

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 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 RM64.5 million as compared to a revenue of RM24.9 million in the same quarter last year. The current quarter's revenue is mainly attributed to local projects carried out as compared to revenue for the construction of mixed used development plaza in Abu Dhabi, United Arab Emirates (“UAE”) recorded in corresponding quarter last year.

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

For the investment and others segment, the Group recorded higher revenue of RM5.9 million (30.06.2012: RM0.2 million) mainly due to the dividend recognition from its available-for-sale financial assets.

The Group recorded a profit after taxation of RM7.9 million for the current quarter as compared to a profit after taxation of RM22.9 million in the same quarter last year. The profit is mainly derived from the gross profit from local projects amounting to RM14.1 million (30.06.2012: overseas project of RM0.2 million), gain from sale of available-for-sale financial assets amounting to RM12.0 million (30.06.2012: Nil). However, the profit is offset by the loss in fair value of derivative of RM8.4 million (30.6.2012: gain RM21.5 million) resulting from the valuation of the fair value of the equity collar derivative embedded with the term loan obtained in November 2011. In addition, the Group incurred finance cost of RM8.5 million (30.06.2012: RM18.5 million). The Group had also recorded an unfavourable unrealised foreign exchange loss of RM0.3 million (30.6.2012: gain of RM21.1 million) for the current quarter.

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 RM64.5 million as compared to a revenue of RM80.5 million in the preceding fourth quarter ended 31 March 2013.

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

The revenue for the both quarters is mainly contributed from the local projects with the inclusion of revenue from mixed used development plaza in Abu Dhabi, UAE of RM16.9 million in the preceding fourth quarter ended 31 March 2013.

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 RM5.9 million as opposed to the preceding fourth quarter is mainly due to dividend recognised from available-for-sale financial assets in the current quarter.

For the current quarter, the Group recorded a profit after taxation of RM7.9 million as compared to the preceding fourth quarter's loss after taxation of RM45.2 million. The loss for the preceding fourth quarter is mainly attributable to loss on fair value of the derivative of RM15.1 million, higher finance cost due to the MFRS 139 impact of RM56.5 million and a late payment interest charge on tax in Indonesia of approximately RM14.2 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 2014.

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	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
Malaysian income tax	18	21	18	21
Overseas income tax	-	15	-	15
Deferred tax	(1)	(1)	(1)	(1)
Tax expense	17	35	17	35

The effective tax rate for the Group's operations locally is lower than the applicable statutory rates mainly due to the utilisation of previously unrecognised deductible differences by certain companies within the Group during the current quarter under review.

6. Status of Corporate Proposals Announced

Save and except as disclosed below, there was no other corporate proposal announced but not completed as at 28 August 2013:

The Group had, on 31 July 2013, announced that it proposed to seek approval from its shareholders for the following:

- (i) proposed disposal of up to 56,671,000 ordinary shares of RM1.00 each in IJM Corporation Berhad (“IJM”) (“IJM Shares”), for cash to buyers to be identified and at prices to be determined later (“Proposed Shareholders’ Mandate”)
- (ii) proposed reduction of RM0.40 of the par value of each existing ordinary share of RM0.50 each in Zelan Berhad (“Zelan Share” or “Share”) pursuant to Section 64 of the Companies Act 1965 (“Act”) (“Proposed Par Value Reduction”).
- (iii) proposed reduction of the share premium account of Zelan Berhad pursuant to Section 60 and Section 64 of the Act (“Proposed Share Premium Reduction”).
- (iv) proposed amendment to the memorandum of association of Zelan Berhad (“MoA”) to amend the authorised share capital of Zelan Berhad from RM400,000,000 comprising 800,000,000 Zelan Shares to RM400,000,000 comprising 4,000,000,000 ordinary shares of RM0.10 each in Zelan Berhad (“New Zelan Shares”) to facilitate the implementation of the Proposed Par Value Reduction and Proposed Rights Issue with Warrants (“Proposed MoA Amendment”); and
- (v) proposed renounceable rights issue of 281,631,485 New Zelan Shares (“Rights Shares”) together with 281,631,485 new free detachable warrants (“Warrants”) on the basis of 1 Rights Share for every 2 New Zelan Shares together with 1 free Warrant for every 1 Rights Share subscribed in Zelan Berhad held on an entitlement date to be determined and announced later after the completion of the Proposed Capital Restructuring (“Proposed Rights Issue with Warrants”).

The Proposed Par Value Reduction and Proposed Share Premium Reduction are hereinafter referred to as the “Proposed Capital Restructuring”.

6. Status of Corporate Proposals Announced (Continued)

The above proposals are subject to approvals from the following:

- (i) Bursa Securities, for the following:
 - (a) the additional listing of and quotation for the Rights Shares and New Zelan Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities; and
 - (b) the admission of the Warrants to the Official List of Bursa Securities and listing of and quotation for the Warrants on the Main Market of Bursa Securities;
- (ii) the shareholders of Zelan, at an extraordinary general meeting (“EGM”) to be convened;
- (iii) the sanction of the High Court of Malaya, for the Proposed Capital Restructuring; and
- (iv) any other relevant authorities, if required.

7. Borrowings and Debt Securities

**As at
30.06.2013
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	202,176
- I-Financing	13,500
- Letter of Credit	3,403
- Hire purchase liabilities	396
	219,475
<i>Unsecured</i>	
- Overdraft	2
- Term loan	92,511
	92,513
Total	311,988

(ii) Non-current borrowings	
<i>Secured</i>	
- Term loan	72,363
- I-Financing	30,383
- Hire purchase liabilities	1,487
Total	104,233

7. Borrowings and Debt Securities (Continued)

Included in the overdraft and term loan (current borrowing) is an amount of RM92.5 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 on each reporting date. As a result, the Group has recognised a loss on fair value of derivative of RM8.4 million during the quarter and period ended 30 June 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 30 June 2013, the fair value on the available-for-sale financial assets reserve stood at RM87.4 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	
	30.06.13	30.06.12	30.06.13	30.06.12
Group's profit for the period, attributable to the equity holders of the parent (RM' 000)	7,856	22,986	7,856	22,986
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
Basic and diluted earnings per share for the period (sen)	1.39	4.08	1.39	4.08

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.

	As at 30.06.2013 RM'000	As at 31.03.2013 RM'000
Accumulated losses of the Group and its subsidiaries		
- realised	(1,335,000)	(1,185,116)
- unrealised	52,909	163,166
	(1,282,091)	(1,021,950)
Accumulated losses of the associates		
- realised	6,777	7,263
- unrealised	(4,898)	(4,763)
	(1,280,212)	(1,019,450)
Consolidated adjustments	895,519	626,901
Total accumulated losses as per consolidated accounts	(384,693)	(392,549)

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 2013.

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 August 2013.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
28 August 2013**