

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 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 RM24.9 million as compared to a revenue of RM12.4 million in the same quarter last year. The current quarter's revenue is mainly attributed to a project carried out for the construction of mixed used development plaza in Abu Dhabi, United Arab Emirates (“UAE”) as compared to RM5.4 million recorded as revenue for the project in corresponding quarter last year. There was also a revenue contribution from the completed project in Rembang, Indonesia of RM7.1 million last year.

The revenue recorded from property and development and the investment holding and others segments for the quarter is comparable to the corresponding quarter last year.

The Group recorded a profit after taxation of RM22.9 million for the current quarter as compared to a loss after taxation from continuing operations of RM8.0 million in the same quarter last year. The profit is mainly derived from the changes in fair value of derivative of RM21.5 million (30/6/2011: RM nil) resulting from the valuation of equity collar derivative embedded with the term loan obtained in November 2011. The Group has recorded a favourable unrealised foreign exchange gain of RM21.0 million (30/6/2011: loss of RM0.8 million) in view of weakening of Ringgit Malaysia against the foreign currencies exposed to the Group's foreign operating entities. However, the Group incurred a finance cost of RM18.5 million (30/6/2011: RM0.2 million), of which RM13.9 million is due to the Malaysia Financial Reporting Standard (“MFRS”) 139 impact on the fair valuation of loans, financial payables and receivables which were initially measured at fair value and subsequently amortised using the effective interest. The remaining balance of RM4.6 million represents the interest on borrowings.

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 RM24.9 million as compared to a negative revenue of RM12.9 million in the preceding fourth quarter ended 31 March 2012. The revenue for the both quarters is mainly contributed from the progress works on the project in Abu Dhabi, UAE. The negative revenue in the preceding fourth quarter is mainly due to the financial year end audit adjustment in relation to that project.

The revenue recorded from property and development segment is recurring rental income from office premises and car park bays.

The revenue recorded from the investment holding and others segments of RM0.2 million as opposed to RM1.5 million recorded in preceding quarter is mainly due to dividend received from an associate company in that preceding quarter.

For the current quarter, the Group recorded a profit after taxation of RM22.9 million as compared to the preceding quarter's loss after taxation of RM60.4 million. The loss for the preceding quarter is mainly attributable to gross loss of RM26.8 million, unrealised foreign exchange loss of RM16.9 million, 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 expects to be in a 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		Three months Ended	
	30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
Continuing operations				
Malaysian income tax	21	18	21	18
Overseas income tax	15	355	15	355
Deferred tax	(1)	(2)	(1)	(2)
Tax expense	35	371	35	371

The effective tax rate for the Group's operations locally is lower than the applicable statutory rates mainly due to certain companies within the Group which were loss making and certain expenses which were not deductible for tax purposes.

6. **Status of Corporate Proposals Announced**

Save and except as disclosed below and also in item 9 of Part A of this Bursa Announcement on the Interim Financial Reporting, there was no other corporate proposal announced but not completed as at 15 August 2012:

- (i) Zelan had, on 6 August 2012, announced that it proposed to seek approval from its shareholders on a renewal of shareholders' mandate for Recurrent Related Party Transaction ("RRPT") in the forthcoming 36th Annual General Meeting to be held on 24th September 2012. The said shareholders' mandate is required in accordance with the provisions of the Listing Requirements.
- (ii) Zelan had, on 29 May 2012, announced the following:
 - (a) Its wholly owned subsidiary, Zelan Construction Sdn Bhd, had on 28 May 2012, entered into the Joint Venture Agreement with Kiara Teratai Sdn Bhd ("KTSB") to form a joint venture on an unincorporated basis under the name "Zelan - Kiara Teratai JV" for the sole purpose of carrying out the construction of a new Immigration, Custom, Quarantine and Security Complex at Bukit Kayu Hitam, Kedah; and

6. Status of Corporate Proposals Announced (Continued)

(b) Zelan-Kiara Teratai JV, had on 28 May 2012, received a letter of award from Northern Gateway Infrastructure Sdn Bhd to carry out and complete the Construction Works for a contract sum of RM310 million, which Zelan-Kiara Teratai JV had, on 4 June 2012, conditionally accepted subject to the approvals of the directors and the shareholders of Zelan and KTSB.

7. Borrowings and Debt Securities

**As at
30.06.2012
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	17,601
- Hire purchase liabilities	130
- Overdraft	2
	17,733

(ii) Non-current borrowings	
<i>Secured</i>	
- Equity Collar Loan	285,607
- Borrowing cost on equity collar loan	(2,189)
- Hire purchase liabilities	690
	284,108
Total	301,841

Included in the term loan (current borrowing) is an amount of RM15.3 million which is denominated in United Arab Emirates Dirhams.

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 gain on fair value of RM21.5 million during the quarter and period ended 30 June 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 30 June 2012, the fair value on available-for-sale financial assets reserve stood at RM58.1 million.

8. Earnings/(Losses) Per Share

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

	Current Quarter Ended		Three Months Ended	
	30/06/12	30/06/11	30/06/12	30/06/11
Group's profit / (loss) for the period, attributable to the equity holders of the parent (RM' 000)	22,986	(8,045)	22,986	(8,045)
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
Profit / (loss) per share for the period (sen)	4.08	(1.43)	4.08	(1.43)
Diluted loss per share (sen)	N/A	N/A	N/A	N/A

The Group has no dilution in its earnings/(losses) 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 30.06.2012 RM'000	As at 31.03.2012 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	(1,402,584)	(1,443,869)
- unrealised	(288)	(28,225)
	(1,402,872)	(1,472,094)
Accumulated losses of the associates		
- realised	9,700	10,525
- unrealised	(1,137)	(1,137)
	(1,394,309)	(1,462,706)
Consolidated adjustments	1,050,248	1,095,659
Total accumulated losses as per consolidated accounts	(344,061)	(367,047)

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 2012, except in relation to Note 32(c) 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. On 30 May 2012, the Cassation Court ruled that the amount payable to the subcontractor who filed the claim above is AED12,916,515.75 and AED300,000.00 as compensation together with interest at 5% on both the aforesaid amounts.

10. Changes in Material Litigation (Continued)

On 6 August 2012, the Execution Court has issued a letter to the project owner requesting the project owner to deposit the sum of AED14,256,520.17 to the account of Judicial Department, Executive Administration in order to pay the judgment obtained by the subcontractor. As the process is currently ongoing, the Conservatory Attachment has not been discharged.

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 15 August 2012.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
15 August 2012**