

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2013

**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 RM80.4 million as compared to a negative revenue of RM13.3 million in the same quarter last year. The current quarter's revenue of RM80.4 million is mainly attributed to local projects carried out in Malaysia, namely Universiti Islam Antarabangsa Malaysia (“UIAM”) Gambang project which contributed RM37.4 million, Pelabuhan Tanjung Pelepas (“PTP”) Phase 2 project of RM22.7 million and Tanjung Bin project of RM2.2 million. With regards to the project in Abu Dhabi, United Arab Emirates, (“UAE”) there was an adjustment made to recognise RM16.9 million as the current quarter's revenue.

In the previous corresponding quarter last year, the negative revenue is mainly attributed to adjustments on revenue taken up in relation to the Indonesia project of RM34.0 million. The adjustments mainly consist of reclassifications made on deduction of works of RM14.5 million and on deviation of contract of RM14.8 million respectively from Cost of Sales as in accordance to the contract, those items are to be deducted against the contract sum. This is offset by recognition of revenue of RM21 million from the project in Abu Dhabi, UAE.

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 loss after taxation of RM43.0 million for the current quarter as compared to a loss after taxation of RM61.5 million in the same quarter last year. The loss for the quarter is derived from a gross profit of RM19.5 million (31/03/2012: gross loss of RM24.9 million), loss in fair value of derivative of RM15.2 million (31/03/2012: RM6.3 million) resulting from the valuation of equity collar derivative embedded with the term loan and the net finance cost of RM31.9 million (31/03/2012: net finance income of RM6.4 million arising mainly from the discounting impact of certain receivables and payables in compliance to Malaysian Financial Reporting Standard (MFRS) 139. Net loss for the last quarter in the previous financial year was also attributed to a significant unrealised foreign exchange loss recorded of RM22.5 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 RM80.4 million as compared to a revenue of RM9.7 million in the preceding third quarter ended 31 December 2012.

The current quarter's revenue of RM80.4 million is mainly attributed to local projects carried out in Malaysia. UIAM Gambang project has contributed revenue of RM37.4 million, PTP Phase 2 project of RM22.7 million and Tg Bin project of RM2.2 million. The project in Abu Dhabi, UAE has also contributed RM16.9 million following an adjustment made in the current quarter. For the preceding quarter, the revenue is mainly contributed from the progress works on the project in Abu Dhabi, UAE of RM9.5 million.

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 segment of RM0.1 million as opposed to RM2.9 million recorded in preceding quarter is mainly due to lower dividend amount received in the current quarter.

For the current quarter, the Group recorded a loss after taxation of RM43.0 million as compared to the preceding quarter's loss after taxation of RM20.3 million. The loss for the quarter is mainly derived from gross profit of RM19.5 million, loss on fair value of derivative amounting to RM15.2 million and the net finance cost of RM31.9 million arising mainly from the discounting impact of certain receivables and payables in compliance with MFRS 139. The preceding quarter's loss of RM20.3 million is mainly derived from gross loss of RM0.7 million, impairment loss on property, plant and equipment of RM6.7 million, loss on fair value of derivative amounting to RM6.6 million and other net operating and income tax expenses of RM6.3 million.

3. Prospects For the Next Financial Year

The Group has commenced works on three (3) local projects and is looking forward to their contributions to the revenue and income of the Group. Although the market environment is expected to continue to be challenging, the Group is expecting that the existing projects and secured projects to be implemented, will be able to contribute significantly to the Group's growth.

Based on the foregoing, the Group expects the operating results for the financial year ending 31 March 2014 to be better.

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	
	31/03/2013 RM'000	31/03/2012 RM'000	31/03/2013 RM'000	31/03/2012 RM'000
Continuing operations				
Malaysian income tax	476	795	74	1,459
Overseas income tax	1,515	10,790	25,640	11,261
Deferred tax	(4)	(17)	(5)	(21)
Tax expense	1,987	11,568	25,709	12,699

The Group's tax expense in Malaysia for the current quarter is in respect of the on-going local projects which are profitable and the overseas income tax is in respect of withholding tax relating to receipts from the overseas projects of the Group.

The tax charge incurred by the Group for the year to date is principally in respect of the tax incurred by a subsidiary's branch in Indonesia.

6. Status of Corporate Proposals Announced

There was no corporate proposal announced but not completed as at 29 May 2013.

7. Borrowings and Debt Securities

**As at
31.03.2013
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	136,211
- Financing-i	13,573
- Hire purchase liabilities	393
- Overdraft	2
	150,179
<i>Unsecured</i>	
- Term loan	82,761
	232,940

7. Borrowings and Debt Securities(Continued)

(ii) Non-current borrowings	
<i>Secured</i>	
- Term Loan	155,457
- Hire purchase liabilities	1,509
	156,966
Total	389,906

Included in the overdraft and term loan (current borrowing) is an amount of RM89.0 million which is denominated in United Arab Emirates Dirhams.

In relation to the term loan facility with equity collar financial derivative, the Group is required to perform a valuation of the equity collar financial derivative as at each reporting date. As a result, the Group has recognised a loss on fair value of derivative of RM15.2 million during the quarter and a gain of RM10.4 million for the financial year ended 31 March 2013 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 the fair value reserve in equity. As at 31 March 2013, the fair value on available-for-sale financial assets reserve stood at RM86.6 million.

8. (Losses)/ Earnings Per Share

The basic (losses)/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 to date.

	Current Quarter Ended		Twelve Months Ended	
	31/03/13	31/03/12	31/03/13	31/03/12
Group's (losses)/profit for the period, attributable to the equity holders of the parent (RM' 000)	(43,129)	(61,437)	(75,560)	13,614
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
(Loss) /profit per share for the period (sen)	(7.66)	(10.91)	(13.41)	2.42
Diluted loss per share (sen)	N/A	N/A	N/A	N/A

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

The Group has no dilution in its (losses) /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.

	As at 31.03.2013 RM'000	As at 31.03.2012 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	(1,188,764)	(1,443,869)
- unrealised	114,929	(28,225)
	(1,073,835)	(1,472,094)
Accumulated losses of the associates		
- realised	9,528	10,525
- unrealised	(1,137)	(1,137)
	(1,065,444)	(1,462,706)
Consolidation adjustments	622,837	1,095,659
Total accumulated losses as per consolidated accounts	(442,607)	(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 in Abu Dhabi has made an order against a subsidiary company's branch in Abu Dhabi for AED12,916,515.75 (approximately RM11.0 million) as outstanding payment together with AED300,000 (approximately RM0.25 million) as compensation and dismissed the subsidiary company's appeal for a counter action to join the project owner as co-defendant in the suit.

10. Changes in Material Litigation (Continued)

On 6 August 2012, 3 September 2012 and 24 September 2012, the Execution Court in Abu Dhabi has issued letters to project owner instructing project owner to deposit the sum of AED14,256,520.17 (approximately RM12.1 million) to the Execution Court in order to pay the judgment obtained by the subcontractor. The project owner has appealed and the matter was fixed for hearing on 7 October 2012. The subsidiary company's branch in Abu Dhabi had then submitted its objection to the said appeal by project owner. On 17 October 2012, the Court has dismissed the said appeal by project owner. Hence, the earlier instruction from the Execution Court for the project owner to pay the sum of AED14,256,520.17 to the Execution Court remains in effect.

However, due to delay in obtaining the judgment sum from the project owner, the subcontractor instead executed the judgment obtained against the subsidiary company's branch in Abu Dhabi by requesting the Execution Court to execute the judgment against the attached bank account of subsidiary company's branch in Abu Dhabi that the subcontractor has earlier made. The bank had, on 7 January 2013, released the sum attached in the bank account of subsidiary company's branch in Abu Dhabi to the Execution Court to realise part of the judgment obtained by the subcontractor.

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 29 May 2013.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
29 May 2013**