

**Questions and Answers of Zelan Berhad
45th Annual General Meeting**

Q1	<p>Name of Shareholder Chan Fung Han</p>
	<p>Question :</p> <p>Note 3.1 Recoverability of the receivable balance from a project owner of the Group's project in Abu Dhabi - Page 113 to the Annual Report stated that it is too remote to establish the extent of the impairment as at the audit report date. Hence, no impairment has been recognised. But the Directors are confident of the eventual recovery of the receivable balance from the project owner.</p> <p>However, in Note 18 stated that the Group had requested for the arrest of the project owner's general manager in order to disclose the financial standing of the project owner and the whereabouts of the assets of the project owner.</p> <p>(a) Isn't these two statements contradict each other that on one hand, the Group has no idea about the financial position of the project owner, the Management is not knowing how much assets that the project owner has and where are the assets, but on the other hand, the Directors regard the debts as recoverable?</p> <p>(b) On what basis that the Group establish the recoverability of the awarded sum is certain? Isn't it being more appropriately to disclose as contingent assets rather than taken up in the books?</p> <p>(c) Could the Management and the Board please explain how the awarded sum will then be collectible, recovery in form of monetary or other assets, the schedule/timing of recovery, and what is the discounting factor used to reflect the time value of money?</p>
	<p>Answer:</p> <p>We commenced formal the legal proceedings for the recovery of Meena Arbitration Award amounting to RM294.8mil, ("Award") in October 2020 after all appeals by Meena Holdings LLC ("MH") to set aside the Award had been dismissed by the Courts. The recovery process is guided by the legal advice of our lawyers in Abu Dhabi based on the all available route of enforcement by the Abu Dhabi Execution Court.</p> <p>Currently, the Abu Dhabi Execution Court has granted our application to attach MH's bank accounts in Abu Dhabi and has issued an arrest order against MH's general manager. Even though, the financial information on MH is not available, we hope to obtain the information on MH assets from the statement of MH's general manager. Once this information is available, we will file a separate court case against all parties involved in the financial operation of MH account's as part of the recovery effort.</p> <p>As at 31 December 2020, the carrying value of the Meena receivable is based on value of the Award discounted by 10.0475% per annum being the interest rate of the project's bank loan The Award had been discounted over a three-year recovery period in arriving at the carrying value of the Award of RM243.4mil.</p>

Q2	Name of Shareholder Chan Fung Han
	Question: Page 11 to the Annual Report - The Group foresee that renewable projects will be one of the prospects to pursue. What are the strategies in place by the Group to venture into this clean energy sector?
	Answer: Currently, the Group is preparing proposal on green energy initiative with the objective to reduce the electricity bills at IIUM Gambang campus. We hope we can use this as a springboard for expansion into the renewable energy sector after our proposal for IIUM campus is accepted by the client.

Q3	Name of Shareholder Chan Fung Han
	Question: Statement of Comprehensive Income - What is/are included in the other operating expenses of RM31,587,000 in FY2020?
	Answer: The other operating expenses consist of additional provision made amounting to RM29 million for the court judgment obtained by Remco (subcontractor for Meena Plaza Project), Impairment loss on intercompany amounting to RM0.91 million, building maintenance of RM0.4 million, depreciation of RM0.3 million and others of RM0.98 million.

Q4	Name of Shareholder Chan Fung Han
	Question: Any provision for Liquidated Ascertained Damages recognised by the Group in relation to potential late completion of the on-going projects?
	Answer: No. There is no provision for Liquidated Ascertained Damages ("LAD") recognise as we do not foresee any LAD to be imposed by the project owner as the current project delay is mainly contributed by the direct impact of restricted Movement Control Order (MCO) and Enhanced Movement Control Order (EMCO) imposed by the Government.

Q5	Name of Shareholder Chan Fung Han
	Question: Voluntary changes to investment properties measured at fair value and property, plant and equipment for building at revaluation method - With the gap of 2.5 months between the valuation report (19/10/2020) and the reporting date of the financial statements (31/12/2020), how the Management confident that there was no decrease in fair value of the investment properties given that the economic condition was such unfavourable back then in last year?
	Answer: We had checked with the valuer and there were no significant fluctuation during those two (2) months as the valuer has taken into consideration the current market condition and the impact of the covid19 pandemic on the property market.

Q6	Name of Shareholder Chan Fung Han
	Question: Note 4 & Note 5 - Gross margin for construction contract was 24.47% in FY2019 but dropped to only 2.3% in FY2020. Why the margin dropped so drastically?
	Answer: The margin dropped significantly in FY2020 due to less construction activities being carried out in the said financial year period resulting from restricted orders of Movement Control Order (MCO) and Enhanced Movement Control Order (EMCO) imposed by the Government which has subsequently resulted in less revenue and profit to be recognised.

Q7	Name of Shareholder Chan Fung Han
	Question: Note 6 Finance Income - As all the trade receivables of the Group is at Stage 3 (credit impaired), why the Group continues to charge interest on trade receivables? On what ground the finance income is chargeable and recoverable?
	Answer: There is no interest charged on trade receivables. The finance income in note 6 is interest earned on fixed deposits place with local Banks amounting to RM0.72 million. The balance RM23.98 million is from the accretion of interest on trade receivables (i.e. availability charges of the concession). This is in compliance with the IC 12- Service Concession Arrangement, MFRS 9 – Financial instrument and MFRS 15 – Revenue from contract customers.

Q8	Name of Shareholder Chan Fung Han
	Question: Note 18 - Non-current trade receivables - The provision of impairment increased from RM61,858,000 in FY2019 to RM150,534,000 in FY2020, up by RM88,676,000. However, there is no such impairment loss recognised in current financial year. Where is the additional provision for impairment being reported at?
	Answer: The additional impairment in FY2020 is mainly arising from the discounting effect to reflect the time value of money on recognition of Meena arbitration award, other legal cases' potential judgments and interest charges of IIUM future receivables, etc. The necessary provisions on the impairments are reflected in the Statement of Comprehensive Income by offsetting with the additional income recognised from the Arbitration Award. Other impairment losses are recognised under finance costs and other operating expenses and diminution in long term receivable.

Q9	Name of Shareholder Chan Fung Han
	Question: Note 21 Inventories - Why the RM5.22 million of completed properties being transferred to investment properties? Is it being rented out?
	Answer: The transfer or reclassification was made since there were changes in the primary use of those properties. Yes, the properties are currently being rented out and are providing rental income.

Q10	Name of Shareholder Chan Fung Han
	Question: Note 22 Trade and Other Payables - Why the other payables and accruals increased by RM77,819,000 in FY2020 which is even more than the revenue recognised by the Group in the current financial year?
	Answer: The net increased is actually only RM11,909,000 which arise from the additional provision provided for the court judgement received by REMCO (subcontractor of Meena Project). The balance difference of RM65,910,000 was classified as accounts payable in 2019 whereas it should be at other payables.

Q11	Name of Shareholder Chan Fung Han
	Question: Note 28 Litigations - Did the Group provide in the accounts for the various litigations disclosed? If yes, how much is it provided in aggregate?
	Answer: Yes, the Group has provided in the accounts for various litigations disclosed under Note 28 Litigations amounting to RM30.4 million based on the status of the legal proceedings taking into account time value of money.

Q12	Name of Shareholder Chan Fung Han
	Question: Note 30 Segmental information - Why the segment liabilities for Kingdom of Saudi Arabia (KSA) and Indonesia increased significantly while the segment liabilities for Malaysia decreased significantly? Any re-assignment / transfer of liabilities among the segments?
	Answer: The amount stated in KSA and Indonesia includes the intercompany loan of RM395.7 million which is eliminated at Group level in Malaysia. However in 2019, the amount was eliminated at individual company level, thus the liabilities was not shown

Q13	Name of Shareholder Chan Fung Han
	Question: Page 153 to the Annual Report - It was stated that the Group did not meet the repayment instalments for certain credit facilities. What is the risk of the financial institutions to declare default and/or cross-default towards the outstanding borrowings of the Group?
	Answer: The Group has communicated and negotiated with the financial institution on the late payment of those instalments and managed to obtain indulgence to incorporate those late outstanding repayments into the current repayment.

Q14	Name of Shareholder Chan Fung Han
	Question: Page 159 to the Annual Report - Loss allowance as at 31 December 2020 amounted to RM102,086,000 but stated as RM155,310,000 in page 156 to the Annual Report. Why there is such variance?
	Answer: Page 159 shows the significant financial risks, which includes risks which are significant in individual. Page 156 shows the total loss allowance of receivables.

Q15	Name of Shareholder Chan Fung Han
	Question: Resolution 4 - Why the Independent Non-Executive Chairman entitled to all such other allowances and benefit-in-kind that made up his remuneration of RM443,000 constituted to almost 60% of the total Director's Remuneration in FY2020, and circa 86% of the RM400,000 capping?
	Answer: The Independent Non- Executive Chairman is entitled to all such other allowances and benefit-in-kind with remuneration of RM443,000 to commensurate with the additional responsibilities and accountability of his position as Chairman and long serving contribution to the Group.

Q16	Name of Shareholder Chan Fung Han
	Question: Resolution 5 - Why the Company frequently changes and appoints new Auditors? Any reason for the change? Or Messrs AL JAFREE SALIHIN KUZAIMI PLT has any messages wants to be conveyed to the minority shareholders?
	Answer: It is normal for the company to change the auditors. Nevertheless, we assure that the auditors' report is independent and in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the requirements of the Company Act, 2016 in Malaysia.

Q17	Name of Shareholder Lum Choong Ying
	Question: BOD with savings from holding the AGM via RPV kindly consider to reward shareholders with e-wallet reload, e-vouchers etc. Thanks
	Answer: As earlier stated in Administrative Detail of the Annual Report, we apologise that there will be no distribution of door gifts or vouchers, including e-wallet reload for this AGM since the meeting is conducted on virtual basis. We thank all shareholders for their kind understanding in these challenging times.

Q18	Name of Shareholder Thavarajan A/L Muthiah Pillai
	Question: Dear Sir, What is the future outlook of company n shareholders for the next 5 years.Tq
	Answer: The future outlook for the Company and shareholders for the next 5 years is still uncertain as currently we are in the challenging period with the impact of Covid19 pandemic, where there are very few job opportunities and more competitors in the market. Nevertheless we are doing our best effort by continuously participating in the tenders within our expertise in order to secure new job/project for the Company.

Q19	Name of Shareholder Leong Wen Chew
	Question: What is the outstanding order book as of today excluding your university campus concession?
	Answer: The balance outstanding order book as of today excluding the university campus is RM1,017.8 million.

Q20	Name of Shareholder Kong Choy Kwai
	Question: Are Directors attending this virtual being paid meeting allowance?
	Answer: No, the Directors attending the virtual 45 th AGM today are not paid any allowance.