

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2014

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 segment of RM75.7 million as compared to a revenue of RM80.4 million in the corresponding quarter last year. The current quarter’s revenue is mainly attributed to local projects revenue of RM75.6 million as compared to local projects revenue of RM63.3 million and the revenue from Meena Plaza project in Abu Dhabi of RM16.9 million recorded in corresponding quarter last year.

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

The revenue recorded from investment and others segment for the quarter is comparable to the corresponding quarter last year.

The Group recorded a profit after taxation of RM10.6 million for the current quarter as compared to a loss after taxation of RM45.3 million in the corresponding quarter last year. The profit for the current quarter is mainly derived from gain on disposal of available-for-sale financial assets amounting to RM8.2 million (31.03.2013: Nil) and net interest income of RM4.4 million (31.03.2013: net finance cost of RM28.5 million) due to additional accretion of discounts on long term receivables of RM6.0 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 RM75.7 million as compared to a revenue of RM51.5 million in the preceding third quarter ended 31 December 2013.

The revenue for the both quarters is mainly contributed from the local projects of RM75.7 million in the current quarter and RM50.4 million in the preceding third quarter ended 31 December 2013.

The revenue recorded from property and development segment is recurring rental income from office premises and car park bays and is comparable to the preceding third quarter ended 31 December 2013.

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

The revenue recorded from the investment and others segment is comparable to the preceding third quarter ended 31 December 2013.

For the current quarter, the Group recorded a profit after taxation of RM10.6 million as compared to RM22.9 million in preceding third quarter. The profit for the quarter is mainly attributable to the gain on disposal of available-for-sale financial assets of RM8.2 million (31.12.2013: RM84.0 million) and net interest income of RM4.4 million (31.12.2013: net finance cost of RM6.6 million) due to additional accretion of discounts on long term receivables of RM6.0 million offset by tax expense of RM2.7 million (31.12.2013: RM2.3 million). The Group's results for the preceding third quarter were impacted by further provision of RM42.8 million resulting from re-measurement of certain receivables on Rembang project, 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.

3. Prospects for the Next Financial Year

The Group achieved a significant milestone with the completion of its construction of wharf structures and back wharf of Berth 13 and 14 for Pelabuhan Tanjung Pelepas ahead of schedule on 7 April 2014.

On 15 April 2014, the Group signed a Second Supplementary Agreement with Meena Holdings LLC ("Meena Holdings"), the owner of Meena Plaza Mixed Use Development Project in Abu Dhabi, United Arab Emirates. Both parties have agreed to continue with the said project for the remaining balance of work value of AED515.5 million (approximately RM453.6 million) to be carried out for a duration of 15 months from recommencement date of the project. The settlement of the disputes above would significantly improve the Group's cash flow position.

With the above developments together with the Group's active participation in open tenders, the Group is looking forward to increase its order book and to improve its performance.

4. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued in a public document for the current financial year.

5. Taxation

	Current quarter ended		Twelve months ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Malaysian income tax	1,943	425	4,788	23
Overseas income tax	709	3,138	204	27,263
Deferred tax	(1)	-	(5)	(1)
Tax expense	2,651	3,563	4,987	27,285

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 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.
- b) 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
31.03.2014
RM'000**

(i) Current borrowings	
<i>Secured</i>	
- Term loan	24,385
- Islamic financing	6,330
- Hire purchase liabilities	496
	31,211
<i>Unsecured</i>	
-Overdraft	11
Total	31,222
(ii) Non-current borrowings	
<i>Secured</i>	
- Islamic financing	92,005
- Hire purchase liabilities	1,408
Total	93,413
Total	124,635

Included in the overdraft and term loan (current borrowings) is an amount of RM19.6 million which is denominated in United Arab Emirates Dirhams.

8. Earnings / (Losses) Per Share

The basic earnings/(losses) per share for the financial period/ year 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.

The diluted earnings/(losses) per share for the financial period / year are calculated based on the Group's profit/(loss) attributable to the equity holders of the Company, divided by the weighted average number of ordinary shares in issue, adjusted to assume the conversion of all dilutive potential ordinary shares (e.g. warrants).

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

	Current Quarter Ended		Twelve Months Ended	
	31.03.14	31.03.13	31.03.14	31.03.13
Group's profit / (loss) for the period, attributable to the equity holders of the parent (RM' 000)	10,636	(45,365)	35,219	(77,796)
Weighted average number of ordinary shares in issue (Million)	610.202	563.264	610.202	563.264
Basic earnings / (loss) per share for the period (sen)	1.74	(8.05)	5.77	(13.81)
Weighted average number of ordinary shares in issue for diluted earnings / loss per share (Million)	610.202	563.264	610,202	563.264
Diluted earnings / (loss) per share for the period (sen)	1.74	(8.05)	5.77	(13.81)

The diluted earnings per share is the same as basic earnings per share calculated above as the warrant options are anti-dilutive.

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.

	As at 31.03.2014 RM'000	As at 31.03.2013 RM'000
(Accumulated losses) / retained earnings of the Group and its subsidiaries		
- realised	(936,363)	(1,185,116)
- unrealised	53,849	163,166
	(882,514)	(1,021,950)

9. Supplementary information disclosed pursuant to Bursa Malaysia Securities Listing Requirements (continued)

	As at 31.03.2014 RM'000	As at 31.03.2013 RM'000
Retained earnings / (accumulated losses) of the associates		
- realised	6,502	7,263
- unrealised	(4,898)	(4,763)
	(880,910)	(1,019,450)
Consolidated adjustments	873,282	626,901
Total accumulated losses as per consolidated accounts	(7,628)	(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 litigations, including the status of pending material litigations 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. Utilisation of Proceeds raised from Rights Issue

On 30 January 2014, the Company has completed the Corporate Exercise which comprised inter-alia the following:

Renounceable Rights Issue of 281,631,485 new ordinary shares of RM0.10 each in Zelan ("Right Shares") on the basis of 1 Rights Share for every 2 existing ordinary shares of RM0.10 each in Zelan ("Zelan Shares") held on 30 December 2013 together with 281,631,485 free detachable warrants ("Warrants") on the basis of 1 warrant for every 1 Right Share subscribed at an issue price of RM0.15 per Right Share, ("Rights Issue with Warrants").

12. Utilisation of Proceeds raised from Rights Issue (continued)

The details and status of the utilisation of proceeds of RM42.245 million from the Renounceable Rights Issue are as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Time Frame
Repayment of bank borrowings	40,619	22,460	Within 12 months
Working capital	-	8,159	-
Estimated expenses in relation to the Rights Issue with Warrants	1,626	1,626	-
	42,245	32,245	

13. 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 21 May 2014.

By order of the Board

Norlida Jamaludin
Secretary

Kuala Lumpur
21 May 2014