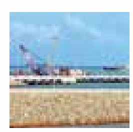
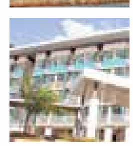
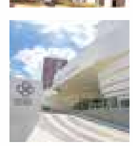
ZELAN BERHAD
27676-V

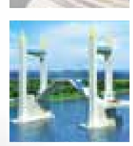
2016 Annual Report

Contents
2016


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


International Islamic University Malaysia (IIUM), Pahang, Malaysia


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


Drawbridge Connecting Muara North and Muara South at Kuala Terengganu, Terengganu, Malaysia

Our Vision

To be the preferred engineering and construction group in Malaysia.

Our Mission

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

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

Corporate Values

- Integrity
- Caring
- Innovative
- Professionalism

Our Business Focus

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

Financial CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2016

ANNOUNCEMENT OF RESULTS

First Quarter Ended 31 March 2016
20 May 2016

Second Quarter Ended 30 June 2016
22 August 2016

Third Quarter Ended 30 September 2016
16 November 2016

Fourth Quarter Ended 31 December 2016
20 February 2017

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of AGM
28 April 2017

ANNUAL GENERAL MEETING
22 May 2017

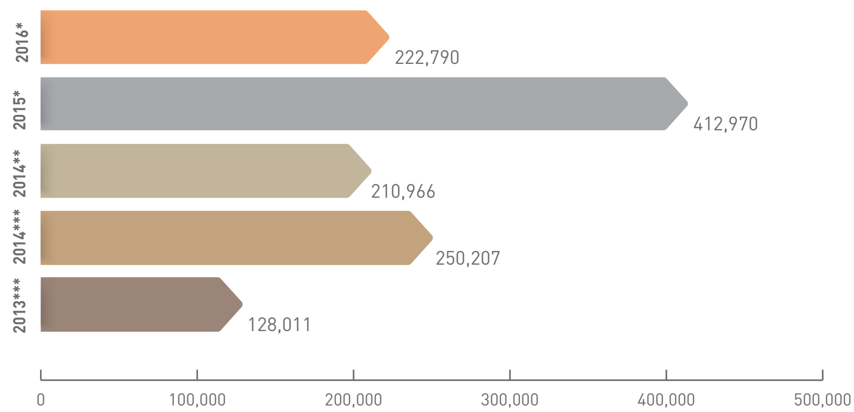
5 Years' FINANCIAL HIGHLIGHTS

	Financial Year ended 31.12.2016 RM'000	Financial Year ended 31.12.2015 RM'000	* Financial Period ended 31.12.2014 RM'000	Financial Year ended 31.03.2014 RM'000	Financial Year ended 31.03.2013 RM'000
Results					
Revenue	222,790	412,970	210,966	250,207	128,011
Gross (loss)/profit	(5,184)	36,213	39,617	(9,998)	11,031
(Loss)/profit before zakat and taxation	(67,056)	21,759	47,166	40,188	(50,589)
(Loss)/profit attributable to equity holders of the Company	(67,623)	30,487	38,475	35,240	(77,796)
Assets					
Total assets	874,681	827,119	583,523	532,790	850,853
Total assets less current liabilities	568,706	527,921	394,222	232,795	323,986
Deposits, cash and bank balances	23,871	70,607	72,370	34,000	42,832
Liabilities and shareholders' funds					
Borrowings	475,726	346,325	221,940	124,635	389,906
Equity attributable to owners of the Company	131,990	205,348	176,725	136,897	142,479
Financial Ratios (%)					
Debt to equity	360.4	168.7	125.6	91.0	273.7
Pre-tax return on equity attributable to owners of the Company	(50.8)	10.6	26.7	29.4	(35.5)
Share information					
Net tangible assets per share (RM) #	0.16	0.24	0.21	0.16	0.25
Basic earnings per share (sen) #	(8)	4	5	6	(14)
Diliuted earnings per share (sen) #	(8)	3	4	6	-

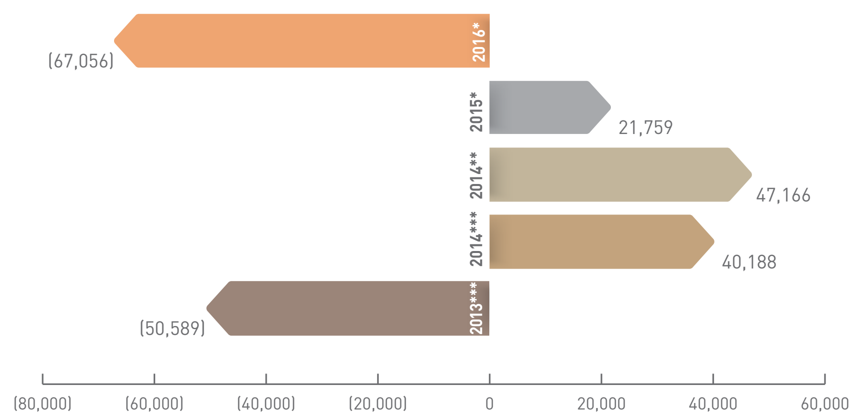
Adjusted for rights issue with warrants for the financial year ended 31 March 2014.
* Nine (9) months' period.

5 Years' FINANCIAL HIGHLIGHTS (CONT'D)

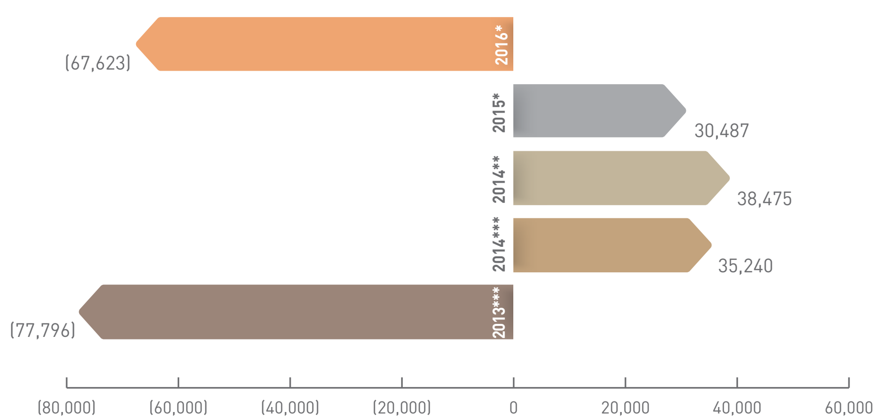
Revenue
(RM'000)



(Loss)/Profit Before Zakat and Taxation
(RM'000)



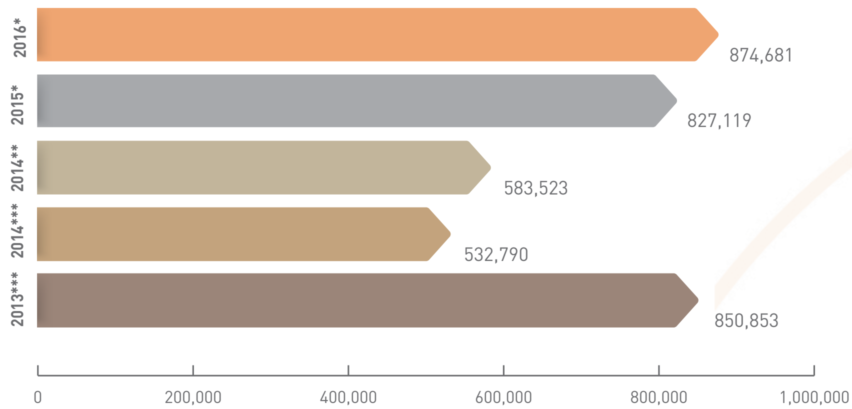
(Loss)/Profit Attributable to Equity Holders of the Company
(RM'000)



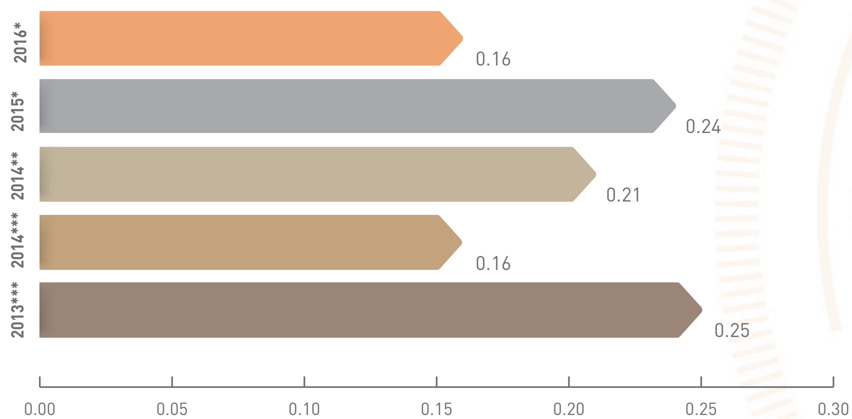
Note:
* for financial year ended 31 December
** for financial period ended 31 December
*** for financial year ended 31 March

5 Years' FINANCIAL HIGHLIGHTS (CONT'D)

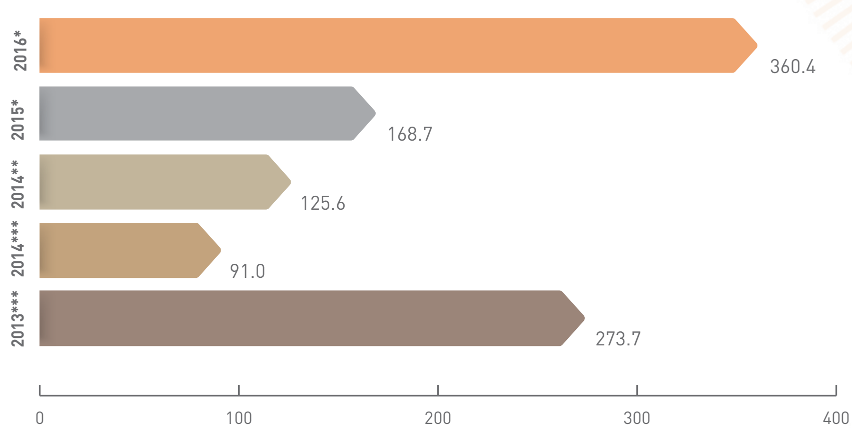
Total Assets
(RM'000)



Net Tangible Assets Per Share
(RM)



Debt to Equity
%



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

Chairman's STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Zelan Berhad ("Zelan" or "Group"), I am pleased to present our Annual Report and Audited Financial Statements for the financial year ended 31 December 2016.

Dato' Anwar bin Aji
Chairman

Chairman's STATEMENT (CONT'D)

OVERVIEW

The financial year 2016 was a challenging year for the Group as our performance was largely impacted by a competitive operating landscape. While we expect construction costs to increase further, the Group remained its focus on executing the ongoing projects which we have secured previously as well as tendering for new projects to capitalise on the sustained healthy construction demand in Malaysia.

I am pleased to report that, the Group achieved its milestone with the completion of the construction of two (2) projects namely, the Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), Gambang Campus project in Pahang which currently in the process of undertaking the defect rectification works and expected to be completed by the second quarter of the financial year 2017, and the Material Off Loading Facility jetty project at Tanjung Setapa, Johor which has been handed over to Petronas Refinery and Petrochemical Integrated Development in February 2016.

In relation to the Bukit Bintang City Centre project located at Jalan Hang Tuah/Jalan Pudu, Kuala Lumpur, the construction of the project is nearing completion with the achievement of overall physical work progress of approximately 99%.

The physical works are in progress for the construction of the Drawbridge connecting Muara North and Muara South in Kuala Terengganu, Terengganu which will be a new state landmark when the project is completed in September 2017.

Zelan Construction Sdn Bhd ("ZCSB") together with its consortium partner, Hasrat Sedaya Sdn Bhd secured a contract of RM257.6 million for the 'Projek Penswastaan Lebuhraya Bertingkat Sungai Besi-Ulu Kelang ("SUKE") Package CB-2, Construction and Completion of Mainline and other Associated Works from CH. 15000 to CH. 16700' from Turnpike Synergy Sdn Bhd. The contract is for a period of thirty (30) months and is expected to be completed in February 2019.

In relation to the Meena Plaza Mixed Use Development Project ("Meena Plaza project") in Abu Dhabi, Zelan Holdings (M) Sdn Bhd ("ZHSB"), a wholly-owned subsidiary of Zelan, has submitted its Revised Request for Arbitration at the International Court of Arbitration, International Chamber of Commerce ("ICC") by including all its claims against Meena Holdings LLC ("MH") for the sum of AED452.3 million (approximately RM551.8 million). On 24 October 2016, MH filed its Further Revised Answer counterclaiming the sum of AED591.0 million (approximately RM721.0 million). On 2 February 2017, MH and ZHSB have signed the Confidentiality and Arbitration Proceedings Stay Agreement ("CA") whereby the arbitration proceedings will be suspended or stayed for a period of four (4) months from the date of CA to enable both parties to negotiate or reach settlement, failing which, the 4 months stay of arbitration proceeding will automatically lapse and the arbitration proceedings shall re-commence and ZHSB shall file its Statement of Claim within thirty (30) days from the date of the stay period ends.

The Group will continue to strengthen its capabilities and financial position by putting its efforts in mitigating the increase in costs through various cost reduction initiatives, as well as to maintain prudent policies throughout our supply chain as we strive for improvement and enhance our value to our shareholders.

Chairman's STATEMENT (CONT'D)

GROUP'S RESULTS

The Group registered a significant decrease in revenue from RM413.0 million in the financial year 2015 to RM222.8 million in the financial year 2016, a 46.1% decrease in revenue which is equivalent to RM190.2 million. The Engineering and Construction business segment contributed lower revenue mainly due to the completion of IIUM, Gambang Campus project in financial year 2015 and the absence of revenue contribution from Meena Plaza project due to the termination of contract in October 2015.

The Group recorded Loss After Zakat and Taxation of RM67.6 million in financial year 2016 as compared to Profit After Zakat and Taxation of RM30.5 million in the corresponding financial year attributable to provision of rectification of defect works of RM16.4 million and diminution in carrying value of long term receivables of RM34.5 million due to the deferment in the timing of expected recovery of receivable balances in respect of Meena Plaza project and IIUM, Gambang Campus project.

DIVIDEND

In view of the current financial position of the Group, the Board does not recommend payment of dividend for the financial year ended 31 December 2016. The Board will continue to assess Zelan's capital structure based on the goals and strategies as well as the financial position of the Group.

BUSINESS OUTLOOK AND STRATEGY

Over the years, large-scale of public and private projects have dominated the Malaysian construction sector, driven by governmental and investor efforts to implement a successive five (5) years plan aimed at becoming a developed nation. The Eleventh Malaysia Plan ("11th MP") covering year 2016 to 2020, which focuses on transforming the construction sector, whereby the Government of Malaysia is committed to continue building basic infrastructure and social projects to improve competitiveness in attracting and encouraging implementation of new and quality investment. The implementation of these projects will contribute towards a high demand for construction works. The construction Gross Domestic Product is expected to be at 10.3% per annum during 11th MP (2016–2020), slightly lower than 11.1% per annum in the Tenth Malaysia Plan ("10th MP"). However, the construction sector is still the fastest growing sector in Malaysia.

The Group is optimistic of its prospects for the financial year ending 31 December 2017. The Group will continue to actively bid for new contracts and securing more engineering and construction works particularly in areas where we have the competitive edge and track records. The Group's Engineering and Construction business segment is expected to continue to provide a steady income for the next twenty (20) years with the contribution from the lease and asset facility management services of the Centre for Foundation Studies (Phase 3) of IIUM, Gambang Campus project in Pahang.

Chairman's STATEMENT (CONT'D)

CORPORATE GOVERNANCE

We subscribe and will continue to uphold the principles of good corporate governance as we believe that it is the platform of sustainable enhancement of shareholders' value. Our practices are set out in our Statement on Corporate Governance and related reports on pages 24 to 33 of the Annual Report.

RELATED PARTY TRANSACTIONS

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

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my appreciation to various parties who had given Zelan their utmost support. Our sincere gratitude is to our valued shareholders for their continuous faith and confidence in us all these years.

Our sincere thanks also to our financiers, clients, business partners, consultants and the regulatory authorities for their unwavering support and co-operation.

I would also like to express my appreciation to the Board Members for their contributions and unwavering support during the year. I look forward for their continued enthusiasm, wisdom and co-operation in guiding the Group through the challenges in the year ahead.

"The Group will continue to actively bid for new contracts and securing more engineering and construction works particularly in areas where we have the competitive edge and track records."

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

Thank you.

Dato' Anwar bin Aji
Chairman

Management DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Zelan Berhad ("Zelan") and its group of companies (collectively "Zelan Group" or "Group") is an established niche player in the design engineering and construction industries. The Group's areas of expertise comprise three (3) business segments i.e., Engineering and Construction, Asset and Facility Management and Property and Development.

Area of Expertise		
Engineering and Construction	**Asset and Facility Management**	**Property and Development**
• Power Plant & Renewable Energy • Marine Construction (Port & Jetty) • Highrise Building • University & Academic Institutions • Road & Highway Construction • Airport Construction	• Facilities Engineering Maintenance • General Maintenance Management	• Property Management

Our Group strive to be the preferred engineering and construction group in Malaysia. Our roadmap starts with our mission to be competitive and at the forefront of the industry by offering technologically innovative designs and solutions to the customers. We put our efforts in pursuing the highest levels of works quality and service excellence in areas of expertise to satisfy customers' needs or preferences in order to enhance profitability and maximising returns to the shareholders.

During the financial year under review, the Group business remain focused in engineering and construction and public private partnership projects in Malaysia.

REVIEW OF FINANCIAL PERFORMANCE

Total Group revenue for financial year ended 2016 declined by 46.1% to RM222.8 million compared to RM413.0 million registered in the financial year 2015. The completion of the construction of Centre for Foundation Studies (Phase 3) of the International Islamic University Malaysia ("IIUM"), Gambang Campus, Pahang project and alongside with the cessation of Meena Plaza Mixed Use Development project in the United Arab Emirates ("UAE") ("Meena Plaza project") in the financial year 2015, resulted in a lower revenue recorded by the Group. Consequently, the Group fell into the red with a net loss of RM67.6 million, against a net profit of RM30.5 million reported in 2015.

The Group's Engineering and Construction business segment contributed a higher net loss after tax of RM61.2 million, compared with a net profit after tax of RM39.3 million in the financial year 2015. The performance from Engineering and Construction business segment were mainly affected by diminution in carrying value of long term receivables of RM34.5 million (FY2015: RM4.2 million), due to the deferment in the timing of expected recovery of the balances, provision for rectification of defect works of RM16.4 million and higher interest expense of RM10.7 million (FY2015: RM0.09 million).

As at 31 December 2016, the net current liabilities of the Group increased to RM138.9 million from RM59.0 million as at 31 December 2015. The increase was due to the lower current assets registered during the financial year amounted to RM167.1 million compared to RM240.2 million in the financial year 2015 and the new term loan facility entered on 19 February 2016 with HSBC Bank Middle East Limited amounted to AED87.2 million (approximately RM106.5 million) for Meena Plaza project.

Management DISCUSSION & ANALYSIS (CONT'D)

Despite the financial difficulties, the Group continues to be prudent in its capital management strategy and expecting to fund its obligations as follows:

- Net cash inflow from the Group's existing construction projects which are expected to be completed within the forecast period, resulting in progressive payments from the project owners for the completed works, partial release of retention sum and cash collaterals and release of restricted cash by the financial institutions due to lesser amounts of performance guarantees required by the project owners in accordance with the terms of the construction contracts;

- Net cash inflow from the Group's ongoing projects which will continue to generate positive cash flows based on the planned progress of these projects;

- Settlement arrangements on certain projects identified to be taken over by other contractors, some of which are already in advanced stages of negotiations with these contractors, resulting in additional cash inflows as compensation to the Group; and

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

Notwithstanding the above, the Group is focusing on enhancing efficiencies throughout its operations and hence expects the financial position to be improved for the financial year ending 31 December 2017.

REVIEW OF OPERATING ACTIVITIES

Centre for Foundation Studies (Phase 3) of the IIUM ("Centre"), Gambang, Pahang

Zelan through its wholly-owned subsidiary, Konsesi Pusat Asasi Gambang Sdn Bhd ("KPAG") has sealed a Concession Agreement dated 5 July 2012 ("Concession Agreement") with the Government of Malaysia and IIUM to build a campus in Gambang, Pahang. The total construction cost was RM391.0 million comprises the construction works, consultants' fees and electrical road works. Under the Concession Agreement, the project is a Build-Lease-Manage-Transfer basis by way of private finance initiative ("PFI") scheme which will provide the Group with a steady income for the next twenty (20) years following the handover of the project to IIUM in the second quarter of the financial year 2017. The Centre is designed to accommodate the teaching, learning and boarding facilities for IIUM students.

KPAG is in the process of undertaking the defect rectification works, which is expected to be completed by the second quarter of the financial year 2017. Thereafter, KPAG will carry out the assets and facilities management services of the said Centre for the next twenty (20) years in accordance with the Concession Agreement. During the financial year under review, the Group recorded lower revenue from the construction of the Centre amounted to RM17.1 million compared to RM96.6 million in the financial year 2015, a decrease by 82.3% or RM79.5 million as a result of the completion of the construction project in the current year.

Management DISCUSSION & ANALYSIS (CONT'D)

Drawbridge Connecting Muara North and Muara South at Kuala Terengganu, Terengganu

The iconic drawbridge which currently under construction located at the estuary of the Terengganu river, linking Kuala Terengganu City Centre to Kuala Nerus via Seberang Takir, will become a new landmark of Kuala Terengganu and also will be one of the attractions of the Terengganu's tourism sector.

The construction works worth RM248.7 million, a 638 meters drawbridge, flanked by two (2) units of four-storey towers began in August 2014 would shorten the journey from Kuala Terengganu to Sultan Mahmud Airport in Kuala Nerus by approximately 10 minutes via a coastal road which would be built by the state government soon.

The project reached the overall physical work progress of approximately 83% during the first quarter of the financial year 2017 and expected to be completed in September 2017. The project has contributed revenue of RM74.9 million with a gross profit margin of 8.6% or RM6.4 million to the Group for the current year under review.

Langat Centralised Sewage Treatment Plant, Langat

ZCSB together with its consortium partner, ICOP Construction (M) Sdn Bhd ("ICOP") secured a contract worth RM96.9 million for Zone 7A and 7B under 'Cadangan Pembinaan Langat Centralised Sewage Treatment Plant dan Penyambungan Rangkaian Paip Pembentungan di Kawasan Tadahan Lembangan Sungai Langat, Selangor' ("Langat project") from MMC Pembentungan Langat Sdn Bhd ("MMC PLSB"). The subcontract works involve the construction and completion of 16.6 kilometres of pipe jacking in various sizes and 164 shafts for jacking and receiving pit in various sizes and depths for the sewerage conveyance system for Zone 7A and 7B of the Langat project.

As at the closing of financial year 2016, Zelan ICOP Consortium Sdn Bhd ("ZICSB") has completed 74.82% of the piloting works, 41.50% of the construction of shaft and 14.58% of the jacking works and the revenue contributed by the project was RM6.9 million. A series of discussion has taken place in December 2016 in which MMC PLSB, ZCSB, ICOP and ZICSB are considering the omission by MMC PLSB of the remaining scope of works under the sub-contract works from ZCSB and ICOP.

Bukit Bintang City Centre ("BBCC"), Kuala Lumpur project

On 9 March 2016, ZCSB was awarded by BBCC Development Sdn Bhd, the main building works contract for the 4 Storey Temporary Sales Office and Show Unit and 1 Strorey Sub-Basement located at Jalan Hang Tuah/JalanPudu, Kuala Lumpur for the contract sum of RM37.8 million. The project is nearing completion with the achievement of overall physical work progress of approximately ninety nine percent (99%) and expected to be handed over to the client in the second quarter of the financial year 2017.

As of 31 December 2016, BBCC project recorded revenue of RM22.7 million with a gross profit margin of 5.4% or RM1.2 million.

Projek Penswastaan Lebuhraya Bertingkat Sungai Besi - Ulu Kelang ("SUKE") Package CB2

On 4 August 2016, ZCSB being the construction arm of Zelan together with its consortium partner Hasrat Sedaya Sdn Bhd, were awarded a RM257.6 million contract by Turnpike Synergy Sdn Bhd's for the 'Projek Penswastaan Lebuhraya Bertingkat Sungai Besi-Ulu Kelang ("SUKE") Package CB2 the Construction and Completion of the Mainline and Other Associated Works from CH.15000 to CH.16700' for 1.7 kilometres stretch along Jalan Taman Putra. There are a total of 60 piers with a height of approximately 10.5 meters to 37.0 meters and a width of 29.9 meters.

This elevated highway is constructed as an alternative route for Middle Road Ring II ("MRR II") providing an alternative solution and improving traffic congestion along the existing traffic linkages at Cheras, Pandan Indah and Ampang. It will provide a direct link between new growths centres mainly Kajang to Segambut/ Kepong via eastern Klang Valley area highways – MRR II, Duta-Ulu Klang Expressway, Ampang-Kuala Lumpur Elivated Highway, Besraya Expressway, Kuala Lumpur-Seremban Expressway, Cheras-Kajang Expressway and Shah Alam Expressway (commonly known as KESAS Highway). The contract for the project is for a thirty (30) months' period and expected to be completed by February 2019.

Management DISCUSSION & ANALYSIS (CONT'D)



ANTICIPATED OR KNOWN RISK

There are several risks that the Group is exposed to in the course of executing its business during the financial year under review. The Group has taken necessary steps to monitor and mitigate these risks.

Competition Risk

Construction industry is a very competitive market. We face significant competition from other construction companies in all aspects of our business. Our competitors are larger in size, well established, international in scope and have significant financial resources.

Reputational Risk

Reputational risk from the terminated project in Abu Dhabi, the drawdown of on Performance and Rectification bonds by the project owner for the Meena Plaza project resulted in pressure on cash flow, utilisation of resources for non-profit generating activities which will lower the Group's reputation in the market. The mitigating action plans includes restructuring of the bank guarantee facility to a term loan to ease the cash flow and allow for longer period of settlement, claim to be made to Meena Holdings LLC *via* an arbitration procedure and possible negotiation for mutual settlement that may provide for a faster and better outcome.

FORWARD-LOOKING STATEMENT

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

Going forward, we anticipate a stronger year for the Group in 2017 as concession income is realised in the later part of the year. Thus far, we have tendered for several major contracts and, given our success rate over the years, we are optimistic of continuing to shore up the order book in the financial year ending 31 December 2017.

Corporate INFORMATION

Board of Directors

Dato' Anwar bin Aji
Independent, Non-Executive Chairman

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

Datuk Ooi Teik Huat
Independent, Non-Executive Director

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

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

Suhaimi bin Halim
Independent, Non-Executive Director

Mohd Shukor bin Abdul Mumin
Independent, Non-Executive Director

Company Secretary

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

Auditors

PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

Share Registrar

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

Registered Office

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

Principal Bankers

Bank Pembangunan Malaysia Berhad
Bank Kerjasama Rakyat Malaysia Berhad
AmBank (M) 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,
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P.O. Box 106813,
Abu Dhabi, UAE
Tel : +971 507214576

Saudi Arabia Operations

Zelan Construction Arabia Company Limited
P.O Box 3900, Jeddah 21481
Unit 213, 02nd Floor, Dar Al Tijarah
Opposite Ministry of Affair
Madinah Road / Al Baghdedeyyah
Jeddah Kingdom of Saudi Arabia
Tel : +966 2 644 0989 /
+966 594 444 559 /
+966 555 650 313

Indonesia Operations

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

India Operations

Zelan Construction (India) Private Limited
Company Secretaries
F-10 Syndicate Residency
No. 3 Dr. Thomas 1st Street
Off South Boag Road
T. Nagar, Chennai - 600017
Tel/Fax : +9044 2433 7454

Board OF DIRECTORS

1 Dato' Anwar bin Aji
2 Dato' Abdullah bin Mohd Yusof
3 Dato' Sri Che Khalib bin Mohamad Noh
4 Encik Suhaimi bin Halim
5 Datuk Puteh Rukiah binti Abd Majid
6 Encik Mohd Shukor bin Abdul Mumin
7 Datuk Ooi Teik Huat

Board of DIRECTORS' PROFILE

Dato' Anwar bin Aji

Independent, Non-Executive Chairman

Dato' Anwar bin Aji, aged 67, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Chairman on 11 December 2008. He was re-designated as Executive Chairman on 19 January 2011. On 1 December 2012, Dato' Anwar was re-designated as Non-Executive Chairman. He is also the Chairman of the Nomination and Remuneration Committee.

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

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

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

Dato' Anwar does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad.

Dato' Abdullah bin Mohd Yusof

Senior Independent, Non-Executive Director

Dato' Abdullah bin Mohd Yusof, aged 78, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 1 August 2002. He is the member of the Audit Committee and the Nomination and Remuneration Committee. Dato' Abdullah is currently the Senior Independent Director of the Board.

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

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

Dato' Abdullah does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad.

Board of DIRECTORS' PROFILE (CONT'D)

Datuk Ooi Teik Huat
Independent, Non-Executive Director

Datuk Ooi Teik Huat, aged 57, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director of the Company on 10 July 2009. He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

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

Datuk Ooi started 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's directorships in other public companies include MMC Corporation Berhad, DRB-HICOM Berhad, Tradewinds (M) Berhad, Tradewinds Plantation Berhad, Tradewinds Corporation Berhad, Malakoff Corporation Berhad, Johor Port Berhad, Gas Malaysia Berhad, Padiberas Nasional Berhad and Mardec Berhad.

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

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

Datuk Puteh Rukiah binti Abd Majid, aged 64, a Malaysian, female, was appointed to the Board as an Independent, Non-Executive Director on 15 April 2013. She is also a member of the Audit Committee.

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

She began her career with the Government of Malaysia 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 1992 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 board of MIMOS Berhad, Pelaburan Hartanah Berhad, Gas Malaysia Berhad, Pos Malaysia Berhad and several private limited companies.

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

Board of DIRECTORS' PROFILE (CONT'D)

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

Dato' Sri Che Khalib bin Mohamad Noh, aged 52, a Malaysian, male, was appointed to the Board as a Non-Independent, Non-Executive Director on 27 June 2013.

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

Dato' Sri Che Khalib began his career with Messrs. Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within the Renong Group. In June 1999, he joined Ranhill Utilities Berhad as Chief Executive Officer. He then assumed the position of Managing Director and Chief Executive Officer of KUB Malaysia Berhad. On 1 July 2004, Dato' Sri Che Khalib was appointed as the President/ Chief Executive Officer of Tenaga Nasional Berhad ("TNB") where he served TNB for eight (8) years until the completion of his contract on 30 June 2012. He later joined DRB-HICOM Berhad as Chief Operating Officer of Finance, Strategy and Planning in July 2012.

Dato' Sri Che Khalib was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from 2000 until 2004. He also served as a Board member within the United Engineers Malaysia Berhad Group of companies and Bank Industri & Teknologi Malaysia Berhad. Dato' Sri Che Khalib currently sits on the Board of MMC Corporation Berhad, Gas Malaysia Berhad, Malakoff Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Bank Muamalat Malaysia Berhad, Port Dickson Power Berhad, NCB Holdings Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.

Dato' Sri Che Khalib does not have family relationship with and is not related to any director and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad, except by virtue of being a nominee Director of MMC Corporation Berhad, a major shareholder of Zelan Berhad.

Encik Suhaimi bin Halim
Independent, Non-Executive Director

Encik Suhaimi bin Halim, aged 61, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 11 September 2014.

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

He joined United Engineers (Malaysia) Berhad ("UEM") Group in September 1988 where he served various companies within the UEM Group at various levels.

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

Encik Suhaimi currently sits on Board of Spring Energy Resources Berhad, MMC Engineering Construction Sdn Bhd, Terra Project Partners Sdn Bhd, Astabina Sdn Bhd, Theme Attractions Hotels and Resorts Sdn Bhd, Desaru Development Holdings One Sdn Bhd and Desaru Development Corporation Sdn Bhd.

Encik Suhaimi does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad.

Board of DIRECTORS' PROFILE (CONT'D)

Encik Mohd Shukor bin Abdul Mumin

Independent, Non-Executive Director

Encik Mohd Shukor bin Abdul Mumin, aged 57, a Malaysian, male, was appointed to the Board as an Independent, Non-Executive Director on 20 January 2016.

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

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

Encik Mohd Shukor does not have any family relationship with and is not related to any director of Zelan Berhad and/or major shareholder of Zelan Berhad and does not have any conflict of interest with Zelan Berhad.

Management TEAM

JOHARI YAHYA
Chief Operating Officer

CORPORATE SERVICES

GERARD DOMINIC FERNANDEZ
Head of Corporate Resources

ROHAFIZAH ISMAIL
Head of Finance

VICTORIA ONG KIM BUAI
Head of Legal

MOHD NASIR BIN HJ. MD SAAD
Head of Internal Audit

OPERATIONS

KAMARUDDIN BIN ABD KARIM
Head of Planning & Monitoring

YEE GOON HOONG
Head of Technical

Wisma Zelan - Bandar Tun Razak, Cheras Kuala Lumpur

Corporate STRUCTURE

ZELAN BERHAD
27676-V

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

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

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

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

The Group is dedicated and committed to:

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

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

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

QUALITY IS "DOING THE RIGHT WORK THE FIRST TIME"

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

Provision of Design and Construction Services for Building and Civil Engineering Works Including Related Construction Management Activities

ISO 9001:2015 - Quality Management System
ISO 14001:2015 - Enviromental Management System
OHSAS 18001:2007 - Occupational Health & Safety Management Systems

Corporate SOCIAL RESPONSIBILITY

In fulfilling its role as a good corporate citizen, Zelan Berhad is fully committed in practising the highest standards in corporate governance as well as actively pursuing policies and actions that are in the best interests of the stakeholders and community. To this end, the Group seeks to ensure that the interest of its key stakeholders, investors, customers, employees and the communities are cared for through our conscious endeavours to integrate all our business plans and activities with corporate responsibility values.

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

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

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

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, regular sports events and other intellectual pursuits.

The performance of our teams is the key to the quality of service that we are able to provide. To compete at the highest level we recruit, train, develop, and retain the best available talent.

We strive to utilise the full talents of our people and ensure that they work as a team to deliver the best possible service for our clients.

Statement ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Zelan Berhad ("Company") confirms that throughout the financial year ended 31 December 2016 it had continued to integrate good and effective corporate governance practices in directing and managing the overall business of the Company and its subsidiary companies ("Zelan Group" or "Group"), in compliance with the Malaysian Code of Corporate Governance 2012 (the "Code").

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

1. ESTABLISH CLEAR ROLE AND RESPONSIBILITY

1.1 Board Policy Manual

The Board Policy Manual was approved by the Board for adoption on 21 November 2014. It sets out the Board's strategic intent and outlines the following:

- Board roles and functions;
- Board composition, operation and processes;
- Division of responsibilities between the Board and Management; and
- Functions of the Board committees.

It also acts as a source of reference and primary induction literature to the new Board members and senior management. The Board Policy Manual which is made available on the Company's website is reviewed from time to time and updated in accordance with the needs of the Company and any new regulations that may have an impact on the roles and responsibilities of the Board.

1.2 Clear function of the Board and Management

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

In order to ensure the effective discharge of its functions and responsibilities, the Board has delegated specific powers to the Chairman, Board Committees and the Managing Director. Currently, the duties of the Managing Director is discharged by the Chief Operating Officer ("COO") being the senior officer of the Group.

The COO with the assistance and support from the Board and Management is responsible for the day to day operations of the Group with all powers delegated and authorised by the Board, as well as implementation of policies and strategies adopted by the Board.

Statement ON CORPORATE GOVERNANCE (CONT'D)

1. ESTABLISH CLEAR ROLE AND RESPONSIBILITY (CONT'D)

1.3 Clear roles and responsibilities of the Board

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

(a) Strategic Planning

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

(b) Conduct of Business

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

(c) Risk Management

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

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

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

(e) Succession Planning

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

Statement ON CORPORATE GOVERNANCE (CONT'D)

1. ESTABLISH CLEAR ROLE AND RESPONSIBILITY (CONT'D)

1.3 Clear roles and responsibilities of the Board (Cont'd)

(f) Authority of Board Committees

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

(g) Other Board Approvals

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

The conduct of the Board members shall be consistent with their duties and responsibilities to the Company and the shareholders. The Directors shall always act within the limitations imposed by the Board on its activities. The Directors' responsibilities and limitations are primarily set out in the Company's Articles of Association, the Companies Act, 2016, the Listing Requirements, Capital Markets and Services Act 2007, the Board's and/or shareholders' resolutions or any other relevant acts/legislations.

2. STRENGTHEN COMPOSITION

The Board comprises members with relevant experiences and expertise drawn from various fields such as engineering, corporate finance, accounting, public services and legal. Together, the Board with their wide experiences and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the business direction of the Group and its also recognises the importance of gender diversity. The composition of the Board is as such that no individual or small group of individuals can dominate the Board's decision making.

As at the date of this report, the Board has seven (7) members. There are six (6) Independent Directors on the Board and this composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), which requires that at least one-third (1/3) of the Board should comprise Independent Directors.

The Independent, Non-Executive Directors on the Board fulfilled their roles by exercising independent judgement and objective participation in the Board's deliberation.

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

Dato' Abdullah bin Mohd Yusof has served the Board as an Independent Director for more than nine (9) years cumulatively. Justification on the continuation of Dato' Abdullah bin Mohd Yusof as independent director is provided in the notice of AGM. Dato' Abdullah bin Mohd Yusof is the Senior Independent, Non-Executive Director to whom the shareholders may communicate with.

The profile of each Director is set out on pages 16 to 19 of this Annual Report.

2. STRENGTHEN COMPOSITION

2.1 Board Committees

The Board has delegated certain functions to the Committees it established to assist in the execution of its responsibilities. The Committees operate within their clearly defined terms of reference. 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.

(a) Audit Committee

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

- Datuk Ooi Teik Huat (Chairman)
- Dato' Abdullah bin Mohd Yusof
- Datuk Puteh Rukiah binti Abd Majid

The terms of reference and summary of activities of the Audit Committee are reported on pages 34 to 37 of the Annual Report. For the financial year ended 31 December 2016, the Audit Committee met five (5) times.

(b) Nomination and Remuneration Committee

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

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

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

For the financial year ended 31 December 2016, the Nomination and Remuneration Committee met two (2) times.

(c) Task Force Committee

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

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

Statement ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.1 Board Committees (Cont'd)

(c) Task Force Committee (Cont'd)

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

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

For the financial year ended 31 December 2016, the Task Force Committee met eight (8) times.

2.2 Board and Committee Meetings

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

During the financial year ended 31 December 2016, the Board met seven (7) times, comprising four (4) Board scheduled meetings and three (3) Special Board meetings.

The record of attendance of each Director the Board and Committee Meetings held during the financial year ended 31 December 2016 are as follows:

Name of Director	Board	Audit Committee	Nomination and Remuneration Committee	Task Force Committee
Dato' Anwar bin Aji	7/7	N/A	2/2	8/8
Dato' Abdullah bin Mohd Yusof	7/7	5/5	2/2	N/A
Datuk Ooi Teik Huat	7/7	5/5	2/2	N/A
Datuk Puteh Rukiah binti Abd Maji	7/7	5/5	N/A	N/A
Dato' Sri Che Khalib bin Mohamad Noh	5/7	N/A	N/A	N/A
Encik Suhaimi bin Halim	7/7	N/A	N/A	8/8
Encik Mohd Shukor bin Abdul Mumin	6/7	N/A	N/A	6/8
Encik Adnan bin Mohammad *(Resigned with effect from 31 December 2016)*	6/7	N/A	N/A	N/A

Statement ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Board Appointments

Pursuant to the Board Policy Manual the appointment of new directors is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nomination and Remuneration Committee. The Committee is responsible to ensure an effective process for selection of new directors after considering and evaluating the candidates' abilities in terms of their skills, knowledge, experiences, expertise and integrity to discharge responsibilities as expected.

2.4 Re-election of Directors

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

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

2.5 Board Evaluation and Performance

The Nomination and Remuneration Committee on an annual basis undertakes a formal and transparent process in evaluating the effectiveness of individual Directors, the Board as a whole and its committees, as well as the performance of the Executive Director in respect of their respective skills and experience, pursuant to the Annual Assessment exercise.

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

2.6 Director's Remuneration

(a) **The Level and Make-up of Remuneration**

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

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

(b) **Policy and Procedure**

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

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

2. STRENGTHEN COMPOSITION (CONT'D)

2.7 Disclosure

The number of Directors of the Company, whose total remuneration fall within the following bands for the financial year ended 31 December 2016, are as follows:

Range of Remuneration	Executive Director	Non-Executive Directors
RM0 to RM50,000	-	2
RM50,001 to RM100,000	-	4
RM400,001 to RM500,000	-	1
RM800,001 to RM950,000	1	-

* There was no Directors' remuneration recorded at subsidiaries level.

2.8 Director's Training

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

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

- Speaker for: 2016 Fraud & Cybersecurity Conference – Combating Fraud & Cybercrime: Your Defence Strategy?
- Competition Law Talk organised by MMC Corporation Berhad
- Ministry of Finance Executive Talk – "The Role of Audit Committee To Ensure Good Corporate Governance".
- Future of Auditor Reporting - "The Game Changer for Boardroom".
- 8th Annual Corporate Governance Summit "Decoding Uncertainties, Delivering Value".
- Independent Directors Programme: The Essence of Independence.
- Sustainability Engagement Series for Directors/Chief Executive Officer.
- Audit Committee Seminar for the Public and Private Sectors 2016.
- Related Party Transactions – Their Implications to The Board Of Directors, Audit Committee & Management.
- Decoding Transaction and Related Party Transactions Rules.
- Combatting Procurement Fraud in the Public & Private Sectors Forum 2017.
- 6th Annual National Conference 2017 – Mitigating Risk in Procurement.

3. MANAGEMENT OF RISK

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

The Board must appreciate the business risk issues and key performance indicators affecting the ability of the Company to achieve its strategic purpose and objectives. The Board must ensure that appropriate systems are in place to manage the identified risks, measure the impact and to proactively manage it, so that the Company's assets and reputation are adequately protected.

Statement ON CORPORATE GOVERNANCE (CONT'D)

4. COMPANY SECRETARY

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

The Board has full access to the Company Secretaries who are available to provide the Directors appropriate advise and services and also to ensure relevant policies and procedures are followed and the rules and regulations are complied with. The Company's Articles of Association determines that the appointment and removal of the Company Secretaries are subject to approval of the Board.

5. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure that the Directors are able to make independent and informed decision.

6. CODE OF ETHICS

The Company has adopted a Code of Ethics to be implemented throughout the Group, which demonstrates its commitment to doing business responsibly and ethically. By articulating the principles by which the Company conducts its business, the Code of Ethics allows the employees to work and make decisions confidently and in a manner that supports its vision and values. The Code of Ethics helps the Company achieve the right things in the right manner at all times. The Code of Ethics shall apply to the Board, Management and employees irrespective of their seniority or designations.

7. WHISTLE-BLOWER POLICY

Zelan Berhad is committed to promoting and maintaining high standards of transparency, accountability, ethics and integrity among its employees. The Company takes a serious view of any misconduct on the part of any of its employees, management, directors and other stakeholders in particular with respect to their obligations to the Company's interest.

The Company has established the Whistle-blower policy in response to the Whistle-Blower Protection Act, 2010 and it was approved by the Board during its meeting held on 27 August 2013 and was implemented immediately thereafter.

The policy is designed to support the Company's integrity values and facilitate employees' disclosure of possible improprieties at the earliest opportunity to ensure such matters can be raised without fear of reprisal or detrimental action.

Statement ON CORPORATE GOVERNANCE (CONT'D)

8. SUPPLY OF INFORMATION

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

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

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

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

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

9. SHAREHOLDERS AND INVESTORS

9.1 Dialogue between Company and Investors

The Board values its dialogue with both institutional shareholders and private investors through 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 press releases.

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: www.zelan.com

9.2 Annual General Meeting

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

Statement ON CORPORATE GOVERNANCE (CONT'D)

10. ACCOUNTABILITY AND AUDIT

10.1 Financial Reporting

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

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

10.2 Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 (the "Act"), to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year. The Directors' Statement in compliance with the requirements under the Act is set out on page 46 of this Annual Report.

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

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

10.3 Internal Control

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

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

The Group's Statement of Risk Management and Internal Control is set out on page 38 to 39 of this Annual Report.

10.4 Relationship with the Auditors

The relationship of the Audit Committee with the Auditors is disclosed in the Audit Committee Report which can be found on pages 34 to 37 of this Annual Report.

11. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

Zelan Group has complied with the principles of corporate governance and best practices in corporate governance throughout the financial year ended 31 December 2016.

This Statement of Corporate Governance is made in accordance with the Resolution of the Board dated 29 March 2017.

Audit COMMITTEE REPORT

The Audit Committee ("AC") of Zelan Berhad is pleased to present the Audit Committee Report for the Group's financial year ended 31 December 2016 as follows:

1. MEMBERSHIP AND MEETING

According to Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia, a listed issuer must appoint an AC from amongst its Directors and the number must be composed of not fewer than three (3) members, where all of them must be non-executive directors, with majority being independent directors.

The Group has complied with the above requirement where the AC comprises three (3) members and that all of them are independent and non-executive directors.

Name of Director	Designation	Meetings Attended
Datuk Ooi Teik Huat	Independent Non-Executive Director	5/5
Dato' Abdullah bin Mohd Yusof	Senior Independent Non-Executive Director	5/5
Datuk Puteh Rukiah binti Abd Majid	Independent Non-Executive Director	5/5

During the financial year ended 31 December 2016, the AC held a total of five (5) meetings. The external auditors attended five (5) meetings and the AC had also held two (2) private sessions with the external auditors without the presence of Management during the financial year under review.

2. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

2.1 Membership

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

At least one (1) member of the AC:

i) must be a member of the Malaysian Institute of Accountants ('MIA')*; or
ii) if he is not a member of the MIA, 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.

* Datuk Ooi Teik Huat is a member of MIA.

Audit COMMITTEE REPORT (CONT'D)

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

2.2 Meetings and Minutes

AC members shall meet not less than four (4) times a year, and AC meetings will normally be attended by the Senior Management as and when required by the AC. 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 AC.

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.

2.3 Quorum

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

2.4 Secretary

The Company Secretary shall be the Secretary to the AC.

2.5 Authority

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

2.6 Duties

The duties of the 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 inquiry 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;

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

2.6 Duties (Cont'd)

v) to review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on:

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

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 that it has the necessary authority to carry out its works;

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

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

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 on any matter reported by AC to the Board which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia'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 AC:

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 auditor;

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

Audit COMMITTEE REPORT (CONT'D)

3. SUMMARY OF ACTIVITIES (CONT'D)

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

v) reviewed the Group's compliance in particular the quarterly and annual financial statements with the Listing Requirements of Bursa Malaysia, 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) monitored of the additional disclosure requirements in accordance with the Bursa Malaysia Listing Requirements.

4. INTERNAL AUDIT FUNCTION

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

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

During the financial year ended 31 December 2016, IAD had undertaken the following activities:

i) Prepared the annual audit plan for approval by the AC;
ii) Performed risk based internal audit in accordance with the approved annual audit plan including follow-up on matters arising from previous audit reports;
iii) 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;
iv) Reported on a quarterly basis to the AC on the audit reports and status of audit activities; and
v) Conducted ad-hoc tasks and special assignments as and when requested by the Management and/or AC.

The total cost incurred in undertaking the internal audit function during last financial year is approximately RM292,263.

This AC Report is made in accordance with the Resolution of the Board dated 29 March 2017.

Statement ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control for the Group's financial year ended 31 December 2016 in accordance to Paragraph 15.26(b) of the Bursa Malaysia Main Market Listing Requirements as follows:

1. RESPONSIBILITY

The Board is committed to maintain an adequate and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets. This is in accordance with the requirements set-out by the Malaysian Code of Corporate Governance and Bursa Malaysia which requires the Board to disclose the main features of the Group's risk management and internal controls in the annual report. In preparing the Statement of Risk Management and Internal Control, the Board is guided by Bursa Malaysia's Statement on Risk Management and Internal Control Guidelines for Directors of Public Listed Companies.

The Board recognises the importance of maintaining a sound system of risk management and internal control for good corporate governance, integrity and efficiency of work processes in the Group. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives of the Group. Therefore, it can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board also endorses that there is an ongoing process of identifying, evaluating, managing and monitoring the significant risks encountered by the Group and such process has been in placed for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

2. GROUP'S RISK MANAGEMENT POLICY AND FRAMEWORK

Risk management is firmly embedded in the Group's management system and it is the responsibility and accountability of every employee. The Board has formally approved the Enterprise Risk Management ("ERM") Policy and Framework ("ERM Policy and Framework") for the Group on 21 November 2014. The ERM Policy and Framework sets out the process for managing risks and outlines how the Company ensures risks are managed effectively and efficiently across the Group. Since then, the systematic risk management structures and processes have been fully implemented within 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 outlining 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 of the Group whilst maintaining control of the overall risks;
- detail the approved methodology for the risk assessment; and
- provide centralised consolidation of risk management data and reporting.

The ERM Policy Framework assists the Risk Management Committee ("RMC") in reviewing and assessing overall risks related to the Group business.

The Company is responsible for the appointment of the Risk Coordinator ("RC") who will be responsible for risk reporting, risk monitoring, risk advisory and risk communication for the Group and departments in the Company.

The RC plays an important role together with the risk management department in ensuring the successful establishment and implementation of the ERM throughout the Group.

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

Statement ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

3. INTERNAL CONTROL

During the year under review, the Audit Committee ("AC") has reviewed the current internal control framework within the Group, and has assessed the applicability of the existing control with regards to their effectiveness and efficiency.

4. OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- performance reports are regularly provided to the 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;
- limits of authority;
- monitoring of related party transactions; and

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

- scope of works involved;
- expertise level required;
- level of monitoring and supervision;
- management and supporting staff requirement;
- duration of project;
- periodical review by the internal auditors; and

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

5. CONCLUSION

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

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

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board dated 25 April 2017.

Additional COMPLIANCE INFORMATION

Conflict of Interest

None of the Directors have any family relationship with other Directors or major shareholders of the Company. None of the Directors have any conflict of interest in the Company except for Dato' Sri Che Khalib bin Mohamad Noh, being the nominee director nominated by MMC Corporation Berhad. At the date of this report, MMC Corporation Berhad is a major shareholder of the Company.

Convictions for Offences

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

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 2016, a non-audit fee of RM134,820.00 was paid by the Company to the External Auditors, Messrs. PricewaterhouseCoopers, Malaysia for services rendered in connection with the review of the Company's quarterly results, tax and other technical and accounting advisory works.

Profit Estimation, Forecast or Projection

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

Profit Guarantee

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

Material Contracts

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

Contracts Relating to Loan

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

Financial STATEMENTS

Directors' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the financial year attributable to:		
- equity holders of the Company	(67,623)	2,651
- non-controlling interests	11	-
	(67,612)	2,651

DIVIDENDS

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

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

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

Directors' REPORT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS

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

Dato' Anwar bin Haji @ Aji
Dato' Sri Che Khalib bin Mohamad Noh
Dato' Abdullah bin Mohd. Yusof
Datuk Ooi Teik Huat
Datuk Puteh Rukiah binti Abd Majid
Suhaimi bin Halim
Mohd Shukor bin Abdul Mumin
Adnan bin Mohammad (resigned on 31 December 2016)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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:

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

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

Directors' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

In the opinion of the Directors:

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

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

Directors' REPORT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 30 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2017.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

Statement BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Anwar bin Haji @ Aji and Datuk Ooi Teik Huat, two of the Directors of Zelan Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 54 to 130 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in Note 36 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2017.

DATO' ANWAR BIN HAJI @ AJI
CHAIRMAN

DATUK OOI TEIK HUAT
DIRECTOR

Statutory DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Rohafizah binti Ismail, the Officer primarily responsible for the financial management of Zelan Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 130 and the supplementary disclosure set out on page 131 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ROHAFIZAH BINTI ISMAIL

Subscribed and solemnly declared by the abovenamed Rohafizah binti Ismail, at Kuala Lumpur, Malaysia on 25 April 2017.

Before me,

COMMISSIONER FOR OATHS

Independent AUDITOR'S

TO THE MEMBERS OF ZELAN BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Zelan Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 130.

Basis of opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Independent AUDITOR'S

TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

Key audit matters	How our audit addressed the key audit matters
Financial impact of the in project in Abu Dhabi The Group terminated its project in Abu Dhabi, United Arab Emirates, on 1 October 2015 and entered into an arbitration proceeding with the project owner. The arbitration commenced on 11 December 2015. As at 31 December 2016, the Group recorded a total receivable balance of AED207.7 million (RM253.7 million) due from the project owner in the consolidated statement of financial position. The Directors are of the view that the Group has rightfully and validly terminated its employment under the contract with the project owner. The Directors have made an assessment and concluded that the total receivable balance is fully recoverable based on advice from the independent claim consultant and external solicitors. The Group also has ongoing litigation and arbitration proceeding with its sub-contractors and a counter claim from the project owner arising from this project. The Directors have not provided for the claims made by the project owner as there is no sufficient evidence to support these claims based on the advice from the external solicitors. This is a key audit matter due to the uncertainty relating to the outcome of the various arbitration proceedings in relation to this project. Refer to Note 3(ii), Note 3(iv), Note 18(v), Note 31(b), Note 31(c) and Note 31(e) to the financial statements.	We discussed with management and the external solicitors to understand the status and the legal position of the various arbitrations. Recoverability of the receivable balance We obtained and read the report issued by the claim consultant appointed by the Group, setting out the claims entitled by the Group following the termination of the project in Abu Dhabi. We read the legal opinion from the external solicitor engaged by management and obtained an understanding of the merits of the claims via discussion with the solicitor. We also obtained an understanding of the solicitor's assessment of the claim consultant's report in order to evaluate management's assessment of the outcome of the arbitration. We assessed the objectivity, capabilities and competencies of these experts by considering their professional background, reputation, experience in similar industries and discussions with the experts. We have also discussed with the claim consultant and external solicitors in respect of the expected period of the arbitration process and subsequent recovery of the receivable balance. Based on the above information, we evaluated management's assessment on the likelihood of the claims entitled by the Group. We have also performed sensitivity analysis on the amount recoverable from the project owner by considering the chances of success for each head of claim. Adequacy of the payables balances relating to the arbitrations We read the correspondences between the Group and the external solicitor in order to obtain an understanding of the status of the litigation, arbiration proceeding and counter claim. We also read the written opinion from the solicitor engaged by management and carried out discussions with the solicitor on the merits of the claims by the sub-contractors and project owner and the position of the Group on these proceedings. We assessed the adequacy of the Group's disclosures and the Directors' assessment of the probabilities of an outflow of resources arising from ongoing litigations and arbitrations. Based on the procedures performed above, we noted no material exceptions.

Independent AUDITOR'S
TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition - construction contracts The Group recognises revenue from construction contracts in the statements of comprehensive income using the stage of completion method. The stage of completion is measured by reference to the proportion to the actual costs incurred for work performed to date to the estimated total costs of the project. The Group recognised revenue and gross loss from construction contracts of RM221.7 million and RM10.5 million respectively for the financial year ended 31 December 2016 as disclosed in Note 5 and Note 34 to the financial statements. Construction contracts accounting is inherently complex and we focused on this area because there is key judgement involved in determining the: • Stage of completion • Extent of construction costs incurred to date; and • Estimated total construction costs Refer Note 4(ii) and Note 19 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 key judgements inherent in the recognition of revenue and costs arising from construction contracts. This was performed by corroborating the stage of completion and extent of costs incurred to date on major projects by agreeing to internal or external quantity surveyors' latest valuations. We have also agreed, on a sample basis, costs incurred to the supporting documentation; i.e. subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of major projects by agreeing to supporting documentation; i.e. approved budgets, quotations, correspondences, contracts and variation orders with sub-contractors. Based on the procedures performed, we noted no material exceptions.

Independent AUDITOR'S

TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Liquidity risk of the Group and the Company As at 31 December 2016, the Group's and the Company's current liabilities exceeded their current assets by RM138.9 million and RM49.5 million respectively. We identified that the key assumptions in assessing the Group's and the Company's liquidity risk were the expected cash inflows from the existing local projects, tax refunds from the tax authorities, settlement arrangements with other contractors to take over certain projects identified by the Group and cash outflows arising from repayment of borrowings. These key assumptions required management to make critical judgement in terms of the timing of the cash inflows arising from the existing projects, tax refunds and settlement arrangements with other contractors. We focused on this area due to the significant judgement involved in preparing the cash flow forecast and the subjectivity of the liquidity risk of the Group and the Company. Refer to Note 3(i) and Note 4(iii) to the financial statements.	In assessing the liquidity risk of the Group and the Company, we assessed the cash flow requirements of the Group and the Company next 18 months from the end of the reporting period. We obtained an understanding of the projected cash outflows which could be considered discretionary and checked those which were committed based on the contracted payment terms of these expenses. We checked that all committed expenditure were factored into the Group's cash flow forecast. We assessed the reliability of managament's forecast by comparing the past trends of actual cash flows against previous forecasted cash flows and where there were variances noted, we discussed with management on the reasons for the variances. We observed that management has updated the cash flow forecast with the recent developments and the status of the negotations with various parties. We held discussions with management to understand the timing of the cash flows from the existing local projects based on their scheduled or planned progress. We assessed whether the projected cash outflows are consistent with contractual terms. Based on the projections, we assessed the ability of the Group and the Company to make scheduled payments to the banks in accordance with the loan agreements. We read the confirmation from the external tax consultant to management on the expected timing of the tax refunds from the Indonesian tax authorities on a completed project. We sighted to the agreement signed with a third party contractor after the end of the reporting period for the settlement arrangement on a project which was identified to be taken over. We sighted to the loan agreements and correspondences between the Group and the financial institutions on the loan repayments which have been included in the cash flow forecast. We checked that the disclosures made by the Directors in the financial statements on the liquidity of the Group and the Company are consistent with our findings. We considered the events subsequent to the end of the reporting period to the date of the approval of the financial statements for events impacting the Group's and the Company's liquidity, and sighted to the approval by a bank for the restructuring of instalments payable by the Group subsequent to the end of the reporting period. Based on the procedures performed, we noted no material exceptions in relation to the assessment made by management on the liquidity position of the Group and the Company.

Independent AUDITOR'S
TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Financial Highlights, Corporate Social Responsibility, Statement of Corporate Governance, Audit Committee Report, Statement on Risk Management and Internal Control, Directors' Report and other sections of the 2016 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 the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Independent AUDITOR'S
TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

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

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

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

Independent AUDITOR'S
TO THE MEMBERS OF ZELAN BERHAD (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 131 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

HEW CHOOI YOKE
(No. 3203/07/17 (J))
Chartered Accountant

Kuala Lumpur
25 April 2017

Statements OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	5	222,790	412,970	-	-
Cost of sales	6	(227,974)	(376,757)	-	-
Gross (loss)/profit		(5,184)	36,213	-	-
Administrative expenses:					
- staff costs		(11,456)	(13,372)	(2,592)	(3,978)
- professional fees and arbitration fees		(1,497)	(24,635)	(155)	(492)
- others		(4,574)	(4,005)	(2,610)	(2,198)
Other operating income/(expenses):					
- unrealised foreign exchange gain, net		5,681	17,195	-	-
- reversal of impairment charge on property, plant and equipment		790	1,506	-	-
- write back of late payment interest on revised tax assessment		-	20,218	-	-
- write back of penalty on revised tax assessment		234	5,738	-	-
- write back of provision for impairment of receivables		2,376	-	-	-
- write back of provision for impairment of amounts due from subsidiaries		-	-	53,729	7
- provision for impairment of investments in subsidiaries		-	-	(44,714)	-
- diminution in carrying value of long term receivables		(34,483)	(4,165)	-	-
- other operating expenses		(6,365)	(10,450)	(411)	(3,526)
- other operating income		3,449	1,246	-	7
Finance income	7	25,186	41,932	466	395
Finance costs	7	(39,515)	(43,933)	(1,062)	(760)
Share of results of associates	27	(1,698)	(1,729)	-	-
(Loss)/profit before zakat and taxation	8	(67,056)	21,759	2,651	(10,545)
Taxation	12	(556)	8,760	-	(673)
Net (loss)/profit for the financial year		(67,612)	30,519	2,651	(11,218)

Statements OF COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences:					
- net movement during the financial year		(5,731)	(1,881)	-	-
Other comprehensive loss for the financial year, net of taxation		(5,731)	(1,881)	-	-
Total comprehensive (loss)/income for the financial year		(73,343)	28,638	2,651	(11,218)
Net (loss)/profit for the financial year attributable to:					
- equity holders of the Company		(67,623)	30,487	2,651	(11,218)
- non-controlling interests		11	32	-	-
Net (loss)/profit for the financial year		(67,612)	30,519	2,651	(11,218)
Total comprehensive (loss)/income attributable to:					
- equity holders of the Company		(73,358)	28,623	2,651	(11,218)
- non-controlling interests		15	15	-	-
Total comprehensive (loss)/income for the financial year		(73,343)	28,638	2,651	(11,218)
(Loss)/earnings per share attributable to the equity holders of the Company during the financial year:					
		Sen	Sen		
Basic (loss)/earnings per share	13(a)	(8.00)	3.61		
Diluted (loss)/earnings per share	13(b)	(8.00)	3.42		

Statements OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	8,088	8,756	77	146
Investment properties	15	4,740	4,882	-	-
Investments in subsidiaries	16	-	-	74,323	65,950
Investments in associates	27	3,332	3,937	-	-
Receivables, deposits and prepayments	18	681,213	565,251	-	-
Amounts due from subsidiaries	18	-	-	76,196	-
Deposits, cash and bank balances (restricted)	20	10,195	4,099	8,685	2,608
		707,568	586,925	159,281	68,704
CURRENT ASSETS					
Inventories	21	8,965	8,965	-	-
Receivables, deposits and prepayments	18	144,085	146,112	107	75
Amounts due from subsidiaries	18	-	-	-	78,149
Tax recoverable		387	15,938	-	-
Deposits, cash and bank balances	20	13,676	66,508	10,268	13,395
		167,113	237,523	10,375	91,619
Assets of disposal subsidiary classified as held for sale	22	-	2,671	-	-
		167,113	240,194	10,375	91,619
LESS: CURRENT LIABILITIES					
Financial payables	23	257,039	244,411	1,393	2,422
Other liabilities	23	6,935	22,943	-	-
Amounts due to subsidiaries	23	-	-	44,979	36,595
Borrowings	24	42,001	26,604	13,500	13,500
Current tax liabilities		-	3,569	-	673
		305,975	297,527	59,872	53,190
Liabilities of disposal subsidiary classified as held for sale	22	-	1,671	-	-
		305,975	299,198	59,872	53,190
NET CURRENT (LIABILITIES)/ASSETS		(138,862)	(59,004)	(49,497)	38,429
TOTAL ASSETS LESS CURRENT LIABILITIES		568,706	527,921	109,784	107,133

Statements OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
Share capital	25	84,489	84,489	84,489	84,489
Reserves	26	47,501	120,859	25,295	22,644
		131,990	205,348	109,784	107,133
Non-controlling interests		(172)	(187)	-	-
TOTAL EQUITY		131,818	205,161	109,784	107,133
NON-CURRENT LIABILITIES					
Borrowings	24	433,725	319,721	-	-
Deferred tax liabilities	28	3,163	3,039	-	-
		436,888	322,760	-	-
TOTAL EQUITY AND NON-CURRENT LIABILITIES		568,706	527,921	109,784	107,133

Consolidated STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<---- Attributable to equity holders of the Company ---->								
	Share capital RM'000	Warrants reserve# RM'000	Foreign exchange reserve RM'000	Capital reserve* RM'000	General reserve* RM'000	Retained earnings/ (accumu-lated losses) RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161
Net (loss)/income for the financial year	-	-	-	-	-	(67,623)	(67,623)	11	(67,612)
Other comprehensive (loss)/income:									
Currency translation differences:									
- net movement during the financial year	-	-	(5,735)	-	-	-	(5,735)	4	(5,731)
Total comprehensive (loss)/ income for the financial year	-	-	(5,735)	-	-	(67,623)	(73,358)	15	(73,343)
At 31 December 2016	84,489	14,082	(24)	35,457	4,254	(6,268)	131,990	(172)	131,818
At 1 January 2015	84,489	14,082	7,575	35,457	4,254	30,868	176,725	(202)	176,523
Net profit for the financial year	-	-	-	-	-	30,487	30,487	32	30,519
Other comprehensive loss:									
Currency translation differences:									
- net movement during the financial year	-	-	(1,864)	-	-	-	(1,864)	(17)	(1,881)
Total comprehensive (loss)/ income for the financial year	-	-	(1,864)	-	-	30,487	28,623	15	28,638
At 31 December 2015	84,489	14,082	5,711	35,457	4,254	61,355	205,348	(187)	205,161

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

This reserve relates to issuance of free detachable warrants.

Company STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital RM'000	Warrants reserve# RM'000	Capital reserve* RM'000	Non-distributable General reserve* RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2016	84,489	14,082	18,456	3,258	(13,152)	107,133
Total comprehensive income for the financial year	-	-	-	-	2,651	2,651
At 31 December 2016	84,489	14,082	18,456	3,258	(10,501)	109,784
At 1 January 2015	84,489	14,082	18,456	3,258	(1,934)	118,351
Total comprehensive loss for the financial year	-	-	-	-	(11,218)	(11,218)
At 31 December 2015	84,489	14,082	18,456	3,258	(13,152)	107,133

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

\# This reserve relates to issuance of free detachable warrants.

Statements OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
OPERATING ACTIVITIES					
Net (loss)/profit for the financial year, attributable to equity holders of the Company		(67,623)	30,487	2,651	(11,218)
Adjustments for:					
Taxation		556	(8,760)	-	673
Finance costs		39,515	43,933	1,062	760
Finance income		(25,186)	(41,932)	(466)	(395)
Diminution in carrying value of long term receivables		34,483	4,165	-	-
Non-controlling interests		11	32	-	-
Write back of late payment interest on revised tax assessment		-	(20,218)	-	-
Write back of penalty on revised tax assessment		(234)	(5,738)	-	-
Depreciation of investment properties		142	142	-	-
(Write back of provision)/ provision for impairment of receivables		(4,202)	4,643	291	3,214
Write back of provision for impairment of amounts due from subsidiaries		-	-	(53,729)	(7)
Provision for impairment on investments in subsidiaries		-	-	44,714	-
Loss on disposal of investment in subsidiary		-	-	48	-
Net gain on unrealised foreign exchange		(5,681)	(17,195)	-	-
Property, plant and equipment:					
- (gain)/loss on disposals		(5)	7	-	5
- reversal of impairment charge		(790)	(1,506)	-	-
- depreciation		1,192	2,058	72	70
- written off		1	1,449	-	-
Share of results of associates		1,698	1,729	-	-
		(26,123)	(6,704)	(5,357)	(6,898)
Changes in working capital:					
Receivables, deposits and prepayments		30,263	(239,817)	(32)	38
Payables		(50,295)	133,685	(1,029)	853
Cash used in operations		(46,155)	(112,836)	(6,418)	(6,007)
Tax refund/(paid)		9,506	(6,298)	(673)	-
Net cash flows used in operating activities		(36,649)	(119,134)	(7,091)	(6,007)

Statements OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
INVESTING ACTIVITIES					
Proceeds from disposals of plant and equipment		862	7	-	-
Net repayments of advances given to subsidiaries		-	-	-	(4,422)
Proceeds from disposal of subsidiary		1,000	-	1,000	-
Interest received from deposits and investment		1,331	1,025	466	395
Purchases of property, plant and equipment		(525)	(334)	(3)	(26)
Net cash flows generated from/(used in) investing activities		2,668	698	1,463	(4,053)
FINANCING ACTIVITIES					
Interest paid		(1,068)	(793)	(1,062)	(760)
Repayments of borrowings		(34,907)	(20,694)	(13,500)	(20,694)
Proceeds from borrowings		24,200	123,672	13,500	27,000
Upliftment of/(additional) deposits pledged as security		3,071	5,418	(4,723)	5,764
Repayment of hire purchase creditors		(556)	(550)	-	-
Net repayment of advances given to subsidiaries		-	-	9,640	-
Net cash flows (used in)/generated from financing activities		(9,260)	107,053	3,855	11,310
Net movement in cash and cash equivalents		(43,241)	(11,383)	(1,773)	1,250
Cash and cash equivalents at the beginning of the financial year		47,289	43,634	2,048	798
Currency translation differences		(424)	15,038	-	-
Cash and cash equivalents at the end of the financial year	20	3,624	47,289	275	2,048

Non-cash transactions

Non-cash transactions during the financial year is in relation to the following:

(i) The borrowings drawndown during the financial year includes performance bond and rectification bond of RM113.0 million (AED92.5 million) which were drawndown directly by a project owner at the Group level.

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

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

Notes TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

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

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

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

The address of the registered office of the Company is 24th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur. The address of the principal place of business is 23rd Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to MFRS 101 "Presentation of Financial Statements - Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138 "Classification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 128 "Investment Entities - Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these amendments did not have any significant impact on the financial statements of the Group and Company.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect to the Group and the Company, except the following set out below:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

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

  The amendments also clarify the same principle applies to assets under construction.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect to the Group and the Company, except the following set out below: (continued)

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

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

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

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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

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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect to the Group and the Company, except the following set out below: (continued)

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

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

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

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

  Key provisions of the new standard are as follows:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect to the Group and the Company, except the following set out below: (continued)

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

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

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

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

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

Management is still in the midst of assessing the impact of the adoption of the above amendments and new standards to the Group and the Company in the year of initial application of these amendments and standards.

(b) Economic entities in the Group

(i) Subsidiaries

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic entities in the Group (continued)

(ii) Associates

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

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

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

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

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

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 (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Economic entities in the Group (continued)

(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.

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

Joint operations

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

(c) Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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 other operating income/expenses in the profit or loss.

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

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

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

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

(d) Investment properties

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

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

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

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

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

(e) Operating leases

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

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

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

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

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

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

(g) Goodwill

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill (continued)

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

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

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

(h) Impairment of non-financial assets

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

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

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

(i) Inventories

Completed properties

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction contracts

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

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

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

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other receivables, depending on their nature.

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

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

(k) Trade and other receivables

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

(l) Cash and cash equivalents

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and cash equivalents (continued)

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

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

(m) Share capital

Classification

Ordinary shares are classified as equity.

Share issue costs

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

Dividends distribution

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

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

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings and borrowing costs

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

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

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

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

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

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

(p) Employee benefits

Short-term employee benefits

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

Post-employment benefits - defined contribution plan

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax

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

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

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

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

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

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions are recognised when:

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

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

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

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

(s) Contingent liabilities and contingent assets

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

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

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

(t) Foreign currencies

Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies (continued)

Transactions and balances

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

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

Group entities

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

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

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

Sale of goods and services

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

Interest income

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

Investment income

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

Construction contracts

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

Other income

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

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

(v) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirements.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Segment reporting

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

(x) Financial assets

Classification

The Group classifies its financial assets as loans and receivables.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprises 'trade and other receivables' and 'cash and cash equivalents' as disclosed in Notes 18 and 20 to the financial statements.

Recognition and initial measurement

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

Subsequent measurement - Impairment

Assets carried at amortised cost

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Financial assets (continued)

Subsequent measurement - Impairment (continued)

Assets carried at amortised cost (continued)

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

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

Derecognition

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

(y) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

The Group's other financial liabilities include trade and other payables and borrowings. Trade payables are liabilities to pay for goods or services provided to the Group prior to the end of the financial year which are unpaid.

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(z) 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.

(aa) 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 the share premium account 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.

(ab) Zakat

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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) Liquidity and going concern of the Group and the Company

The Group incurred a loss after taxation of RM67.6 million for the financial year ended 31 December 2016. As at the same date, the Group and the Company's current liabilities exceeded the current assets by RM138.9 million and RM49.5 million respectively.

In assessing the appropriateness of the use of going concern basis to prepare the financial statements of the Group and the Company, the Directors prepared a cash flow forecast for the next eighteen months from the reporting date, where the Directors expect to fund their obligations as follows:

- Net cash inflow from the Group's existing construction projects which are expected to be completed without delays within the forecast period, resulting in progressive payments from the project owners for the completed works, partial release of retention sums and cash collaterals and release of restricted cash by the financial institutions due to lesser amounts of performance guarantees required by the project owners in accordance with the terms of the construction contracts;

- Net cash inflow from the Group's ongoing projects which will continue to generate positive cash flows based on the planned progress of these projects. These ongoing projects are expected to complete beyond the forecast period in accordance with the terms of the construction contracts;

- Actively pursue tax refunds from the Indonesian tax authorities on completed projects; and

- Settlement arrangements on certain projects identified to be taken over by other contractors, some of which are already in advanced stages of negotiations with these contractors, resulting in additional cash inflows as compensation to the Group.

In addition, subsequent to the reporting date, the Group has successfully restructured the instalments payable by the Group with a financial institution. The Group will continue to undertake such negotiations with financial institutions where necessary. The Group will also ensure timely completion of its projects and will continue to implement strategies to control costs.

The cash flow forecast is sensitive to changes in the timing of the completion of the existing projects which will be completed within the forecast period, receipt of certain tax refunds and settlement arrangements on certain projects identified to be taken over.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(i) Liquidity and going concern of the Group and the Company (continued)

The Group will undertake the following measures to manage and strengthen the Group's cash flow position in the event of delays in the timing of the above events:

- Negotiate with subcontractors on the terms and timing of settlement payments for ongoing and completed projects;
- Dispose certain properties and inventories of the Group. The Group will put in place the necessary processes to identify potential buyers for these properties and inventories; and
- Actively bid for new projects whereby the Group has submitted two tenders for construction contracts subsequent to the reporting date.

In view of the above actions taken or expected to be taken, the Directors are of the opinion that the Group and the Company will be able to generate sufficient cash flows within the next twelve months from the reporting date from both the existing and new contracts to meet working capital requirements, repay borrowings and negotiated settlements with the subcontractors. Based on the foregoing, the Directors believe that the Group and the Company will be able to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the Directors are of the view that no material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as going concerns.

(ii) Recoverability of receivables and contingent liabilities relating to the Group's project in Abu Dhabi

As disclosed in Note 18(v) to the financial statements, the total receivable balance due from a project owner in Abu Dhabi amounted to AED207.7 million (approximately RM253.7 million) as at 31 December 2016.

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

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

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

In the event that the arbitration process and the subsequent recovery of the receivable is delayed by three months, the impact to the profit or loss is a further charge of RM5.6 million.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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. (continued)

Critical accounting estimates and assumptions (continued)

(iii) Construction contracts

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred up to reporting date as a percentage of total estimated costs for each contract. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract costs, the profitability of the contracts, including the foreseeable losses, potential claims (variation orders) to owners of the project and counter claims from sub-contractors and liquidated ascertained damages based on expected completion dates of the contracts. In making this judgement, the Directors took into consideration the current circumstances and relied on input from external consultants, where appropriate, and past experience.

(iv) 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 contingent liabilities and material litigations are as shown in Note 31 to the financial statements.

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

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

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

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk

The Group is involved in overseas projects/operations and exposed to changes in foreign currency exchange rates due to transactions entered into by the Group which are denominated in currencies other than the entity's functional currency.

The Group has a natural hedge to the extent that payments for foreign currency payables will be matched against receivables denominated in the same foreign currency.

The Group and the Company do not apply hedge accounting.

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

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

	Denominated in currency other than functional currency			
	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group				
At 31 December 2016				
Financial assets				
Cash and cash equivalents	126	41	21	188
Less:				
Financial liabilities				
Trade and other payables	(30)	-	-	(30)
Net financial assets	96	41	21	158
Currency exposure	96	41	21	158
At 31 December 2015				
Financial assets				
Cash and cash equivalents	20	-	21	41
Trade and other receivables	89	21,676	-	21,765
	109	21,676	21	21,806
Less:				
Financial liabilities				
Trade and other payables	(64)	-	-	(64)
	(64)	-	-	(64)
Net financial assets	45	21,676	21	21,742
Currency exposure	45	21,676	21	21,742

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2016, the Group's borrowings are denominated in Ringgit Malaysia ("RM") and Arab Emirates Dirham ("AED") and the Company's borrowings are denominated in RM.

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

	Impact on profit or loss	
	2016	**2015**
	RM'000	**RM'000**
Group		
Borrowings denominated in AED	729	-
Borrowings denominated in RM	133	136
Company		
Borrowings denominated in RM	133	136

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Liquidity risk

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

	<------------------------- Group ------------------------->				
	Less than 1 year RM'000	**Between 1 and 3 years RM'000**	**Between 3 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
2016					
Financial liabilities					
Trade payables	239,028	-	-	-	239,028
Amounts due to related companies	383	-	-	-	383
Amount due to a joint venture	60	-	-	-	60
Amounts due to associates	12,403	-	-	-	12,403
Other payables and accruals	5,165	-	-	-	5,165
Borrowings	86,313	179,909	96,397	308,703	671,322
	343,352	179,909	96,387	308,703	928,361
2015					
Financial liabilities					
Trade payables	223,618	-	-	-	223,618
Amounts due to related companies	187	-	-	-	187
Amount due to a joint venture	60	-	-	-	60
Amounts due to associates	11,081	-	-	-	11,081
Other payables and accruals	9,465	-	-	-	9,465
Borrowings	61,521	92,755	92,755	293,725	540,756
	305,932	92,755	92,755	293,725	785,167

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Liquidity risk (continued)

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

	Company	
	Less than 1 year RM'000	Total RM'000
2016		
Financial liabilities		
Amounts due to subsidiaries	44,979	44,979
Amounts due to related companies	383	383
Other payables and accruals	1,010	1,010
Borrowings	14,569	14,569
	60,941	60,941
2015		
Financial liabilities		
Amounts due to subsidiaries	36,595	36,595
Amounts due to related companies	187	187
Other payables and accruals	2,235	2,235
Borrowings	14,560	14,560
	53,577	53,577

As at 31 December 2016, the Group's and the Company's current liabilities exceeded the current assets by RM138.9 million and RM49.5 million respectively.

In order to monitor the cash flows of the Group, the Directors carry out periodic review of the cash flow projections prepared by management. As at the reporting date, management prepared a cash flow forecast for the next eighteen months, details of which are set out in Note 3 to the financial statements.

Subsequent to the reporting date, the Group has successfully restructured the quantum, the instalments payable by the Group with a financial institution. There were no changes to the financial covenant requirements as a result of the restructuring. The Group will continue to undertake such negotiations with the other financial institutions where necessary.

The Group has also put in place the necessary measures to manage and strengthen the cash flow position of the Group to address significant deviations from the cash flow forecast.

Refer to Note 3 to the financial statements for further details.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk

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

At the reporting date, the Group has no significant concentration of credit risk other than two corporate debtors which represent 94% (2015: 99%) of the Group's total trade receivables, in which these balances are monitored closely. 13% (2015: 9%) of these trade receivables mainly relates to retention sums receivable from the owners of the Group's projects. The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

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

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

Exposure to credit risk

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

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

Other than the bank balances and deposits placed with licensed banks, the Group and the Company's financial assets that are neither past due nor impaired amounted to RM95,765,000 (2015: RM86,595,000) and RM76,303,000 (2015: RM78,192,000) respectively.

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

The Group's financial assets that are past due but not impaired as at the reporting date amounted to RM19,000 (2015: RM332,000) which are aged between 3 to 6 months overdue. The Company does not have financial assets that are past due but not impaired.

(c) Financial assets that are impaired

The Group and the Company's financial assets that are impaired as at the reporting date amounted to RM719,032,000 (2015: RM609,480,000) and RM465,543,000 (2015: RM522,240,000) respectively.

The Group's financial assets that are impaired are mainly in respect of two projects of the Group for which the completion of the projects have been delayed. The diminution in the carrying value of these receivables has been recorded in the profit or loss. Refer to Note 18(v) and Note 18(vi) for further details.

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(c) Financial assets that are impaired (continued)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables and deposits				
At the beginning of financial year	4,793	172	-	-
Allowance made	1	4,643	-	-
Write back against provisions	(2,376)	-	-	-
Write off against provisions	(4)	(22)	-	-
At the end of financial year	2,414	4,793	-	-
Amounts due from subsidiaries				
At the beginning of financial year	-	-	522,240	519,033
Allowance made	-	-	291	3,214
Write back of allowance	-	-	(53,729)	(7)
Write off against provisions	-	-	(3,259)	-
At the end of financial year	-	-	465,543	522,240

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

(v) Capital management

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2016				
Financial assets				
Receivables				
- trade receivables	596,215	596,215	-	-
- amounts due from contract customers	79,207	79,207	-	-
Amounts due from subsidiaries	-	-	76,196	70,604
Amount due from an associate	5,791	4,746	-	-
At 31 December 2015				
Financial assets				
Receivables				
- trade receivables	493,270	493,270	-	-
- amounts due from contract customers	71,981	71,981	-	-

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Construction contracts	221,671	411,833	-	-
Others	1,119	1,137	-	-
	222,790	412,970	-	-

Others include car park income, rental income and membership fees.

6 COST OF SALES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Construction contract costs	227,785	376,581	-	-
Others	189	176	-	-
	227,974	376,757	-	-

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

7 FINANCE INCOME AND FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income				
Interest income	1,165	935	300	305
Profit from Islamic deposits	166	90	166	90
Accretion of interest on trade receivables	23,855	40,907	-	-
	25,186	41,932	466	395
Finance costs				
Interest expense	11,755	852	1,062	760
Unwinding of discounts on trade payables	27,798	43,140	-	-
Less: Interest expense included in cost of sales (Note 19)	(38)	(59)	-	-
	39,515	43,933	1,062	760

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Provision for impairment of receivables	1	4,643	291	3,214
Write back of provision for impairment of receivables	(2,376)	-	(53,729)	(7)
Bad debts recovered	(1,827)	-	-	-
Auditors' remuneration - statutory audit (Note 11)	517	470	126	76
Depreciation of investment properties	142	142	-	-
Directors' remuneration (Note 10)	1,688	1,728	1,688	1,728
Property, plant and equipment:				
- depreciation	1,192	2,058	72	70
- reversal of impairment charge	(790)	(1,506)	-	-
- (gain)/loss on disposals	(5)	7	-	5
- written off	1	1,449	-	-
Gain on unrealised foreign exchange	(7,292)	(23,963)	-	-
Loss on foreign exchange:				
- realised	28	-	-	-
- unrealised	1,611	6,768	-	-
Rental of land and premises	438	1,108	17	17
Rental income on office equipment	(369)	(361)	-	-
Rental income on premises	(1,810)	(1,832)	-	-
Staff costs (Note 9)	18,662	30,456	2,592	3,978

9 STAFF COSTS

Staff costs excluding Directors' remuneration, are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	12,674	22,359	1,875	3,263
Defined contribution retirement plan	2,233	2,099	438	425
Other employee benefits	3,755	5,998	279	290
	18,662	30,456	2,592	3,978
Staff costs for the financial year are allocated as follows:				
- administrative expenses	11,456	13,372	2,592	3,978
- cost of sales (Note 19)	7,206	17,084	-	-
	18,662	30,456	2,592	3,978

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 DIRECTORS' REMUNERATION

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Executive Directors:				
- fees	439	406	439	406
- other emoluments	390	355	390	355
	829	761	829	761
Executive Director:				
- salaries and bonuses	720	819	720	819
- defined contribution retirement plan	106	114	106	114
- other employee benefits	33	34	33	34
	859	967	859	967
	1,688	1,728	1,688	1,728

11 AUDITORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
PricewaterhouseCoopers Malaysia				
- statutory audit	400	357	126	76
- others	135	127	127	127
	535	484	253	203
Firms other than member firms of PricewaterhouseCoopers International Limited				
- statutory audit	117	113	-	-
- others	21	273	21	273
	138	386	21	273

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax				
Malaysian tax:				
- Current financial year	893	7,413	-	-
- Under accrual in the prior year	158	673	-	673
	1,051	8,086	-	673
Foreign tax:				
- Current financial year	42	-	-	-
- Over accrual in the prior years	(661)	(16,789)	-	-
	(619)	(16,789)	-	-
Deferred tax				
- Origination and reversal of temporary differences (Note 28)	124	(57)	-	-
Tax expense/(credit)	556	(8,760)	-	673
The explanation of the relationship between tax expense/(credit) and (loss)/profit before taxation and after zakat is as follows:				
(Loss)/profit before taxation and after zakat	(67,056)	21,759	2,651	(10,545)
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	(16,093)	5,439	636	(2,636)
Tax effects of:				
- share of results of associates	(408)	(432)	-	-
- expenses not deductible for tax purposes	21,316	25,211	12,260	2,644
- income not subject to tax	(7,999)	(23,804)	(12,896)	(8)
- temporary differences and tax losses not recognised	4,243	110	-	-
- change in tax rate	-	832	-	-
- (over)/under accruals in prior years	(503)	(16,116)	-	673
Tax expense/(credit)	556	(8,760)	-	673

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13 (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share of the Group is calculated by dividing the net (loss)/profit attributable to the ordinary equity holders of the Company for the financial year of RM67,623,000 (2015: RM30,487,000) by the weighted average number of ordinary shares in issue during the financial year of 844,895,000 (2015: 844,895,000).

	Group	
	2016 RM'000	2015 RM'000
Net (loss)/profit attributable to equity holders of the Company	(67,623)	30,487
	'000	'000
Weighted average number of ordinary shares in issue	844,895	844,895
	Sen	Sen
Basic (loss)/earnings per share attributable to equity holders of the Company	(8.00)	3.61

(b) Diluted

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

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

In assessing the dilution in earnings per share arising from the warrants issued, the warrants are assumed to have been converted into ordinary shares as at 31 December 2016. A calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined at the average share price of the Company's shares) based on the exercise price of the warrants. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	Group	
	2016	**2015**
	RM'000	**RM'000**
Net (loss)/profit attributable to equity holders of the Company	(67,623)	30,487
	'000	**'000**
Weighted average number of ordinary shares in issue	844,895	844,895
Adjustment for warrants	-	47,589
Weighted average number of ordinary shares for diluted earnings per share	844,895	892,484
	Sen	**Sen**
Diluted (loss)/earnings per share	(8.00)	3.42

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Plant and machinery RM'000	Renovation RM'000	Tools and equipment RM'000	Total RM'000
Net book value								
At 1 January 2016	6,604	84	1,108	654	29	58	219	8,756
Additions	-	-	454	66	-	-	5	525
Disposals	-	-	-	(2)	(855)	-	-	(857)
Write off	-	-	-	(1)	-	-	-	(1)
Reversal of impairment charge	-	-	-	-	790	-	-	790
Depreciation charge	(154)	(69)	(582)	(258)	(28)	(33)	(68)	(1,192)
Translation differences	-	-	-	3	64	-	-	67
At 31 December 2016	6,450	15	980	462	-	25	156	8,088
At 31 December 2016								
Cost	8,425	1,177	4,977	6,666	12,394	1,515	15,144	50,298
Accumulated depreciation and impairment loss	(1,975)	(1,162)	(3,997)	(6,204)	(12,394)	(1,490)	(14,988)	(42,210)
Net book value	6,450	15	980	462	-	25	156	8,088
At 1 January 2015	6,758	112	1,672	620	962	94	320	10,538
Additions	-	11	-	313	-	-	10	334
Disposals	-	-	-	(12)	-	-	(2)	(14)
Write off	-	(216)	(2)	(667)	(303)	(9)	(252)	(1,449)
Reversal of impairment charge	-	-	-	-	743	-	763	1,506
Depreciation charge	(154)	(41)	(568)	(270)	(914)	(35)	(76)	(2,058)
Translation differences	-	218	6	670	(459)	8	(544)	(101)
At 31 December 2015	6,604	84	1,108	654	29	58	219	8,756
At 31 December 2015								
Cost	8,425	1,199	4,598	6,756	19,278	1,515	15,139	56,910
Accumulated depreciation and impairment loss	(1,821)	(1,115)	(3,490)	(6,102)	(19,249)	(1,457)	(14,920)	(48,154)
Net book value	6,604	84	1,108	654	29	58	219	8,756

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Net book value					
At 1 January 2016	-	-	146	-	146
Additions	-	-	3	-	3
Depreciation charge	-	-	(72)	-	(72)
At 31 December 2016	-	-	77	-	77
At 31 December 2016					
Cost	40	316	632	30	1,018
Accumulated depreciation	(40)	(316)	(555)	(30)	(941)
Net book value	-	-	77	-	77
Net book value					
At 1 January 2015	-	-	195	-	195
Additions	-	-	26	-	26
Disposals	-	-	(5)	-	(5)
Depreciation charge	-	-	(70)	-	(70)
At 31 December 2015	-	-	146	-	146
At 31 December 2015					
Cost	40	316	629	30	1,015
Accumulated depreciation	(40)	(316)	(483)	(30)	(869)
Net book value	-	-	146	-	146

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge for the financial year is allocated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Administrative expenses	719	719	72	70
Cost of sales (Note 19)	473	1,339	-	-
	1,192	2,058	72	70

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 RM954,000 (2015: RM1,098,000).

The properties with net book values amounting to RM6,450,000 (2015: RM6,604,000) have been pledged against the Group's borrowings at the end of the reporting period.

15 INVESTMENT PROPERTIES

	Group	
	2016 RM'000	2015 RM'000
Cost	6,350	6,350
Less: Accumulated depreciation	(1,610)	(1,468)
Net book value	4,740	4,882

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

	Group	
	2016 RM'000	2015 RM'000
Net book value		
At the beginning of the financial year	4,882	5,024
Less: Depreciation charge	(142)	(142)
At the end of the financial year	4,740	4,882

The fair value of the investment properties, categorised under Level 2 of the fair value hierarchy, was estimated at RM10,220,000 (2015: RM9,978,000) based on the valuations by an independent professionally qualified valuer. Valuations were based on open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms.

Direct operating expenses arising from investment properties of the Group were RM265,000 (2015: RM268,000). Rental income arising from investment properties of the Group was RM1,119,000 (2015: RM1,137,000).

The investment properties with net book values amounting to RM4,740,000 (2015: RM4,882,000) have been pledged against the Group's borrowings as at the end of the reporting period.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares in Malaysia, at cost	199,462	146,375
Amount due from a subsidiary	60,000	60,000
	259,462	206,375
Less: Accumulated impairment losses	(185,139)	(140,425)
	74,323	65,950

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 2016 %	Group's effective interest 2015 %	Principal activities
Tronoh Consolidated (Overseas) Sdn Bhd	Malaysia	-	100	Dormant, struck off in 2016
Zelan Holdings (M) Sdn Bhd #	Malaysia	100	100	Investment holding, civil engineering and building turnkey contractor
Terminal Bersepadu Gombak Sdn Bhd * %	Malaysia	-	95	Dormant
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 (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 2016 %	Group's effective interest 2015 %	Principal activities
Subsidiaries of Zelan Corporation Sdn Bhd				
Zelan Development Sdn Bhd #	Malaysia	100	100	Property development
Panduan Pelangi Sdn Bhd	Malaysia	-	100	Dormant, struck off in 2016
Zelan Property Services Sdn Bhd	Malaysia	-	100	Dormant, struck off in 2016
Paduan Lima Sejati Sdn Bhd	Malaysia	-	100	Dormant, struck off in 2016
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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Note:

Audited by PricewaterhouseCoopers, Malaysia.
* Audited by a firm other than the member firm of PricewaterhouseCoopers International Limited.
@ Zelan Construction Sdn Bhd, Zelan Corporation Sdn Bhd and Zelan Enterprise Sdn Bhd were transferred from Zelan Holdings (M) Sdn Bhd to Zelan Berhad on 15 April 2016 at a total consideration of RM53,729,000.
^ Zelan AM Services Sdn Bhd was transferred from Zelan Construction Sdn Bhd to Zelan Berhad on 15 April 2016 at a consideration of RM308,000.
& Zelan ICOP Consortium Sdn Bhd was transferred from Zelan Holdings (M) Sdn Bhd to Zelan Construction Sdn Bhd on 1 December 2015 for a consideration of RM2.
% On 15 April 2016, Zelan Berhad disposed Terminal Bersepadu Gombak Sdn Bhd, a 95% owned subsidiary for a total consideration of RM1,000,000 which resulted in a loss on disposal of RM48,000.

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

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

The Company performed an impairment assessment of its loss-making subsidiary during the financial year. Arising from this assessment, the Company recognised an impairment loss of RM44.7 million (2015: Nil) in the current financial year on its cost of investment in the subsidiary of RM60.0 million. The recoverable amount of the investment of RM15.3 million was determined based on the fair value less costs to sell approach, i.e. Level 3 of the fair value hierarchy using the expected realisable value of this entity.

17 INVESTMENTS IN JOINT OPERATIONS

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

Name of company	Principal activities	Share of interest 2016 %	2015 %
Zelan BEC Consortium	Design and construction of chimney	51	51

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17 INVESTMENTS IN JOINT OPERATIONS (CONTINUED)

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

	Group	
	2016 RM'000	2015 RM'000
Revenue	-	943
Profit/(loss) after taxation	139	(158)

	Group	
	2016 RM'000	2015 RM'000
Non-current assets	335	298
Current assets	2,812	2,814
Current liabilities	(2,979)	(3,083)
Net assets	168	29

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial receivables				
Non-current				
Trade receivables	596,215	493,270	-	-
Amounts due from contract customers (Note 19)	79,207	71,981	-	-
Amount due from an associate	5,791	-	-	-
Receivables, deposits and prepayments	681,213	565,251	-	-
Amounts due from subsidiaries	-	-	541,739	-
Less: Provision of impairment	-	-	(465,543)	-
	-	-	76,196	-

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade receivables	65,840	45,238	-	-
Amount due from an associate	-	4,895	-	-
Amounts due from related companies	22	19	-	-
Other receivables and deposits	14,032	13,511	107	43
Less: Provision of impairment	(2,414)	(4,793)	-	-
	11,618	8,718	107	43
Advances to subcontractors	10,012	17,609	-	-
Amounts due from contract customers (Note 19)	53,709	67,493	-	-
Prepayments	2,884	2,140	-	32
Total receivables, deposits and prepayments	144,085	146,112	107	75
Amounts due from subsidiaries	-	-	-	600,389
Less: Provision of impairment	-	-	-	(522,240)
	-	-	-	78,149
Total receivables, deposits and prepayments	825,298	711,363	76,303	78,224

(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 trade receivables of the Group is the retention sum on contracts of RM60.9 million (2015: RM49.1 million), inclusive of RM47.2 million (2015: RM42.8 million) which is due from a project owner of the Group's project in Abu Dhabi.

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

(v) 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 RM33.7 million), being the certified amounts of works done and materials at site owing by the project owner to the Group under the certificates of payment in accordance with the provisions of the contract and the project owner's continuous interference with the valuation and/or certification of the Group's progress claims.

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

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(v) On 17 December 2015, the Group was notified that the guarantor of the performance bonds received two notices of demand from the project owner to liquidate the rectification bond of AED41.0 million (approximately RM50.1 million) and performance bond of AED51.5 million (approximately RM62.9 million) respectively. On 3 January 2016, the guarantor of the bonds released the full amount of the rectification bond and performance bond to the project owner.

During the previous financial year, the Group issued eight Notices of Intention to Commence Arbitration to the project owner for disputes with the project owner, including failure to pay certified payments, rejection of extension of time application, wrongful deduction of certified value of work done, and under-certification of project claims.

On 11 December 2015, the Group had submitted its request for arbitration to the International Court of Arbitration of the International Chamber of Commerce ("ICC") in relation to two of the disputes. Subsequently on 1 August 2016, the Group submitted the revised request for arbitration incorporating other disputes to arbitration at the ICC in accordance with the mechanism stipulated in the contract.

The Group has engaged a claim consultant to carry out a review of the costs incurred for the project and the amounts claimable against the project owner based on the Group's entitlement under the terms of the contract. The Group has also obtained legal opinions from the external solicitors.

As at 31 December 2016, the Group recorded a total receivable balance of AED207.7 million (approximately RM253.7 million) due from the project owner, including certified and uncertified amounts of work done and materials on site, retention sums and performance bond and rectification bond drawndown by the project owner in January 2016. Based on the advice from the claim consultant and the external solicitors, the Directors are of the view that the Group has valid contractual basis to recover the outstanding receivable balances from the project owner as the Group has rightfully and validly terminated its employment under the contract with the project owner. The Group is in the midst of proceeding with the arbitration process to recover fully the outstanding amounts under the provisions of the contract. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables.

(vi) Trade receivables of the Group includes concession income receivable from a project owner in Malaysia amounting to RM466.1 million, of which RM435.7 million is expected to be received after twelve months from the end of the financial year. Accordingly, the amount of RM435.7 million has been classified as a non-current receivable. These receivables will be received over the concession period of 20 years. The expected timing of the receipt has been considered in arriving at the carrying value of the net receivables.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19 CONSTRUCTION CONTRACTS

	Group 2016 RM'000	Group 2015 RM'000
Aggregate costs incurred to-date	7,980,880	7,544,981
Add: Attributable profits	234,066	198,486
Less: Foreseeable losses	(709,728)	(708,168)
	7,505,218	7,035,299
Less: Progress billings	(7,373,805)	(6,908,465)
	131,413	126,834
Amounts due from contract customers (Note 18)		
- non-current	79,207	71,981
- current	53,709	67,493
	132,916	139,474
Amounts due to contract customers (Note 23)	(1,503)	(12,640)
	131,413	126,834

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

	Group 2016 RM'000	Group 2015 RM'000
Rental of plant and machinery	302	1,556
Rental of premises	372	516
Depreciation of property, plant and equipment (Note 14)	473	1,339
Interest expense on hire purchase (Note 7)	38	59
Staff costs (Note 9)	7,206	17,084

The effective interest rate for borrowing costs in construction contract costs incurred during the financial year is 5.97% (2015: 6.18%) per annum.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	20,247	23,318	18,678	13,955
Cash and bank balances	3,624	47,289	275	2,048
Deposits, cash and bank balances	23,871	70,607	18,953	16,003
Less: Deposits pledged as security	(20,247)	(23,318)	(18,678)	(13,955)
Cash and cash equivalents	3,624	47,289	275	2,048

Deposits, cash and bank balances are between:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current:				
- Restricted	10,182	19,346	9,993	11,347
- Not restricted	3,494	47,162	275	2,048
	13,676	66,508	10,268	13,395
Non-current:				
- Restricted	10,195	4,099	8,685	2,608
	23,871	70,607	18,953	16,003

Included in deposits placed with licensed banks of the Group and the Company are amounts of RM20,247,000 (2015: RM23,318,000) and RM18,678,000 (2015: RM13,955,000) respectively, which have been pledged to secure banking facilities, primarily for performance guarantee facilities granted to the Group and the Company as at the reporting date.

Included in the cash and bank balances of the Group is RM130,000 (2015: RM127,000) held under Housing Development Account (opened and maintained under Section 7A of the Housing Development (Contract and Licensing) Act, 1966) that may only be used in accordance with the said Act.

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

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits placed with licensed banks	3.12	3.15	3.12	3.15
Bank balances	2.63	2.79	2.63	2.79

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21 INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Completed properties for sale	8,965	8,965

The inventories with net realisable values amounting to RM8,965,000 (2015: RM8,965,000) have been pledged against the Group's borrowings as at the end of the reporting period.

22 NON-CURRENT ASSETS HELD FOR SALE

On 30 December 2015, Terminal Bersepadu Gombak Sdn Bhd ("TEGAS"), a 95% owned subsidiary of the Company, entered into a Supplemental Agreement ("SA") to the Concession Agreement with the Government of Malaysia ("Government") to comply with the Government's requirement in relation to the Malay Reservation Enactment.

Pursuant to the execution of the SA, on 30 December 2015, the Company entered into a conditional Share Sale Agreement ("SSA") with Landasan Kapital (M) Sdn Bhd ("LKSB") for the sale of its entire shareholding of 950,000 ordinary shares of RM1.00 each, representing 95% of shares in TEGAS for a total consideration of RM1,000,000.

As at 31 December 2015, the entire assets and liabilities of TEGAS had been classified as a disposal group held for sale on the statements of financial position.

In accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the assets and liabilities held for sale were written down to their fair value less costs to sell of RM1,000,000.

The disposal was completed on 15 April 2016 upon the receipt of RM1,000,000 as final settlement from LKSB and accordingly, TEGAS ceased to be a subsidiary of the Company with effect from that date.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23 PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial payables				
Trade payables	239,028	223,618	-	-
Amounts due to related companies	383	187	383	187
Amount due to a joint venture	60	60	-	-
Amounts due to associates	12,403	11,081	-	-
Other payables and accruals	5,165	9,465	1,010	2,235
	257,039	244,411	1,393	2,422
Other liabilities				
Amounts due to contract customers (Note 19)	1,503	12,640	-	-
Advances received on contract customers	5,414	10,119	-	-
Others	18	184	-	-
	6,935	22,943	-	-
Amounts due to subsidiaries	-	-	44,979	36,595

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

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

Other payables and accruals consist of arbitration and professional fees payable for the project in Abu Dhabi, provision for subcontractors' costs for local and overseas projects and provision for litigation claims.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24 BORROWINGS

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current:					
Hire purchase liabilities (unsecured)	(a)	513	608	-	-
Islamic Financing (secured)	(b)	354,950	319,113	-	-
Term loan (secured)	(c)	78,262	-	-	-
		433,725	319,721	-	-
Current:					
Hire purchase liabilities (unsecured)	(a)	496	549	-	-
Islamic Financing (secured)	(b)	24,895	26,055	13,500	13,500
Term loan (secured)	(c)	16,610	-	-	-
		42,001	26,604	13,500	13,500
Total:					
Hire purchase liabilities (unsecured)	(a)	1,009	1,157	-	-
Islamic Financing (secured)	(b)	379,845	345,168	13,500	13,500
Term loan (secured)	(c)	94,872	-	-	-
		475,726	346,325	13,500	13,500

(a) Hire purchase liabilities (unsecured)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Analysis of hire urchase liabilities:				
Payable within one year	534	592	-	-
Payable between one to two years	374	591	-	-
Payable between two to five years	176	41	-	-
	1,084	1,224	-	-
Less: Finance charges	(75)	(67)	-	-
	1,009	1,157	-	-
Present value of hire purchase liabilities:				
Payable within one year	496	549	-	-
Payable between one to two years	345	568	-	-
Payable between two to five years	168	40	-	-
	1,009	1,157	-	-

24 BORROWINGS (CONTINUED)

(b) Islamic Financing (unsecured)

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

General working capital line (Group and Company)
The facility comprises revolving credit and bank guarantee lines, whereby the profit rate for the revolving credit line is based on the base financing rate plus a fixed margin and a fixed margin for the bank guarantee line.

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

Project financing line (Group)
The project financing line was secured by the assignment of contract proceeds received from the project owner. As at 31 December 2016, this facility of RM15.3 million of the Group has been settled due to the completion of the project.

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

This facility is segregated into three parts of which:

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

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

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.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24 BORROWINGS (CONTINUED)

(b) Islamic Financing (secured) (continued)

The repayment terms of this Islamic Financing Facility is:

- BIS 1 is repayable in a single bullet repayment upon the expiry of the moratorium period which is a period up to forty two months from the first disbursement date or upon receive of the initial payment from the project owner, whichever is earlier;
- BIS 2 is repayable in a single bullet repayment upon the expiry of the moratorium period which is a period up to fifty four months from the first disbursement date or upon receive of the initial payment from the project owner, whichever is earlier; and
- BIS 3 is repayable on a monthly instalment commencing on the first day of the following or subsequent month after the expiry of the moratorium period which is a period up to forty two months including thirty six months during the construction period and six months during the asset management services period. The monthly instalments will be repayable over a period of 11.5 years.

  The moratorium period has not expired as at 31 December 2016 as the six months asset management services period (which is the second component of the moratorium period) will commence after the issuance of the certificate of acceptance by the project owner. The Group has not received the certificate of acceptance or the initial payment of the asset management services from the project owner as at 31 December 2016.

(c) Term loan (secured)

On 19 February 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 RM113.0 million) into a secured term loan amounting to AED87.2 million (approximately RM106.5 million).

The term loan of the Group is secured by:

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

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

The term loan is repayable over a period of two and half years with the first repayment of principal commencing in July 2016. The final repayment in January 2019 includes residual principal plus accrued non-penal interest.

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Hire purchase liabilities	2.37-10.00	2.37-10.00	-	-
Islamic Financing	7.80-7.92	7.80-7.85	7.92	7.85
Term loan	9.25	-	-	-

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25 SHARE CAPITAL

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

	Company			
	Number of ordinary shares		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised:				
At start and end of the financial year at RM0.10 each	4,000,000	4,000,000	400,000	400,000
Issued and fully paid:				
At the start and end of the financial year	844,895	844,895	84,489	84,489

26 RESERVES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Warrants reserve	(a)	14,082	14,082	14,082	14,082
Foreign exchange reserve	(b)	(24)	5,711	-	-
Capital reserve	(c)	35,457	35,457	18,456	18,456
General reserve	(c)	4,254	4,254	3,258	3,258
(Accumulated losses)/ retained earnings		(6,268)	61,355	(10,501)	(13,152)
		47,501	120,859	25,295	22,644

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

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

No warrants were exercised during the financial year ended 31 December 2016. As at the end of the reporting date, 281,631,485 warrants remained unexercised.

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	385	385	10	10
Less: Accumulated impairment losses	(10)	(10)	(10)	(10)
	375	375	-	-
Unquoted shares outside Malaysia, at cost	1,971	1,971	-	-
Group's share of post-acquisition reserves	986	1,591	-	-
	3,332	3,937	-	-

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	
	2016 RM'000	2015 RM'000
Loss after taxation/Total comprehensive loss (including non-controlling interests)	(1,698)	(1,729)

	Group	
	2016 RM'000	2015 RM'000
Current assets	41,725	39,513
Current liabilities	(45,558)	(41,648)
Net liabilities	(3,833)	(2,135)

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

During the financial year, the Group recognised share of losses of associates of RM1,093,000 (2015: RM1,244,000) in excess of their respective costs of investments for two loss-making associates. The liabilities have been included within amounts due to associates in Note 23 to the financial statements.

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

Name of company	**Country of incorporation**	**Group's effective interest**		**Principal activities**
		2016 %	**2015 %**	
MMC Zelan Sdn Bhd	Malaysia	40	40	Dormant
<u>Associates of Zelan Holdings (M) Sdn Bhd</u>				
IJM-Zelan-Sunway Builders-LFE Consortium	Malaysia	25	25	Design, execution and completion of towers
Zelan Arabia Co Ltd	Saudi Arabia	40	40	Civil technical design and construction of civil and building works
<u>Associate of Sejara Bina Sdn Bhd</u>				
Essential Amity Sdn Bhd	Malaysia	50	50	Turnkey contractor and property development

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28 DEFERRED TAX LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax liabilities	3,163	3,039	-	-
Movement during the financial year is as follows:				
At start of the financial year	3,039	3,096	-	-
Charged/(credited) to profit or loss (Note 12):				
- property, plant and equipment	147	(57)	-	-
- trade and other receivables	(23)	-	-	-
	124	(57)	-	-
At end of the financial year	3,163	3,039	-	-
Subject to income tax:				
Deferred tax assets (before offsetting)				
- trade and other receivables	23	-	-	-
Offsetting	(23)	-	-	-
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	3,186	3,039	-	-
Offsetting	(23)	-	-	-
Deferred tax assets (after offsetting)	3,163	3,039	-	-

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unabsorbed capital allowances	18,969	18,951	-	-
Tax losses	52,950	35,289	-	-
	71,919	54,240	-	-

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29 SIGNIFICANT RELATED PARTY DISCLOSURES

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

(i) Significant related party transactions

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental of office premises receivable from a subsidiary of a corporate shareholder of the Company (non-trade):				
- MMC Engineering Services Sdn Bhd	277	270	-	-
Rental of office premises receivable from a related party of a corporate shareholder of the Company (non-trade):				
- Tradewinds Corporation Berhad	33	33	-	-
- Tradewinds Properties Sdn Bhd	15	15	-	-
- Tradewinds Premium Good Sdn Bhd	27	27	-	-
Rental fee payable to subsidiary (non-trade):				
- Zelan Holdings (M) Sdn Bhd	-	-	(17)	(17)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Advances given to/(repayment of advances from) subsidiaries (non-trade):				
- Zelan Holdings (M) Sdn Bhd	-	-	(9,661)	(1,919)
- Konsesi Pusat Asasi Gambang Sdn Bhd	-	-	4,000	21,520
- Terminal Bersepadu Gombak Sdn Bhd	-	-	-	(135)
- Zelan Construction Sdn Bhd	-	-	(3,618)	(49,135)
- Zelan Corporation Sdn Bhd	-	-	(2)	(130)
- Zelan Enterprise Sdn Bhd	-	-	-	(32)
- Zelan AM Services Sdn Bhd	-	-	(650)	30
- Zelan ICOP Consortium Sdn Bhd	-	-	291	-

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

(i) Significant related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Repayment of advances from associate (non-trade):				
- Essential Amity Sdn Bhd	-	547	-	-
Interest receivable from an associate (non-trade):				
- IJM-Zelan-Sunway Builders-LFE Consortium	841	329	-	-

(ii) Significant financial year end related party balances

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amounts due from subsidiaries				
- Konsesi Pusat Asasi Gambang Sdn Bhd	-	-	75,385	71,082
- Zelan Holdings (M) Sdn Bhd	-	-	26	6,482
- Zelan AM Services Sdn Bhd	-	-	783	581
- Others	-	-	2	4
	-	-	76,196	78,149

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

(ii) Significant financial year end related party balances (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amounts due to subsidiaries				
- Zelan Constructions Sdn Bhd	-	-	42,357	33,972
- Sejara Bina Sdn Bhd	-	-	2,148	2,149
- Others	-	-	474	474
	-	-	44,979	36,595
Amount due to related company				
- MMC Corporation Berhad	383	187	383	187
Amounts due to associates				
- Zelan Arabia Co Ltd	5,238	5,009	-	-
- MMC Zelan Sdn Bhd	25	25	-	-
- IJM-Zelan-Sunway Builders-LFE Consortium	7,140	6,047	-	-
	12,403	11,081	-	-
Amount due from an associate				
- IJM-Zelan-Sunway Builders-LFE Consortium	5,791	4,895	-	-

The outstanding balances arising from the above related party transactions have been disclosed in Note 18 and Note 23 to the financial statements.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Key management personnel refer to the Directors of the Company (Note 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and bonuses	2,025	2,522	1,628	1,853
Defined contribution retirement plan	317	386	249	275
	2,342	2,908	1,877	2,128
Estimated monetary value of benefits-in-kind	92	137	74	96
	2,434	3,045	1,951	2,224

30 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) On 9 March 2016, the Company announced that its wholly-owned subsidiary, Zelan Construction Sdn Bhd ("ZCSB"), was awarded by BBCC Development Sdn Bhd, a contract for the construction for the main building works of the proposed development of 4-storey temporary sales office, show unit and 1-storey sub-basement at Lot PT 143, Section 56, Jalan Hang Tuah, Kuala Lumpur for a contract sum of RM37,777,000. The contract sum was subsequently adjusted to RM34,762,000.

The project is anticipated to be completed by second quarter of financial year 2017 without any significant delays.

(ii) On 4 August 2016, the Company announced that Zelan-Hasrat Sedaya Consortium ("ZHSC"), in which the Company's wholly-owned subsidiary, Zelan Construction Sdn Bhd has 70% of participation interest and Hasrat Sedaya Sdn Bhd holds the remaining 30% participating interest, received a Letter of Acceptance from Turnpike Synergy Sdn Bhd, for the tender submitted by ZHSC for Projek Penswastaan Lebuhraya Bertingkat Sungai Besi - Ulu Kelang Package SUKE-CB2 for a contract sum of RM257,600,000. The contract is for the construction and completion of mainline and other associated works along Jalan Taman Putra which stretch approximately 1.7 kilometers.

The completion period for the abovementioned works is 30 months, commencing on the date for possession of site on 29 August 2016.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31 CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

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

Material litigations provided for in the financial statements

(a) In June 2010, a supplier of ready mixed concrete in the Kingdom of Saudi Arabia ("KSA") filed a claim of SAR67.4 million (approximately RM80.2 million) against a wholly-owned subsidiary of the Company incorporated in KSA, for the outstanding invoices, quantities of concrete not ordered by the subsidiary, bank surcharges, equipment, manpower and material standby cost, equipment rental costs and value of damaged plants at the Board of Grievance, Administrative Court in Abha, KSA ("Court"). The subsidiary has counterclaimed an amount of SAR38.7 million (approximately RM46.0 million) against the supplier.

Upon conclusion of its hearings, the Court delivered a judgement dated 1 September 2015 in favour of the supplier and ordered the subsidiary to pay an amount of SAR5.4 million (approximately RM6.4 million) to the supplier for the outstanding invoices.

On 27 December 2015, the subsidiary filed an appeal against the judgement at the Administrative Court of Appeal ("Appellate Court").

On 6 April 2016, the subsidiary received a judgement issued by the Administrative Court of Appeal in KSA to return the case to the Court of First Instance to amend the judgement in-absentia to judgement in presence of the subsidiary. On 7 July 2016, the Court of First Instance in KSA amended the judgement accordingly and maintained the order that the subsidiary pay an amount of SAR5.4 million (approximately RM6.4 million) to the supplier.

In view of the abovementioned judgement, the Group has made a provision of SAR5.4 million (approximately RM6.4 million) within payables in the financial statements for the financial year ended 31 December 2016.

(b) In March 2013, a contractor of a subsidiary's branch in Abu Dhabi ("Branch") filed a claim against the Branch at Abu Dhabi Court of First Instance for a sum of AED51.7 million (approximately RM63.1 million) and the return of its performance bond bank guarantee in relation to a project in Abu Dhabi where the Branch was the main contractor. The Court appointed three technical experts (collectively "Expert Committee") to, inter alia, value the work done by the contractor at site and to determine if the work had been carried out in accordance with the contract.

On 23 December 2014, the Court of First Instance delivered its judgement and ordered, inter alia, that the contract entered into between the contractor and the Branch was cancelled and the Branch was to pay the contractor a total sum of AED5.8 million (approximately RM7.1 million), out of which AED3.0 million (approximately RM3.7 million) was for work done and materials supplied by the contractor and AED2.8 million (approximately RM3.4 million) was compensation for the termination of the contract by the Branch.

The Branch had filed an appeal at the Court of Appeal against the Court of First Instance's finding that the termination was made by the Branch and the award of AED2.8 million (approximately RM3.3 million) as compensation in favour of the contractor. The contractor had also filed an appeal seeking for a higher compensation. On 16 June 2015, the Court of Appeal instructed the Expert Committee to review the objections raised by the contractor in its appeal against the compensation recommended in its earlier report and to submit a supplementary report.

On 5 April 2016, the Court of Appeal delivered its judgement upholding the Court of First Instance's judgement and increasing the compensation in favour of the contractor to AED7.2 million (approximately RM8.8 million) based on the recommendation made by the Expert Committee in its supplementary report.

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31 CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS (CONTINUED)

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

Material litigations provided for in the financial statements (continued)

(b) On 26 January 2017, the Cassation Court dismissed the Branch's appeal, hence the Court of Appeal's judgement of increasing the monetary award to AED7.2 million (approximately RM8.8 million) is maintained.

The Group has made a provision of AED7.2 million (approximately RM8.8 million) within payables in the financial statements for the financial year ended 31 December 2016.

(c) In relation to the project in Abu Dhabi as disclosed in Note 18(v), on 24 November 2016, a wholly-owned subsidiary of the Company received from the International Chamber of Commerce ("ICC") a Request for Arbitration from the claimant which is a nominated sub-contractor for the project. The claimant claimed against the subsidiary for a sum of AED16.2 million (approximately RM19.8 million).

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

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

The Group has made a provision of AED9.1 million (approximately RM11.1 million) within payables in the financial statements for the financial year ended 31 December 2016. Based on the advice from the external solicitors, the Directors are of the opinion that no further provision for claims is necessary on the basis that the remaining claim sum made by the claimant is not supportable.

(d) On 8 December 2016, a wholly-owned subsidiary of the Company received the Writ of Summons and Statement of Claim from a subcontractor in relation to the hire of dipper-dredger for the Materials Off Loading Facility Project ("MOLF") Jetty Project in Malaysia. The subcontractor was claiming Euro1.9 million (approximately RM8.8 million) for the outstanding third payment of hire charges, outsurvey, repair, time under repair, transport shipment, generator and boom cylinder and late payment interest.

On 5 January 2017, by consent of the subcontractor, the subsidiary has withdrawn its claim against the subcontractor vide Kuala Lumpur Sessions Court on the condition that the subsidiary's claims against the subcontractor in the said Sessions Court suit will be brought and/or claimed against the subcontractor by way of Defence and Counterclaim in the High Court suit above.

On 13 February 2017, the subsidiary filed its Defence and Counterclaim to the Kuala Lumpur High Court. The case is fixed for trial from 13 June 2017 to 16 June 2017.

The subsidiary has separately filed an application against the subcontractor on the security for costs. The case management is fixed on 2 May 2017.

The Group has made a provision of RM4.8 million within payables in the financial statements for the financial year ended 31 December 2016. The Directors are of the opinion that no further provision for claims is necessary on the basis that the Group's other subcontractor is liable for the remaining claim sum.

31 CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS (CONTINUED)

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

Contingent liabilities

(a) In relation to the project in Abu Dhabi as disclosed in Note 18(v), on 18 August 2016, the International Court of Arbitration of the ICC accepted the subsidiary's Request for Arbitration against the project owner incorporating other disputes and revising the claims sum to AED452.3 million (approximately RM551.8 million).

The project owner submitted its Revised Answer to Request for Arbitration to ICC for a counterclaim, which includes the quantum of costs and losses of AED591.0 million (approximately RM721.0 million), including liquidated damages of AED98.0 million (RM119.6 million).

The subsidiary and the project owner have signed a Confidentiality and Arbitration Proceedings Stay Agreement ("CA") dated 2 February 2017, whereby the arbitration proceeding is currently suspended or stay for a period of 4 months from the date of the CA to enable both parties to negotiate for mutual settlement, failing which, the 4 month stay of arbitration will automatically lapse and the arbitration proceedings shall recommence. The subsidiary is required to file its Statement of Claim within thirty days from the date the stay period ends.

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

(b) In relation to the Group's project in Johor, on 28 November 2016, the subsidiary together with another two consortium parties ("Respondents") received a Notice of Arbitration from the claimant. In the said Notice of Arbitration, the claimant is claiming against the Respondents for, inter alia:

- The sum of RM782.0 million;
- An indemnity from the Respondents against any and all losses incurred and to be incurred by the claimant including but not limited to any claims or causes of action brought or threatened against the claimant by any third party arising out of and/or in relation to the breaches, default, negligence, errors and/or omissions on the Respondents' and/or their agent(s)' part;
- General damages, interest, costs; and
- Such further or other relief as the Arbitral Tribunal deems fit.

Pursuant to the consortium agreement dated 1 April 2003 between the consortium parties, it was agreed between the consortium parties, inter alia, that:

- the subsidiary's scope of work is confined to the "Complete civil work for the Project" only, whereas the consortium partner's scope of work shall be "All necessary Work for the execution and completion of the project excluding the complete civil work for the project";
- the consortium parties shall be jointly and severally liable to the owner of the project for the performance of the contract. With respect to one another, each consortium party shall be solely responsible and fully liable for its own scope, including quality, cost overrun, delay in performance and warranty matters; and
- if a claim is made by the owner of the project or third parties against a consortium party who is not responsible, the consortium party responsible shall indemnify the other consortium party against whom the claim was made.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31 CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS (CONTINUED)

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

Contingent liabilities (continued)

(b) On 2 February 2017, the subsidiary's solicitor has written to the claimant's solicitors requesting for the claimant's consent to discontinue the arbitration proceedings against the subsidiary. On 14 February 2017, the claimant's solicitors replied stating that the claimant is prepared to consider the subsidiary's said request subject to a joint written undertaking from the consortium parties that the claimant's interest and rights are not prejudiced by such exclusion and a joint proposal on how this can be assured.

On 1 March 2017, the subsidiary's solicitors have given a proposed joint undertaking to the claimant's solicitors but the latter has not replied to the same. On 13 April 2017, the claimant's solicitors have reverted with their proposed amendents on the joint undertaking and the subsidiary's solicitors are in the process of reconsidering the same and considering with the solicitors representing the other two Respondents.

32 PERFORMANCE BONDS

In the ordinary course of business, the Company has given guarantees amounting to RM55,954,000 (2015: RM159,717,000) to the owners of the projects as security for the subsidiaries' performance of their obligations under the relevant projects. In January 2016, guarantees of RM113.0 million relating to the performance bond and rectification bond for a project in Abu Dhabi were drawndown by the project owner. The Company does not anticipate any other outflows of economic benefits arising from these undertakings.

33 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	
	2016 RM'000	2015 RM'000
Less than one year	191	1,023
Within one to two years	-	150
	191	1,173

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.

34 SEGMENTAL INFORMATION

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

(a) Engineering and construction
(b) Property and development
(c) Investment

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

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

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

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

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

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34 SEGMENTAL INFORMATION (CONTINUED)

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

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
Financial year ended 31 December 2016					
Segment revenue	236,260	796	660	650	238,366
Less: Inter-segment sales	(14,589)	-	(660)	(327)	(15,576)
Revenue from external customers	221,671	796	-	323	222,790
Results					
Segment result	(10,484)	519	(645)	(5,309)	(15,919)
Depreciation of property, plant and equipment and investment properties	(579)	(124)	(1)	(157)	(861)
Diminution in carrying value of long term receivables	(34,483)	-	-	-	(34,483)
Write back of penalty on revised tax assessment	234	-	-	-	234
Finance income	24,715	5	-	466	25,186
Finance costs	(38,453)	-	-	(1,062)	(39,515)
Share of results of associates	(1,698)	-	-	-	(1,698)
(Loss)/profit before zakat and taxation	(60,748)	400	(646)	(6,062)	(67,056)

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34 SEGMENTAL INFORMATION (CONTINUED)

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

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
Financial year ended 31 December 2015					
Segment revenue	557,462	1,295	-	664	559,421
Less: Inter-segment sales	(145,629)	(495)	-	(327)	(146,451)
Revenue from external customers	411,833	800	-	337	412,970
Results					
Segment result	11,804	541	-	(7,786)	4,559
Depreciation of property, plant and equipment and investment properties	(580)	(125)	-	(156)	(861)
Diminution in carrying value of long term receivables	(4,165)	-	-	-	(4,165)
Write back of late payment interest on revised tax assessment	20,218	-	-	-	20,218
Write back of penalty on revised tax assessment	5,738	-	-	-	5,738
Finance income	41,526	7	-	399	41,932
Finance costs	(43,173)	-	-	(760)	(43,933)
Share of results of associates	(1,729)	-	-	-	(1,729)
Profit/(loss) before zakat and taxation	29,639	423	-	(8,303)	21,759

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34 SEGMENTAL INFORMATION (CONTINUED)

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

	Engineering and construction RM'000	Property and development RM'000	Asset facility management RM'000	Investment RM'000	Total RM'000
As 31 December 2016					
Total assets:					
Segment assets	837,265	11,879	189	21,629	870,962
Investments in associates	3,332	-	-	-	3,332
	840,597	11,879	189	21,629	874,294
Add: Unallocated assets					387
					874,681
Total liabilites:					
Segment liabilities	724,037	686	58	14,919	739,700
Add: Unallocated liabilities					3,163
					742,863
As 31 December 2015					
Total assets:					
Segment assets	772,346	13,027	-	19,200	804,573
Investments in associates	3,937	-	-	-	3,937
	776,283	13,027	-	19,200	808,510
Add: Unallocated assets					15,938
Assets classified as held for sale					2,671
					827,119
Total liabilities:					
Segment liabilities	596,752	897	-	16,030	613,679
Add: Unallocated liabilities					6,608
Liabilities classified as held for sale					1,671
					621,958

34 SEGMENTAL INFORMATION (CONTINUED)

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

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

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

	Malaysia RM'000	Indonesia RM'000	UAE RM'000	KSA RM'000	Others RM'000	Total RM'000
For the financial year ended 31 December 2016						
Segment revenue	222,790	-	-	-	-	222,790
At 31 December 2016						
Segment assets	625,742	942	247,894	12	91	874,681
Segment liabilities	521,684	6,467	186,573	28,100	39	742,863
For the financial year ended 31 December 2015						
Segment revenue	339,332	-	73,638	-	-	412,970
At 31 December 2015						
Segment assets	636,153	23,280	167,398	11	277	827,119
Segment liabilities	509,884	12,107	73,738	26,199	30	621,958

Total external revenue includes 3 customers (2015: 4 customers) from the engineering and construction business segment who have contributed 89% (2015: 99%) respectively to the overall Group's revenue for the financial year ended 31 December 2016.

35 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

On 25 April 2017, a wholly-owned subsidiary of the Company entered into a Tripartite Settlement Agreement with the concession company and the sub-contractor of a project in Malaysia, whereby the concession company and the sub-contractor shall jointly and severally pay the subsidiary a sum of RM15 million in consideration of the subsidiary's agreement to mutually terminate the Tripartite Agreement entered into by the parties in 2016.

Notes TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:				
- realised	(868,815)	(858,298)	(10,501)	(13,152)
- unrealised	5,681	17,195	-	-
	(863,134)	(841,103)	(10,501)	(13,152)
Total share of (accumulated losses)/retained earnings of the associates:				
- realised	(8,338)	(7,678)	-	-
- unrealised	2,159	3,197	-	-
	(6,179)	(4,481)	-	-
Less: Consolidation adjustments	863,045	906,939	-	-
Total consolidated (accumulated losses)/retained earnings per the financial statements	(6,268)	61,355	(10,501)	(13,152)

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

List of PROPERTIES HELD

(As at 31 December 2016)

Location	Tenure	Area (sq. ft.)	Description/ Existing Use	Year of Expiry	Net Book Value (RM'000)	Age of Building (Years)	Year of Acquisition
PROPERTIES							
23rd & 24th Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	28,244	Office use	2090	6,450	17	1995
INVESTMENT PROPERTIES							
21st Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	21,788	Office rented to third party	2090	2,368	17	1995
Basement, 4th, 5th and 6th Floor, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2 Bandar Tun Razak, Cheras 56000 Kuala Lumpur	Leasehold	54,370	Car park	2090	2,372	17	2005

Disclosure OF RECURRENT RELATED PARTY TRANSACTIONS

(As at 31 December 2016)

Transacting Companies in Zelan Group	Transacting Related Parties	Interested Major Shareholder/Director	Nature of RRPT (RM'000)	Estimated Value of RRPT disclosed in Circular to Shareholders dated 25 April 2016 (RM'000)	Actual Value of RRPT Transacted from 17 May 2016 up to 31 December 2016 (RM'000)
Zelan Group	MMC Corporation Berhad ("MMC") Group	Seaport Terminal (Johore) Sdn Bhd ("STSB"), Indra Cita Sdn Bhd ("ICSB") and Tan Sri Syed Mokhtar Shah bin Syed Nor ("TSSM")	Construction contracts, project management and property development	1,000,000	9,329
			Provision of general agreement / contract	300	-
			Rental of office premises*	300	189
Zelan Group	DRB-HICOM Berhad Group	Etika Strategi Sdn Bhd and TSSM	Construction contracts, project management and property development	1,000,000	-
Zelan Group	Tradewinds Corporation Berhad Group	Perspective Lane (M) Sdn Bhd, Restu Jernih Sdn Bhd, Kelana Venture Sdn Bhd, MMC, STSB, ICSB and TSSM	Construction contracts, project management and property development	1,000,000	-
			Rental of office premises*	200	49

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

Shareholders INFORMATION

(As at 31 March 2017)

Class of Securities	:	Ordinary Shares of 10 sen each
Authorised Share Capital	:	RM400,000,000
Issued and Paid Up Capital	:	RM84,489,445
Voting Right	:	One (1) vote for every ordinary share
No. of Shareholders	:	9,799

DISTRIBUTION TABLE A

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	233	2.38	5,160	0.00
100 - 1,000	673	6.87	458,620	0.05
1,001 - 10,000	3,486	35.57	21,035,830	2.49
10,001 - 100,000	4,531	46.24	169,364,471	20.05
100,001 to less than 5% of issued shares	875	8.93	322,450,295	38.16
5% and above of issued shares	1	0.01	331,580,079	39.25
TOTAL	**9,799**	**100.00**	**844,894,455**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

TYPE OF OWNERSHIP	SHAREHOLDERS	%	SHAREHOLDINGS	%
1) GOVERNMENT AGENCY	1	0.01	3,020	0.00
2) BUMIPUTRA :				
a) Individuals	587	5.99	22,837,853	2.70
b) Companies	19	0.19	333,908,079	39.52
c) Nominees Company	1,094	11.16	84,554,150	10.01
3) NON-BUMIPUTRA :				
a) Individuals	7,050	71.95	305,716,330	36.18
b) Companies	43	0.44	7,324,925	0.87
c) Nominees Company	820	8.37	64,331,984	7.62
MALAYSIAN TOTAL	**9,614**	**98.11**	**818,676,341**	**96.90**
4) FOREIGN :				
a) Individuals	125	1.28	5,863,729	0.69
b) Companies	5	0.05	209,308	0.03
c) Nominees Company	55	0.56	20,145,077	2.38
FOREIGN TOTAL	**185**	**1.89**	**26,218,114**	**3.10**
GRAND TOTAL	**9,799**	**100.00**	**844,894,455**	**100.00**

Shareholders INFORMATION (CONT'D)

(As at 31 March 2017)

INFORMATION ON SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

	NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT HOLDINGS NO.	%
1	MMC CORPORATION BERHAD	331,580,079	39.25

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	SHAREHOLDINGS	%
1.	MMC CORPORATION BERHAD	331,580,079	39.25
2.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OLE HVASS BISPELUND	8,918,400	1.06
3.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	6,936,700	0.82
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU TZE YOUNG	5,394,300	0.64
5.	TEE KIAM HENG	5,000,000	0.59
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW MING SIE	4,400,000	0.52
7.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG KIEW CHIONG	3,300,000	0.39
8.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING (CEB)	3,261,200	0.39
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN	3,211,800	0.38
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZULKARNIN BIN ARIFFIN	3,200,000	0.38
11.	NG KIAN BING	3,075,000	0.36
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE LI SEE	2,900,000	0.34
13.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KA KIAT	2,400,000	0.28
14.	LIAN FONG CHEE	2,350,000	0.28
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAY HOCK SOON	2,292,500	0.27
16.	GOH POH CHEE	2,114,000	0.25
17.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MD. SHAH BIN ABU HASAN	2,100,000	0.25
18.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAM MU CHOY	2,000,000	0.24
19.	TEE JIN GEE ENTERPRISE SDN BHD	2,000,000	0.24
20.	ONG SI TENG	1,844,800	0.22

Shareholders INFORMATION (CONT'D)
(As at 31 March 2017)

THIRTY LARGEST SHAREHOLDERS (CONT'D)

NO.	NAMES	SHAREHOLDINGS	%
21.	TEE KIAM HENG	1,800,000	0.21
22.	TAN ENG HAI	1,790,800	0.21
23.	NG SEA BU	1,750,000	0.21
24.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	1,735,316	0.21
25.	LIM CHUN SEEN	1,726,500	0.20
26.	KOK JIN KHUM	1,700,100	0.20
27.	MD. SHAH BIN ABU HASAN	1,630,000	0.19
28.	TAN OI LAI	1,561,000	0.18
29.	KUAN THIAM MING	1,500,000	0.18
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT STUART SAW TEIK SIEW	1,500,000	0.18

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 415,012,495
TOTAL PERCENTAGE : 49.12

Warrant HOLDERS INFORMATION

(As at 31 March 2017)

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

DISTRIBUTION TABLE A

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	26	0.88	1,438	0.00
100 - 1,000	245	8.28	172,190	0.06
1,001 - 10,000	1,244	42.06	6,455,202	2.29
10,001 - 100,000	1,126	38.07	45,959,013	16.32
100,001 to less than 5% of issued shares	316	10.68	118,516,949	42.08
5% and above of issued shares	1	0.03	110,526,693	39.25
TOTAL	**2,958**	**100.00**	**281,631,485**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

TYPE OF OWNERSHIP	SHAREHOLDERS	%	SHAREHOLDINGS	%
1) GOVERNMENT AGENCY	-	-	-	-
2) BUMIPUTRA :				
a) Individuals	130	4.40	6,452,750	2.29
b) Companies	9	0.30	110,807,293	39.34
c) Nominees Company	395	13.36	25,370,450	9.01
3) NON-BUMIPUTRA :				
a) Individuals	2,033	68.73	94,080,074	33.41
b) Companies	19	0.64	6,405,300	2.27
c) Nominees Company	331	11.19	29,150,416	10.35
MALAYSIAN TOTAL	**2,917**	**98.62**	**272,266,283**	**96.67**
4) FOREIGN :				
a) Individuals	16	0.54	915,989	0.33
b) Companies	1	0.03	26,200	0.01
c) Nominees Company	24	0.81	8,423,013	2.99
FOREIGN TOTAL	**41**	**1.38**	**9,365,202**	**3.33**
GRAND TOTAL	**2,958**	**100.00**	**281,631,485**	**100.00**

Warrant HOLDERS INFORMATION (CONT'D)
(As at 31 March 2017)

INFORMATION ON SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

	NAMES OF SUBSTANTIAL SHAREHOLDERS	DIRECT HOLDINGS NO.	%
1	MMC CORPORATION BERHAD	110,526,693	39.25

THIRTY LARGEST WARRANT HOLDERS

NO.	NAMES	SHAREHOLDINGS	%
1.	MMC CORPORATION BERHAD	110,526,693	39.25
2.	UNION HUB TECHNOLOGY SDN BHD	4,380,000	1.56
3.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OLE HVASS BISPELUND	3,414,000	1.21
4.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BRANCH)	3,170,700	1.13
5.	ANG SWEE KUANG	2,375,600	0.84
6.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HING KUOK	2,000,000	0.71
7.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR YEE GOH TIONG	1,934,600	0.69
8.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG HOOI KHENG	1,600,000	0.57
9.	CHEAH ENG LAI	1,533,900	0.54
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH SENG KIAN	1,375,000	0.49
11.	HUANG PHANG LYE	1,330,000	0.47
12.	NG KIAN BING	1,270,200	0.45
13.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TEONG LEONG	1,200,000	0.43
14.	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HONG CHOOI KIM	1,150,000	0.41
15.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAH KEAN EONG	1,100,000	0.39
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD OOI CHONG LIP	1,064,000	0.38
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEK LIAN LYE	1,012,100	0.36
18.	SAM FONG @ CHAN SAM FONG	1,009,100	0.36

Warrant HOLDERS INFORMATION (CONT'D)
(As at 31 March 2017)

THIRTY LARGEST SHAREHOLDERS (CONT'D)

NO.	NAMES	SHAREHOLDINGS	%
19.	LIEW YOOK KUIW	1,000,000	0.36
20.	TENG POK SANG @ TENG FOOK SANG	1,000,000	0.36
21.	CIMSEC NOMINEES (TEMPATAN)SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG CHAI KIN	999,900	0.36
22.	ALLIANCEGROUP NOMINEES (TEMPATAN)SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH KIM CHOON	971,500	0.34
23.	CIMSEC NOMINEES (TEMPATAN)SDN BHD CIMB BANK FOR AZMI BIN MUHAMMAD	956,900	0.34
24.	AFFIN HWANG NOMINEES (TEMPATAN)SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEH KAH MUN	943,700	0.34
25.	MOHD HAFIZ HAZWAN BIN ROSLI	915,700	0.33
26.	LEE SEW PONG	900,000	0.32
27.	TEE MAY TEE	850,000	0.30
28.	LIM HOCK HUAT	822,800	0.29
29.	LEE YON HIN	800,000	0.28
30.	LIM POH KOK	800,000	0.28

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 152,406,393
TOTAL PERCENTAGE : 54.12

Notice OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 41st Annual General Meeting ("AGM") of Zelan Berhad will be held at Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on Wednesday, 22 May 2017 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. "THAT the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon be and are hereby received." **Please refer to Note A**

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

3. "THAT YBhg. Datuk Ooi Teik Huat, who retires in accordance with Article 78 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **Resolution 2**

4. "THAT the Director's fees for the financial year ended 31 December 2016 amounting to RM438,923.50, be and is hereby approved." **Resolution 3**

5. "THAT the payment of Directors remuneration (excluding directors' fees and Board committee fees) at the capping amount of RM400,000 to the Non-Executive Director from 31 January 2017 until the conclusion of the next AGM of the Company ("Relevant Period") be and is hereby approved." **Resolution 4**

6. "THAT Messrs. PricewaterhouseCoopers, who are eligible and have given their consent for re-appointment as Auditors of the Company, be and are hereby re-appointed as Auditors of the Company until the conclusion of the next AGM, AND THAT the remuneration to be paid to them be fixed by the Board." **Resolution 5**

SPECIAL BUSINESS

7. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **Resolution 6**

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

8. AUTHORITY TO ALLOT SHARES **Resolution 7**

"THAT subject always to the Companies Act, 2016 ("Act"), the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Board of Directors be and are hereby empowered pursuant to Section 75 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 of the Directors may, in its absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10.0%) of the issued and paid-up share capital of the Company at the time of issue AND THAT the Board of Directors is also empowered to obtain the approval of Bursa Malaysia Securities Berhad and any other relevant approvals as may be necessary for the listing of and quotation for the additional shares so issued."

Notice OF ANNUAL GENERAL MEETING (CONT'D)

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

"THAT approval be and is hereby given for the Company and/or its subsidiaries ("Group") to enter into 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 28 April 2017 which are subject to the renewal and obtaining the shareholders' mandate, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms' length basis on normal commercial terms, which are consistent with the Group's normal business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

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

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

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

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

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

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

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

BY ORDER OF THE BOARD

NOOR RANIZ BIN MAT NOR
ELLIS SURYANTI BINTI JASMI
Company Secretaries

28 April 2017
Kuala Lumpur

Notice OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

Proxy

1. A member of the Company who is entitled to attend and vote at the 41st AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be presented by each proxy. A proxy need not be a member of the Company.

2. The instrument appointing the proxy must be deposited with the Registrar's Office, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan D1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time fixed for holding the 41st AGM.

3. The lodging of the Proxy Form will not preclude shareholders from attending and voting in person at the 41st AGM should they subsequently wish to do so.

Note A

This agenda item is meant for discussion only as per the provision of Section 340(1)(a) of the Act, which does not require a formal approval of the shareholders and hence, it is not put forward for voting.

Resolution 4 – Directors' allowances and /or benefits payable to the Non–Executive Directors ("NEDs") of the Company from 31 January 2017 until the conclusion of the next AGM

With the enforcement of Section 230(1) of the Act effective 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 proposed Resolution 4 under Agenda 5, if passed, will allow the payment of the following Directors' remuneration (excluding Directors' fees and Board committee fees) to the NEDs of the Company on a monthly basis and/or as and when incurred within the Relevant Period:

- Allowances payable by the Company comprising meeting allowances, annual leave passage and/or annual reimbursable fee including benefit-in-kind to the Chairman.

Notice OF ANNUAL GENERAL MEETING (CONT'D)

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

Resolution 4

Directors	Meeting Allowances for Board and Board Committees (RM)	Other Allowances (RM)	Benefit-in-Kind (RM)	Total (RM)
Dato' Anwar bin Haji @ Aji (Chairman)	17,000	291,000[1]	7,410[2]	315,410
Dato' Sri Che Khalib bin Mohamad Noh	7,000[3]	-	-	7,000
Dato' Abdullah bin Mohd Yusof	14,000	-	-	14,000
Datuk Ooi Teik Huat	14,000	-	-	14,000
Datuk Puteh Rukiah Binti Abd Majid	12,000	-	-	12,000
Encik Suhaimi bin Halim	15,000	-	-	15,000
Encik Mohd Shukor bin Abdul Mumin	15,000	-	-	15,000
Total	**94,000**	**291,000**	**7,410**	**392,410 (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 NED comprising director 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).*
3 *Meeting allowance is shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board).*

Any of the NEDs who are shareholders of the Company will abstain from voting on the resolution concerning remuneration to the NEDs at the 41st AGM.

Resolution 5 – Continuation in office as Independent Non-Executive Director

The Malaysian Code on Corporate Governance 2012 ("Code") recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. However, the Code further provides that the shareholders may, in exceptional cases and subject to the assessment of the Nomination and Remuneration Committee, decide that an independent director can remain as an independent director after serving a cumulative term of nine (9) years. In such a situation, the board must make a recommendation and provide strong justification to the shareholders in a general meeting.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of YBhg. Dato' Abdullah bin Mohd Yusof, who has served as an Independent, Non-Executive Director of the Company for a cumulative term of more than nine (9) years.

Notice OF ANNUAL GENERAL MEETING (CONT'D)

The Board recommends that YBhg. Dato' Abdullah bin Mohd Yusof continues to act as an Independent, Non-Executive Director of the Company based on the following justification:

(a) YBhg. Dato' Abdullah bin Mohd Yusof fulfils the criteria of an Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(b) YBhg. Dato' Abdullah bin Mohd Yusof, being an experienced and senior legal practitioner since 1968, is able to provide the Board with sound legal advice and guidance on the Company's key legal issues and risks, in view of the Company's exposure to construction disputes and litigation;

(c) YBhg Dato' Abdullah bin Mohd Yusof has also been actively and continuously advising the Board on corporate governance, regulatory compliance and contractual matters to ensure the Company's due compliance with the relevant legislations, regulations as well as contractual provisions;

(d) YBhg Dato' Abdullah bin Mohd Yusof has been a dedicated and committed Board member, having attended almost all the Committee and Board meetings since his appointment to the Board;

(e) YBhg Dato' Abdullah bin Mohd Yusof, being the longest serving Board member of the Company, possesses sound knowledge and understanding of the Company's business activities and history which enable him to participate actively and contribute during deliberations at the Committee and Board meetings; and

(f) YBhg Dato' Abdullah bin Mohd Yusof's performance as an independent director since his appointment to the Board demonstrates that he exercises due care as an Independent Non-Executive Director of the Company and carries out his professional and fiduciary duties in the interests of the Company and shareholders.

Resolution 6 – Authority to allot shares

The proposed Resolution 6, 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 Act. 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 17 May 2016 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 7 – Renewal of shareholders' mandate

For further information, please refer to Circular to Shareholders dated 28 April 2017.

Statement ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election or re-appointment are set out in the Board of Directors' Profile at pages 16 to 19 of this Annual Report.

Administrative DETAILS

ADMINISTRATIVE DETAILS for the 41st Annual General Meeting ("AGM") of Zelan Berhad will be held at Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur on Monday, 22 May 2017 at 2.00 p.m.

PARKING

1. Parking for visitors is available at the parking bays of the Hotel. Parking fee will be borne by Zelan.

REGISTRATION

2. Registration will start at 12.30 p.m. and will remain open until the conclusion of the meeting or such time as may be determined by the Chairman of the meeting.

3. Please read the signage to ascertain the registration area to register yourself for the meeting and join the queue accordingly.

4. Please produce your original Identity Card (IC) to the registration staff for verification and make sure you collect your IC thereafter.

5. You will be given an identification wristband and no person will be allowed to enter the meeting hall without the wristband. There will be no replacement in the event that you lose or misplace the identification wristband.

6. After registration, please leave the registration area immediately.

7. No person will be allowed to register on behalf of another person even with the original IC of that other person.

REFRESHMENT

8. Light refreshment will be served outside Mahkota II before the commencement of the meeting.

9. Packed lunch will be distributed after registration.

DOOR GIFTS/MEAL VOUCHERS

10. A shareholder who is also proxies to other shareholders is entitled to a maximum of 2 door gifts and 2 meal vouchers only. Vouchers will be distributed during registration.

ENTITLEMENTS TO ATTEND AND VOTE

11. Only a Depositor registered in the Register of Members/Record of Depositors and whose name appears on the Register of members/Record of Depositors as at 15 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on their behalf in respect of the number of shares registered in their name at that time.

Proxy FORM

ZELAN BERHAD
(Company No.: 27676-V)

CDS Account No.	No. of shares held

I/We, ______________________________ (NRIC/Passport No ______________)

of ______________________________ Tel. No. ______________

being a member/members of ZELAN BERHAD hereby appoint:-

Full name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

*and / or (*delete if not applicable)

Full name (in block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her the **CHAIRMAN OF MEETING,** as my/our proxy to vote for me/us on my/our behalf at the 41st Annual General Meeting of the Company to be held at **Mahkota II, BR Level, Hotel Istana, 73, Jalan Raja Chulan, 50250 Kuala Lumpur** on **Tuesday, 22 May 2017** 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 78 of the Articles of Association of the Company		
2	To re-elect YBhg. Datuk Ooi Teik Huat pursuant to Article 78 of the Articles of Association of the Company		
3	To approve the Directors' Fees		
4	To re-appoint Messrs. PricewaterhouseCoopers		
5	Payment of Directors' remuneration (excluding Directors' fees and Board committee fees) to the Non-Executive Directors from 31 January 2017 until the conclusion of the next annual general meeting of the Company at the capping amount of RM400,000		
RESOLUTION	**SPECIAL BUSINESS**		
6	To re-appoint YBhg. Dato' Abdullah bin Mohd Yusof to continue to act as Independent Non-Executive Director of the Company		
7	Ordinary Resolution - Authority to Allot Shares		
8	Ordinary Resolution - Proposed Shareholders' Mandate		

____
Signature/Common Seal of Member

Dated this ________ day of ____________ 2017

NOTES:

1. This proxy form, duly signed, must be deposited at the Registrar's Office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia (Fax No: +603 7841 8151/8152) not less than forty eight (48) hours before the meeting. Each shareholder can appoint not more than two (2) proxies. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. This instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. A corporation may by resolution of its Directors or the governing body, if it is a member of the Company authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company.
4. In the case of joint holders, the signature of any of them will suffice.

Note to Shareholders

(i) We will forward the hard copy of Annual Report 2016 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 2016, please contact Puan Ellis Suryanti Jasmi at telephone no: +603 9173 9173 (ext. 813).
(iii) This Annual Report could be downloaded from the Company's website at this URL address: http://www.zelan.com.

STAMP

TO: THE REGISTRAR

ZELAN BERHAD (27676-V)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

ZELAN BERHAD (27676-V)

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

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