

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 DECEMBER 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 RM51.5 million as compared to a revenue of RM9.7 million in the same quarter last year. The current quarter’s revenue is mainly attributed to local projects revenue of RM50.4 million as compared to revenue for the construction of Meena Plaza in Abu Dhabi of RM9.5 million 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 a revenue of RM0.1 million for the current quarter as compared to RM2.8 million during the corresponding quarter last year mainly due to dividend received of RM2.7 million from the available-for-sale financial assets.

The Group recorded a profit after taxation of RM22.9 million for the current quarter as compared to a loss after taxation of RM20.3 million in the same quarter last year. The profit is mainly derived from gain on disposal of available-for-sale financial assets amounting to RM84.0 million (31.12.2012: Nil) offset by further provision of RM42.8 million resulting from re-measurement of certain receivables on Rembang project (31.12.2012: Meena project loss of RM3.8 million), finance cost of RM8.0 million (31.12.2012: positive finance cost of RM12.3 million) and loss on fair value of the derivative of RM0.3 million (31.12.2012: RM6.6 million). The Group’s results were further impacted by the additional provision made on related tax penalty charges in Indonesia of RM5.9 million and provision made for the preparation of arbitration for Meena project of RM2.5 million. The Group had also recorded a tax expense of RM2.3 million (31.12.2012: tax credit of RM0.5 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 RM51.5 million as compared to a revenue of RM51.3 million in the preceding second quarter ended 30 September 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 of RM50.4 million in the current quarter and RM57.6 million in the second quarter ended 30 September 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 is comparable to the preceding second quarter ended 30 September 2013.

For the current quarter, the Group recorded a profit after taxation of RM22.9 million as compared to the preceding second quarter's loss after taxation of RM6.2 million. The profit for the quarter is mainly attributable to the gain on disposal of available-for-sale financial assets of RM84.0 million (30.09.2013: RM2.1 million) offset by further provision of RM42.8 million resulting from re-measurement of certain receivables on Rembang project, finance cost of RM8.0 million (30.09.2013: RM11.1 million) and loss on fair value of the derivative of RM0.3 million (30.09.2013: RM5.9 million). The Group's results were further impacted by the additional provision made on related tax penalty charges in Indonesia of RM5.9 million and provision made for the preparation of arbitration for Meena project of RM2.5 million. The Group had also recorded a tax expense of RM2.3 million (30.09.2013: Nil) for the current quarter.

3. Current Year Prospects

For the current year, the Group is focusing on completing the projects that have already been secured while continuing to secure new local projects. Cost optimisation and, where appropriate, cost reduction will continue to be the focal points in driving increased operational efficiencies.

As of to date, the Group has completed the corporate exercise on capital restructuring and the issuance of rights issue with detachable warrants.

The Group has also completed the disposal of the remaining balance of its available-for-sale financial assets in order to pare down further its bank borrowings. With the completion of the above exercises, the Group will be in a better position to sustain its operations moving forward.

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		Nine months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Malaysian income tax	2,264	(453)	2,340	(402)
Overseas income tax	-	3	-	24,125
Deferred tax	(1)	-	(4)	(1)
Tax expense	2,263	(450)	2,336	23,722

The effective tax rate for the Group is lower than the applicable statutory rates mainly due to certain companies within the Group which were loss making and certain income which was capital in nature and not subject to tax.

6. Status of Corporate Proposals Announced

There is no other corporate proposal announced up to the date of this announcement except for:

- a) On 19 November 2013, an announcement was made by AFFIN Investment Bank Berhad on behalf of Zelan Berhad that the sealed order of the High Court of Malaya in Kuala Lumpur confirming the Par Value Reduction and Share Premium Reduction dated 14 November 2013 has been lodged with the Companies Commission of Malaysia on 15 November 2013. The Certificate of Lodgment of Order of High Court Confirming Reduction of Share Capital dated 15 November 2013 has been received from the Companies Commission of Malaysia on 19 November 2013, marking the completion of the Par Value Reduction and Share Premium Reduction effective from 15 November 2013. Following the completion of the Par Value Reduction and the Share Premium Reduction, the Amendment to the Company's Memorandum of Association was completed on the same date.
- b) On 12 December 2013, an announcement was made by AFFIN Investment Bank Berhad on behalf of Zelan Berhad that its Board of Directors resolved to fix the issue price of the Rights Shares at RM0.15 and the exercise price of the Warrants at RM0.25 to be issued in relation to the Rights Issue with Warrants.
- c) On 13 December 2013, the Company announced the Entitlement Date has been fixed on 30 December 2013 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.
- d) On 30 December 2013, the Company announced its abridged prospectus in relation to the Rights Issue of Shares with Warrants ("AP") together with the notice of provisional allotment ("NPA") and rights issue subscription form ("RSF").

6. Status of Corporate Proposals Announced (Continued)

- e) On 22 January 2014, an announcement was made by AFFIN Investment Bank Berhad on behalf of Zelan Berhad that as at the close of acceptance and payment for the Rights Issue with Warrants as at 5.00 p.m. on 16 January 2014, the Rights Shares have been oversubscribed by 131,492,248 shares (46.69%) over the total number of 281,631,485 Rights Shares available for subscription pursuant to the Rights Issue with Warrants.
- f) On 28 January 2014, the Company announced that its 281,631,485 Rights Shares issued pursuant to the Rights Issue with Warrants will be granted listing and quotation with effect from 9.00 a.m., Thursday, 30 January 2014 and that its 281,631,485 Warrants issued pursuant to the Rights Issue with Warrants will be admitted to the Official List of Bursa Malaysia Securities Berhad and the listing and quotation of the Warrants on the Main Market will be granted with effect from 9.00 a.m., Thursday, 30 January 2014.
- g) On 30 January 2014, an announcement was made by AFFIN Investment Bank Berhad that the Rights Issue with Warrants has been completed on 30 January 2014, following the listing of and quotation for 281,631,485 Rights Shares and 281,631,485 Warrants on the Main Market of Bursa Malaysia Securities Berhad on even date.

7. Borrowings and Debt Securities

**As at
31.12.2013
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	78,464
- I-Financing	13,500
- Hire purchase liabilities	390
	92,354
<i>Unsecured</i>	
- Overdraft	6
Total	92,360
(ii) Non-current borrowings	
<i>Secured</i>	
- I-Financing	73,007
- Hire purchase liabilities	1,288
Total	74,295

7. Borrowings and Debt Securities (Continued)

Included in the overdraft and term loan (current borrowing) is an amount of RM70.2 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 RM0.3 million during the quarter and RM14.6 million during the nine months ended 31 December 2013 arising from the fair value changes on the equity collar options. As at 11 November 2013, the Group has fully settled the term loan facility with equity collar options.

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		Nine Months Ended	
	31.12.13	31.12.12	31.12.13	31.12.12
Group's profit /(loss) for the period, attributable to the equity holders of the parent (RM' 000)	22,943	(20,215)	24,583	(32,431)
Number of ordinary shares in issue (Million)	563.264	563.264	563.264	563.264
Basic and diluted earnings/(loss) per share for the period (sen)	4.07	(3.59)	4.36	(5.76)

The Group has no dilution in its earnings / (loss) 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 retained earnings / (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 31.12.2013 RM'000	As at 31.03.2013 RM'000
(Accumulated losses) / retained earnings of the Group and its subsidiaries		
- realised	(935,333)	(1,185,116)
- unrealised	53,849	163,166
	(881,484)	(1,021,950)
Retained earnings / (accumulated losses) of the associates		
- realised	6,749	7,263
- unrealised	(4,898)	(4,763)
	(879,633)	(1,019,450)
Consolidated adjustments	861,369	626,901
Total accumulated losses as per consolidated accounts	(18,264)	(392,549)

The disclosure of realised and unrealised retained earnings / (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, except in relation to Note 32 (d) of the Audited Financial Statement, on 23 December 2013, the Court Experts have submitted their report to the Court of First Instance and the case is fixed for Judgment on 25 February 2014.

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 17 February 2014.

By order of the Board

**Norlida Jamaludin
Secretary**

**Kuala Lumpur
17 February 2014**