

**ZELAN BERHAD**  
**(“ZB” or “the Group”)**  
**(Company No: 27676-V)**

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2011**

**PART B Additional Information as required by Part A of Appendix 9B of the Bursa Malaysia Listing Requirements**

**1. Review of Performance**

For the current quarter under review, the Group recorded a revenue from engineering and construction operations of RM83.1 million as compared to a negative revenue of RM46.0 million in the same quarter last year. The revenue is mainly attributed to the reversal of provisions made on the Liquidated Ascertained Damages (“LAD”) for a project in Indonesia amounting to RM68.0 million.

The revenue recorded from property and development division for the quarter is lower than the preceding quarter last year, due to lower rental income from car park.

The revenue recorded from the investment holding and others division is lower than the preceding quarter last year due to lower dividend income received from other investments.

The Group recorded a profit after taxation of RM63.4 million for the current quarter as compared to loss after tax from continuing operations of RM40.5 million loss in the preceding quarter last year.

For the nine months period ended 31 December 2011, the Group recorded a profit after taxation of RM75.0 million as compared to a loss after taxation from continuing operations of RM71.3 million last year. The profit is attributable to a reversal of provisions made on LAD of RM68.0 million and reversal of provisions for deviations/variations of RM17.2 million for the project in Indonesia, offset by a loss on fair value of derivatives of RM26.1 million recorded during the period under review.

**2. Material Changes in the Quarterly Results Compared to the preceding quarter**

For the current quarter under review, the Group recorded a revenue from engineering and construction operations of RM83.1 million as compared to a revenue of RM95.9 million in the preceding quarter. The revenue is attributed to a reversal of provision made on the LAD of RM68.0 million from a project in Indonesia. The higher revenue in the preceding quarter is mainly attributed to the recognition of the balance of revenue of RM99.1 million from the project in Indonesia.

## 2. **Material Changes in the Quarterly Results Compared to the preceding quarter (Continued)**

The revenue recorded from property and development division is slightly lower than the preceding quarter due to lower rental income.

The revenue recorded from the investment holding and others division is lower than the preceding quarter due to lower dividend income received from other investments.

For the current quarter, the Group recorded a profit after taxation of RM63.4 million as compared to the preceding quarter's profit after taxation of RM19.7 million. The profit for the current quarter was mainly due to the reversal of provisions for LAD and deviations/ variations of RM85.2 million and offset by the loss on fair value derivatives of RM26.1 million. In the preceding quarter, the Group recorded a significant net gain of RM26.4 million of unrealised foreign exchange.

## 3. **Current Year Prospects**

With the recommencement of Meena Plaza project in Abu Dhabi and also the significant milestone achievements in the project in Indonesia, the Group is in a better position to record an improved performance for the financial year ending 31 March 2012.

## 4. **Profit Forecast or Profit Guarantee**

There was no profit forecast or profit guarantee issued in a public document for the current financial period.

## 5. **Taxation**

	Current Quarter Ended		Nine months Ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>				
Malaysian income tax	21	15,545	664	13,967
Overseas income tax	116	688	471	1,163
Deferred tax	(1)	(1)	(4)	287
Tax expense	136	16,232	1,131	15,417

## 5. Taxation (Continued)

The tax charge incurred by the Group for the quarter and the nine months period to date is principally in respect of tax payment made by the Company during the financial period for the prior years' additional assessment.

## 6. Status of Corporate Proposals Announced

There was no corporate proposal announced but not completed as at 27 February 2012.

## 7. Borrowings and Debt Securities

		<b>As at 31.12.11 RM'000</b>
<b>(i) Current borrowings</b>		
<i>Secured:-</i>		
- Term loans		14,008
- Hire purchase liabilities		51
		<b>14,059</b>
<b>(ii) Non current borrowings</b>		
<i>Secured:-</i>		
- Equity Collar Loan		285,607
		<b>285,607</b>
<b>Total</b>		<b>299,666</b>

Included in the term loan (current portion) is an amount of RM14.0 million which is denominated in United Arab Emirates Dirhams.

On June 2011, the Group has obtained a term loan facility with equity collar financial derivative of RM285.6 million for tenure of up to 36 months and secured by the available-for-sale financial asset. The proceeds of the term loan was utilised to repay in full for the RM170 million existing bridging loan and other term loans facility obtained by the Group.

In relation to the term loan facility with equity collar above, the Group is required to perform a valuation of the equity collar financial derivative on each reporting date. As a result, the Group has recognised a loss on fair value of RM26.1 million during the quarter ended 31 December 2011 arising from the fair value changes on the equity collar options.

These shares are reflected as available-for-sale financial assets. A fair value assessment of the available-for-sale financial assets is carried out on each reporting date, and the changes in fair value is recorded in available-for-sale reserves. As at 31 December 2011, the fair value on available-for-sale financial assets reserve stood at RM99.9 million.

## 8. Earnings / (Loss) Per Share

The basic earnings per share for the financial period are calculated based on the Group's consolidated profit/(loss) attributable to the equity holders of the Company, divided by the number of ordinary shares outstanding at the end of the period.

	Current Quarter Ended		Nine months Ended	
	31/12/11	31/12/10	31/12/11	31/12/10
Group's profit/(loss) from continuing operations attributable to ordinary equity holders of the parent (RM' 000)	63,377	(41,295)	75,051	(71,236)
Group's loss from discontinued operations attributable to ordinary equity holders of the parent (RM' 000)	-	-	-	(4,291)
Group's profit/(loss) for the period, attributable to the equity holders of the parent (RM' 000)	63,377	(41,295)	75,051	(75,527)
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
<b>(a) Profit per share from continuing operations (sen)</b>	11.25	(7.33)	13.32	(12.65)
<b>(b) Profit/(loss) per share from discontinued operations (sen)</b>	-	-	-	(0.76)
<b>(c) Profit/ (loss) per share for the period(sen)</b>	11.25	(7.33)	13.32	(13.41)
<b>Diluted loss per share (sen)</b>	N/A	N/A	N/A	N/A

The Group has no dilution in its earnings per ordinary share as there is no potential dilutive ordinary shares in issue during the current financial period.

## 9. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements

The following analysis of realised and unrealised accumulated losses at the Group is prepared in accordance with Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad's 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.

**9. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements (Continued)**

	As at 31.12.2011 RM'000	As at 31.03.2011 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	<b>(1,265,747)</b>	(1,334,067)
- unrealised	<b>(54,919)</b>	(59,889)
	<b>(1,320,666)</b>	(1,393,956)
Consolidated Adjustments	<b>1,015,056</b>	1,013,295
Total accumulated losses as per consolidated accounts	<b>(305,610)</b>	(380,661)

The disclosure of realised and unrealised 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.

**10. Changes in Material Litigation**

There was no change in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries since the last annual reporting date as at 31 March 2011 except in relation to Note 38(d) of the Audited Financial Statements where the Court of Appeal has made an order against a subsidiary company's branch in Abu Dhabi for AED13,427,212.75 (approximately RM11,811,919) as outstanding payment together with AED1,000,000 (approximately RM857,700) as compensation and dismissed the subsidiary company's appeal for a counter action to join the project owner as co-defendant in the suit. The subsidiary company has filed an appeal against the Court's dismissal of the appeal for a counter action to join the project owner at the Cassation Court in Abu Dhabi. As advised by the external solicitor in Abu Dhabi, it is likely that the Court would hold the project owner to be responsible to pay the outstanding payment on behalf of the subsidiary company as the project owner has contractual obligations to do so.

There is no financial impact to the Group as the project owner has the contractual obligation to reimburse the Group.

**11. Dividends**

There was no dividend declared for the quarter under review.

**12. Authorisation for Issue**

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2012.

**By order of the Board**

**Muhammad Firdaus Bin Abdullah  
Secretary**

**Kuala Lumpur  
27 February 2012**