

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2012

**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 revenue from engineering and construction operations of RM15.3 million as compared to a negative revenue of RM47.5 million in the same quarter last year. The current revenue is mainly attributed to a project carried out for the construction of mixed used development plaza in Abu Dhabi, United Arab Emirates (“UAE”). For the previous corresponding quarter, the Group had made provision for Liquidated Ascertained Damage (“LAD”) of RM97.1 million for its project in Indonesia.

The revenue recorded from property and development segment for the quarter is slightly lower than the same quarter last year, due to lower rental income from car park bays.

The revenue recorded from the investment holding and others segments is at RM1.5 million as compared to negative revenue of RM7.5 million in the corresponding quarter last year. The negative revenue was due to the consolidation adjustment made to the dividend received from other segment within the Group in that corresponding quarter.

The Group recorded a loss after taxation of RM60.4 million for the current quarter as compared to a loss after taxation from continuing operations of RM181.9 million in the same quarter last year.

For the year ended 31 March 2012, the Group recorded a profit after taxation of RM14.6 million as compared to a loss after taxation from continuing operations of RM253.2 million last year. The profit is mainly attributable to writeback of provision made on LAD of RM68.0 million and writeback of provisions for deviations/variations of RM17.2 million for the project in Indonesia. However the profit was reduced by a provision made on deduction of works of approximately RM14.0 million, RM1.9 million for additional provision for equipment and installation cost and writeback of variation orders amounting to RM4.1 million, for the project in Indonesia, loss on fair value of derivative of RM32.4 million resulting from the valuation of equity collar derivative product embedded with the term loan, administrative expenses of RM18.4 million and tax charge resulting from the write off of tax recoverable in Indonesia of approximately RM9.7 million.

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

For the current quarter under review, the Group recorded revenue from engineering and construction segment of RM15.3 million as compared to a revenue of RM83.1 million in the preceding third quarter. The revenue for the current quarter is derived from the project in Abu Dhabi, UAE, while the revenue for the preceding third quarter is mainly attributed to a writeback of provision made on the LAD of RM68.0 million from the project in Indonesia and the revenue recognition of RM14.2 million from the project in Abu Dhabi.

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

The revenue recorded from the investment holding and others segments is lower than the preceding third quarter due to lower dividend received from associate company as compared to higher dividend received from other investments in the preceding third quarter.

For the current quarter, the Group recorded a loss after taxation of RM60.4 million as compared to the preceding third quarter's profit after taxation of RM63.4 million. The loss for the current quarter was mainly due to gross loss recognition of RM26.8 million, loss on unrealised foreign exchange translation of RM16.9 million as a result of further weakening of the Group's foreign operating entities currencies against Ringgit Malaysia, loss on fair value derivative of RM6.3 million and a write off of tax recoverable in Indonesia of approximately RM9.6 million.

3. Current Year Prospects

For the current year, the Group is focusing on implementing the projects that have already been secured while continuing to secure new local projects. Based on the foregoing, the Group would be in a better position to remain profitable for the financial year ending 31 March 2013.

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 | | Twelve months Ended | |
|------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | 31/03/2012 RM'000 | 31/03/2011 RM'000 | 31/03/2012 RM'000 | 31/03/2011 RM'000 |
| Continuing operations | | | | |
| Malaysian income tax | (942) | 17,043 | (1,598) | 2,789 |
| Overseas income tax | (9,905) | 33 | (10,376) | (1,129) |
| Deferred tax | (17) | (963) | (21) | (964) |
| Tax expense | (10,864) | 16,113 | (11,995) | 696 |

The tax charge incurred by the Group for the quarter and the financial year to date is principally in respect of write off of RM9.3 million tax credit by for a subsidiary company in Indonesia.

6. Status of Corporate Proposals Announced

There was no corporate proposal announced but not completed as at 28 May 2012.

7. Borrowings and Debt Securities

**As at
31.03.12
RM'000**

| | |
|----------------------------------------|----------------|
| (i) Current borrowings | |
| <i>Secured</i> | |
| - Term loan | 13,739 |
| - Hire purchase liabilities | 125 |
| - Interest on term loan | 1,241 |
| | 15,105 |
| (ii) Non current borrowings | |
| <i>Secured</i> | |
| - Equity Collar Loan | 285,607 |
| - Borrowing cost on equity collar loan | (2,416) |
| - Hire purchase liabilities | 743 |
| | 283,934 |
| Total | 299,039 |

Included in the term loan (current borrowing) is an amount of RM13.7 million which is denominated in United Arab Emirates Dirhams.

7. **Borrowings and Debt Securities (Continued)**

In relation to the term loan facility with equity collar financial derivative 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 RM6.3 million during the quarter and RM32.4 million for the year ended 31 March 2012 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 at each reporting date, and the change in fair value is recorded in available-for-sale reserves. As at 31 March 2012, the fair value on available-for-sale financial assets reserve stood at RM98.6 million.

8. **(Loss)/Earnings Per Share**

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

| | Current Quarter Ended | | Twelve Months Ended | |
|--------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------|----------------------------|------------------|
| | 31/03/12 | 31/03/11 | 31/03/12 | 31/03/11 |
| Group's (loss) /profits from continuing operations attributable to ordinary equity holders of the parent (RM' 000) | (60,393) | (181,901) | 14,658 | (253,089) |
| Group's loss from discontinued operations attributable to ordinary equity holders of the parent (RM' 000) | - | - | - | (4,339) |
| Group's (loss) /profit for the period, attributable to the equity holders of the parent (RM' 000) | <u>(60,393)</u> | <u>(181,901)</u> | <u>14,658</u> | <u>(257,428)</u> |
| Number of ordinary shares in issue (Million) | 563.264 | 563.264 | 563.264 | 563.264 |

8. (Loss) / Earnings Per Share (Continued)

| | Current Quarter Ended | | Twelve Months Ended | |
|--------------------------------------------------------------|-----------------------|----------|---------------------|----------|
| | 31/03/12 | 31/03/11 | 31/03/12 | 31/03/11 |
| (a) Profit/(loss) per share from continuing operations (sen) | (10.72) | (32.29) | 2.60 | (44.94) |
| (b) Loss per share from discontinued operations (sen) | - | - | - | (0.76) |
| (c) Profit/ (loss) per share for the period(sen) | (10.72) | (32.29) | 2.60 | (45.70) |
| Diluted loss per share (sen) | N/A | N/A | N/A | N/A |

The Group has no dilution in its earnings per ordinary share, as there are 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.

| | As at 31.03.2012 RM'000 | As at 31.03.2011 RM'000 |
|-------------------------------------------------------|-------------------------------|-------------------------------|
| Accumulated losses of the Group and its subsidiaries | | |
| - realised | (1,274,145) | (1,334,067) |
| - unrealised | (28,225) | (59,889) |
| | (1,302,370) | (1,393,956) |
| Consolidated adjustments | 936,367 | 1,013,295 |
| Total accumulated losses as per consolidated accounts | (366,003) | (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 28 May 2012.

By order of the Board

Muhammad Firdaus Bin Abdullah
Secretary

Kuala Lumpur
28 May 2012