complies with the relevant rules and regulatory requirements as well as updates issued by the relevant regulatory authorities from time to time. The Company Secretary has 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. Board and Board Committees Meetings

All Directors are provided with performance and progress reports on a timely basis. All Board papers, including those on complicated issues or specific matters and minutes of all Board Committee meetings, are distributed electronically at least five (5) business days in advance to ensure Directors are well informed and have the opportunity to seek additional information, and are able to obtain further clarification from the Company Secretary/Management, should such a need arise. The Company Secretary always ensures proper minutes of all deliberations and decisions of the Board and Board Committees are recorded. Board meetings (including Board Committees' meetings) are scheduled in advance prior to the new calendar year, to enable the Directors to plan ahead and coordinate their respective schedules and/or events. The Board conducts at least five (5) schedule meeting which is four (4) quarterly and one (1) audited accounts meeting. Directors are also invited to attend the Board Committees' meetings, where deemed necessary. During the FY2020, five (5) Board meetings were held.

Name of Director	Attendance	Percentage
Dato' Anwar bin Haji @ Aji	5/5	100%
Datuk Ooi Teik Huat	5/5	100%
Datuk Puteh Rukiah binti Abd Majid	5/5	100%
Encik Suhaimi bin Halim	5/5	100%
Encik Mohd Shukor bin Abdul Mumin	5/5	100%

5. Access to Information and Advice

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

Corporate Governance Overview Statement

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

6. Code of Ethics and Conduct

The Board is committed to creating a corporate culture within the Group to operate the businesses of the Group in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct. The Board adheres to the principles and standards of business ethics and conduct as stipulated in the Code of Ethics and Conduct ("CEC") of the Group, which include the areas of conflict of interest, insider information, protection of funds and assets of the Group, compliance with the laws, personal gifting, sexual harassment, outside interest and misconduct. To further uphold the standards of professionalism and exemplary corporate conduct, the Board has adopted No Gift Policy and Anti-Bribery and Corruption Policy ("ABC Policy") to set out some parameters to prevent the occurrence of bribery and corrupt practices in relation to the businesses of the Group. The CEC and ABC Policy are available for reference at www.zelan.com.

7. Whistleblowing Policy

The Board encourages employees and associates to report incidences of suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, wastage, and/or abuse involving the resources of the Group. The Whistleblowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, wastage and/or abuse. The Whistleblowing Policy is posted on the Company's website at www.zelan.com for ease of access for reporting by employees, associates and third parties of the Group.

8. Board Composition

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

The Independent Non-Executive Directors play a crucial role of bringing objectivity to the decisions made by the Board. They provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

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

Datuk Ooi Teik Huat has served the Board as Independent, Non-Executive Director for more than twelve (12) years cumulatively. Justifications on the continuation of Datuk Ooi Teik Huat as Senior Independent Non-Executive Director are provided in the Notice of Annual General Meeting.

Corporate Governance Overview Statement

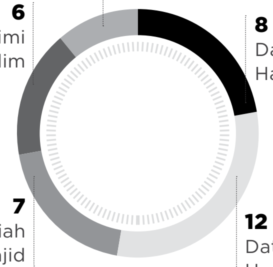
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

8. Board Composition (Cont'd)

Length of tenure of Independent Directors

0-5 Years	6-9 Years	10-12 Years	12 Years above
1	3	0	1

Years of Service



9. Boardroom Diversity

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

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")

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

The summary of activities of the AC are reported on pages 54 to 57 of the Annual Report.

Nomination and Remuneration Committee ("NRC")

The NRC comprises the following members:-

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

Corporate Governance Overview Statement

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

10. Board Committees (Cont'd)

As for NRC, during the financial year ended 2020, the NRC has undertaken the following activities in the discharge of its functions and carried out its duties as set out in the TOR of the NRC. The primary objectives of the NRC are as follows:-

(a) conducted evaluation to assess the effectiveness of the Board as a whole and Board Committees;
(b) assessed the appointment and performance of Chief Executive 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.

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

During the financial year ended 31 December 2020, the NRC had met four (4) times.

11. Director's Training

During the financial year ended 31 December 2020, Directors have attended various relevant in-house and external training programmes, workshops, seminars, briefings and/or conferences. The trainings attended by the Directors were related to corporate governance, finance, industry knowledge, cybersecurity and resilience, digitalisation, sustainability and legislations (including the Malaysian Anti-Corruption Commission (Amendment) Act 2018).

During the financial year under review, the training sessions attended by Directors include the followings:

No.	Training/Workshop/Seminar Attended	Organiser	Date
1.	Audit Committee Conference	Malaysian Institute of Accountants	9 April 2020
2.	MS ISO 37001: 2016 Anti Bribery Management System Workshop.	Pelaburan Hartanah Berhad and Institute Integrity Malaysia.	20 July 2020
3.	How to Drive, Survive and Thrive Through The Economic Crisis.	Malaysian Institute of Corporate Governance	28 August 2020
4.	Managing Recurrent Related Party Transaction.	CKM Advisory Sdn Bhd	27 October 2020
5.	Cyber Security Awareness	MMC Corporation	16 December 2020
6.	The Quiet Transformation of Corporate Governance	Institute of Corporate Directors Malaysia	3 December 2020
7.	Malaysia Budget 2021 - Presentation by Ernst & Young	DRB-HICOM	9 December 2020
8.	Cyber Security Awareness And Budget 2021 Tax Proposals - Briefing by Pricewaterhouse Coopers Risk Services Sdn Bhd & PricewaterhouseCoopers Taxation Services Sdn Bhd	MMC Corporation	16 December 2020
9.	General Understanding of Sec. 17A, MACC Act 2009	Tricor Knowledge House Sdn Bhd	4 June 2020

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 2020 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	8,000	291,000	45,116.87	443,116.87
Datuk Ooi Teik Huat	86,000	14,000	-	-	100,000
Datuk Puteh Rukiah binti Abd Majid	76,000	14,000	-	-	90,000
Encik Suhaimi bin Halim	60,000	11,000	-	-	71,000
Encik Mohd Shukor bin Abdul Mumin	40,000	5,000	-	-	45,000
Total	**361,000**	**52,000**	**291,000**	**45,116.87**	**749,116.87**

Notes:
* *Other Allowances comprises director's allowance, car allowance and entertainment allowance.*
** *Benefit-in-kind comprises company driver, petrol and mobile phone bill (based on average monthly usage for the Relevant Period).*

13. Remuneration of Top Seven (7) Management

Currently the Group is headed by Encik Hazimi bin Baharum as Chief Executive Officer and Puan Intan Nurulfaiza binti Yang Razali as the Chief Operating Officer of the Company.

The following are the management's remuneration for the financial year ended 31 December 2020:

Ranges of Remuneration (RM)	Number of Management
RM350,000 to RM400,000	2
RM300,000 to RM350,000	0
RM250,000 to RM300,000	0
RM200,000 to RM250,000	2
RM150,000 to RM200,000	1
RM100,000 to RM150,000	1
RM50,000 to RM100,000	1

(The details of management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talent. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to management's remuneration are appropriately served by disclosure in RM50,000 bands.)

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE RISK MANAGEMENT

1. Audit Committee

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

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

The effectiveness and the composition of the Audit Committee are evaluated annually through the Board Evaluation Assessment, with a view to maintaining an independent and effective Audit Committee. The TOR and summary of activities of the AC are reported on pages 54 to 57 of the Annual Report. For the financial year ended 31 December 2020, the Audit Committee met seven (7) times.

2. Risk Management and Internal Control

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

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

The Group's Internal Control Statement is set out on page 58 to 61 of this Annual Report.

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

1. Dialogue Between Company and Investors

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

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

2. Conduct of General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Company had served more than twenty eight (28) days' prior notice to its shareholders for its forthcoming Forty-Five Annual General Meeting (45th AGM) which will be held on 15 July 2021. 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 AGM.

Corporate Governance Overview Statement

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS (CONT'D)

2. Conduct of General Meetings (Cont'd)

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

3. Constitution of the Company

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

4. Anti-Bribery and Anti-Corruption

In an amendment to the Malaysian Anti-Corruption Commission Act 2009 ("MACC"), a corporate liability provision has been introduced, which criminalises a company based on illegal actions taken by its employees (without the presence of adequate procedures) for the benefit of the company. This new provision came into force in June 2020. As such, the Group will be focusing on implementing the policies and procedures to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices.

This Corporate Governance Overview Statement is made in accordance with a Resolution of the Board dated 31 May 2021.

Audit Committee Report

The Audit Committee of Zelan Berhad is formed with the main objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal control, risk management processes, financial reporting and internal control. The Board of Zelan Berhad ("Board") is pleased to present the Audit Committee ("AC") Report for the Group's financial year ended 31 December 2020 as follows:-

1. COMPOSITION AND MEETINGS

As at the date of this report, 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").

During the financial year ended 31 December 2020, the AC convened seven (7) AC meetings in Zelan Berhad ("Company"). The Chief Executive Officer, Chief Operating Officer, General Manager of Finance, Head of Internal Audit and representatives of the external auditors were in attendance to present the relevant reports and proposals to the AC at the meetings which include *inter alia*, the auditors' audit plans and audit reports, the quarterly results of the Group and the audited financial statements for the financial year ended 31 December 2019. The AC had also conducted 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	7/7
Datuk Puteh Rukiah binti Abd Majid	Independent Non-Executive Director	7/7
Encik Suhaimi bin Halim	Independent Non-Executive Director	7/7

In exercising its duties and functions, the AC briefed and reported to the Board on the important or major issues and concerns discussed during the AC's meetings and where appropriate, made necessary recommendations to the Board. The minutes of each meeting were noted at the Board of Directors meetings.

2. TERMS OF REFERENCE ("TOR") OF THE AUDIT COMMITTEE

2.1 Membership

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

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

Audit Committee Report

2. TERMS OF REFERENCE (“TOR”) OF THE AUDIT COMMITTEE (CONT’D)

2.1 Membership (Cont’d)

The requirement is that at least one (1) member of the Audit Committee:

i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience, and
   a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
   b) he must be a member of one (1) of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia.

The AC Chairman, Datuk Ooi Teik Huat is a member of the Malaysian Institute of Accountants (“MIA”) and complies with Paragraph 15.09 (1) (c) (i) of the Main Market Listing Requirement (“MMLR”) of Bursa Securities.

2.2 Meetings and Minutes

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

At least twice (2) a year the AC shall meet with the External Auditors without any executive of the Group being present. Both Internal and External Auditors may request a meeting with the AC if they consider necessary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the AC shall report on each meeting to the Board at the quarterly Board meetings.

2.3 Quorum

A quorum of the AC meeting shall be two (2) members and shall comprise Independent Directors.

2.4 Secretary

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

2.5 Authority

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

i) to investigate any matters within its Terms of Reference;
ii) to have access to the resources which are required to perform its duties;
iii) to have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group;
iv) to have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity;
v) to obtain independent professional or any other advice where necessary; and
vi) to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of Management of the Company, whenever deemed necessary.

Audit Committee Report

2. TERMS OF REFERENCE ("TOR") OF THE AUDIT COMMITTEE (CONT'D)

2.6 Duties

The duties of the AC are as follows:

i) to consider the appointment of the External and Internal Auditors, the audit fee and any questions of resignation or dismissal, and inquire into staffing and competence of the External and Internal Auditors in performing their work;
ii) to discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen with the External and Internal Auditors before the audit commences and ensure that adequate tests to verify the financial statements and procedures of the Group are performed;
iii) to discuss the impact of any proposed changes in accounting principles on future financial statements;
iv) to review the results and findings of the audit and monitor the implementation of any recommendations made therein;
v) to review the quarterly and annual financial statements before submission to the Board, focusing particularly on:
   - any changes in accounting policies and practices;
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going concern assumptions;
   - compliance with accounting standards; and
   - compliance with stock exchange and legal requirements.
vi) to discuss issues and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss (in the absence of Management where necessary);
vii) to review the assistance given by the employees to the External Auditors;
viii) to ensure adequacy of the scope, functions, competency and resources of the Internal Audit functions and it has the necessary authority to carry out its work;
ix) to review the Internal Audit programme, consider the major findings of Internal Audit investigations and Management's response and ensure coordination between the Internal and External Auditors;
x) to keep under review the effectiveness of internal control systems and in particular, review the External Auditors' management letter and Management's response;
xi) to consider any related party transactions that may arise within the Company or Group;
xii) to review all prospective information provided to the regulators and/or the public;
xiii) to report promptly to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad's Listing Requirements; and
xiv) to carry out such other assignments as defined by the Board.

3. SUMMARY OF ACTIVITIES

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

i) reviewed the External Auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the External Auditors presented their audit strategy and plan;
ii) reviewed the results of the audit, the audit report and the management letter, including Management's response, with the External Auditors;
iii) considered and recommended to the Board for approval of the audit fees payable to the External Auditors as disclosed in the financial statements;
iv) reviewed the Audited Financial Statements of the Group prior to submission to the Board for their consideration and approval;

3. SUMMARY OF ACTIVITIES (CONT'D)

v) reviewed the Group's compliance in particular the quarterly and annual financial statements with the Listing Requirements of the Bursa Malaysia Securities Berhad, Approved Accounting Standards and other relevant legal and regulatory requirements;
vi) reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval;
vii) reviewed the related party transactions entered into by the Company or Group;
viii) reviewed the Internal Audit Department's resources, requirements, program and plan for the financial year under review;
ix) reviewed the Internal Audit Reports, which highlighted the risk issues, recommendations and Management's response; discussed the actions taken to improve the system of internal control based on improvement opportunities identified in the Internal Audit Reports, with Management;
x) recommended to the Board improvements in internal control, procedures and risk management; and
xi) monitoring of the additional disclosure requirements in accordance with the Bursa Malaysia Listing Requirements.

4. INTERNAL AUDIT FUNCTION

The AC is supported by Internal Audit Department with the primary role to assist the adequacy and effectiveness of the risk, control and governance framework set by the Management. The Internal Auditors report directly to the AC with the role to independently review the internal control system established by the Management.

The Internal Audit Reports prepared by the Internal Auditors arising from the audits were deliberated by the AC and recommendations were duly acted upon by the Management. Follow-up reviews were conducted by Internal Auditors to ensure that all matters arising from each audit were adequately and promptly addressed by the auditee or Management.

The Internal Audit Reports were presented to the AC and forwarded to the relevant parties for their attention and corrective actions. The activities carried-out by Internal Audit Department during the financial year ended 31 December 2020 included the following:

1. Prepared the Annual Audit Plan for approval by the Audit Committee;
2. Performed Risk Based Internal Audit in accordance to 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. Reported on a quarterly basis to the AC on the audit reports and status of audit activities; and
5. Conducted ad-hoc tasks and special assignments as and when requested by the Management and/or Audit Committee.

The total cost incurred in undertaking the Internal Audit function during last financial year is approximately RM124,015.84.

This AC Report is made in accordance with a Resolution of the Board dated 31 May 2021.

Statement on Risk Management and Internal Control

The Board of Directors ("Board") is committed towards maintaining a sound system of risk management and internal control in Zelan Group of Companies (the "Group") and thus is pleased to provide this Statement on Risk Management and Internal Control ("Statement") which outlines the scope and nature of risk management and internal control of the Group in the FYE 31 December 2020 to support the Group's objectives such as maximise shareholders value, provide service excellent to stakeholders, lead in value innovation and to be a preferred employer.

This Statement is prepared 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 of Zelan Berhad (the "Company") affirms the overall responsibility for maintaining a comprehensive system of risk management and internal control so as to safeguard shareholders' interests and the Group's assets. The system of risk management and internal control is constructed not to totally eliminate the risk of failure to achieve business objectives but rather to manage those risks. Accordingly, such systems can only provide reasonable and not absolute assurance against material error, misstatement or losses.

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group that has been in place for the year and up to the date of approval of this Statement for inclusion in Annual Report. The process is regularly reviewed by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers (SRMICG) and the Group's Risk Management Policies and Procedures.

KEY RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating, managing and responding to risks to achieve the objectives of the Group for the financial year under review. The Group has established an Enterprise Risk Management ("ERM") Policy and Framework ("ERM Policy and Framework") in 2014 and the ERM Policy and Framework sets out the process for managing risks and outlines how the Management ensures risks are managed effectively and efficiently across the Group.

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.

Statement on Risk Management and Internal Control

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

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

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

The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its performance and positions. The Board shall continue to evaluate the existing risk management practises, and where appropriate and necessary, revise such practices accordingly.

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

Board and Board Committees

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

Internal Audit Function

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

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.

However, due to various challenges which arose due to frequent imposition of restriction Movement Control Order in Malaysia, some of the review and audit activity proposed by the Internal Audit had to be deferred and/or postponed.

Statement on Risk Management and Internal Control

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

Other Key Elements of Internal Control

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

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

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

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

Statement on Risk Management and Internal Control

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 stakeholders' 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 and internal control weaknesses identified that requires disclosure in the Company's annual report. The Board has received assurance from the Chief Executive Officer, Chief Operating Officer and General Manager of Finance on the above declaration.

The Board will consistently review the effectiveness of the Group's risk management and internal control system 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 a Resolution of the Board dated 31 May 2021.

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 2020, a non-audit fee of RM10,000 was paid by the Company to the External Auditors, Messrs Al Jafree Salihin Kuzaimi PLT, Malaysia for services rendered in connection with the review of the Company's quarterly results and other technical and accounting advisory works.

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

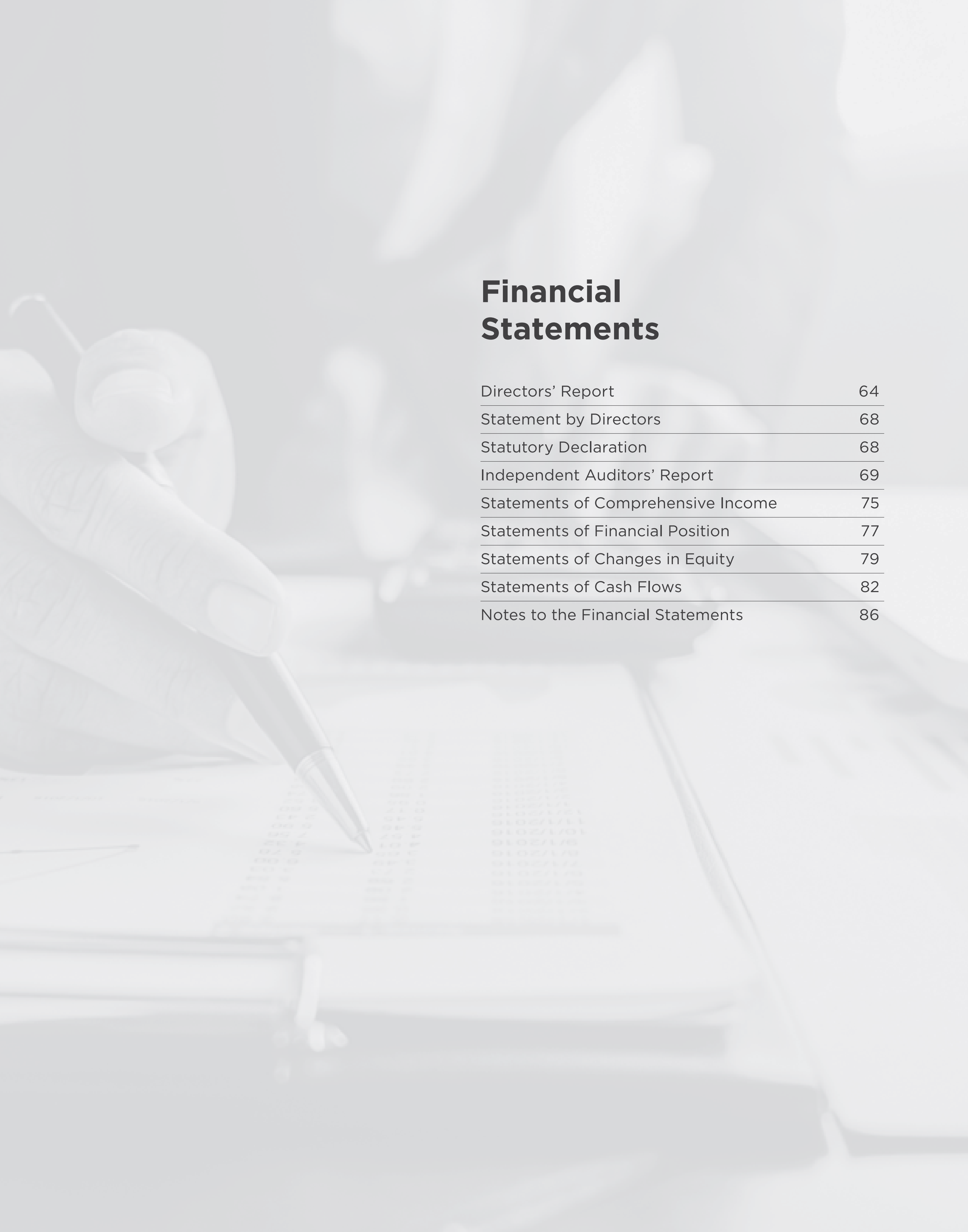
There was no profit guarantee given by the Company during the financial year.

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	64
Statement by Directors	68
Statutory Declaration	68
Independent Auditors' Report	69
Statements of Comprehensive Income	75
Statements of Financial Position	77
Statements of Changes in Equity	79
Statements of Cash Flows	82
Notes to the Financial Statements	86

Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 15 to the financial statements and comprise investment holding, property development, civil engineering and building turnkey contractor, piling and civil engineering contractor, civil technical design and construction of civil and building works, concession operator, asset and facilities management services, management and operation of motor vehicles parking facilities, contracting and supplying of building materials and construction of sewage conveyance system.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year attributable to:	36,205	181
Profit attributable to:		
Owners of the parent	36,215	181
Non-controlling interests	(10)	-
	36,205	181

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

There were no dividends proposed, paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend any dividend in respect of the financial year ended 31 December 2020.

ISSUES OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

Directors' Report

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Anwar bin Haji @ Aji **
Datuk Ooi Teik Huat
Datuk Puteh Rukiah binti Abd Majid
Suhaimi bin Halim
Mohd Shukor bin Abdul Mumin

** This Director is also a Director of the Company's subsidiary.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Intan Nurulfaiza Yang Razali
Hazimi bin Baharum (Appointed w.e.f on 6.5.2020)
Gerard Dominic Fernandez (Resigned w.e.f on 21.04.2021)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Directors has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as disclosed below) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 10 to the financial statements.

Directors' Report

INDEMNIFYING DIRECTORS AND OFFICERS

The Directors and officers of the Company are covered by Directors and Officers Liability Insurance of Zelan Berhad Group for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonesty or derived any personal profit or advantage. The insurance is maintained on a group basis by its holding company, Zelan Berhad, and the total premium of RM31,280 paid during the financial year was borne by the holding company.

OTHER STATUTORY INFORMATION

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

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

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

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

  (i) the amounts written off for bad debts or the amounts of the allowance for expected credit losses made in the financial statements of the Group and the Company inadequate to any substantial extent; or

  (ii) the values attributed to the current assets in the financial statements of the Group and the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

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

  (ii) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in the Note 33 to the financial statement.

AUDITORS

The audit fees for services rendered by the auditors to the Group and to the Company for the financial year ended 31 December 2020 are disclosed in Note 10 to the financial statements.

There were no indemnity given to or insurance effected for the auditors of the Group and Company during the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 31 May 2021.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

Kuala Lumpur

Statement by Directors & Statutory Declaration

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

We, Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat, being two of the Directors of ZELAN BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 75 to 163 of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 31 May 2021.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

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

I, Yusrenawati Binti Mohd Yusof, being the Officer primarily responsible for the financial management of ZELAN BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 75 to 163 of the Group and of the Company are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YUSRENAWATI BINTI MOHD YUSOF
MIA NO 33348

Subscribed and solemnly declared by the abovenamed at Selangor, Malaysia, on 31 May 2021

Before me:

COMMISSIONER FOR OATHS

Independent Auditors' Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Zelan Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 163.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, as of that date, the Group and the Company's current liabilities exceeded the current assets by RM 175.4 million (2019: RM 145.6 million) and RM 18.6 million (2019: RM 18.8 million) respectively. These events and conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Independent Auditors’ Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

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

Key Audit Matters (Cont’d)

Key Audit Matters	How our audit addressed the key audit matters
1. Recoverability of the receivable balance from a project owner of the Group’s project in Abu Dhabi The Group terminated its project in Abu Dhabi, United Arab Emirates, on 1 October 2015 and entered into an arbitration with the project owner. The evidentiary hearings took place from 6 January 2019 to 16 January 2019 in Abu Dhabi, UAE and the International Chamber of Commerce (“ICC”) arbitral tribunal on 27 July 2019 awarded the Group the final award of AED256.1 million and further interest of 9% per annum until full payment (“Arbitration Award”). The Group then obtained the registration and enforcement of the award in the Abu Dhabi Commercial Court of Appeal (“ADCCA”) on 7 May 2020. Next, the project owner filed a Grievance Application to the ADCCA on 10 June 2020. The ADDCA dismissed the project owner’s Grievance Application on 14 July 2020. On 3 August 2020, the project owner filed an appeal of the Grievance Application to the Cassation Court and was accordingly dismissed on 25 October 2020. The Directors are of the view that the Group is able to recover the arbitration award. The Directors made an assessment of the carrying value of the total receivable balance by taking into consideration the timing and duration of the legal enforcement process against the project owner based on advice from the external solicitor. Following from the Directors ‘ assessment, the Group has since recognised the Arbitration Award as an receivable amounting to AED 222.5 million as at financial year ended 31 December 2020. There is a risk of irrecoverability of the Group’s significant receivables arising from the Arbitration Award due to lacking financials information of the project owner and the premature status of the legal proceedings taken by the Group. Due to the inherent uncertainty involved in determining the credit worthiness of the project owner which is the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.	We have obtained understanding the status of the proceeding and performed verification of supporting documents via discussions in relation to the legal enforcement including the following: - the external counsel’s assessment on the planned enforcement of the arbitration award and the timing of subsequent recovery of the receivable balance; and - the progress of the legal actions undertaken by the Group for subsequent recovery purpose of the receivable balance; We have engaged external counsels who have expertise in foreign laws and obtained the advise to ensure the appropriateness and objectivity of legal proceedings undertaken by the Group. Arising from the legal proceedings undertaken, we have verified the existence of the project owner as an entity and its rights and obligations to the Award enforced. We assessed the objectivity, capabilities and competencies of the external counsels by considering their professional background, reputation and experience in foreign laws on the enforcement of the Arbitration Award. We verified the adequacy of the Group’s disclosures detailing the significant legal proceedings in relation to the receivable balance arising from the Arbitration Award.

Independent Auditors' Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

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

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the key audit matters
1. Recoverability of the receivable balance from a project owner of the Group's project in Abu Dhabi Refer to Note 3(i) on critical accounting estimates and assumptions, Note 2(r) and Note 2(w) on summary of significant accounting policies and Note 18 (vi) to the financial statements.	
2. Revenue and costs recognition - construction contracts The Group recognises revenue from construction contracts over time in the Consolidated Statement of Comprehensive Income. Progress of completion is measured using input method which is based on the contract costs incurred up to the end of the reporting period as a percentage of estimated total costs of the project. The Group recognised revenue and gross profit from construction contracts of RM25.3 million and RM8.9 million respectively for the financial year ended 31 December 2020. Revenue recognition of a construction contract is inherently complex and we focused on this area because there are significant management estimates and judgements involved and determining the: • Stage of completion; • Extent of the construction costs incurred to date; • Estimated total construction costs; and • Need to estimated liquidated ascertained damages ("LAD") on projects where the estimated completion dates are beyond the contractual completion dates. Refer to Note 3(ii) on critical accounting estimates and judgements, Notes 2(j) and 2(u) on summary of significant accounting policies and Note 20 to the financial statements.	We tested the operating effectiveness of the key controls in respect of the review and approval of project budgets to assess the reliability of these budgets. We identified and assessed the significant estimates and judgements made by management m the recognition of revenue and costs arising from construction contracts. This was performed by corroborating the stage of completion and extent of costs incurred to date on major projects by agreeing to internal or external quantity surveyors' latest valuations. We have also agreed, on a sample basis, costs incurred to the supporting documentation such as subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of major projects by agreeing to supporting documentation such as approved budgets, quotations, correspondences, contracts and variation orders with sub-contractors. With regards to project whereby actual progress is behind planned progress, we assessed the cause of delays, inspected correspondence with project owners and corrobotared key judgement applied by management in assessing any need for LAD to be provided to determine the transaction price of the project.

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

Independent Auditors' Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

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

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 2020 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.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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, actions taken to eliminate threats or safeguards applied.

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

Independent Auditors' Report

to the Members of Zelan Berhad (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in note 15 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.

AL JAFREE SALIHIN KUZAIMI PLT
200401022503 (AF 1522)
CHARTERED ACCOUNTANTS

SIRI BIN SANYUT
No. 03078/07/2021 J
CHARTERED ACCOUNTANT

Dated: 31 May 2021

Selangor, Malaysia

Statements of Comprehensive Income

for the Financial Year Ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 (Restated) RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	4	51,929	80,765	-	-
Cost of sales	5	(29,078)	(54,017)	-	-
Gross profit		22,851	26,748	-	-
Administrative expenses:					
Staff costs	8	(5,155)	(6,623)	(2,274)	(2,313)
Professional fees and arbitration fees		(771)	(1,570)	(173)	(241)
Others		(1,371)	(2,630)	(1,019)	(1,400)
		(7,297)	(10,823)	(3,466)	(3,954)
Other operating (expenses)/income:					
Rectification cost		(4,215)	-	-	-
Unrealised foreign exchange loss, net		(3,665)	(725)	-	-
Time cost back-charge		-	-	3,775	2,125
Reversal of accumulated depreciation of investment properties		-	-	-	-
Net gain on revaluation of investment properties		2,181	7,607	-	-
Write back of provision/for impairment of amount due from an associate		648	1,728	-	-
Provision for impairment of amounts due from subsidiaries		-	-	-	(5,553)
Diminution in carrying value of long term receivables		(161)	-	-	-
Other operating expenses		(31,587)	(2,340)	(1)	(2)
Other operating income		74,469	4,950	-	-
Refund of late payment interest on revised tax assessment		-	-	-	-
Finance income	6	24,054	25,686	-	4
Finance costs	6	(35,146)	(39,626)	-	(43)
Share of results of associates	16	(31)	(50)	-	-
Profit/(loss) before zakat and taxation	7	42,101	13,155	308	(7,423)
Taxation	11	(5,896)	(2,879)	(127)	-
Net profit/(loss) for the financial year		36,205	10,276	181	(7,423)

Statements of Comprehensive Income
for the Financial Year Ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 (Restated) RM'000	Company 2020 RM'000	Company 2019 RM'000
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Gain on revaluation of PPE		1,155	-	-	-
Currency translation differences:					
- net movement during the financial year		(4,090)	182	-	-
Other comprehensive income/(loss) for the financial year, net of taxation		(2,935)	182	-	-
Total comprehensive gain/(loss) for the financial year		33,270	10,458	181	(7,423)
Net gain/(loss) for the financial year attributable to:					
- equity holders of the Company		36,215	10,268	181	(7,423)
- non-controlling interests		(10)	8	-	-
Net gain/(loss) for the financial year		36,205	10,276	181	(7,423)
Total comprehensive loss attributable to:					
- equity holders of the Company		33,280	10,450	181	(7,423)
- non-controlling interests		(10)	8	-	-
Total comprehensive gain/(loss) for the financial year		33,270	10,458	181	(7,423)
Profit per share attributable to the equity holders of the Company during the financial year:					
		Sen	**Sen**		
Basic profit per share	12(a)	4.29	1.22		

Statements of Financial Position

as at 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	3,530	2,555	5	6
Investment properties	14	23,186	15,786	-	-
Investment in subsidiaries	15	-	-	12,179	12,179
Investment in associates	16	6,106	6,137	-	-
Receivables, deposits and prepayments	18	698,310	621,227	-	-
Amount due from subsidiaries	18	-	-	-	-
Contract assets	19	-	51,709	-	-
Deposits, cash and bank balances	20	27,067	14,461	-	-
Deferred tax assets	26	887	898	-	-
		759,086	712,773	12,184	12,185
Current assets					
Inventories	21	-	6,858	-	-
Receivables, deposits and prepayments	18	68,803	76,912	89	9
Amount due from a subsidiary	18	-	-	40,929	14,988
Contract assets	19	14,063	7,010	-	-
Tax recoverable		15	12	-	-
Deposits, cash and and bank balances	20	5,721	5,894	62	151
		88,602	96,686	41,080	15,148
Total assets		847,688	809,459	53,264	27,333
Equity and liabilities					
Capital and reserves attributable to equity holders of the Company					
Equity					
Share capital	24	84,495	84,495	84,495	84,495
Reserve (restated)	25	3,507	(29,781)	(90,940)	(91,121)
		88,002	54,714	(6,445)	(6,626)
Non-controlling interests		(327)	(327)	-	-
Total equity		87,675	54,387	(6,445)	(6,626)

Statements of Financial Position
as at 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current liabilities					
Other liabilities	22	11,235	-	-	-
Borrowings	23	478,045	509,553	-	-
Provision for taxation		3,436	-	-	-
Deferred tax liabilities	26	3,259	3,242	-	-
		495,976	512,795	-	-
Current liabilities					
Financial payables	22	197,914	186,268	1,726	1,707
Other liabilities	22	11,213	13,854	-	-
Amount due to subsidiaries	22	-	-	57,856	32,252
Contract liabilities	19	117	117	-	-
Borrowings	23	48,937	38,162	-	-
Provision for taxation		5,856	3,876	127	-
		264,037	242,277	59,709	33,959
Total liabilities		760,013	755,072	59,709	33,959
Total equity and liabilities		847,688	809,459	53,264	27,333

Statements of Changes in Equity

for the Financial Year Ended 31 December 2020

	Attributable to equity holders of the Company									
	Share capital RM'000	Warrants reserves# RM'000	Foreign exchange reserve RM'000	Capital reserve* RM'000	General reserve* RM'000	Fixed Asset reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
As at 1 January 2020 (restated)	84,495	-	10,089	35,457	4,254	-	(79,581)	54,714	(327)	54,387
Net profit for the financial year	-	-	-	-	-	-	36,215	36,215	(10)	36,205
Other comprehensive income										
Currency translation differences:										
- net movement during the financial year	-	-	(4,090)	-	-	-	-	(4,090)	10	(4,080)
- Foreign company	-	-	-	1	7	-	-	8	-	8
- Gain on revaluation of PPE	-	-	-	-	-	1,155	-	1,155	-	1,155
Total comprehensive income for the financial year	-	-	(4,090)	1	7	1,155	36,215	33,288	-	33,288
As at 31 December 2020	84,495	-	5,999	35,458	4,261	1,155	(43,366)	88,002	(327)	87,675

Statements of Changes in Equity

for the Financial Year Ended 31 December 2020

	Attributable to equity holders of the Company									
	Share capital RM'000	Warrants reserves# RM'000	Foreign exchange reserve RM'000	Capital reserve* RM'000	General reserve* RM'000	Fixed Asset reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
As at 1 January 2019	84,489	14,082	9,899	35,457	4,254	-	(103,930)	44,251	(327)	43,924
Prior year adjustment (Note 34)	-	-	-	-	-	-	-	-	-	-
As at 1 January 2019 (restated)	84,489	14,082	9,899	35,457	4,254	-	(103,930)	44,251	(327)	43,924
Net profit for the financial year	-	-	-	-	-	-	10,268	10,268	8	10,276
Other comprehensive income/(loss)										
Currency translation differences:										
- net movement during the financial year	-	-	190	-	-	-	-	190	(8)	182
- Transfer of warrants reserve upon expiry of warrants to retaind earnings	-	(14,081)	-	-	-	-	14,081	-	-	-
- Issue of shares upon exercise	6	(1)	-	-	-	-	-	5	-	5
Total comprehensive income/(loss) for the financial year	6	(14,082)	190	-	-	-	24,349	10,463	-	10,463
As at 31 December 2019 (restated)	84,495	-	10,089	35,457	4,254	-	(79,581)	54,714	(327)	54,387

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

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

Statements of Changes in Equity

for the Financial Year Ended 31 December 2020

		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
Company						
As at 1 January 2020	84,495	-	18,456	3,258	(112,835)	(6,626)
Total comprehensive income for the financial year	-	-	-	-	181	181
At 31 December 2020	84,495	-	18,456	3,258	(112,654)	(6,445)
As at 1 January 2019	84,489	14,082	18,456	3,258	(119,493)	792
Transfer of warrants reserve upon expiry of warrants to retained earnings	-	(14,081)	-	-	14,081	-
Issuance of shares upon exercise of warrants	6	(1)	-	-	-	5
Total comprehensive loss for the financial year	-	-	-	-	(7,423)	(7,423)
At 31 December 2019	84,495	-	18,456	3,258	(112,835)	(6,626)

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

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

Statements of Cash Flows

for the Financial Year Ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES				
Profit/(loss) after taxation	36,205	10,276	181	(7,423)
Adjustments for:				
Taxation	5,896	2,879	127	-
Finance income	(24,054)	(25,686)	-	(4)
Finance costs	35,146	39,626	-	43
Non-controlling interests	(10)	8	-	-
Investment properties:				
- net gain on revaluation	(2,181)	(7,607)	-	-
Write back for impairment of amount due from an associate	(648)	(1,728)	-	-
Write back for impairment of amount due from an subsidiary	-	-	-	(371)
Assets transferred to investment properties	(5,219)	-	-	-
Net provision for impairment of amounts due from subsidiaries	-	-	-	5,924
Net income recognised from arbitration award	(67,705)	-	-	-
Loss on disposal of inventories	(48)	32	-	-
Net loss on unrealised foreign exchange	3,665	725	-	-
Property, plant and equipment:				
- gain on diposals/revaluation	(5)	(151)	-	-
- depreciation	189	264	1	2
Share of results of associates	31	50	-	-
	(18,718)	18,688	309	(1,829)

Statements of Cash Flows

for the Financial Year Ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
Changes in working capital:				
Receivables, deposits and prepayments	106,427	60,393	(31)	2
Contract assets	(44,656)	(3,770)	-	-
Payables	24,159	(62,589)	17	103
Contract liabilities	-	(12,202)	-	-
Amount due to a related company	5,922	(20)	(25,940)	-
Amount due to an associate	870	(38)	25,604	-
Cash from operations	74,004	462	(41)	(1,724)
Tax paid	(1,262)	(781)	(48)	-
Tax refund	-	170	-	-
Net cash flows generated from/(used in) operating activities	72,742	(149)	(89)	(1,724)
INVESTING ACTIVITIES				
Proceeds from disposals of plant and equipment	5	151	-	-
Proceeds from disposals of inventories	56	185	-	-
Interest received from deposits and investment	72	23	-	4
Purchases of property, plant and equipment	(9)	(32)	-	(2)
Repayment by subsidiaries	-	-	-	15,427
Net cash flows generated from investing activities	124	327	-	15,429
FINANCING ACTIVITIES				
Interest paid	(24,584)	(43)	-	(43)
Repayments of borrowings	(26,687)	(21,738)	-	(8,934)
Drawdown of borrowings	-	41,480	-	-
Repayment of hire purchase creditors	(73)	(141)	-	-
Advances received from subsidiaries	-	-	-	407
Repayment to subsidiaries	-	-	-	(7,036)
Issue of shares on exercise of warrants	-	5	-	5
Repayment to related companies	(828)	(3,828)	-	-
Additional of deposits pledged as security	(18,907)	(13,339)	-	-
Net cash flows (used in)/generated from financing activities	(71,079)	2,396	-	(15,601)

Statements of Cash Flows
for the Financial Year Ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 (Restated) RM'000	Company 2020 RM'000	Company 2019 RM'000
Net movement in cash and cash equivalents		1,787	2,574	(89)	(1,895)
Cash and cash equivalents at the beginning of the financial year		5,758	3,787	151	2,046
Currency translation differences		(1,962)	(603)	-	-
Cash and cash equivalents at the end of the financial year	20	5,583	5,758	62	151

Reconciliation of liabilities arising from financing activities

	Term loan RM'000	Islamic-financing RM'000	Hire purchase RM'000	Amounts due to related companies RM'000	Total RM'000
Group					
At 1 January 2020	94,491	452,957	267	11,540	559,255
Financing activities					
Repayments during the year	(4,680)	(22,007)	(74)	(828)	(27,589)
Drawdown during the year	-	24,584	-	-	24,584
Interest paid	-	(24,584)	-	-	(24,584)
Non-cash changes					
Foreign exchange movement	(2,017)	-	-	-	(2,017)
Interest paid	8,037	-	8	-	8,045
At 31 December 2020	95,831	430,950	201	10,712	537,695
At 1 January 2019	96,583	443,165	291	15,368	555,407
Financing activities					
Repayments during the year	(5,856)	(15,882)	(141)	(3,828)	(25,707)
Drawdown during the year	-	41,480	120	-	41,600
Interest paid	-	(15,806)	(3)	-	(15,809)
Non-cash changes					
Foreign exchange movement	(1,012)	-	-	-	(1,012)
Interest paid	4,776	-	-	-	4,776
At 31 December 2019	94,491	452,957	267	11,540	559,255

Statements of Cash Flows

for the Financial Year Ended 31 December 2020

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

	Islamic-financing RM'000	Amounts due to subsidiaries RM'000	Amounts due to related companies RM'000	Total RM'000
Company				
At 1 January 2020	-	32,252	1,071	33,323
Advances received during the year	-	25,604	-	25,604
At 31 December 2020	-	57,856	1,071	58,927
At 1 January 2019	8,934	38,880	1,071	48,885
Repayments during the year	(8,934)	(17,896)	-	(26,830)
Drawdown during the year	-	11,268	-	11,268
Interest paid	(43)	-	-	(43)
Non-cash changes				
Interest payable	43	-	-	43
At 31 December 2019	-	32,252	1,071	33,323

Notes to the Financial Statements

for the Financial Year Ended 31 December 2020

1. CORPORATE INFORMATION

Zelan Berhad ("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 principal activity of the Company is that of an investment holding. The principal activities of the subsidiaries are described in Note 15 to the financial statements and comprise investment holding, property development, civil engineering and building turnkey contractor, piling and civil engineering contractor, civil technical design and construction of civil and building works, concession operator, asset and facilities management services, management and operation of motor vehicles parking facilities, contracting and supplying of building materials and construction of sewage conveyance system.

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 May 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 ("IFRS") 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 financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

(i) Cash flows of the Group and the Company

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.2 onwards.

The Group and the Company have prepared its financial statements by applying the going concern assumption, notwithstanding that as at 31 December 2020, the current liabilities of the Group and the Company exceeded its current assets by RM 175,434,000 (2019: RM 145.591 million) and RM 18.627 million (2019: RM 18.811 million) respectively, thereby indicating the existence of a condition that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(i) Cash flows of the Group and the Company (Cont'd)

The validity of the going concern assumption is dependent upon the following:

i) ability of the Group to generate sufficient cash from its operations;

ii) 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;

iii) Re-evaluate current contracts to optimise potential revenue and progressively reduce costs on the job scopes and services provided;

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

v) Receipt of retension sum from the main contractor within 12 months after the current reporting date for completed projects;

vi) The Group has secured buyers for eleven units and one whole floor of office lots at Wisma Zelan. Four unit has been secured and received with full payment. Balance seven units are still in the progress of sales completion and full payment is expected to be received by 3rd quarter of 2021. The Group will continue to identify potential buyers for existing properties.

As as the date of this report, there is no reason for the Directors to believe that there Group will not generate sufficient cash from its operations within the next twelve months from the reporting date to repay the existing borrowings, complete the projects in progress and meet working capital. Accordingly, the financial statements of the Group does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

(ii) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2020, the Group and the Company adopted the following new and amended MFRS and Interpretations Committee ("IC") Interpretations mandatory for annual financial periods beginning on or after 1 January 2020.

Descriptions	Effective for annual periods beginning on or after
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(ii) Changes in accounting policies (Cont'd)

The adoption of the above standards and interpretation did not have any material effect on the financial statements of the Group and of the Company, except as discussed below:

Amendments to MFRS 16: Covid-19-Related Rent Concessions

The Group has elected to early adopt amendment to MFRS 16 "COVID-19 – Related rent concessions" which will take effect on or after 1 June 2020.

The Group adopted MFRS 16 using the simplified transition approach. In accordance with the transitional provisions provided in the amendment to MFRS 16, the comparative information was not restated and continued to be reported under the previous accounting policies in accordance with the remeasurement of lease liabilities modification principles in MFRS 16.

The Amendments to MFRS 16: Covid-19-Related Rent Concessions does not have any impact to the Group and the Company.

Voluntary changes to investment properties measured at fair value and property, plant and equipment for building at revaluation method

MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error ("MFRS 108") states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

In current year, the Group has changed the accounting policy of investment properties from cost model to fair value model. Also, property, plant and equipment from cost model to revaluation model to reflect the accurate current conditions of those properties that have lengthy useful life.

According to MFRS 140 Investment properties ("MFRS 140"), a gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises

When a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Management has obtained the fair value of the investment properties based on the indicative market values of these properties provided by the independent third party valuer dated 19 October 2020. The Group has recognised a fair value gain amounting to RM2,181,000 as at the reporting date.

The prior year's fair values obtained by the independent third party have been disclosed as per requirements for investment properties carried at cost. The Group has applied the new policy retrospectively using this amount being the best estimate of fair value available in prior year.

Similarly, the property, plant and equipment of land and buildings which were previously recognised using cost model have now been recognised using revaluation model. However, no changes to the comparative years' figures in line with MFRS 108 paragraph 17 have been made.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(ii) Standards issued but not yet effective

Voluntary changes to investment properties measured at fair value and property, plant and equipment for building at revaluation method (Cont'd)

Impact on prior year statements are disclosed at Note 34 to the financial statements.

The carrying amounts and the measurement of investment properties and property, plant and equipments at fair value model and revaluation model are disclosed at Note 13 and Note 14 to the financial statements.

Descriptions	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - cost OF Fulfilling a Contract	1 January 2022
Annual improvements to MFRS 2018 - 2020	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

2.2 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Economic entities in the Group (Cont'd)

(i) Subsidiaries (Cont'd)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Economic entities in the Group (Cont'd)

(i) Subsidiaries (Cont'd)

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.

(ii) Associates

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.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Economic entities in the Group (Cont'd)

(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.

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.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 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 2.15 on borrowing costs.

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

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

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

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 2.8 on impairment of non-financial assets.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Investment properties

Investment properties carried at cost - prior change in accounting policy during the year

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

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

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

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

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.8 on impairment of non-financial assets.

Investment properties carried at cost - post change in accounting policy during the year

Subsequently, investment properties are measured at fair value with any changes in therein recognised for profit or loss for the period in which they arise. Where the fair value of the investment properties under construction is not reliably determinable, the investment properties under construction is measured at cost until fair value becomes reliably determinable or constructions complete, whichever is earlier.

When an item of inventories is transferred to investment properties following a change of its use, any difference arising as at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity, is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes that is is reclassified as inventories or property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and non-lease components, the Group and the Company allocate the consideration in the contact to each lease and non-lease component on the basis of their relatives stand alone prices.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all lease, except for short term leases and leases of low-value- asset. The Group and the Company recognise lease liablities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised. Initial direct costs, incurred, and lease payments made at or before commmencement date less any lease incentives received. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased assets transfer to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liablities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease terms reflects the Group and the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Leases (Cont'd)

As a lessee (Cont'd)

(ii) Lease liabilities (Cont'd)

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise lease payments associated with these leases as an expense over the lease term.

(iv) Extension options

The Group and the Company, in applying their judgement, determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that creates an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for an on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investments in subsidiaries, joint ventures and associates in separate

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.

2.7 Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed.

If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Refer to accounting policy Note 2.8 on impairment of non-financial assets.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 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.

2.9 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)

2.10 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 2.23 on impairment of contract assets.

2.11 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 2.23 on impairment of financial assets.

2.12 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.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Share capital

Ordinary shares as 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 Company, 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.

2.14 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.

2.15 Borrowings and borrowings costs

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Borrowings and borrowings costs (Cont'd)

(i) Borrowings (Cont'd)

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.

(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.

2.16 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Employee benefits (Cont'd)

Post-employment benefits plan – 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.

2.17 Current and deferred income tax

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

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

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

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

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

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Current and deferred income tax (Cont'd)

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.

Only where there is an agreement in place that gives the investor, joint venture or joint operator the ability to control the reversal of the temporary differences, a deferred tax liability is not recognised.

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

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

2.18 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 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.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Foreign currencies (Cont'd)

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.

2.21 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.

The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue and other income (Cont'd)

Revenue from contracts with customers (Cont'd)

(c) Determine the transaction price

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group satisfies a performance obligation

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and has an enforceableright to payment for performance obligation completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue and other income (Cont'd)

The following describes the performance obligation in contracts with customers:

(i) 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 2.10 on contract assets and contract liabilities.

(ii) 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) 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 2.21(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)

2.21 Revenue and other income (Cont'd)

The following describes the performance obligation in contracts with customers: (Cont'd)

(iv) Car park rental

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.

2.22 Segment reporting

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

2.23 Financial assets

(i) Classification

The Group classifies its financial assets as amortised cost.

(ii) Recognition and derecognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Financial assets (Cont'd)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), 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 Groupreclassifies 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 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 are intercompany receivables.

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

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

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

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Financial assets (Cont'd)

(iv) Subsequent measurement - impairment for debt instruments (Cont'd)

The measurement of ECL reflects:

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

The ECL approach can be classified into the categories below:

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

  At each reporting date, the Group measures 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 32(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 32(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.

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)

2.23 Financial assets (Cont'd)

(iv) Subsequent measurement - impairment for debt instruments (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

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

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

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.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 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.

2.25 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.

2.26 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.

2.27 Zakat

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

2.28 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Current versus non-current classification (Cont'd)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

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

As disclosed in Note 18(vi) to the financial statements, the Arbitral Tribunal of the International Chamber of Commerce ("ICC") awarded the sum of AED256.1 million (approximately RM285.4 million) to the Group which included interests up to 1 June 2019 and further interests at 9% until full payment of the awarded sum.

However, the project owner filed Grievance Application to the Abu Dhabi Commercial Court of Appeal ("ADCCA") on 10 June 2020. The said Grievance Application was dismissed by the ADCCA on 14 July 2020. Dissatisfied with the decision, the project owner then filed an appeal on its Grievance Application to the Cassation Court in Abu Dhabi ("CAC") on 3 August 2020. The CAC dismissed the project owner's appeal on Grievance Application on 25 October 2020. Accordingly, the Execution Court in Abu Dhabi had proceeded with the execution process of the Award by issuing an Order for Attachment of all bank accounts owned by the Project Owner through the United Arab Amirates ("UAE") Central Bank in Abu Dhabi on 25 October 2020.

Arising from the duration of the legal enforcement process against the project owner based on advice from the external solicitor and the timing of subsequent recovery from the date of the Award is enforced to the reporting date, it is too remote to establish the extent of the impairment as at the audit report date. Hence, no impairment has been recognised in the financial statements for the financial year ended 31 December 2020. The expected timing of the recovery of the award has been considered in arriving at the classification of the net receivables by discounting to reflect time value of money. The Directors are confident of the eventual recovery of the receivable balance from the project owner.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting estimates and assumptions (Cont'd)

(i) The carrying amounts of the Group's and the Company's receivables as at the reporting date are disclosed in Note 18.

(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.

The carrying amounts of the Group's and the Company's contract assets and contract liabilities as at the reporting date are disclosed in Note 19.

(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 28 to the financial statements.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

4. REVENUE

Disaggregation of revenue from contracts with customers:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers:				
Construction contracts	25,299	55,476	-	-
Asset management service	24,801	23,321	-	-
Car park rental income	647	743	-	-
	50,747	79,540	-	-
Revenue from other sources:				
Rental income	1,182	1,225	-	-
	51,929	80,765	-	-

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

5. COST OF SALES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Construction contract costs	24,709	41,900	-	-
Asset management service	12,552	11,942	-	-
Others	184	175	-	-
	37,445	54,017	-	-

Construction contract costs for the financial year include the following:

	2020 RM'000	2019 RM'000
Rental of premises	86	115
Interest expenses on hire purchase (Note 6)	4	10
Staff costs (Note 8)	2,139	3,885

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

6. FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income				
Interest income	70	19	-	-
Profit from Islamic deposits	2	4	-	4
Accretion of interest on trade receivables	23,982	25,663	-	-
	24,054	25,686	-	4
Finance costs				
Interest expense	32,628	38,387	-	43
Unwinding of discounts on trade payables	2,522	1,249	-	-
Less: Interest expenses included in cost of sales (Note 5)	(4)	(10)	-	-
	35,146	39,626	-	43

7. PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION

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

	Group		Company	
	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration (Note 10)				
- statutory audit	303	307	100	100
Directors' remuneration (Note 9)	708	761	708	761
Property, plant and equipment (Note 13):				
- depreciation	189	264	1	2
- gain on disposals	(5)	(151)	-	-
Net gain on revaluation of investment properties (Note 14)	2,181	7,607	-	-
Net income recognised from arbitration award	(67,705)	-	-	-
Gain on unrealised foreign exchange	(600)	(1,090)	-	-
Loss on unrealised foreign exchange	4,265	1,815	-	-
Rental of land and premises	65	146	-	-
Rental income on premises	-	(806)	-	-
Staff costs	7,294	10,508	2,274	2,313

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

8. STAFF COSTS

Staff costs excluding Directors' remuneration, are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	4,873	6,521	1,807	1,828
Defined contribution retirement plan	650	1,006	261	279
Other employee benefits	1,771	2,981	206	206
	7,294	10,508	2,274	2,313
Staff costs for the financial year are allocated as follows:				
- administrative expenses	5,155	6,623	2,274	2,313
- cost of sales	2,139	3,885	-	-
	7,294	10,508	2,274	2,313

9. DIRECTORS' REMUNERATIONS

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive Directors:				
- fees	361	361	361	361
- other emoluments	347	400	347	400
	708	761	708	761

10. AUDITORS' REMUNERATIONS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Al Jafree Salihin Kuzaimi PLT				
Statutory audit - current year	248	245	100	100
Firms other than member firms of Al Jafree Salihin Kuzaimi PLT				
Statutory audit - current year	55	62	-	-
Others	45	45	45	45

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

11. TAXATION

	Group		Company	
	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
Current tax				
Malaysian tax:				
- Current financial year	1,000	2,786	127	-
- Under/(over) accrual in the prior financial year (**)	4,856	(2)	-	-
	5,856	2,784	127	-
Deferred tax				
- Origination and reversal of temporary differences (Note 26)	40	95	-	-
	5,896	2,879	127	-
The explanation of the relationship between tax expenses and loss before taxation and after zakat is as follows:				
Profit/(loss) before taxation and after zakat	42,101	13,155	308	(7,423)
Tax calculated at the Malaysian tax rate of 24% (2019: 24%)	10,104	3,157	74	(1,782)
Tax effects of:				
- share of results of associates	40	12	-	-
- expenses not deductible for tax purposes	10,121	479	53	2,644
- income not subject to tax	(17,879)	(767)	-	(862)
- temporary differences and tax losses not recognised	(1,346)	-	-	-
- under accruals in prior financial year	4,856	(2)	-	-
Tax expense	5,885	2,879	127	-

** In accordance to the Inland Revenue Board via its letter dated 9 December tp Zelan Construction Sdn. Bhd. ("ZCSB") ,there is an overdeduction claim made in on the group relief in relation to its business tax losses being surrendered to Zelan Holdings Sdn Bhd ("ZHSB") in Year Assessment 2014. ZCSB is instructed to make payments in 25 instalments from 15 November 2020 to 15 October 2023. Similar provision is made under ZHSB.

11. TAXATION (CONT'D)

	Group 2020 RM'000
Payable	
Within 1 year	1,192
More than 1 year	3,436
	4,628

12. PROFIT/(LOSS) PER SHARE

(a) Basic

The calculation of basic profit per share of the Group is calculated by dividing the net profit attributable to the ordinary equity holders of the Company for the financial year of RM35,161,000 (2019: net profit of RM2,661,000) by the weighted average number of ordinary shares in issue during the financial year of 844,921,250 (2019: 844,921,250).

	Group	
	2020 RM'000	2019 (Restated) RM'000
Net profit/(loss) attributable to equity holders of the Company	36,215	10,268
	RM'000	**RM'000**
Weighted average number of ordinary shares in issue	844,921	844,921
	Sen	**Sen**
Basic and diluted profit per share attributable to equity holders of the Company	4.29	1.22

(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.

There is no dilution in the earnings per share of current and previous year end as there are no dilutive potential ordinary shares outstanding at the end of reporting period, and therefore the basic and the diluted earnings per share is the same.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

13. 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 2020	2,123	-	288	108	-	4	32	2,555
Revaluation surplus	1,155	-	-	-	-	-	-	1,155
Addition	-	-	-	9	-	-	-	9
Depreciation charge	(19)	-	(121)	(47)	-	(1)	(1)	(189)
At 31 December 2020	3,259	-	167	70	-	3	31	3,530
At 31 December 2020								
Cost	4,212	1,177	3,198	6,690	12,394	1,515	15,144	44,331
Accumulated depreciation and impairment loss	(953)	(1,177)	(3,031)	(6,621)	(12,394)	(1,512)	(15,113)	(40,801)
Net book value	3,259	-	167	69	-	3	31	3,530
Net book value								
At 1 January 2019	2,178	-	314	122	-	7	42	2,663
Addition	-	-	124	28	-	-	-	152
Translation reserve	-	-	-	-	-	-	4	4
Depreciation charge	(55)	-	(150)	(42)	-	(3)	(14)	(264)
At 31 December 2019	2,123	-	288	108	-	4	32	2,555
At 31 December 2019								
Cost	3,057	1,177	3,198	6,682	12,394	1,515	15,144	43,167
Accumulated depreciation and impairment loss	(934)	(1,177)	(2,910)	(6,574)	(12,394)	(1,511)	(15,112)	(40,612)
Net book value	2,123	-	288	108	-	4	32	2,555

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Company				
Net book value				
At 1 January 2020	-	6	-	6
Depreciation charge		(1)		(1)
At 31 December 2020	-	5	-	5
At 31 December 2020				
Cost	40	634	30	704
Accumulated depreciation	(40)	(629)	(30)	(699)
Net book value	-	5	-	5
Net book value				
At 1 January 2019	-	6	-	6
Additions	-	2	-	2
Depreciation charge	-	(2)	-	(2)
At 31 December 2019	-	6	-	6
At 31 December 2019				
Cost	40	634	30	704
Accumulated depreciation	(40)	(628)	(30)	(698)
Net book value	-	6	-	6

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Administrative expenses	55	105	1	2
Cost of sales (Note 6)	134	159	-	-
	189	264	1	2

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 RM142,000 (2019: RM267,000).

The Group's properties with net book values amounting to RM3,259,000 (2019: RM2,123,000) have been pledged against the Group's borrowings at the end of the reporting period.

14. INVESTMENT PROPERTIES

	Group	
	2020 RM'000	2019 RM'000
Cost	23,186	15,786
Less: Accumulated depreciation	-	-
Net book value	23,186	15,786

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

	Group	
	2020 RM'000	2019 (Restated) RM'000
Net book value		
At the beginning of the financial year	15,786	11,719
Gain on revaluation (Note 7)	2,181	4,067
Transferred from inventory (Note 21)	5,219	-
At the end of the financial year	23,186	15,786

The fair value of the investment properties, categorised under Level 2 of the fair value hierarchy, was estimated at RM23,185,504 (2019: RM15,786,000) based on the valuations by IPC Island Property Consultants Sdn Bhd (Registration Number: VE(1)0099/1) an independent and professionally qualified valuer. Valuations were based on open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms.

Direct operating expenses arising from investment properties of the Group were RM401,512 (2019: RM385,000). Rental income arising from investment properties of the Group was RM1,811,176 (2019: RM2,009,000). The investment properties with net book values amounting to RM16,560,000 (2019: RM8,179,000) have been pledged against the Group's borrowings as at the end of the reporting period.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

15. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares, at cost:		
At 1 January	12,179	12,179
Less: Impairment during the financial year	-	-
At 31 December	12,179	12,179
Unquoted shares in Malaysia, at cost	199,462	199,462
Less: Accumulated Impairment losses	(187,283)	(187,283)
	12,179	12,179

The 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 2020 %	Group's effective interest 2019 %	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

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2020 %	2019 %	
Subsidiary of Zelan Corporation Sdn. Bhd.				
Zelan Development Sdn. Bhd.	Malaysia	100	100	Property development
Subsidiaries of Zelan Holdings (M) Sdn. Bhd.				
Sejara Bina Sdn. Bhd.*	Malaysia	100	100	Investment holding
PT Zelan Indonesia	Indonesia	95	95	Civil technical design and construction of civil and building works
Zelan Construction (India) Private Limited*	India	100	100	Civil technical design and construction of civil and building works
Zelan Construction Arabia Co. Ltd.*	Saudi Arabia	100	100	Civil technical design and construction of civil and building works
Subsidiaries of Zelan Enterprise Sdn. Bhd.				
Vispa Sdn. Bhd.*	Malaysia	100	100	Dormant
Eminent Hectares Sdn. Bhd.*	Malaysia	100	100	Investment holding
Subsidiary of Zelan Construction Sdn. Bhd.				
Zelan ICOP Consortium Sdn. Bhd.•	Malaysia	100	100	Construction of sewage conveyance system

Note:
* Audited by a firm other than Al Jafree Salihin Kuzaimi PLT

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Impairment assessment of investments in subsidiaries

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

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

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares in Malaysia, at cost	385	385		-
Less: Accumulated impairment losses	(385)	(385)		-
	-	-	-	-
Unquoted shares outside Malaysia, at cost	1,971	1,971		-
Less: Accumulated impairment	(1,971)	(1,971)		-
	-	-	-	-
Group's share of post-acquisition reserves	6,106	6,137	-	
	6,106	6,137	-	-

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	
	2020 RM'000	2019 RM'000
Profit/(loss) after taxation/Total comprehensive (loss)/income (including non-controlling interests)	(31)	(50)
Current assets	11,391	13,015
Current liabilities	(5,285)	(6,878)
Net assets	6,106	6,137

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

16. INVESTMENTS IN ASSOCIATES (CONT'D)

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

During the financial year, the Group recognised share of loss of an associate of RM30,781 (2019: share of loss of RM49,817).

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 2020 %	2019 %	Principal activities
Associates of Zelan Holdings (M) Sdn. Bhd.				
IJM-Sunway Builders Zelan-LFE Engineering Consortium	Malaysia	25	25	Design, execution and completion of towers
Zelan Arabia Co. Ltd. $	Saudi Arabia	40	40	Under Liquidation
Associate of Sejara Bina Sdn. Bhd.				
Essential Amity Sdn. Bhd.@	Malaysia	50	50	Under Liquidation

@ Applied for Members' Voluntary Liquidation from Companies Commission of Malaysia, pursuant to Section 439(1)(b) of the Companies Act, 2016 on 23 December 2017. Tax file closed on 21.05.2019.

$ On 30 November 2018, a resolution was passed to liquidate the entity. As at 31 December 2019, the Group is still in the process of liquidating the entity.

17. INVESTMENTS IN JOINT OPERATIONS

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

Name of company	Principal activities	2020 RM'000	2019 RM'000
Zelan BEC Consortium	Design and construction of chimney	51	51

17. INVESTMENTS IN JOINT OPERATIONS (CONT'D)

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	
	2020 RM'000	2019 RM'000
Profit after taxation	-	14
Non-current assets	-	-
Current assets	1,371	1,371
Current liabilities	(1,272)	(1,272)
Net assets	99	99

18. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Financial receivables				
Trade receivables	847,888	681,908	-	-
Less: Provision of impairment	(150,534)	(61,858)	-	-
	697,354	620,050	-	-
Amount due from an associate	956	1,825	-	-
Less: Provision of impairment	-	(648)	-	-
	956	1,177	-	-
Receivables, deposits and prepayments	698,310	621,227	-	-
Amounts due from subsidiaries	-	-	568,377	568,377
Less: Provision of impairment	-	-	(568,377)	(568,377)
	-	-	-	-

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

18. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Financial receivables				
Trade receivables	61,533	61,659	-	-
Less: Provision of impairment	(4,776)	-	-	-
	56,757	61,659	-	-
Other receivables and deposits	8,064	12,040	41	9
Less: Provision of impairment	(2,148)	(2,148)	-	-
	5,916	9,892	41	9
Advances to subcontractors	3,984	4,037	-	-
Prepayments	2,146	1,324	48	-
Receivables, deposits and prepayments	68,803	76,912	89	9
Amount due from a subsidiary	-	-	40,929	14,988

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

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

(iii) Included in the non-current trade receivables of the Group is the retention sum on contracts of RM7,981,765 million (2019: RM58.6 million) which are from local project.

(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 RM459.7 million (2019: RM488.6 million), of which RM407.7 million (2019: RM432.2 million) is expected to be received after twelve months from the end of the financial year. Accordingly, the amount of RM407.7 million (2019: RM432.2 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.

18. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(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. The project owner disputed the termination and counter-claimed for the costs and losses, which include repair works, consultants and third party fees, standstill cost, return of advance payment and loss of rental and revenue.

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

- The Group's termination of the Contract is valid;
- The contract of Muqawala made between the parties has terminated for the purpose of Article 892 of the UAE Civil Code of Contract;
- The project owner's deduction sums in respect of obsolete cladding and thermal insulation material, conveying materials and MEP material were wrongful;
- The project owner's reversal of Interim Payment Certificate ("IPC") number 51 by issuing IPC 51R is invalid and wrongfully issued;
- The NCR numbers 98, 119, 121, 122, 123 (as qualified) and 97 (to the extent the remedial works do not relate to Basement 81 slabs) were invalid and/or wrongfully issued by the project owner; and
- The Group is due an extension of time to 1 October 2015 for basement rectification works with no prolongation cost.

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

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

Subsequently, the project owner filed an application to nullify the Award in the Abu Dhabi Commercial Court of Appeal ("ADCCA") on 26 August 2019. However the application to nullify the Award was dismissed by the ADCCA on 17 December 2019. Dissatisfied with the decision, the project owner appealed its application to nullify the Award to the supreme court in Abu Dhabi known as the Cassation Court ("CAC") on 4 February 2020. The CAC dismissed the project owner's appeal on 30 April 2020. Meanwhile, the Group had earlier filed an application for ratification and execution of the Award at the ADCCA on 13 January 2020. With the decision of the CAC dismissing the project owner's appeal to nullify the Award, the ADCCA proceeded to grant the ratification and execution of the Award on 7 May 2020 in favour of the Group.

The project owner then filed its Grievance Application to the ADCCA on 10 June 2020. However, the said Grievance Application was dismissed by the ADCCA on 14 July 2020. Dissatisfied with the decision, the project owner then filed an appeal on its Grievance Application to the CAC on 3 August 2020. The CAC dismissed the project owner's appeal on its Grievance Application on 25 October 2020.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

18. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(vi) Accordingly, the Execution Court in Abu Dhabi had proceeded with the execution process of the Award by issuing an Order for Attachment of all bank accounts owned by the Project Owner through the United Arab Amirates ("UAE") Central Bank in Abu Dhabi on 25 October 2020. However until to date, there is no response from any of the banks although reminder has been issued by the Execution Court. Given the process of Attachment of all bank accounts of the project owner has been exhausted, the Group has submitted an application to request details of the manager of project owner to the Abu Dhabi Department of Economy ("DOE") through the Execution Court on 17 February 2021. The Execution Court accepted the application and issued the said request to DOE.

At the same time, the Group has filed an application to the Execution Court to request for the arrest of the project owner's general manager whose name appears on the project owner's trade license in order to summon him to the Execution Court and to disclose the financial standing of the project owner and the whereabout of the assets of the project owner. The Execution Court granted the order to arrest the project owner's general manager on 17 May 2021.

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Contract assets from construction contracts	39,172	98,947
Less: Provision for impairment	(25,109)	(40,228)
	14,063	58,719
Non-current	-	51,709
Current	14,063	7,010
	14,063	58,719
Contract liabilities from construction contracts	(117)	(117)

(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:

	2020 RM'000	2019 RM'000
Construction contracts	42,732	68,032

(b) Significant changes

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits placed with licensed banks	27,205	14,597	-	-
Cash and bank balances	5,583	5,758	62	151
Deposits, cash and bank balances	32,788	20,355	62	151
Less: Reserved funds and deposits pledged as security	(27,205)	(14,597)	-	-
Cash and cash equivalents	5,583	5,758	62	151
Deposits, cash and bank balances are analysed as follows:				
Current				
- Restricted	138	136	-	-
- Not restricted	5,583	5,758	62	151
	5,721	5,894	62	151
Non-current				
- Restricted	27,067	14,461	-	-
Total	32,788	20,355	62	151

Included in deposits placed with licensed banks of the Group are amounts of RM12,582,855 (2019: RM6,777,000), which have been classified as a Finance Service Reserve Fund pledged until full settlement of the banking facilities, granted to the Group and the Company as at the reporting date.

Included in deposits placed with licensed banks of the Group are amounts of RM13,309,035 (2019: RM6,645,000), which have been classified as a Maintenance Reserve Fund held in trust pending fulfillment of certain conditions before transfers are made to current accounts.

Included in deposits placed with licensed banks of the Group are amounts of RM1.021 million (2019: RM1.039 million), 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 RM138,000 (2019: RM136,000) 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

20. 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	
	2020	2019	2020	2019
	%	%	%	%
Deposits placed with licensed banks	1.23	2.47		-
Bank balances	0.07	0.1		-

21. INVENTORIES

	Group	
	2020	2019
	RM'000	RM'000
Cost		
Completed properties for sale	5,219	6,858
Transferred to investment properties (Note 14)	(5,219)	-
As at 31 December 2020	-	6,858

During the financial year, four (4) units of inventories were sold at an aggregate value of RM0.98million (2019: RM1.4million). During the year, inventories with total carrying value of RM5.22million (2019: RM NIL) has been transferred to investment properties.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Financial payables				
Trade payables	98,113	158,912	-	-
Amounts due to related companies	10,712	11,540	1,071	1,071
Amounts due to joint venture partners	511	506	-	-
Amounts due to associates	-	4,778	-	-
Other payables and accruals	88,578	10,759	653	636
	197,914	186,495	1,724	1,707
Other liabilities				
Advances received from contract customers	10,967	13,613	-	-
Others	246	241	-	-
	11,213	13,854	-	-
Amounts due to subsidiaries	-	-	57,856	32,252
Non-current				
Other liabilities				
Advances received from contract customers	11,235	-	-	-

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

22. TRADE AND OTHER 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.

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

23. BORROWINGS

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Hire purchase liabilities (unsecured)	(a)	98	158	-	-
Islamic financing (secured)	(b)				
- Between 1 and 3 years		52,008	56,084	-	-
- Between 3 and 5 years		68,257	63,087	-	-
- More than 5 years		268,741	301,415	-	-
		389,006	420,586	-	-
Non-current					
Term loan (secured)	(c)				
- Between 1 and 3 years		13,779	14,039	-	-
- Between 3 and 5 years		75,162	74,770	-	-
		88,941	88,809	-	-
		478,045	509,395	-	-
Current					
Hire purchase liabilities (unsecured)	(a)	103	109	-	-
Islamic financing (secured)	(b)	41,944	32,371	-	-
Term loan (secured)	(c)	6,890	5,682	-	-
		48,937	38,162	-	-
Total					
Hire purchase liabilities (unsecured)	(a)	201	267	-	-
Islamic financing (secured)	(b)	430,950	452,957	-	-
Term loan (secured)	(c)	95,831	94,491	-	-
		526,982	547,715	-	-

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

23. BORROWINGS (CONT'D)

(a) Hire purchase liabilities (unsecured)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Analysis of hire purchase liabilities:				
Payable within 1 year	104	116	-	-
Payable between 1 and 3 years	107	169	-	-
	211	285	-	-
Less: Finance charges	(10)	(18)	-	-
	201	267	-	-
Present value of hire purchase liabilities:				
Payable within 1 year	103	109	-	-
Payable between 1 and 3 years	98	158	-	-
	201	267	-	-

(b) Islamic financing (secured)

(i) Bank guarantee facility (Group and Company)

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

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

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

This facility is segregated into three parts:

- BIS 1 of RM3.2 million (2019: RM4.2 million) is used to finance the road electrical works related to the project;
- BIS 2 of RM7.8 million (2019: RM11.4 million) is used to finance the reimbursable cost of the project; and
- BIS 3 of RM302.4 million (2019: RM418.7 million) is used to finance the construction of the project.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

23. BORROWINGS (CONT'D)

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

(ii) BIS 1 and BIS 2 are repayable on 31 January 2019. The BIS 3 facility of RM302.4 million (2019: RM63.1 million) is repayable within 12 months from the end of the financial year.

The facility is secured by:

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

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

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

(c) Term loan (secured)

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

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

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

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

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

23. BORROWINGS (CONT'D)

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

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

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

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

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Hire purchase liabilities	2.34 - 2.56	2.34 - 2.57	-	-
Islamic financing	5.30	5.90	-	6.83
Term loan	6.05	6.05	-	-

24. SHARE CAPITAL

	Company			
	Number of ordinary shares		Amount	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Issued and fully paid				
Ordinary shares with no par value effective 31 January	844,921	844,895	84,495	84,489
Issuance of shares arising from Exercise of warrants 2014/2018	-	26	-	6
	844,921	844,921	84,495	84,495

24. SHARE CAPITAL (CONT'D)

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.

25. RESERVES

		Group		Company	
	Note	2020 RM'000	2019 (Restated) RM'000	2020 RM'000	2019 RM'000
Warrants reserve	(a)	-	-	-	-
Foreign exchange reserve	(b)	5,999	10,089	-	-
Capital reserve	(c)	35,458	35,457	18,456	18,456
General reserve	(c)	4,261	4,254	3,258	3,258
Fixed Asset Reserve	(d)	1,155	-	-	-
Accumulated losses (restated)		(43,366)	(79,581)	(112,654)	(112,835)
		3,507	(29,781)	(90,940)	(91,121)

(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.

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

Since previous reporting year, the warrant reserve is stated at zero balance.

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

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

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

26. DEFERRED TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets	887	898	-	-
Deferred tax liabilities	(3,259)	(3,242)	-	-
	(2,372)	(2,344)	-	-

Movement during the financial year is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At start of the financial year	2,344	(2,249)	-	-
Credited/(Charged) to profit or loss (Note 11):				
- property, plant and equipment	(28)	(95)	-	-
- unutilised tax losses		-	-	-
- other payables and accruals		-	-	-
	(28)	(95)	-	-
At end of the financial year	(2,372)	(2,344)	-	-
Subject to income tax:				
Deferred tax assets (before and after offsetting)				
- unutilised tax losses	887	898	-	-
- other payables and accruals	-	-	-	-
	887	898	-	-
Deferred tax liabilities (before and after offsetting)				
- property, plant and equipment	(3,259)	(3,242)	-	-

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 2020 to 2026).

26. DEFERRED TAXATION (CONT'D)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unabsorbed capital allowances	78,888	81,753	-	-
Unutilised tax losses	137,821	115,879	-	-
Other deductible temporary differences	(24,153)	534	-	-
	192,556	198,166	-	-

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.

27. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental of office premises receivable from a subsidiary of a corporate shareholder of the Company (non-trade):				
- MMC Engineering Services Sdn. Bhd.	828	828	-	-

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental of office premises receivable from a related party of a corporate shareholder of the Company (non-trade):				
- Tradewinds Hotel & Resorts	-	39	-	-
- Tradewinds Corporation Berhad	-	35	-	-
- Tradewinds Premium Good Sdn. Bhd.	-	20	-	-
Advances given to/(repayment of advances from) subsidiaries (non-trade):				
- Zelan Holdings (M) Sdn. Bhd.	-	-	335	5,924
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	23,611	(23,104)
- Zelan Construction Sdn. Bhd.	-	-	24,281	6,928
- Zelan Corporation Sdn. Bhd.	-	-	136	(407)
- Zelan Enterprise Sdn. Bhd.	-	-	962	-
- Zelan AM Services Sdn. Bhd.	-	-	1,994	1,754
- Eminent Hectares Sdn. Bhd.	-	-	-	107

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(ii) Significant financial year end related party balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts due from subsidiaries				
- Konsesi Pusat Asasi Gambang Sdn. Bhd.	-	-	36,475	12,864
- Zelan AM Services Sdn. Bhd.	-	-	4,119	2,124
	-	-	40,594	14,988
Amounts due to subsidiaries				
- Zelan Construction Sdn. Bhd.	-	-	53,320	29,039
- Sejara Bina Sdn. Bhd.	-	-	2,374	2,148
- Others	-	-	2,163	1,065
	-	-	57,857	32,252
Amounts due to related companies				
- MMC Corporation Berhad	840	840	840	840
- MMC Tepat Teknik Sdn. Bhd.	231	231	231	231
- MMC Engineering Services Sdn. Bhd.	9,641	10,469	-	-
	10,712	11,540	1,071	1,071
Amount due from an associate				
- IJM-Sunway Builders-Zelan-LFE Engineering Consortium	956	1,177	-	-
Amounts due to associates				
- Zelan Arabia Co. Ltd.	-	4,778	-	-
	-	4,778	-	-
Amounts due to joint venture partners				
- Balanced Engineering & Construction Pte Ltd	60	60	-	-
- ICOP Consortium Sdn. Bhd.	451	446	-	-
	511	506	-	-

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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

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

Key management compensation

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

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and bonuses	1,832	1,436	1,645	1,183
Defined contribution retirement plan	225	183	193	130
	2,057	1,619	1,838	1,313
Estimated monetary value of benefits-in-kind	51	58	48	43
	2,108	1,677	1,886	1,356

28. LITIGATIONS

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

Projects in Malaysia

a) In relation to a project in Malaysia, a subsidiary company, Zelan Construction Sdn Bhd ("ZCSB") had filed a Notice of Arbitration dated 25 March 2019 against its sub-contractor. The sub-contractor had on 24 April 2019 filed a response and counterclaim for RM19,418,937.16 against ZCSB for the unpaid certified invoices, retention sum, outstanding variation order and GST.

Subsequently, on 6 November 2019, ZCSB submitted its Statement of Case, *inter-alia* claiming as follows:

(i) Declaration that the Certificate of Practical Completion was properly revoked by ZCSB;
(ii) Declaration that the sub-contractor failed to achieve practical completion of the works in accordance with the Contract;
(iii) Declaration that ZCSB is entitled to step-in as provided under Clause 40A of the Contract;
(iv) Payment of RM8,269,219 being liquidated damages for the sub-contractor delay in completing its Works from 01.07.2015 to 22.12.2015;

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

28. LITIGATIONS (CONT'D)

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

Projects in Malaysia (Cont'd)

(v) Payment of RM17,393,875.15 being liquidated damages for the sub-contractor delay in completing its Works from 01.07.2015 to 30.06.2016.
(vi) Direct cost, losses, expenses and/or damages which incurred by ZCSB amounting to RM45,774,742.27;
(vii) Payment of RM186,283,267.56 for other costs, losses, expenses and/or damages incurred by ZCSB;
(viii) Consultant fees and Petty Cash amounting to RM617,175.14 incurred by ZCSB;
(ix) Electricity Charges amounting to RM3,446,341.22 incurred by ZCSB;
(x) Pre award interest at the rate of 5% per annum from the respective due dates until settlement in full; and
(xi) Post award interest at the rate of 5% calculated on the sum awarded until the date of settlement.

The sub-contractor submitted its Statement of Defence and Counterclaim dated 19 March 2020 and ZCSB's submitted its Reply to the sub-contractor's Statement of Defence and Counterclaim on 1 June 2020 . The Scott Schedule was submitted to the Arbitrator and the sub-contractor on 14 January 2021.

On 17 June 2020, ZCSB submitted it's Amended Statement of Case and the sub-contractor submitted its Amended Statement of Defence and Counterclaim. On 1 August 2020, ZCSB submitted its Amended Reply and on 29 August 2020 the sub-contractor submitted it's Reply.

The Amended Scott Schedule is due on 9 August 2021 and both parties are complying with the procedural timeline schedules.

b) In relation to a project in Malaysia, a subsidiary company, ZCSB had issued a Notice of Arbitration dated 8 March 2019 to a consultant in respect of the disputes and differences under the Consultancy Services Agreement dated 9 May 2013.

ZCSB claims for the following:-

i) Declaration that a consultant has breached its obligations under the Contract;
ii) payment for the refund on value of cost savings for deviation items amounting to RM5,969,352.20;
iii) payment for rental of temporary facilities, utilities bills, and other costs from January 2016 until 30 June 2018 amounting to RM38,307,666.66;
iv) payment for ZCSB's lost of income from January 2016 until 30 June 2018 amounting RM261,121,652.12;
v) general damages, cost of Arbitration proceeding and other cost the Arbitrator deems appropriate.

The AIAC had appointed a sole arbitrator on 14 August 2019, however due to disagreement on the terms of engagement of the arbitrator, the said arbitrator offered resignation.

Upon the inauguration of the Director of the AIAC after the position being vacant for almost a year, a substitute arbitrator has been appointed on 8 January 2021.

Subsequently, ZCSB filed its Statement of Case to the AIAC on 12 April 2021 and the consultant then filed its Statement of Defence and Counterclaim on 28 May 2021. Both parties are complying with the arbitration procedural timeline.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

28. LITIGATIONS (CONT'D)

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

Projects in Malaysia (Cont'd)

c) In relation to a project in Malaysia, a subsidiary company, ZCSB received two (2) Writ of Summons and Statement of Claim both dated 13 June 2017 from a sub-contractor in respect of disputes and differences arising from outstanding claims for dredging works and shore protection works in relation to the project in Tanjung Setapa, Johor, Malaysia. ZCSB filed it's Statement of Defence and Counter Claim dated 3 October 2017. Accordingly, the matter proceeded with full trials on 3 March, 4 March, 20 March and 30 April in 2018.

On 19 January 2020, the High Court dismissed both the sub-contractor's claims as follows ("High Court's decision"):-

i) Both suits filed by the sub-contractor are dismissed with cost of RM10,000.00 each; and

ii) ZCSB's counter claim is allowed with losses and damages in carrying out dredging works for the balance quantity of 247,384m3 to be assessed by Court by way of assessment of damages proceeding.

On 14 February 2020, the sub-contractor filed it's Notice of Appeal each dated 14 February 2020 in the Court of Appeal, Putrajaya against the High Court's decision.

The sub-contractor also filed a Notice of Application for Stay of Proceedings dated 14 May 2020 to have all forms of assessment of damages proceeding from and/or related to the High Court's decision be stayed pending conclusion of the sub-contractor's appeal. On 2 September 2020, the High Court dismissed the sub-contractor's Stay of Proceedings.

After reviewing the Grounds of Judgement from High Court which was recieved on 1 October 2020, ZCSB's filed it's Notice of Leave to Appeal dated 3 November 2020 in the Court of Appeal, Putrajaya against the High Court's decision for direction that ZCSB's counter claim to be assessed by way of assessment of damages proceedings.

On 11 November 2020, ZCSB's filed it's Notice of Application in the High Court for Stay of Proceeding on the assessment of damages proceeding pending disposal of it's appeal.

On 27 January 2021, the Court of Appeal allowed ZCSB's Notice of Leave to Appeal and ordered to assessment of damages proceeding in the High Court to be stayed until disposal of ZCSB's appeal.

The assessment of damages proceeding in the High Court is fixed for case management on 8 June 2021 to update the High Court on status of ZCSB's appeal.

On 19 April 2021, the Court of Appeal has directed for ZCSB's appeal and the sub-contractor's appeals to be heard together on 8 November 2021.

28. LITIGATIONS (CONT'D)

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

Projects in Malaysia (Cont'd)

d) In relation to a project in Malaysia, subsidiaries company, ZAM, KPAG and the company received a Writ of Summon and Statement of Claim each dated 6 November 2020 from its service provider for claims on Asset Management Charges under the Letter of Award dated 15 July 2015 ('LOA').

ZAM, KPAG and the company each filed a Notice of Application to strike out the legal actions filed by the service provider due to non-complaince of Clause 25 (Dispute Resolution) under the LOA by the service provider and there is no contractual relationship between the service provider with KPAG and the company.

On 8 March 2021, the High Court allowed the striking out applicationd filed by ZAM, KPAG and the company.

29. 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	
	2020 RM'000	2019 RM'000
Less than one year	120	194

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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

30. 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

30. 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
2020					
Segment revenue	25,300	646	46,738	1,136	73,820
Less: Inter-segment sales	-	-	(21,891)	-	(21,891)
Revenue from external customers	25,300	646	24,847	1,136	51,929
Results					
Segment result	44,763	3,094	2,138	3,497	53,492
Depreciation of property, plant and equipment and investment properties	(146)	(63)	-	(59)	(268)
Finance income	786	2	23,266	-	24,054
Finance costs	(8,220)	(4)	(26,922)	-	(35,146)
Share of results of associates	(31)	-	-	-	(31)
Profit/(loss) before zakat	37,152	3,029	(1,518)	3,438	42,101
2019					
Segment revenue	55,475	744	41,858	1,203	99,280
Less: Inter-segment sales	-	-	(18,515)	-	(18,515)
Revenue from external customers	55,475	744	23,343	1,203	80,765
Results					
Segment result	17,527	254	10,047	(876)	26,952
Depreciation of property, plant and equipment and investment properties	(170)	(88)	-	(6)	(346)
Finance income	1,023	3	24,655	4	25,685
Finance costs	(4,961)	(2)	(34,619)	(43)	(39,626)
Share of results of associates	(50)	-	-	-	(50)
Profit/(loss) before zakat	6,302	167	83	(1,003)	13,155

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

30. 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
2020					
Total assets					
Segment assets	346,449	12,277	476,866	5,088	840,680
Investments in associates	6,106	-	-	-	6,106
	352,555	12,277	476,866	5,088	846,787
Add: Unallocated assets					901
					847,688
Total liabilities					
Segment liabilities	289,342	702	455,384	2,033	747,461
Add: Unallocated liabilities					12,552
					760,013
2019					
Total assets					
Segment assets	767,041	10,959	21,977	2,435	802,412
Investments in associates	6,137	-	-	-	6,137
	765,571	10,959	21,977	2,435	800,942
Add: Unallocated assets					910
					809,459
Total liabilities					
Segment liabilities	726,922	609	1,895	15,438	744,864
Add: Unallocated liabilities					7,118
					751,982

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

30. 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
2020						
Segment revenue	51,929	-	-	-	-	51,929
Segment assets	594,479	78	246,996	6,117	18	847,688
Segment liabilities	148,957	34,739	189,604	386,432	280	760,012
2019						
Segment revenue	80,765	-	-	-	-	80,765
Segment assets	609,379	81	186,225	6,148	19	801,852
Segment liabilities	560,634	6,316	165,708	19,147	177	751,982

Total external revenue includes 2 customers (2019: 2 customers) from the engineering and construction business segment and asset facility managment segment who have contributed 96% (2019: 98%) to the overall Group's revenue for the financial year ended 31 December 2020.

Revenue from two major customer, with revenue equal to or more than 10% of the Group's revenue, amounting to RM50,101,000 (2019: RM58,148,000) arose from the engineering and construction business and asset facility management segment.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

31. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets				
Financial assets at amortised cost:				
Trade receivables	754,111	681,709	-	-
Other receivables	5,916	9,892	89	9
Advance to subcontractors	3,984	4,037	-	-
Amount due from an associate	956	1,177	-	-
Amounts due from subsidiaries	-	-	40,929	14,988
Deposits, cash and bank balances	32,788	20,355	61	151
	797,755	717,170	41,079	15,148
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	98,113	158,685	-	-
Amounts due to subsidiaries	-	-	57,856	32,252
Amounts due to related companies	10,712	11,540	1,071	1,071
Amounts due to joint venture partners	511	506	-	-
Amounts due to associates	-	4,778	-	-
Other payables and accruals	88,576	10,759	653	636
Advances received from contract customers	22,202	13,613	-	-
Borrowings	526,982	547,715	-	-
	747,096	747,596	59,980	33,959

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. 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:

- 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 2020 and 31 December 2019, 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:

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Borrowings denominated in AED				
- Increase of 100 basis points	(76)	(57)	-	-
- Decrease of 100 basis points	76	57	-	-
Borrowings denominated in RM				
- Increase of 100 basis points	(575)	(325)	-	-
- Decrease of 100 basis points	575	325	-	-

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. 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:

	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
2020					
Financial liabilities					
Trade payables	98,119	-	-	-	98,119
Amounts due to related companies	90,554	-	-	-	90,554
Amounts due to joint venture partners	555	-	-	-	555
Amount due to an associate	9,641	-	-	-	9,641
Other payables and accruals	88,537	-	-	-	88,537
Advances received from contract customers	10,967	-	-	-	10,967
Borrowings	48,937	65,885	143,419	268,741	526,982
	347,310	65,885	143,419	268,741	825,355
2019					
Financial liabilities					
Trade payables	158,685	-	-	-	158,685
Amounts due to related companies	11,540	-	-	-	11,540
Amounts due to joint venture partners	506	-	-	-	506
Amount due to an associate	4,778	-	-	-	4,778
Other payables and accruals	10,759	-	-	-	10,759
Advances received from contract customers	13,613	-	-	-	13,613
Borrowings	129,204	70,281	137,857	301,415	547,715
	329,085	70,281	137,857	301,415	747,596

32. 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 undiscounted contractual payments are as set out below:

	Company	
	Less than 1 year RM'000	Total RM'000
2020		
Financial liabilities		
Amounts due to subsidiaries	57,856	57,856
Amounts due to related companies	1,071	1,071
Other payables	230	230
	59,157	59,157
2019		
Financial liabilities		
Amounts due to subsidiaries	32,252	32,252
Amounts due to related companies	1,071	1,071
Other payables and accruals	223	223
	33,546	33,546

As at 31 December 2020, the Group's and the Company's current liabilities exceeded the current assets by RM175.4million and RM18.6 million respectively.

During the financial year ended 31 December 2020, as disclosed in Note 23(b)(ii) and Note 23(c) to the financial statements, the Group did not meet the repayment instalments for certain credit facilities in accordance with the repayment schedules agreed with the financial institution. The Group has informed the financial institution on the late payment installment and managed to obtain indulgence on extended time for the repayment of loan. Accordingly, the carrying values of these financing facilities of RM48.8million (2019: RM38.1 million) were classified as current liabilities as at 31 December 2020.

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 2.1(i) to the financial statements.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk

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

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

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

Measurement of Expected Credit Loss ("ECL")

(a) Trade receivables and contract assets using simplified approach

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

(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	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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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

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

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

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

(c) Cash and cash equivalents

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

Credit risk concentration profile

At the reporting date, the Group has no significant concentration of credit risk other than two corporate debtors which represent 69% (2019: 89%) of the Group's total trade receivables, in which these balances are monitored closely. 4% (2019: 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.

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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:

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
2020				
Group				
Trade receivables	-	-	804,304	804,304
Contract assets	-	-	105,117	105,117
	-	-	909,421	909,421
Loss allowance	-	-	(155,310)	(155,310)
Net carrying amount	-	-	754,111	754,111
Amount due from an associate	956	-	-	956
Loss Allowance	-	-	-	-
Net carrying amount	956	-	-	956
Other receivables and deposits	5,916	-	2,148	8,064
Loss allowance	-	-	(2,148)	(2,148)
Net carrying amount	5,916	-	-	5,916

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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

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

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Company				
2020				
Amount due from subsidiaries	40,929	-	568,377	609,306
Loss allowance	-	-	(568,377)	(568,377)
Net carrying amount	40,929	-	-	40,929
Other receivables and deposits	-	-	-	-
Loss Allowance	-	-	-	-
Net carrying amount	-	-	-	-
2019				
Amount due from subsidiaries	14,988	-	568,377	583,365
Loss allowance	-	-	(568,377)	(568,377)
Net carrying amount	14,988	-	-	14,988
Other receivables and deposits				-
Loss Allowance				
Net carrying amount	-	-	-	-

32. 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 2020 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 2020	-	-	102,086	102,086
Net effect of foreign currency exchange differences	-	-	-	-
At 31 December 2020	-	-	102,086	102,086
Amount due from an associate				
At 1 January 2020	-	-	648	648
Write back of provision for impairment differences	-	-	(648)	(648)
At 31 December 2020	-	-	-	-
Other receivables and deposits				
At 1 January 2020	-	-	2,148	2,148
Additional impairment during the year	-	-	-	-
At 31 December 2020	-	-	2,148	2,148

Notes To The Financial Statements
for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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

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

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Credit risk (Cont'd)

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

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
Company				
Amount due from subsidiaries				
At 1 January 2020	-	5,553	562,824	568,377
Additional impairment during the year	-	(5,553)	5,553	-
At 31 December 2020	-	-	568,377	568,377
	-			
Amount due from subsidiaries				
At 1 January 2019	-	-	562,524	562,524
Additional impairment during the year	-	5,553	300	5,853
At 31 December 2019	-	5,553	562,824	568,377

The Company assessed the recoverable amount of the amount due from a subsidiary during the year based on the likelihood that the subsidiary will not be able to repay the outstanding amount. Based on the estimated cash flow of the subsidiary, expected credit loss at stage 2 has been classified as stage 3 in current financial year.

Maximum exposure to credit risk

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

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(v) Capital management

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

(vi) Fair value

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

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
At 31 December 2020				
Financial assets				
Receivables				
- trade receivables	697,354	697,354	-	-
Amount due from an associate	956	976	-	-
At 31 December 2019				
Financial assets				
Receivables				
- trade receivables	620,072	620,072	-	-
Amount due from an associate	1,177	1,177	-	-

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.

Notes To The Financial Statements

for the Financial Year Ended 31 December 2020

33. SIGNIFICANT EVENTS

a) Covid-19 outbreak

In March 2020, the World Health Organisation declared the outbreak of Covid-19 as a global pandemic. The outbreak has disrupted global markets with travel restrictions and lockdowns declared by governments across all countries.

Up to the date of these financial statements, the Group has seen an impact of Covid-19 outbreak on the Group's revenue, earnings, cash flows and financial condition. However, there is an uncertainty about the length and severity of Government or regulatory intervention which could have unexpected impact. A prolonged economic downturn could also lead to further Government or regulatory intervention and more adverse outcomes to the Group's business.

The Group is implementing timely measures to miminise impact of the outbreak on the Group's operation and expects to remain solvent. Cashflow forecasts indicate the Group will maintain sufficient liquidity to meet the Group's required working capital requirement for its operating business. These forecasts have been prepared for a number of scenarios including future potential Covid-19 lockdowns and travel restrictions that will affect the asset facility managements and engineering and consturction segments. In any of these scenarios, accordingly, there is no reason for the Directors to believe that there is any significant uncertainty on going concern as the Group has a range of additional options available in the event conditions worsen including raising additional funds, liquidating assets and seeking additional support from the Group's financiers.

b) Demolition of Meena Plaza Towers ("Meena Plaza Project")

Following to the authority's approval on the redevelopment purpose at Mina Zayed Wharf in Abu Dhabi, Meena Plaza Project have been demolished on 27 November 2020. The main contractor of Meena Plaza Project is the subsidiary of the Company ie Zelan Holding (M) Sdn. Bhd. ("ZHSB").

34. PRIOR YEAR ADJUSTMENTS

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Group			
Statement of profit or loss and other comprehensive income for the year ended 31 December 2019			
Investment properties:			
Depreciation	241	(3,781)	(3,540)
Fair value gain	-	(4,067)	(4,067)
Statement of financial position as of 31 December 2019			
Investment properties	8,179	7,607	15,786
Statement of changes in equity			
Accumulated losses	(87,188)	7,607	(79,581)

In current year, the Group has changed the measurement of investment properties at fair value model from cost model. The Group has applied the new policy retrospectively.

List of Properties Held

as at 31 December 2020

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	2,123	20	1995
INVESTMENT PROPERTIES							
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	3,865	20	1995
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	2,113	20	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	2,200	20	2005

Disclosure of Recurrent Related Party Transactions

as at 31 March 2021

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

Transacting Companies	Transacting Related Parties	Interested Major Shareholder/ Director	Nature of RRPT	Transactions (from 3 September 2020 to 31 March 2021 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	483
Zelan Group	TCB Group	PLSB, RJSB, MMC and/or TSSM	Construction contracts, project management and property development	-
			**Rental of office premises	-
Zelan Group	DRB-HICOM Group	ESSB and/or TSSM	Construction contracts, project management and property development	-
			TOTAL	**483**

* *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 15 July 2021 (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 20 May 2021

Class of Securities	:	Ordinary Shares of 10 sen each
Authorised Share Capital	:	RM400,000,000
Issued and Paid Up Capital	:	RM844,920,705
Voting Right	:	One (1) vote for every ordinary share
No. of Shareholders	:	10,340

DISTRIBUTION SCHEDULE OF ORDINARY SHAREHOLDERS

CATEGORY	NO. OF HOLDERS	%	NO. OF HOLDINGS	%
Less than 100	249	2.41	5,677	0.00
100 – 1,000	880	8.51	564,829	0.06
1,001 – 10,000	3,621	35.01	22,030,244	2.61
10,001 – 100,000	4,726	45.71	179,674,387	21.27
100,001 to 42,246,034 (*)	863	8.35	311,065,489	36.82
42,246,035 and Above (**)	1	0.01	331,580,079	39.24
TOTAL	**10,340**	**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	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	6,936,700	0.82
3	NG KIAN BING	6,075,000	0.72
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	5,350,000	0.63
5	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOON SING (MY3586)	5,000,000	0.59
6	TEE KIAM HENG	5,000,000	0.59

Shareholders Information
as at 20 May 2021

THIRTY LARGEST SHAREHOLDERS (CONT'D)

NO.	NAMES	SHAREHOLDINGS	%
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG (CEB)	4,300,000	0.45
8	LIAN FONG CHEE	3,050,000	0.36
9	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LI SEE (SOLARIS-CL)	3,030,000	0.36
10	GHAZALY BIN BAKAR	2,500,000	0.30
11	LIM CHUN SEEN	2,440,500	0.29
12	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KA KIAT	2,400,000	0.28
13	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AZMI BIN MUHAMMAD (MY2422)	2,200,000	0.26
14	GOH POH CHEE	2,114,000	0.25
15	MD. SHAH BIN ABU HASAN	2,100,000	0.25
16	YEOH SWEE LENG	2,100,000	0.25
17	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG TENG CHAI (J BENDAHARA-CL)	2,020,100	0.24
18	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	2,008,400	0.24
19	TEE JIN GEE ENTERPRISE SDN BHD	2,000,000	0.24
20	WAN FAREEZUDIN BIN WAN HUSAIN	2,000,000	0.24
21	TAN ENG HAI	1,910,800	0.23
22	ONG SI TENG	1,884,800	0.22
23	KOK JIN KHUM	1,700,100	0.20
24	HANG TUAH BIN AMIN TAJUDIN	1,667,900	0.20
25	MD. SHAH BIN ABU HASAN	1,630,000	0.19
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG (8027006)	1,600,000	0.19
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	1,550,000	0.18
28	KO BOON LEONG	1,520,000	0.18
29	LIM HOCK HUAT	1,513,200	0.18
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEZRUL HAFIZ BIN SULAIMAN	1,510,000	0.18

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 410,691,579
TOTAL PERCENTAGE : 48.61

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting ("AGM") of Zelan Berhad ("Zelan or the Company") will be conducted as a fully virtual meeting from broadcast venue at Boardroom of Zelan Berhad, 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur on Thursday, 15 July 2021 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. **Please refer to Note A**

2. To re-elect the following Directors who retire in accordance with Article 23.2 of the Company's Constitution and who being eligible, offer themselves for re-election:

   (i) YBhg. Dato' Anwar bin Haji @ Aji **Resolution 1**
   (ii) Encik Mohd Shukor bin Abdul Mumin **Resolution 2**

3. To approve the payment of Directors' fees for the financial year ending 31 December 2021 amounting to RM361,000.00. **Resolution 3**

4. To approve 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 16 July 2021 until the conclusion of the next AGM of the Company ("Relevant Period"). **Resolution 4**

5. To appoint Messrs Afrizan Tarmili Khairul Azhar (AF1300) as Auditors of the Company in place of the outgoing Auditors, 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 of Directors. **Resolution 5**

SPECIAL BUSINESS

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

6. **PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "THAT Datuk Ooi Teik Huat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director of the Company until conclusion of next AGM." **Resolution 6**

Notice of Annual General Meeting

7. **AUTHORITY TO ALLOT AND ISSUE SHARES** **Resolution 7**

"THAT subject always to the Companies Act, 2016 ("Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Board be and are hereby authorised pursuant to Section 75 and 76 of the Act, to issue and allot shares of the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Board may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10.0%) of the issued and paid-up share capital of the Company for the time being AND THAT the Board is also empowered to obtain the approval of Bursa Malaysia Securities Berhad and any other relevant approvals as may be necessary for the listing of and quotation for the additional shares so issued."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE WITH MMC CORPORATION BERHAD AND ITS SUBSIDIARIES, TRADEWINDS CORPORATION BERHAD AND ITS SUBSIDIARIES AND DRB-HICOM BERHAD AND ITS SUBSIDIARIES ("PROPOSED SHAREHOLDERS' MANDATE")** **Resolution 8**

"THAT approval be and is hereby given for the Company and/or its subsidiaries ("Group") to enter into the recurrent transactions of revenue or trading nature with MMC Corporation Berhad and its subsidiaries, Tradewinds Corporation Berhad and its subsidiaries and DRB-HICOM Berhad and its subsidiaries, as set out in Section 2 of the Circular to Shareholders dated 31 May 2021 which are subject to the renewal and obtaining the shareholders' mandate, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms' length basis on normal commercial terms, which are consistent with the Group's normal business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

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

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

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

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

Notice of Annual General Meeting

AND THAT in making the appropriate disclosure of the aggregate value of recurrent transactions conducted pursuant to the shareholders' mandate in the Company annual report, the Company must provide a breakdown of the aggregate value of the recurrent transactions made during the financial period, amongst others, based on the following information:

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

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

BY ORDER OF THE BOARD

YUSRENAWATI BINTI MOHD YUSOF
Company Secretary

31 May 2021
Cheras, Kuala Lumpur

Notes:

1. Only members whose name appears on the Record of Depositors as at 9 July 2021 shall be entitled to attend the 45th AGM or appoint a proxy (ies) to attend and/or vote on their behalf.

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

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

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

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

6. Where a member of the Company is an exempt authorised 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 authorised nominee may appoint in respect of each omnibus account it holds.

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

Notice of Annual General Meeting

8. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority must be deposited with the Registrar's Office, Boardroom Share Registrars Sdn Bhd, at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof at which the person named in the instrument appointing a proxy to vote at this Meeting shall be deemed to include the power to demand, or join in demanding a poll on behalf of the appointer.

9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 45th AGM will be put to vote by poll. The AGM will be conducted on fully virtual and the Company has appointed Boardroom Share Registrars Sdn Bhd. as the Poll Administrator for the AGM to facilitate the remote participation and voting facilities. Please refer to the procedures set out in the Administrative Details for the AGM on the registration and voting process for the Meeting.

10. Due to the COVID-19 pandemic, the Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman shall be at the main venue of the AGM. No Shareholders/ Proxies from the public will be allowed to be physically present at the Broadcast Venue on the day of the AGM.

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 2021

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 2021 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

Notice of Annual General Meeting

Directors	Board (RM)	Audit Committee (RM)	Nomination and Remuneration Committee (RM)	Total (RM)
Dato' Anwar bin Haji @ Aji	75,000.00	N/A	24,000.00	99,000.00
Datuk Ooi Teik Huat	40,000.00	30,000.00	16,000.00	86,000.00
Datuk Puteh Rukiah binti Abd Majid	40,000.00	20,000.00	16,000.00	76,000.00
Encik Suhaimi bin Halim	40,000.00	20,000.00	N/A	60,000.00
Encik Mohd Shukor bin Abdul Mumin	40,000.00	N/A	N/A	40,000.00
			Total	**361,000.00**

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 2021 to 31 December 2021.

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 16 July 2021 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)	8,000	291,000[1]	45,116.87[2]	344,116.87
Datuk Ooi Teik Huat	14,000	-	-	14,000
Datuk Puteh Rukiah binti Abd Majid	14,000	-	-	14,000
Encik Suhaimi bin Halim	11,000	-	-	11,000
Encik Mohd Shukor bin Abdul Mumin	5,000	-	-	5,000
Total	**52,000**	**291,000**	**45,116.87**	**388,116.87 (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 (AF1300) as Auditors of the Company

The Company has received a written consent to act as Auditors of the Company from Messrs Afrizan Tarmili Khairul Azhar (AF1300) pursuant to Section 264(5) of the Act.

Notice of Annual General Meeting

Resolution 6 – Continuation in office as Independent Non-Executive Director

Datuk Ooi Teik Huat was appointed as an Independent Non-Executive Director of the Company on 10 July 2009 and therefore, has served the Board for a cumulative term of more than twelve (12) years. The Board of Directors of the Company through the Nomination and Remuneration Committee, after having assessed the independence of Datuk Ooi Teik Huat, regards him to be independent and recommends that Datuk Ooi Teik Huat be retained as an Independent Non-Executive Director of the Company subject to the approval from the shareholders of the Company, based amongst others, the following justifications:

(a) Datuk Ooi Teik Huat have been a dedicated and committed Board member, having attended almost all the Committee and Board meetings since his appointment to the Board;

(b) Datuk Ooi Teik Huat's experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence. His good understanding of the industry and Company's business operations enable him to participate actively and contribute effectively during deliberations for robust discussion at the Audit Committee, Nomination Committee and Board Meetings without compromising his independence and objective judgement;

(c) Datuk Ooi Teik Huat demonstrated high commitment and devoted sufficient time to his responsibilities as Senior Independent Non-Executive Director of the Company;

(d) Datuk Ooi Teik Huat fulfills the criteria of an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(e) Datuk Ooi Teik Huat exercises due care as Independent Non-Executive Director of the Company and is able to carry out his professional and fiduciary duties in the interests of the Company and shareholders; and

(f) Datuk Ooi has always acted in the best interests of the Company and has at all times exercised due care in carrying out his fiduciary duties, and his tenureship with the Company has neither impaired or compromised his integrity.

The shareholders' approval for Ordinary Resolution 6 will be sought on a single-tier voting basis.

Resolution 7 – Authority to allot shares

The proposed Resolution 7, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, to allot and issue ordinary shares in the Company up to and not exceeding in total ten per cent (10.0%) of the issued and paid-up capital of the Company pursuant to Section 75 of the Companies Act, 2016. This authority, unless revoked or verified at a general meeting will expire at the next AGM of the Company.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 3 September 2020 which will lapse at the conclusion of the forthcoming AGM.

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

Resolution 8 – Proposed Shareholders' Mandate for Recurrent Related Party Transactions

For further information, please refer to Circular to Shareholders dated 31 May 2021.

Statement Accompanying Notice of Annual General Meeting

No individual is seeking election as a Director at the forthcoming 45th AGM of the Company.

Administrative Details

for the Fully Virtual 45th Annual General Meeting

The 45th Annual General Meeting ("AGM") of ("Zelan or the Company") will be conducted as a fully virtual meeting from the broadcast venue at Boardroom of Zelan Berhad, 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur on Thursday, 15 July 2021 at 2.00 p.m.

1. Remote Participation and Voting at A Fully Virtual 45th AGM

Having regard to the well-being and safety of the Company's shareholders, employees and advisers who will attend the 45th AGM and as a precautionary measure amid COVID-19, the Company will conduct its 45th AGM as a fully virtual meeting via Remote Participation and Voting ("RPV") Facilities, without a physical meeting venue, on 15 July 2021.

The shareholders are strongly encouraged to participate using the RPV webcast which is available at https://boardroomlimited.my, to login, register and sign up as a user. No shareholder/proxy/corporate representative from the public should be physically present nor admitted at the broadcast venue at the date of the 45th AGM of the Company. The broadcast venue is meant for the compliance with Section 372(2) of the Companies Act 2016 that the Chairman shall be present at the main venue of the AGM.

With the use of RPV Facilities, the shareholders may exercise your rights to participate, speak (in the form of real time submission of typed texts) and vote at the general meeting from different location without physically present at the meeting venue, including to pose questions to the Board or Management of the Company.

The closing time to submit your request to access the RPV webcast is at 2.00 p.m. on 13 July 2021 (48 hours before the 45th AGM).

Depending on the evolving COVID-19 situation in Malaysia from time to time, the Company will inadvertently require to change the arrangements of its 45th AGM with short notice to cope with the situation. Kindly be informed of the latest updates on the 45th AGM (if any) at the Company's website or announcement by the Company. The Company will continue to observe the guidelines issued by Ministry of Health of Malaysia and will take all necessary precautionary measures as advised.

2. General Meeting Record of Depositors ("ROD")

Only depositors whose names appear on the ROD as at 9 July 2021 shall be entitled to participate in the AGM or appoint proxies to register and vote on their behalf.

3. Proxy

If an individual shareholder is unable to attend the AGM, he/she is encouraged to appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form (enclosed together with the Notice of AGM dated 31 May 2021) ("Proxy Form") in accordance with the notes and instructions printed therein.

For the shareholders who have previously submitted Proxy Forms appointing their proxies, you may register your intention to participate via https://boardroomlimited.my. The proxy appointment will be deemed revoked upon your registration to personally participate remotely in the AGM.

Corporate shareholders that wish to appoint a representative to participate and vote remotely at the AGM may refer to details set out under item 6 or contact the share registrars, Boardroom Share Registrars Sdn Bhd ("Boardroom"), with the details set out under item 8 below for assistance and will be required to provide the following documents to Boardroom not later than **Tuesday, 13 July 2021 at 2.00p.m**.

Administrative Details
for the Fully Virtual 45th Annual General Meeting

(i) original certificate of appointment of its corporate representative or Proxy Form under the seal of the corporation or under the hand of a duly authorised officer/attorney;
(ii) copy of the corporate representative's or proxy's MyKad (front and reverse); and
(iii) corporate representative's or proxy's email address and mobile phone number. Boardroom shall respond to you on your request for remote participation.

The corporate shareholder (through corporate representative(s) or appointed proxy (ies) who is unable to attend the AGM) is encouraged to appoint the Chairman of the meeting as its proxy indicate the voting instruction in the Proxy Form in accordance with the notes and instructions printed therein.

In respect of the beneficiaries of the shares under a nominee company's CDS account ("NC members") who wish to participate and vote remotely at the AGM, the NC member(s) can request its nominee company to appoint him/her as a proxy to participate and vote remotely at the AGM. The nominee company may refer to details set out under item 6 or contact Boardroom's officer with the details set out under item 8 below for assistance and will be required to provide the following documents to Boardroom not later than **Tuesday, 13 July 2021 at 2.00p.m**.

(1) original Revised Proxy Form under the seal of the nominee company;
(2) copy of the proxy's MyKad (front and reverse); and
(3) proxy's email address and mobile phone number.

Boardroom shall respond to you on your request for remote participation

4. Shareholders' Right to Speak

The shareholders may use the query box facility on the RPV webcast to transmit your question to the Chairman/Board. The Chairman/Board will try to address and answer the relevant questions during the Questions and Answers session.

5. Poll Voting

The voting at the AGM will be conducted by way of poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company's share registrars/poll administrator, Boardroom, will assist to conduct the poll by way of electronic voting and the independent scrutineers will verify and validate the poll results. Upon the completion of the voting session for the AGM, the scrutineers will verify the poll results followed by the Chairman's announcement whether the resolutions are duly passed.

6. RPV Facilities

Please note that this option is available to **(i) individual members; (ii) corporate shareholder; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee**.

If you choose to participate in the meeting online, you will be able to view live webcast of the meeting, submit questions to the Chairman and submit your votes in real time whilst the meeting is in progress.

Administrative Details
for the Fully Virtual 45th Annual General Meeting

Kindy follow the steps below on how to request for login ID and password.

Step 1 - Register Online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

a. Access website https://boardroomlimited.my
b. Click <<**Login**>> and click <<**Register**>> to sign up as a user.
c. Complete registration and upload softcopy of MyKAD (front and back) or Passport.
d. Please enter a valid email address and wait for Boardroom's email verification.
e. Your registration will be verified and approved within one business day and an email notification will be provided.

Step 2 - Submit Request for Remote Participation User ID and Password

*[Note: The registration for remote access will be opened on **14 June 2021**]*

Individual Members

- Login to https://boardroomlimited.my using your user id and password above.
- Select "**Virtual Meeting**" from main menu and select the correct Corporate Event "**Zelan Berhad 45th Annual General Meeting**"
- Enter your CDS Account.
- Read and agree to the terms & condition and thereafter submit your request.

Corporate Shareholders

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.

Authorised Nominee and Exempt Authorised Nominee

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Form of Proxy to submit the request.

a. You will receive a notification from Boardroom that your request has been received and is being verified.
b. Upon system verification against the AGM's Record of Depositories, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
d. Please note that the closing time to submit your request is at 02:00 p.m. on 13 July 2021 (48 hours before the AGM).

Administrative Details
for the Fully Virtual 45th Annual General Meeting

Step 3 - Login to Virtual Meeting Portal

[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

a. The Virtual Meeting portal will be open for login starting **two hours (2 hours) before the commencement of AGM at 2:00 pm on 15 July 2021**.
b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2 above).
c. The steps will also guide you how to view live web cast, ask questions and vote.
d. The live web cast will end and the Messaging window will be disabled the moment the Chairman announces the closure of the AGM.
e. You can now logout from Virtual Meeting Portal.

7. F&B & Door Gift

There will be **NO distribution of food voucher or door gift** to shareholders.

8. Enquiry

If you have any enquiry prior to the 45th AGM, please contact the following officers during office hours from 9.00 a.m. to 5.00 p.m. (Mondays to Fridays):

Boardroom Share Registrars Sdn Bhd
(Registration No. 199601006647/378993-D)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan,
Malaysia

General Line	:	+603-7890 4700
Fax No.	:	+603-7890 4670
Officers	:	Encik Zulkernaen Abd Samad +603-7890 4741 (Zulkernaen.Samad@boardroomlimited.com) Puan Rozleen Monzali +603-7890 4739 (Rozleen.Monzali@boardroomlimited.com)

Zelan Berhad 197601001688 (27676-V)

PROXY FORM

CDS Account No.	No. of shares held

I/We, ______________________________ (NRIC/Passport No. ______________________________)

of ______________________________ Tel. No. ______________________________

being a member/members of ZELAN BERHAD hereby appoint:-

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

*and/or (*delete if not applicable)

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her the **CHAIRMAN OF MEETING**, as my/our proxy to vote for me/us on my/our behalf at the 45th Annual General Meeting ("AGM") will be conducted as a fully virtual meeting from broadcast venue at **Boardroom of Zelan Berhad, Level 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur** on **Thursday, 15 July 2021** at **2.00 p.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of the Annual General Meeting.

(Please indicate with a check mark (" ✔ ") in the appropriate box on how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

RESOLUTION	ORDINARY BUSINESS	FOR	AGAINST
1	To re-elect YBhg. Dato' Anwar bin Haji @ Aji pursuant to Article 23.2 of the Company's Constitution		
2	To re-elect Encik Mohd Shukor bin Abdul Mumin pursuant to Article 23.2 of the Company's Constitution		
3	To approve the payment of Directors' Fees		
4	To approve the payment of Directors' remuneration (excluding Directors' fees and Board committee fees) to the Non-Executive Directors from 16 July 2021 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 (AF1300) as Auditors of the Company		
RESOLUTION	**SPECIAL BUSINESS**		
6	To re-appoint and to continue to act as Independent Non-Executive Director of the Company – Datuk Ooi Teik Huat		
7	Ordinary Resolution - Authority to Allot Shares		
8	Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

____
Signature/Common Seal of Member

Dated this ____________ day of ________________ 2021

NOTES:

1. This proxy form, duly signed, must be deposited at the Registrar's Office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia (Fax No: +603 7890 4670) not less than forty-eight (48) hours before the meeting. Each shareholder can appoint not more than two (2) proxies. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. This instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. A corporation may by resolution of its Directors or the governing body, if it is a member of the Company authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation.
4. In the case of joint holders, the signature of any of them will suffice.

Note to Shareholders

(i) We will forward the hard copy of Annual Report 2020 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 2020, please contact Puan Yusrenawati Mohd Yusof at telephone no: +603 9173 9173.
(iii) This Annual Report could be downloaded from the Company's website at this URL address: http://www.zelan.com.

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ZELAN BERHAD
45th AGM
15 JULY 2021

STAMP

BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor

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